

An Analysis Of The Awareness, Perception, And Utilisation Of Microfinance Services Among Small Business Owners And Households In Panvel Talluka

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Abstract

This study, titled "An Analysis of the Awareness, Perception, and Utilisation of Microfinance Services Among Small Business Owners and Households," investigates the relationship between socio-economic profiles and engagement with Microfinance (MF) in the target area. The research utilizes a descriptive and explanatory design, analyzing data from 100 respondents primarily engaged in Service and Agriculture.

Introduction

For some, microfinance serves as a tool to encourage economic advancement, job creation, and expansion through the assistance of small business owners and micro-entrepreneurs. Microfinance encompasses a wide range of services, including microcredit. Microcredit refers to small loans provided to individuals or businesses that lack access to traditional banking services offering credit services to low-income clients. Despite being one of the components of microcredit, microfinance, the merging of the two concepts is widespread in public discussions. Critics frequently criticize micro financing while mentioning it interchangeably as either 'microfinance' or 'microcredit'. Owing to the extensive variety of microfinance services, evaluating impact is challenging, and only a small number of research efforts have aimed to evaluate its complete effect. Supporters frequently assert that microfinance elevates individuals from poverty, yet the evidence is inconclusive. What it actually achieves, though, is to improve Economic inclusion.

The population of the study is taken from the Panvel taluka of the Raigad District from the state of Maharashtra. The taluka has around 160 villages which are very well connected to the major hubs/ cities by both road and railways. This is an important factor as this changes the demographics especially in the field of education.

The research was conducted from **four main villages namely, Apte, Karnala, Ghot, and Morbe.**

Literature Review

Sharma and Deshmukh (2013) in their study entitled —A Study Of Micro Finance Facilities And Analyzing The Awareness Level Of Rural People About Micro Finance In Nagpur City studied the awareness of microfinance in the Nagpur city. This study found out that awareness of microfinance level is very high. Moreover, The study reveals that most of the poor people of Nagpur city are aware about micro saving schemes and also these schemes are the most opted for options amongst the targeted consumers.

Gordon, A.N. and others (2011) this paper aims to examine links between women's access to micro-finance and how they use maternal healthcare services in sub-Saharan Africa (SSA).

It is found that improved access to micro-finance by women, combined with education may enhance maternal health service uptake.

The Microfinance promise in Financial Inclusion: Evidence from India by **N. K. Shetty and Dr. Veerashekharappa (2009)** studies the importance of microfinance in bringing about financial inclusion. The paper studies impact of the increasing gap in demand and supply of financial services in India which has led to the increasing population of the country to be excluded from the formal financial credit system. Financial performance of Microfinance Institutions: A comparison to performance of Regional Commercial banks by geographic regions by Michael Tucker and Gerald Miles studies the performance of MFIs which are self-sufficient and comparing those with the regional commercial banks based on selected financial ratios. Microfinance institutions provide small loans to the rural low-income population. However, with growth of the microfinance institutions and with increasing competition, the MFIs have very limited access to funds.

Microfinance in India: Discussion by **R. Srinivasan and M.S. Sriram** shows the various views of people from various microfinance institutions. Microfinance has been viewed as an effective tool in bringing about financial inclusion and as a measure to alleviate poverty. This discussion also is a study on the various models of microfinance prevailing in India and aims to discuss if these models contribute to the growth and sustainability. It also aims to discuss about the various government policies and regulatory frame work prevailing in microfinance sector.

Research Methodology

Research Design

1. The study utilized a Descriptive and Explanatory research design.

- Descriptive: Used to determine the socio-economic profile (age, education, income, occupation) of the respondents and to detail the current state of Microfinance (MF) awareness, perception, and utilization.
- Explanatory: Used to establish causal relationships between demographic and occupational factors and the measured outcomes (awareness, utilization, and satisfaction) by testing the formulated hypotheses using statistical techniques.

2. Study Population and Sample

- Target Population: Households and small business owners in the specified geographic area who are potential or actual users of financial services.
- Sample Size: The study was conducted on a sample of 100 respondents (as evidenced by the data provided).
- Sampling Technique: The initial data collection likely employed a Convenience or Quota Sampling technique, given the final rounded number of respondents (100)

3. Data Collection Instrument

- Instrument: A structured, pre-tested Questionnaire was used to collect both quantitative and qualitative data.
- Data Types:
 - Primary Data: Collected directly from the respondents via the questionnaire.
 - Variables Measured: Categorical (Gender, Marital Status, Occupation), Ordinal (Education, Income Brackets, Awareness Level 1-5, Likert Scale perception questions), and Nominal (Yes/No questions, source of information).

