

## A Study on the Level of Satisfaction of Members on Various Services Offered by Microfinance Institutions

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**Abstract:** *The role of microfinance in India is increasing mainly because of the influence of two factors. First is that, microfinance institutions mainly meet the financial requirements of low income group of people. The second one is that, microfinance is considered as an important tool for financial inclusion by the policy makers in India. The microfinance institutions are considered as a commercially viable solution to overcome various issues in attaining financial inclusion, reducing the poverty level and empowerment of women. A large number of these institutions have established their branches all over India, especially in rural areas. This study attempts to understand whether women are satisfied with the services offered by various microfinance institutions. This will help us to know whether these institutions offer a good service and whether they are able to fulfill the needs of women customers. The study was conducted on a sample of 220 women beneficiaries of microfinance services of various leading Microfinance institutions operating in Kerala state. The sample was selected by convenience sampling. The results of the study show that women beneficiaries of various microfinance institutions are satisfied on different services offered by them.*

**Keywords:** Microfinance, Microfinance Institutions, Women Beneficiaries.

### Introduction

India is considered as the home to largest population of poor people in the world. And thus microfinance is an important role to play as a tool for poverty alleviation. The nationalized banks and other financial institutions have helped in developing the banking sector but they couldn't meet the financial requirements of rural people to a great extent. However, this gap was filled by various microfinance institutions by providing microcredit mainly in the form of group lending without any collateral to the people in rural areas.

The role of microfinance in India is increasing mainly because of the influence of two factors. First is that, microfinance institutions mainly meet the financial requirements of low income group of people. The second one is that, microfinance is considered as an important tool for financial inclusion by the policy makers in India. Overall performances of various microfinance institutions have shown that microfinance facility can create a big difference in India. Thousands of poor people are now beneficiaries of these institutions. Microcredit is considered as providing small loans to the poor. And it is considered to be originated in India. The money lenders and other informal financial institutions have provided credit to poor people at a very high rate of interest leading to hardship and troubles to borrowers. And also if they were not able to repay the money, then they have to face a lot of troubles and various unlawful practices like bonded labour. But microfinance institutions do not follow such kind of unfair practices. They lend money to people at reasonable interest rates.

In India Microfinance institutions has received most attention in western and southern regions. They have proven that microfinance institutions can make a change in life and living standards of people in rural areas. The microfinance institutions can be considered as a commercially viable solution to overcome various issues in attaining financial inclusion, reducing the poverty level and empowerment of women. A large number of these institutions

have established their branches all over India, especially in rural areas. The most important point that comes into the picture is that most of the members are women. And it is to be noted that there are large number of microfinance institutions which is performing very well and not much studies have been conducted on the impact of these institutions over the lives of rural people, especially women. This study attempts to understand whether women are satisfied with the services offered by various microfinance institutions.

### Review of literature

Shanthi et.al. (2012), analyzed the impact of Micro Finance towards Empowerment of Women Self Help Groups. The research also analyzes various problems faced by microfinance institutions. The data were collected from 500 women who were members of Self Help Group's in Coimbatore District, Tamil Nadu. Percentage analysis and F-Test were used for interpreting the data. The results from the study points out that women are not empowered to greater extent by taking part in microfinance activities. It suggests that institutions should design Training programs in such manners that the members should be able to find their strengths and get rid of their weakness. Income generating activity should be mainly based on the availability of local resources and there should be a reasonable guaranteed market with earnings. Training should be provided on book-keeping, accounting activities and fund management and other financial services that are associated with the functioning of SHG's. And also the study suggests that the involvement of politicians and political parties at the time of selecting qualified beneficiaries should be avoided. Private Banks should provide adequate publicity regarding accessibility of the credit services that can be offered to the SHG because most of the members are unaware about various facilities provided through banks.

Tiwari (2012), has conducted a comparative study between India and Bangladesh, in terms of loan lent by institutes to the customers and financial sustainability of Microfinance Institutions, to understand how Microfinance institutions in India are performing as against those Microfinance institutions in Bangladesh. Secondary data were used for comparing the performance of microfinance institutions in both the countries. Percentage analysis is used to interpret the data. It was found that Indian Microfinance institutions are more profitable and operating more efficiently than those in Bangladesh. But microfinance institutions in India are shifting from social institutions to more of profitable venture. They are moving towards commercialization rather than only concentrating on the objective of social nature of helping poor in fighting poverty.

