

A pilot study on awareness among bank users about Micro-Finance

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Abstract: Micro Finance Institutions (MFI) supply Finance to the low income group of the society. Nowadays, taking a small amount of loan to start a company or for a self-employment is very simple for anyone. All thanks to the institutions of micro-finance. The objective of this study is to know the awareness of Micro Finance among bank users. This study is done as a pilot study to know whether the people really know that there are Micro Finance Institutions available for them and to know their opinions about the Micro Finance Services.

Keywords:

Micro Finance, Micro Finance Institutions, Small Help Groups, Women Empowerment, Micro Credit, Pune Metropolis, Micro Finance Borrowers (MFB).

Research Methodology:

This research is based on the City of Pune, focusing on the Awareness of Micro Finance Institutions among the various bank users. Hence, the following Research Methodology has been adopted:

- **Primary data** with interview and Questionnaire method
- **Secondary data:** - referring websites, research papers and journals

Introduction:

Microfinance Institutions (MFI) supply funds to the poor with loans and other financial services. Micro Finance has developed, to engage people in their occupations and to encourage self employment so as to achieve poverty alleviation and social secured provisions. Micro-finance has developed. India has developed its own model of bank-linked microfinance organizations in the form of savings and loan groups known as the Self Help Group (SHGs). These SHGs are created and managed primarily by females, and this has become a tool that has led to empowerment and social change for females. Most of India's microfinance organizations are trying to go beyond savings and loan organizations. Self-help group concept (SHGs) is the most interesting microfinance discovery. SHGs and their connection with banks dominate the Indian microfinance scene. Micro-finance helps self-help groups in poverty eradication and women empowerment.

The Concept of Microfinance

Microfinance is a concept that helps the poor take advantage of creating economic growth possibilities. In India, by offering small-scale savings, credit, insurance and other financial services to poor and low-income households, microfinance has fulfilled the efforts of rural development, women empowerment and wealth generation. Microfinance therefore serves as a means of empowering the poor and offers a precious tool for supporting the process of economic development. Over the past two decades, the notion of micro-financing and self-employment in rural regions has evolved significantly. It does not work on domain / charity or subsidy. It is essentially rotational investment made to motivate the poor to empower themselves and practice the dictum 'Save for the future and use that resource when needed.' Theoretically, microfinance, also known as microcredit or micro-lending, means providing the self-employed or self-employed seeking poor with smaller working capital loans.

Microcredit has described the extension of tiny loans to be provided in various doses based on the absorption ability of the needy beneficiaries, who are too poor to qualify for official bank loans, since they have no property to give as collateral loan safety. Microcredit can be described as the credit and repeated credit given in tiny measures to meet the demands of the recipient, at a pleasant repayment level and at a suitable interest rate.³ The microcredit summit held in Washington D.C. established microcredit. In February 1997,

"programs providing self-employment, other economic and company services to very bad people" could be interpreted as micro-credit and micro-savings in a wider context, although micro-credit and micro-finance were used interchangeably. If the word ' microfinance' is used, however, it means certain other services that accompany credit

Structure of Microfinance in India:-

India does not have a standardized structured law to regulate microfinance organizations, as we stated previously. Different types of organizations are dependent for working on different current regulatory frameworks. All microfinance organizations are aimed at recipients ' social and economic upliftment. But distinct types of organizations work to achieve the same. They are widely categorized as non-profit organizations, organizations of mutual advantage and organizations of profit¹⁰. The objective of non-profit organizations is only the beneficiary class's economic and social empowerment. Such undertakings are registered in various formats including as a corporation under the 1860 corporate registration act, charitable trusts under trust act and as a corporation under section 25. Mutual benefit organizations only work for the advantage of their employees. Those are recorded under a co-operation that can only be a savings and loan co-operation or be further authorized as a co-operating bank, mutual benefit trust, chitties act, and section 620 nidhi businesses with mutual advantage. For profit entity can be registered as an association of individuals, investment trusts and a company that is either an NBFC or a bank. There are therefore primarily three channels for microfinance institutions to be regulated. NBFCs are recorded with the Indian Reserve Bank. Further co operative institutions are registered under concerned state co operative society's act and multi state co operative society under central government. Non profit entities are registered under societies or trust acts under the concerned state. Company under Indian company's act 1956 also possible for mutual benefit and profit based undertakings