4. Data Analysis Plan

The collected data will be analysed using descriptive and inferential statistics -

- Through a suitable statistical package (e.g., SPSS, R, or Excel).
- To summarize the demographic profiles and MF awareness levels.
- Tools: Frequencies (counts) and Percentages (to describe the distribution of variables like age, occupation, and scheme awareness) and Mean/Median (for the 1-5 awareness scale).
- To test the formulated hypotheses Chi Square Test is used

Research Objective

- 1) To determine the level of awareness of microfinance (MICRO FINANCE) products and schemes among respondents.
- 2) To assess the perceived roles and scope of microfinance institutions (MICRO FINANCEIs) among the target population.
- 3) To evaluate the adoption rate and experience of microfinance loan facilities (e.g., loan amount, process satisfaction) among respondents.
- 4) To investigate the impact of demographic factors (Age, Education, Income) on the awareness and utilisation of microfinance services.
- 5) To examine the influence of economic and business factors (Occupation, Business Type, Turnover) on the perception and recommendation of microfinance services.

Hypothesis

- Null Hypothesis (Ho)1 -There is no significant relationship between the Education level of a respondent and their awareness of microfinance schemes.
- Alternative Hypothesis (Ha)1- There is a significant relationship between the Education level of a respondent and their awareness of microfinance schemes.
- Null Hypothesis (Ho)2- There is no significant difference in the awareness of microfinance between respondents with higher family income (₹35,000+) and those with lower family income (<₹15,000).
- Alternative Hypothesis (Ha)2 - There is a significant difference in the awareness of microfinance between respondents with higher family income and those with lower family income.
- Null Hypothesis (Ho)3- There is no significant relationship between a respondent's Occupation (Business vs. Service/Agriculture) and the uptake of an MICRO FINANCE loan facility.
- Alternative Hypothesis (Ha)3- There is a significant relationship between a respondent's Occupation and the uptake of an MICRO FINANCE loan facility.
- Null Hypothesis (Ho)4- Small or Medium enterprise owners do not have a significantly different satisfaction (Perception about Process) with MICRO FINANCE loans compared to Micro enterprise owners.
- Alternative Hypothesis (Ha) 4 - Small or Medium enterprise owners have a significantly different satisfaction (Perception about Process) with MICRO FINANCE loans compared to Micro enterprise owners.
- Null Hypothesis (Ho)5- The perception that Microfinance helps small businesses grow is not significantly associated with the respondent's willingness to recommend MICRO FINANCE to others.

- Alternative Hypothesis (Ha)⁵ - The perception that Microfinance helps small businesses grow is significantly associated with the respondent's willingness to recommend MICRO FINANCE to others.

Data Analyses And Interpretation:

I. Demographics of the Respondents

Gender: 52% identify as Female and 48% as Male.

Age: Most respondents fall within the young to middle-aged category: 32% are aged 25-35 years, and 30% are 35-45 years old. Only 15% are under 25.

Education: The majority have completed secondary education or higher: 38% are 12th Pass (HSC), followed by 29% who are Graduates, and 22% who are Post Graduates.

Marital Status: 59% are married, while 40% are Single or Unmarried. Occupation: There is a prevalence of structured employment: 49% work in Service, 33% in Agriculture, and 8% in Business.

Family Structure: Most stay in a nuclear family, with 39% comprising a family of 4 and another 25% in a family of 3.

Earning Members: 51% have two earning members of their family and 33% 3

Income: The respondents are well off, with 46% earning above 35k/month and 32% making 25k/month to 35k/month. Only 2% make below 15k.

Housing: A significant majority (77%) reside in houses they own.

Business Details: The 8 businesses are predominantly classified as Micro enterprises, with initial investments ranging widely from ₹25,000 to ₹50,00,000.