Agier et.al., (2011), have concluded that women entrepreneurs are receiving smaller loans, though they make less default in payment. The study was conducted on the loans granted by Vivacred, a Brazilian MFI during the period 1997 – 2007, to analyze whether there is gender discrimination in providing loans to women. Correlation, T-test and Regression was used to analyze the data. The researcher pointed out that, women face significantly worse credit conditions. Although being trust worthy than men, women entrepreneurs receive smaller loans and they are never able to recover from this condition. And Considerable amount of hidden entrepreneurial talent is wasted through Discrimination faced by women in terms of funds received by them. The study suggests that the micro financial institutions should develop new financial programs to find creative solutions to the lack of capital endured by women entrepreneurs

Espallier et.al., (2009), conducted a research to examine the microfinance repayment made by women clients. The researcher has collected the data from 350 Microfinance Institutions in 70 countries. Regression and correlation technique was used as statistical tools for analyzing the collected data. The results indicate that women clients are associated with a lower portfolio of risks, lower write offs, and lower credit loss provisions. And the microfinance institutions with higher proportions of female borrowers have a lower portfolio-at-risk. The study observes that women clients are better than male clients because they repay they utilize the money efficiently and also repays the money on time. It suggests that MFIs should develop women-friendly procedures tailored to meet the financial requirements of women's so that they will be able to attract more women seeking financial aid. But the study has pointed out that high repayment rate does not prove that women clients are empowered, highly because sometimes the repayment is made by them to avoid the actions taken by micro financial institutions.

### **Objective of the study**

- To study the level of satisfaction of members on the services offered by microfinance institutions.

### **Data Collection**

It is a descriptive study based on primary and secondary data.

Primary data required for the study is collected through structured questionnaires which are distributed to women beneficiaries who have taken Microfinance services from various microfinance institutions in Malappuram district, Kerala. Data was collected from 220 microfinance beneficiaries. The convenient sampling method is followed.

Secondary data was collected from the reports, articles, journals, documents, printed literatures, certain web sites and other online databases.

To analyze the data the following statistical tools were used.

- Binomial Test
- One Sample T-Test

### **Analysis Showing the Satisfaction of Members on Services Offered by Microfinance Institutions**

Here we are studying whether women are satisfied with the services offered by Microfinance Institutions. This will help us to know whether Microfinance Institutions offer a good service, fulfilling the needs of women customers. Here we have collected data on different variables on the basis of three point scale i.e. highly satisfied, satisfied and not at all satisfied. Total variables that we have selected for measuring the satisfaction level are eighteen. This will help us to know the overall satisfaction level of women from the services offered by Microfinance Institutions.

Binomial test and One Sample T-Test was used to analyze data and to check whether women are satisfied with the service offered by Microfinance Institutions. Binomial test was used to find the proportion of total respondents who has satisfied with the service offered by Microfinance Institutions. The test was conducted on 0.05 significance level. One sample T-Test

was also being used find whether women are satisfied with the services offered by Microfinance Institutions at a significant level. One sample *T*-Test helps to compare a sample mean to a known value, usually the population means, in order to determine the probability of the sample mean *truly* being characteristic of the population.

Table No. 1

	Services	Mean	Std. Dev
1.	Training facilities provided to the users	2.68	.548
2.	Follow up and monitoring with respect to end use of the loan	2.65	.567
3.	Insurance services	2.64	.543
4.	Simplified procedure	2.64	.561
5.	Availability of information about services	2.63	.562
6.	Satisfied with service of field officers	2.63	.578
7.	Terms and conditions	2.62	.564
8.	Campaign and publicity about programs and benefits	2.62	.573
9.	Recognition and respect from provider	2.61	.574
10.	Compulsory savings requirement	2.61	.583
11.	Problems are well solved	2.60	.599
12.	Suitable products are provided as per need	2.60	.569
13.	Time taken to get loan sanctioned	2.58	.579
14.	Adequacy of loan sanctioned	2.57	.611
15.	Repayment policy	2.57	.581
16.	Requirement of guarantee	2.52	.608
17.	Repayment period	2.50	.608
18.	Rate of interest	2.45	.643

From Table No. 1 we will understand the satisfaction level of each variable according to the responses of the total sample population who are members of Microfinance Institutions. Women are highly satisfied with the training facilities provided by Microfinance Institutions to them. The second important variable is the follow up and monitoring with the end use of loan. Most of the women are satisfied with the monitoring activities, support and follow up carried out by Microfinance Institutions. The third important variables are procedure for getting loan and the insurance service. The respondents have indicated that Microfinance Institutions follow simplified procedure for issuing loans and they are satisfied with it. The respondents are also satisfied with the insurance services offered by Microfinance Institutions. The fourth important variables are the availability of information about services and the services of field officers. The respondents have pointed out that they are much aware about the information of services offered by Microfinance Institutions and also they are highly satisfied with the services provided by field officers. The fifth important variables are terms and conditions and campaigns and publicity of programs by Microfinance Institutions. The respondents have indicated that they are satisfied with the terms and conditions put forward by Microfinance Institutions for getting various services. And also they have indicated that they are satisfied with the campaigns and publicity of programs offered by Microfinance Institutions.