The Important Features of Microfinance are

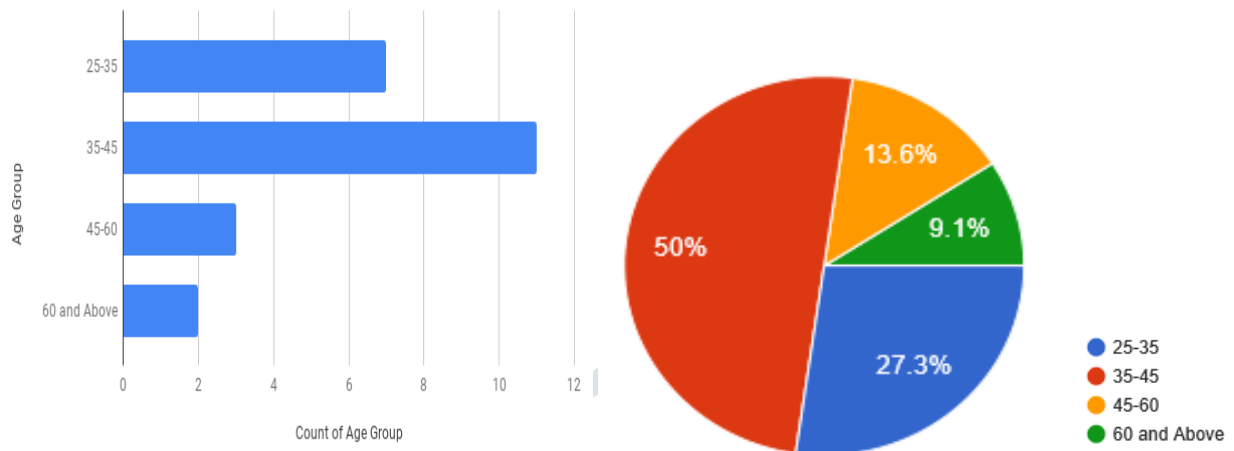
- Microfinance is an instrument for empowering bad females;
- There are very small loans under microfinance programs;
- Microfinance targets the rural and urban poor;
- Microfinance credit follows thrift, i.e. funds are mobilized and loaned the same;
- Low transaction costs resulting from group loans;
- Operating transparencies;
- Short period of repayment;
- Simple method to review, process and approve requests for loans and credit distribution;
- Chances of misuse are uncommon and repayment is guaranteed;
- Peer pressure acts as the collateral security that loans require; 11. Need based loan disbursement;
- Prompt repayment ; and
- There is no RBI ceiling for minimum and maximum quantities

Data Collection Analysis and Interpretation:-

The Researcher has collected primary data of Micro Finance in Pune city to understand awareness by following questionnaire method. A sample size of 25 banks users was taken up as a random sample. Questionnaire was prepared and circulated (Copy Enclosed), and their responses were classified and interpreted as follows:-

1) Age Group

Count of Age Group



The above data has been collected from various age groups. And the researcher has found more groups is from age group of 35to45

2) Are you from Urban area or Rural area

Count of Mention the Area



The above data has been collected from various group of people and the respondents are all from urban area.

