An Empirical Investigation on Viability of MFIs in Economic Development

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Abstracts

Micro finance is seen as a key development tool, and despite the current deepening crisis within the industry, it continues to grow in the developing India. Micro finance as a tool provides economic interventions which helps to improve an access to financial technologies. The system prevailed in micro finance with well-equipped resources can help to stimulate the economic growth from the very basic level.

This paper examines the impact of micro finance institutions (MFIs) on development in an empirical setting, and therewith aims at understanding the scope of MFIs in the economic development. The first section tries to explain the relationship between the various groups of beneficiaries in different services provided by MFIs. The second section reviews the competencies of MFIs in providing loans to Self-Help-Groups (SHG) for economic upliftment of weaker section of the society. The third section tries to understand the satisfaction of beneficiaries on the services provided by MFIs.

Keywords: MFIs, Poverty, NGOs, SHGs, Sustainable

Introduction:

The world over, the pursuit of development has taken the direction of socioeconomic development. Both men and women are involved in the development process although in the past the women, in comparison to the men, were marginalized and disadvantaged in various aspects of development. Thus various interventions such as microfinance lending have been specifically targeted at the weaker section of the society in a bid to improve their socio-economic levels of development. Microfinance is a facility that makes it possible for the focused poor people to get a small loan to start a business, pay for school fees, procure housing or receive health care. Such an initiative is instrumental in changing the poverty patterns in view of improved facilities to lessen the challenge posed by startup capital. Microfinance has been changing people's lives and revitalizing communities since the beginning of trade. While many factors contribute to poverty, its most obvious manifestation is insufficient household income. Both the extent of income-generating opportunities and ability to respond to such opportunities are determined to a great degree by access to affordable financial services. Increasing the access of poor households to microfinance is therefore being actively pursued worldwide.

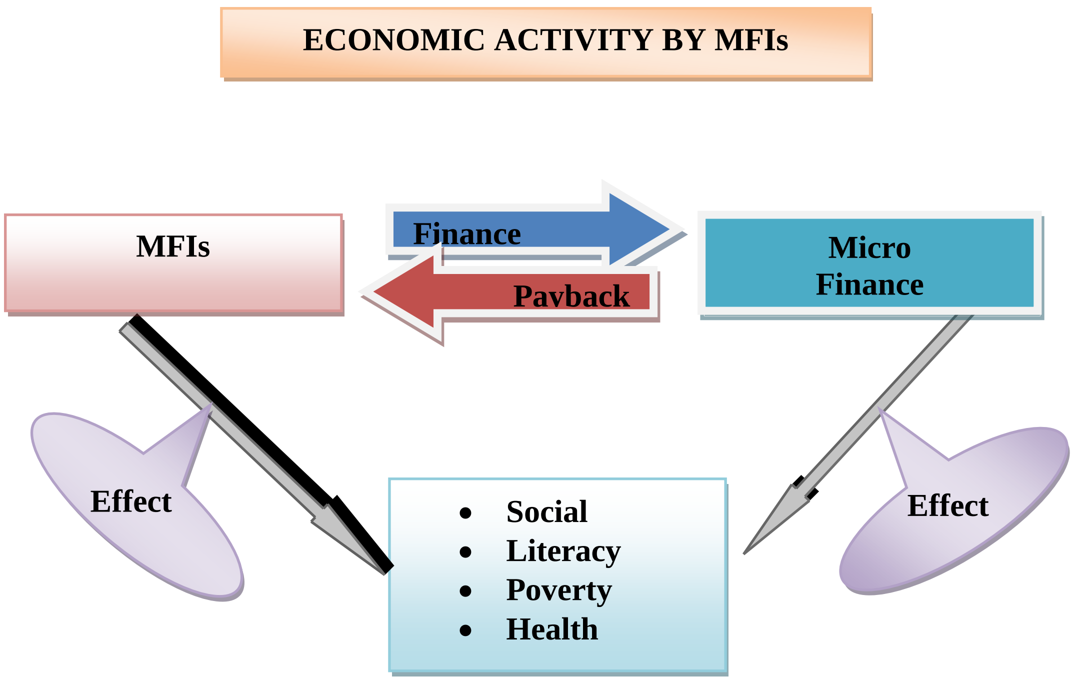
India's population accounts for the world's 17.5 per cent, second only to China that constitutes 19.4 per cent. The country's headcount is almost equal to the combined population of the United States, Indonesia, Brazil, Pakistan, Bangladesh and Japan, put together. The population of India has increased by more than 181 million during 2001-11. India's population growth rate has decelerated to 17.64 per cent in the decade 2001-11, the slowest rate of growth this past century, according to the first results of Census 2011 put out by the registrar-general of census. Two third of the population is living in rural areas and about 29.08 percent population is living below the line of poverty which was