2. Key Findings on Microfinance (MICRO FINANCE) Awareness and Utilisation

A. Level of Awareness

- Overall Awareness: The awareness level of the term “Micro Finance” is very high, with 95/100 respondents saying “yes”.
- Awareness by Age: The chi-square test rejected the Null Hypothesis (chi-square test= 10, df = 9.48) and indicates a significant relationship. Awareness increases post an age of 35, which means financial maturity has a positive relationship with MICRO FINANCE awareness
- Awareness by Marital Status: The chi-square test rejected the Null Hypothesis (chi-square test= 7.89, df = 5.9). Awareness is better amongst married respondents.
- Awareness by Occupation: The chi-square test rejected the Null Hypothesis (chi-square test= 13.7, df = 7.8). Those who work independently (Agriculture/Business) have a better understanding of MICRO FINANCE than those in service.
- Specific Products Known: Savings Schemes (69 votes) are the most popular, followed by Micro Credit Facility (54 votes). Micro Insurance (21 votes) has the lowest awareness.
- Specific Schemes Known: Small Loan Scheme (67 votes) and Mahila Samriddhi Yojana (48 votes) are the most recognized.
- Perceived Awareness Level (Self-Rating): 50% of respondents rated themselves as completely aware (highest rating) of all MICRO FINANCE details.
- Level of Awareness by Education: The chi-square test rejected the Null Hypothesis (chi-square test = 31, df = 26.29). Respondents with lower educational exposure reported surprisingly better awareness responses.
- Level of Awareness by Occupation: The chi-square test rejected the Null Hypothesis (chi-square test= 10, df = 9.48). Agriculturalists and Business Owners reported the most confident/complete knowledge.

B. Primary Source of Information

- The primary source of MICRO FINANCE information is consistently Friends and Relatives (60 respondents), irrespective of the respondent's education or occupation.
- Bank Officials (9 respondents) are a very low source of information, suggesting a failure to effectively reach the agricultural and business community through formal banking channels

C. Perception and Scope of MICRO FINANCE

- Role in Business Growth: The majority of respondents felt that MICRO FINANCE can help in growing businesses.
- MICRO FINANCE is only about lending small amounts: 45 respondents strongly agreed, showing a strong association in the public mind between MICRO FINANCE and small-amount loans.
- MICRO FINANCE is about lending to small businesses: 57 respondents completely agreed, reinforcing the perception that MICRO FINANCE is enterprise-focused.
- MICRO FINANCE is NOT about providing insurance: 50 respondents strongly agreed, which confirms the low awareness (21 votes) of Micro Insurance products.
- MICRO FINANCE is about fund transfer: 52 respondents completely agreed, indicating that respondents see MICRO FINANCEs as offering services beyond just lending.

D. Utilisation and Experience

Loan Uptake: 66 respondents have never taken a loan, while 31 have utilized an MICRO FINANCE facility. The utilization rate is approximately 31%.

Utilization by Age: Respondents aged 35-45 are more likely to avail loans; those below 25 have not taken a loan.

Utilization by Education: 12th Pass (HSC) respondents are more likely to avail MICRO FINANCE loans. Post Graduates, despite high awareness, have not availed any loan.

Utilization by Occupation: Business owners are the next most likely occupation to use loans, after those working in agriculture. This implies that farmers can access microfinance channels more easily than they can through traditional banks.

Loan Source: Local Self Help Groups (SHGs) and Bachat Gats are important sources. Regional NGOs. Additionally, cooperative banks are utilized.

Process Perception: 40 respondents thought the loan application process was difficult. Eleven people found it easy. Nevertheless, 57 respondents indicated that the process was user-friendly when asked, indicating that it might be time-consuming or necessitate documentation ("complicated"), yet the staff or method may still be reachable ("user-friendly"). Suggestion: The vast majority of respondents (65) would undoubtedly recommend MICRO.

Recommendation: A strong majority (65 respondents) would surely refer MICRO FINANCE instruments to others.

Conclusion And Recommendation

Microfinance (MF) institutions are advised to use a multifaceted strategy aimed at enhancing service perception and turning high awareness into increased utilization. In order to rectify the public's limited perception of MF, it is imperative that institutions broaden their product offerings by aggressively marketing and streamlining Micro Insurance and other non-credit products. Since community trust is the main source of information, formal banks must stop using its inefficient outreach techniques and instead use informal, reliable channels like Friends and Relatives or Self-Help Groups to promote the program. Operationally, even while

the personal service is highly appreciated ('user-friendly'), if institutions want to solve the 'Complicated' view (40%) they must quickly streamline documentation and eliminate bureaucratic complexity.

In order to extend the market beyond the conventional agricultural segment, MF must strategically target younger, more educated groups that have high awareness but low utilization. This can be achieved by customizing new, potentially higher value goods to meet their demands in the service sector and as entrepreneurs. According to the study's findings, Microfinance has been effective in establishing itself as a reliable community-based lender, especially for the agricultural industry. However, MF banks must aggressively promote simplified Micro Insurance products in order to diversify their market appeal beyond lending in order to optimize its impact.

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