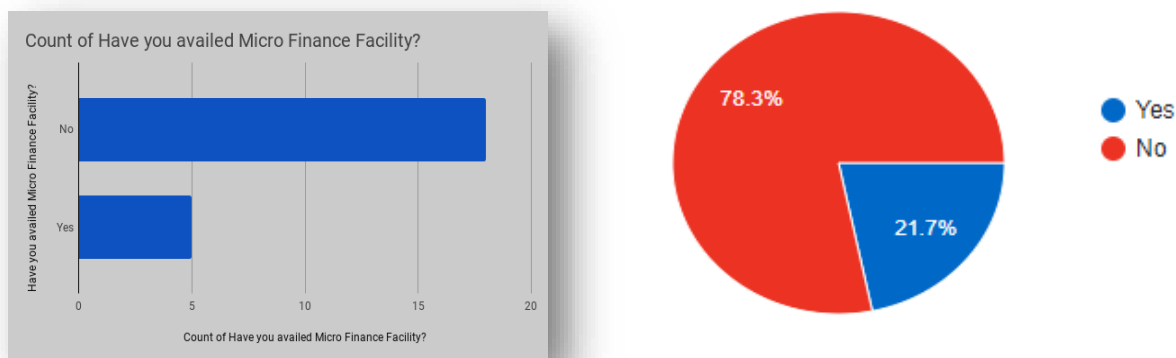
3) Have you availed Micro Finance facility?

Count of Are you aware about Micro Finance?



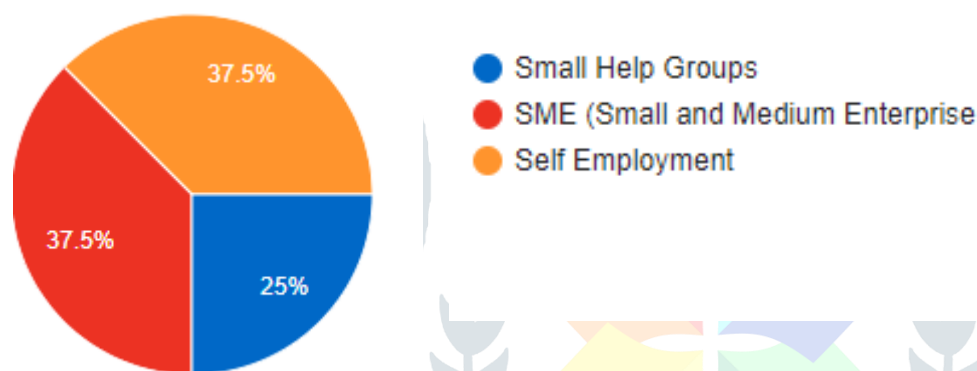
From the above data 78.3% respondents are aware about the Micro Finance and 21.7% are from rural area.

4) Have you availed Micro Finance Facility?



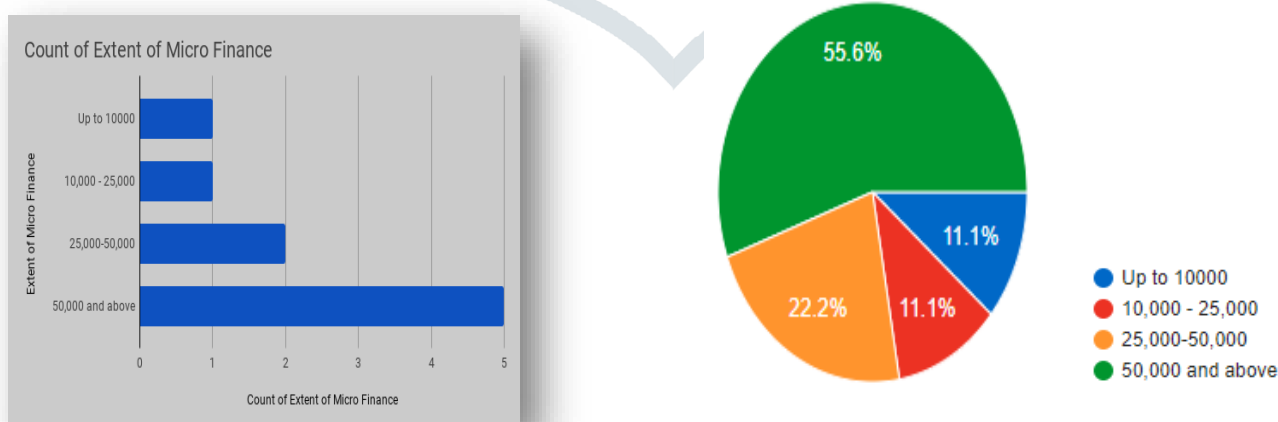
From the respondents 21.7% have availed Micro Finance Facility and 78.3 % have not availed the facility of Micro Finance.