34.46 percent in 2002. According to Global Monitoring Report 2006, there is a significant increase in the economic growth. There is an improvement in Social Sector Development since then India has shifted from Low Human Development group to the category of Medium Human Development group. Despite all these improvements, poverty is a major issue which every government is combating against. India is a country with high population growth with increasing ratio of labour force to total population. India's population in 2011 is estimated to be 1.21 billion, comprising 624 million males and 587 million females. While the gender imbalance in population remains, the preliminary census figures show that India's female population grew by 18.12 per cent over the past decade against 17.19 per cent for males. India's literacy rate has gone up from 64.83 per cent in 2001 to 74.04 per cent in 2011. Literates constitute 74 per cent of the total population aged seven and above. The sex-ratio, that is number of females per 1,000 males, has improved to 940 from 933 a decade ago. Government has taken many steps to increase women participation in labour force. Still women labour force ratio is very low and it is unmatched to world standard and trends of women participation in business and job opportunities.

The above facts show the potential to work in micro finance to encourage people and especially women to develop their own entrepreneurship. To combat unemployment, only big companies or public sector undertakings are not enough for job creation but it would be better if people start their own businesses for making society productive.

Like all other economic activities, banking activities depend on both sellers and buyers. Lenders (financial institutions) finance both sellers and buyers for their activities. Commercial Banks invest in projects in large scales while with this, banks invest in consumer finance. Further, MFIs don't invest in consumer finance, but provide finance only to micro enterprises. MFIs encourage people to lift up their standards by doing businesses and getting earnings from them which are very consistent and sustainable. Micro finance is dedicated only to the benefit of poor and is concerned explicitly for business activities (Fig – 1). Besides, there are some indirect impacts of micro finance on the micro borrower such as alleviation of poverty, improvement in healthcare, increase in literacy etc.

Fig – 1



Source: Ledgerwood, 2000, pp.1.

Relevance of the Study:

Economic growth of the country is determined by human, physical and financial resources. But, sometimes, these are under-utilized or misutilised, if human resource factors are not adequately cultivated or properly managed. It has been observed that lack of proper finance in the rural areas and lack of proper guidance to skilled persons, infrastructure bottlenecks and overall lack of industrially congenial atmosphere have been hindrances in the economic development of the country .So, to move ahead with active support of promotional agencies, rural micro financial institutions have been evolved in channelising the primary resources into industrial resources causing the real development by removing the industrial backwardness from the region.

Scope of the Study:

The scope of the present study is limited to the operational aspect and does not include the financial aspects. The study has been conducted with special interest to know the role and importance of lending system of MFIs in giving beneficiary satisfaction and that too particularly, in creating socio economic development. So the study shall be based on measuring economic development of the beneficiary out of the services provided by MFI-SHGs. The central theme of the work is opinion survey from the beneficiaries of the SHGs and Micro Finance Institutions (MFIs) about their specific strategies for economic development of members.

Review of Literature:

Researcher tries to narrowing the existing research gap in case role of MFIs in economic development in Indian contest by intensive review of literature.

Simanovitz (2002) mentioned in his research that many poor people do not see micro finance projects as being relevant or beneficial to them. In group-based lending in particular there can be an incentive for richer people in the community to exclude the very poor, especially when group guarantee systems are in place. Loan officers may have incentives to exclude the poorest if they see them as problematic to increase their workload and affect their sustainability targets. The design of services may exclude the poorest e.g. having entry fees and inappropriate loan terms.

Claessens (2005) states that high transaction costs, small volumes and the high costs of expanding outreach, make the MFIs unprofitable to serve the rural poor. It is for this reason that commercial banks are positioned in areas of high population density. However, if MFIs are to meet their social mission of serving the poor then financial services need to reach the rural poor. Another common criticism of the current operational procedures of MFIs is for instance peer group self selection and the drive for self-sustainability, is that they end up working with the moderately poor, and marginalizing the poorest of the poor.