Sixth important variables are recognition and respect received from Microfinance Institutions and compulsory savings requirement. Most of the respondent's have indicated that

they are satisfied with the recognition and respect received from Microfinance Institutions. It indicates that Microfinance Institutions treat their customers well. Microfinance Institutions have made a compulsory savings requirement for all of its members. And most of women are satisfied by making these savings in Microfinance Institutions. Seventh important variables are satisfaction on products offered by Microfinance Institutions and the way it finds a solution for various problems faced by members. We can see that most of the members are highly satisfied with the different products offered by Microfinance Institutions. They are also satisfied with the solutions provided by Microfinance Institutions to its members on various problems faced by them. The eighth important variable is the time taken by Microfinance Institutions to provide credit to its members.

From the above table, we can understand that the respondents are satisfied with it. It means that Microfinance Institutions will sanction loans to its members in a short period of time. Ninth important variable is the adequacy of loan and repayment policy. From the responses we can see that most of the respondents are satisfied with the adequacy of loan provided by Microfinance Institutions. And also they are satisfied with the repayment policy framed by Microfinance Institutions. The tenth important variable is the requirement of guarantee. To have a Guarantee is mandatory for getting loan sanctioned. And from the responses we can see that most of the respondents are satisfied with this requirement, i.e. to have a guarantee of getting the loan sanctioned. The eleventh important variable is repayment period. Microfinance Institutions follow different payment periods for different types of loan products offered by them. And most of the customers are satisfied with the payment periods fixed by Microfinance Institutions. The last important variable is rate of interest. We can see that customers are not showing a high level of satisfaction. The customers are satisfied, but they are not much higher satisfied when we compare to other variables.

While analysing the binomial test results from Table No. 2, we are able to see that most of the respondents satisfied on different services offered by Microfinance Institutions. When we analyse each variable, we can see that the observed proportion for group 2 ( $>1$  - it means the responses of respondents who have chosen the option "Satisfied or Highly satisfied" for each variable) is more than 0.90. It means that majority of respondents are satisfied with the services provided by Microfinance Institutions. When we analyse the above table, we can see that 97% of total respondents are satisfied with the insurance services offered by Microfinance Institutions. 96% of respondents have indicated that they are satisfied with the availability of information about services offered by Microfinance Institutions and also the same number of respondents has indicated that Microfinance Institutions offers suitable products according to their requirements through simplified procedure and they are satisfied with these financial products. Same number of respondents are satisfied with the terms and conditions framed by Microfinance Institutions and also they are satisfied with the training facilities provided by Microfinance Institutions. 95% of total respondents are satisfied on various services such as recognition and respect received from provider, time taken to get loan sanctioned, repayment policy, compulsory savings requirement, service of field officers, follow up and monitoring with respect to end use of the loan and finally Campaign and publicity about programs and its benefits. 94% of respondents have indicated that Microfinance Institutions provides adequate loan amount according to their needs and they are satisfied on the loan amount. Again 94% of total respondents have indicated that they are satisfied with the repayment period fixed by Microfinance Institutions and requirement of guarantee in order to get loan sanctioned. They also have indicated that their

various problems are well solved by Microfinance Institutions and they are satisfied with different solutions provided by Microfinance Institutions. And finally when we consider the rate of interest 92% of respondents (202) are satisfied with the interest rates offered by Microfinance Institutions for its different loan products.

Table 2: Binomial Test

		Category	N	Observed Prop.	Test Prop.	Exact Sig. (2-tailed)
Recognition and respect from provider	Group 1	<= 1	10	.05	.50	.000
	Group 2	> 1	210	.95		
	Total		220	1.00		
Availability of information about services	Group 1	<= 1	9	.04	.50	.000
	Group 2	> 1	211	.96		
	Total		220	1.00		
Suitable products are provided as per need	Group 1	<= 1	9	.04	.50	.000
	Group 2	> 1	211	.96		
	Total		220	1.00		
Simplified procedure	Group 1	<= 1	9	.04	.50	.000
	Group 2	> 1	211	.96		
	Total		220	1.00		
Terms and conditions	Group 1	<= 1	9	.04	.50	.000
	Group 2	> 1	211	.96		
	Total		220	1.00		
Time taken to get loan sanctioned	Group 1	<= 1	10	.05	.50	.000
	Group 2	> 1	210	.95		
	Total		220	1.00		
Adequacy of loan sanctioned	Group 1	<= 1	14	.06	.50	.000
	Group 2	> 1	206	.94		
	Total		220	1.00		
Rate of interest	Group 1	<= 1	18	.08	.50	.000
	Group 2	> 1	202	.92		
	Total		220	1.00		
Repayment period	Group 1	<= 1	13	.06	.50	.000
	Group 2	> 1	207	.94		
	Total		220	1.00		
Requirement of guarantee	Group 1	<= 1	13	.06	.50	.000
	Group 2	> 1	207	.94		
	Total		220	1.00		
Repayment policy	Group 1	<= 1	10	.05	.50	.000
	Group 2	> 1	210	.95		
	Total		220	1.00		
Compulsory savings requirement	Group 1	<= 1	11	.05	.50	.000
	Group 2	> 1	209	.95		
	Total		220	1.00		
Insurance services	Group 1	<= 1	7	.03	.50	.000