5) If Yes, For What Purpose?



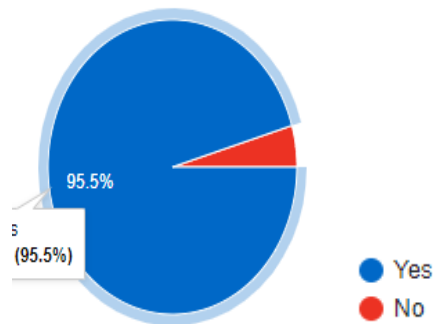
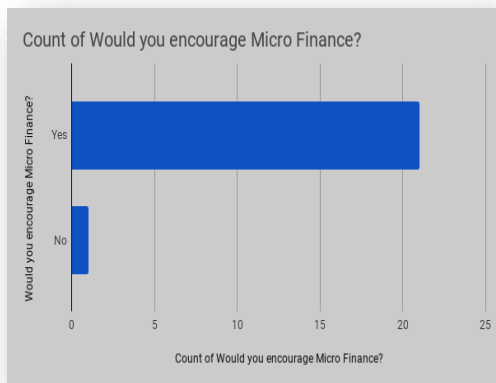
From the respondents 25% people have availed for Small Help Groups 37.5% have availed it for small and Medium enterprise and another 37.5% have availed it for Self Employment.

6) Extent of Micro Finance?



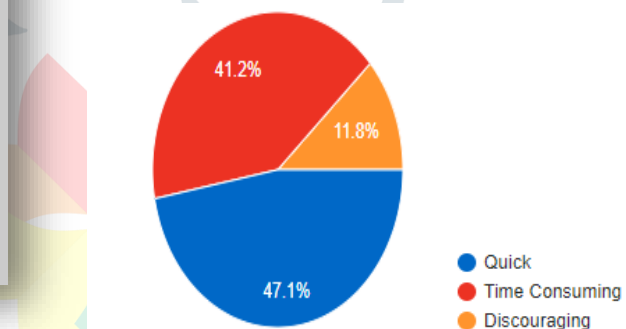
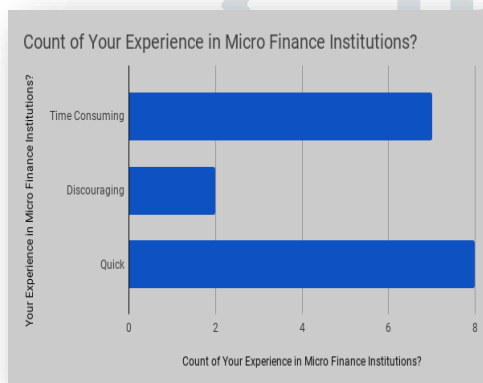
According to the above draft it has been found that 55.6% are aware about the Micro Finance is available for 50,000 and above. 22.2% are aware about that 25000-50000 is also receiving as Micro finance. 11.1% are aware about the extent of Micro Finance Limit.

7) Would you encourage Micro Finance?