Rogaly (1996) finds five major faults with MFIs. He argues that: They encourage a single-sector approach to the allocation of resources to fight poverty. He also opined that micro credit is irrelevant to the poorest people when an over-simplistic notion of poverty is used. He further emphasized on scale by MFIs.

Johnson and Rogaly (1997) also cited various examples whereby savings and credit schemes were able to meet the needs of the very poor. They state that micro finance specialists are observing improvements in economic security rather than income promotion as the first step in poverty reduction.

Ledger wood, (1999) studied poverty and the impact of micro finance in combating poverty. The Millennium Development Goals (MDGs) propagated by him are (i) eradicate extreme poverty and hunger; (ii) achieve universal primary education; (iii) promote gender equality and empower women; (iv) reduce child mortality; (v) improve maternal health; (vi) combat strategy in reaching the MDGs and in building global financial systems that meet the needs of the most poor people.

Otero (1999) illustrates various ways in which micro finance at its core combats poverty. She states that micro finance creates access to productive capital for the poor which together with human capital addresses through education and training as well as social capital achieved through local organization building enables people to move out of poverty. By providing material capital to the poor, their sense of dignity is strengthened which helps to empower them to participate in the economy and society developmental process.

Wright (2000) states that much of the skepticism of MFIs stems from the argument that micro finance projects fail to reach the poorest, generally have a limited effect on income drive of women owing to greater dependence on their husbands and fail to provide additional services desperately needed by the poor. In addition, Wright says that many development practitioners not only find micro finance inadequate but also it diverts funding from more pressing or important interventions such as health and education.

As argued by Navajas (2000), there is a danger that micro finance may siphon funds from other projects that might help the poor in a bigger way. They state that governments and donors should know whether the poor gain more from micro finance than from other projects such as health care or food aid. Therefore, there is a need for all involved in micro finance and development to ascertain what exactly has been the impact of micro finance in combating poverty. The effectiveness of micro finance as a tool depends on directly reducing the extent of poverty and its impact on change in the standard of living of the people.

Littlefield, E. (2003) states that the poor are generally excluded from the financial services sector of the economy. So MFIs have emerged to address this issue of non participation in the market. By addressing this gap in the market in a financially sustainable manner, an MFI can become part of the formal financial system of a country and so can access capital markets to fund their lending portfolios, allowing them to increase the number of poor people they can reach.

Littlefield, Murduch and Hashemi (2003) state “micro finance is a critical contextual factor with strong impact on the achievements of the Millennium Development Goals (MDGs).Microfinance is unique among development interventions. It can deliver social benefits on an ongoing permanent basis and on a large scale”. Referring to various case studies, they showed how micro finance has played a role in eradicating poverty, promoting education, improving health and empowering women. However, not all commentators are enthusiastic about the role of micro finance in development but it is important to realize that micro finance is not a silver bullet while fighting poverty.

UNCDF (2004) states that micro finance and it’s key roles in development as: It helps very poor households to meet basic needs and protects against risks. Further, it is associated with improvements in household economic welfare and It helps to empower women by supporting women’s economic participation and so promotes gender equity.

Mosley and Hulme (1996), while acknowledging the role of micro finance in helping to reduce poverty, concluded their research on micro finance that “most of the contemporary schemes are less effective than they are supposed to be”. They state that micro finance is not a panacea for poverty-alleviation and that in some cases the poorest people have been victims of micro finance.

Chambers (1997) states that livelihood security is “basic to well-being” and that security refers to secure rights and reliable access to resources, food, income and basic services. It includes tangible and intangible assets to offset risk ease shocks and meet contingencies.

Johnson and Rogaly (1997) state that “NGOs aiming at poverty reduction need to assess the impact of their services on user’s livelihood” They argue that in addressing the question of the impact of micro finance NGOs must go beyond analyzing quantitative data detailing the number of users, and volumes and size of loans disbursed to understand how their projects are affecting on clients' livelihoods. They stated that the provision of micro finance can give poor people the means to protect their livelihoods against shocks as well as to build up and diversify their livelihood activities. Therefore when analyzing the impact of micro finance the overall impact of the micro finance services on the livelihoods of the poor needs to be taken into consideration. That is the focus of this study.

Lindenberg (2002) defines livelihood security as "a family's or community's ability to maintain and improve its income, assets and social well-being from year to year." He also states that livelihood security is more than just economic well-being as they define livelihood security as "the adequate and sustainable access to and control over resources, both material and social, to enable households to achieve their rights without undermining the natural resource base".