	Group 2	> 1	213	.97		
	Total		220	1.00		
Satisfied with service of field officers	Group 1	<= 1	11	.05	.50	.000
	Group 2	> 1	209	.95		
	Total		220	1.00		
Problems are well solved	Group 1	<= 1	13	.06	.50	.000
	Group 2	> 1	207	.94		
	Total		220	1.00		
Training facilities provided to the users	Group 1	<= 1	9	.04	.50	.000
	Group 2	> 1	211	.96		
	Total		220	1.00		
Follow up and monitoring with respect to end use of the loan	Group 1	<= 1	10	.05	.50	.000
	Group 2	> 1	210	.95		
	Total		220	1.00		
Campaign and publicity about programs and benefits	Group 1	<= 1	10	.05	.50	.000
	Group 2	> 1	210	.95		
	Total		220	1.00		

Since (p-value = 0.000 < 0.05) for all the variables, it is evident that most of the members are satisfied with various services offered by Microfinance Institutions. So at the level  $\alpha = 0.05$  of significance, we can interpret that Microfinance Institutions are providing a good service to its customers and also they are also able to fulfill the needs and requirements of its customers.

**Table 3: One-Sample Test**

	Test Value = 2		
	T	df	Sig. (2-tailed)
Recognition and respect from provider	15.856	219	.000
Availability of information about services	16.674	219	.000
Suitable products are provided as per need	15.652	219	.000
Time taken by the provider to provide credit accessibility to the user	15.162	219	.000
Simplified procedure	16.827	219	.000
Terms and conditions	16.374	219	.000
Time taken to get loan sanctioned	14.893	219	.000
Adequacy of loan sanctioned	13.897	219	.000
Rate of interest	10.386	219	.000
Repayment period	12.084	219	.000
Requirement of guarantee	12.644	219	.000
Repayment policy	14.500	219	.000
Compulsory savings requirement	15.502	219	.000
Insurance services	17.499	219	.000
Satisfied with service of field officers	16.212	219	.000
Problems are well solved	14.968	219	.000
Training facilities provided to the users	18.460	219	.000
Follow up and monitoring with respect to end use of the loan	16.892	219	.000
Campaign and publicity about programs and benefits	15.999	219	.000

One sample T-Test was conducted to find whether women are satisfied with the services offered by Microfinance Institutions at a significant level. From Table No. 6.39, we can see that the p-value for all the variables is 0.000 which is less than 0.05 i.e. (p-value = 0.000 < 0.05). So it is evident that members of Microfinance Institutions are satisfied on various services offered by Microfinance Institutions. So at the level  $\alpha = 0.05$  of significance, it is evident that Microfinance Institutions are providing a good facilities and services to its customers and this has created a high level of satisfaction among its members on various services provided.

### Findings

The study reveals that the customers or members of Microfinance Institutions are satisfied with the services offered by these institutions. So it is evident that Microfinance Institutions are providing good services to its customers. In table no.1 we can see that the mean value for each variable is more than 2. It indicates that most of respondents are highly satisfied with the services offered by Microfinance Institutions. The binomial test results also indicate that members are satisfied with various services offered by Microfinance Institutions. One sample T-Test was also conducted to find whether women are satisfied with the services offered by Microfinance Institutions. Results from One Sample T-Test also indicate that the members of various Microfinance Institutions are satisfied on various services offered by these institutions. Thus it is evident that a microfinance institution creates a positive impact on its members along with providing a better service to its members.

### Conclusions

From the study and analysis, it is understandable that, microfinance institutions are one of the most significant and promising organization's that provides good services to its members/customers. It is evident that customers are very much satisfied with the services offered by microfinance institutions. Microfinance institutions have helped women to avail financial services in a much easier ay comparing to other financial institutions. It helped its customers, especially women meet their financial requirements. The main objective of the present research was to understand the clear picture about the level of satisfaction of members on the services offered by microfinance institutions. We can see that microfinance institutions have provided better service to its members. Thus microfinance institutions can be considered as a commercially viable solution to overcome various issues in attaining financial inclusion, reducing the poverty level and empowerment of women.

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