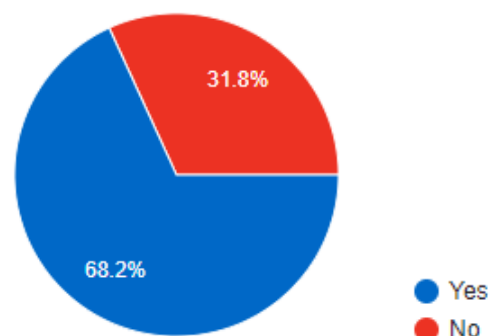
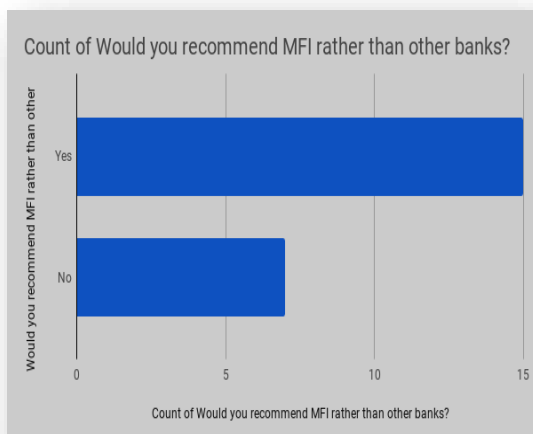
95.5 % respondents are encouraging Micro Finance activities. Which is huge in number so as to get the full market?

8) You're Experience in Micro Finance Institutions?



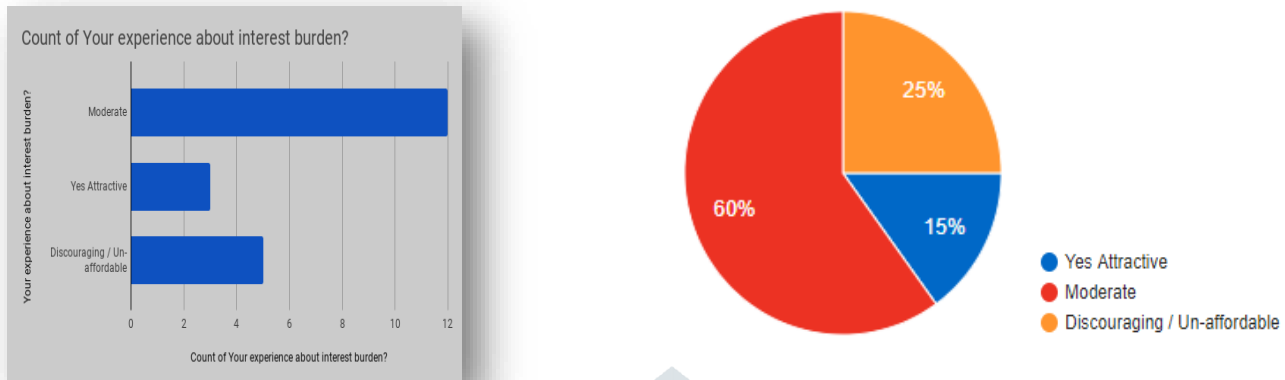
Experience in Micro Finance Institutions is 47.1 % people are saying that it is quick 41.2 % are saying that it is time consuming and 11.8% are saying that it is discouraging

9) Would you recommend MFI rather than other banks?



68.2% respondents are recommending MFI rather than other banks.

10) Your experience about interest burden?



15% respondents feel that the interest burden is attractive and 60% feels it is moderate

Findings and conclusions

This is a pilot study. This study has proved the validity of this unexplored area of research in modern banking. Further probe into the area of MFI and needs of MFB can be made with a systematic research into it. As a pilot study, it was a purposeful sample with a Trial Questionnaire.

- It has been found that the respondents were just aware about the Micro Finance Banks but they have not availed the facility of it.
- Micro Finance Institutions should keep promotional activities more, so as to increase awareness in the minds of the customers
- MFIs need trained staff to operate. In several cases, drop out of trained staff is very high which reduces the reach of an MFI
- MFIs serve society but they are also a profit-making institution.
- In many cases, MFIs achieve a lot of success in their programs in initial period, but they fail to maintain the same record in the long run because of lack of proper commercial orientation, thus making them unsustainable.

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