Rogaly (1996) argues on the information base of the respondents as it sometimes gives false information. It is also very difficult to ascertain on the sources of income of a respondent. So, it is difficult to establish, what would happen if the loan was not be given? Therefore a broader analysis is needed to study the economic impact. Moreover, poverty and livelihood security consist of economic and social conditions and therefore, impact of micro finance and social impact must be assessed.

Robinson (2001) in a study of 16 different MFIs from all over the world shows that access to micro finance services has led to an enhancement in the quality of life of clients, an increase in their self-confidence, and has helped them to diversify their livelihood security strategies and thereby increase their income.

Chowdhury and Bhuiya (2004) found that violence against women actually increased when women joined the programme as not all men were ready to accept the change in power relations and so resorted to violence to express their anger. This violence did decrease over time. The study found that when the violence did rise, the members got the support from the group because of the fact that their increased social awareness made them report to the group about their martial life.

Chowdhury, Mosley and Simanovitz (2004) argue that if micro finance is to fulfill its social objectives of bringing financial services to the poor it is important to know the extent to which its wider impacts contribute to poverty reduction. In their findings, they assessed broadly on micro finance interventions at a household and community level to show the impact assessments, which encompasses a broader scope for analysis.

Zohir and Matin (2004) made a similar point when they state that the impact of micro finance interventions is being under estimated by conventional impact studies which do not take into account the possible positive externalities on spheres beyond households. They propose that impact should be examined from cultural, economic, social and political domains at individual, enterprise and household levels.

Marconi and Mosley (2006) state that this should not be surprising as poorer clients are more risk adverse and less likely to invest in fixed capital and so are more vulnerable to sell productive assets in the event of a shock. However, it was found that social networks play an important role in helping clients escape from poverty. Access to social networks provides clients with a defense against selling physical and human assets and virtually protects household assets.

Objectives of the Study:

The main objectives of the study are as follows:

1. To study the socio-economic backgrounds of the clients with special reference to their occupation, caste, age, sex and other variables;

2. To examine the relationship between the various groups of beneficiaries in different Services;

3. To **e**xamine the MFIs competency in providing loans to SHGs for economic upliftment;

4. To examine the impacts of satisfaction on the services of MFIs;

5. To understand the problems in marketing of the products of SHGs.

Hypothesis of the Study:

Keeping in view the above objectives, the following hypotheses have been formulated:

H_1- Relationship between the age and locality of beneficiaries;

H_2- Relationship between age and period of transaction of beneficiaries of SHGs;

H_3- Relationship between age and frequency of visit of employees to the SHGs either to meet the loaned or to solve the problem of the beneficiaries;

H_4- Relationship between age and problems in marketing of the products of SHGs.

Research Methodology:

Research design of the study is both descriptive and analytical. It has been based on data collected both from primary and secondary sources.

Sampling Design:

A sampling plan is vital for our research design. The sampling plan indicates:

a) Sampling unit, i.e., SHGs and MFIs.

b) Sampling size, i.e., the number of respondents to be contacted under the survey numbering 322 SHG beneficiaries and 89 employees.

c) Sampling procedure, i.e., the technique of selecting the respondents through random sampling procedure. Further, one-to-one sampling has been used for better collection of data. Moreover within the possible reach of SHGs, funded by MFIs in different locality have been asked by selecting at least two/three beneficiary.

d) Sampling media, i.e., the way they are approached for obtaining the desired information. The questions asked to the respondents are in English and converted to local languages for the responses as some of them are under educated.

Sources of Data Collection:

Data collected for the research and analysis are from two main sources such as Primary and Secondary. Primary data have been collected by framing a questionnaire to know in detail the earnings made by the beneficiaries of SHGs and MFIs. The questionnaire comprises of multiple, open ended, scoring, ranking and suggestion based questions.

The secondary sources of data have been collected from various Annual reports of the MFIs and its subsidiaries, internet pages, news papers, journals, magazines from published or unpublished reports and dissertations available at different institutions.

Data analysis Techniques:

The data collected from the MFIs have been analyzed with the help of different accounting and statistical tools. The data collected from secondary sources have been supplemented by primary data collected from selected samples of 322 beneficiaries and 89 employees covering from different groups in India and more particularly from Odisha. The collected data have been classified and interpreted through statistical tools & techniques like percentages, Cross tab, and Factor analysis.

Data Analysis & Interpretation:

A total number of 400 questionnaires were personally distributed among the members of beneficiaries at an average of 4-5 questionnaires per each SHG. Out of which, 322 (80.5%) beneficiaries effectively responded to the survey. Concurrently, out of which 89 (89%) employees responded to this endeavor without hesitation. The data (table-1) thus collected through questionnaires from beneficiaries and employees were scrutinized, tabulated and analyzed with immaculate interpretations that are presented in result from beneficiaries and result from employees of this chapter.

Table -1 Rate of Responses

Categories of respondents	*Questionnaires distributed*	*Questionnaires selected*	*% of response*
Beneficiaries	400	322	80.5
Employees	100	89	89

Table-2: Age and locality of beneficiaries

Age	**Number of Beneficiaries**	**Region**						**Total**
		City	**Urban**	**Small town**	**Basti(Slum)**	**Semi urban**	**Rural**	
		5	**9**	**17**	**23**	**92**	**176**	**322**
Above 65	12	0	0	1	0	0	0	1
Below 25	19	0	0	0	1	0	0	1
55 - 65	40	0	1	0	0	0	0	1
45 - 55	43	1	0	0	0	0	0	1
25 - 35	89	0	0	0	0	1	0	1
35 - 45	119	0	0	0	0	0	1	1
Total	322	1	1	1	1	1	1	6

Source: Own compilation

The analysis has been conducted with help of principal component matrix.Table-2 highlights the relationship between the age groups of the beneficiaries of MFI and the locality they belong to. The locality of the beneficiaries have been subdivided into six groups such as City, Urban, Small town, Basti (Slum), Semi- urban, and Rural area.

Lastly, it has been reported that, among 176 beneficiaries of rural areas and out of that, 119 beneficiaries are in the age group of 35-45 years. So, it can be concluded that maximum beneficiaries of MFIs belong to the rural areas followed by Semi - urban areas.

Table – 3: Age and period of transaction (Cross tabulation)

Age	Number of Beneficiaries	Period of Transaction (in Years)						Total
		(Below-1year)	(5 years & above)	(1 – 2yeas)	(3 - 4 Years)	(4- 5 years)	(2- 3 years)	
		4	14	19	81	87	117	322
Above 65	12	0	1	0	0	0	0	1
Below 25	19	1	0	0	0	0	0	1
55 - 65	40	0	0	0	1	0	0	1
45 - 55	43	0	0	1	0	0	0	1
25 - 35	89	0	0	0	0	1	0	1
35 - 45	119	0	0	0	0	0	1	1
Total	322	1	1	1	1	1	1	6

Source: Own compilation

The table depicts that 14 beneficiaries have above 5 years of transaction with MFIs, and 12among are above 65 years old. Further, 19 respondents are below 25 years old and 4 among them have below 1 year of transactional experience with MFIs. Hence it can be inferred that the maximum beneficiaries belong to the age group of 35 – 45 years and their transactional period with the MFIs is 2 – 3 years only.

Table –4 : Age and frequency of visit by the employees of MFIs

Age	Number of Beneficiaries	Frequency of Visit						Total
		Once in a month	Occasionally	More than once in a month	More than once in a week	Once in a week	Every day	
		9	17	33	52	86	125	322
Above 65	12	0	1	0	0	0	0	1
Below 25	19	1	0	0	0	0	0	1
55 - 65	40	0	0	0	0	1	0	1
45 - 55	43	0	0	1	0	0	0	1
25 - 35	89	0	0	0	1	0	0	1
35 - 45	119	0	0	0	0	0	1	1
Total	322	1	1	1	1	1	1	6

Source: Own compilation

It can be said that, the frequency of visit by the employees of MFIs is more to the age group of 35 - 45 years followed to the age group of 55-65 years and it is confirmed that they maintain informal relation in business also by visiting daily to the concerns and touch beneficiaries.

The hypothesis taken in this study is accepted as most of employees of the MFIs come every day to the SHGs to the beneficiaries.

Table - 5: Age and Problems in marketing of the products of SHGs

Age	Number of Beneficiaries	Problems in marketing						Total
		Low field operation	No promotional measure	No affiliation	Quality	target centre	Lack in policy	
		5	22	28	55	85	127	322
Above 65	12	0	1	0	0	0	0	1
Below 25	19	0	0	0	1	0	0	1
55 - 65	40	1	0	0	0	0	0	1
45 - 55	43	0	0	1	0	0	0	1
25 - 35	89	0	0	0	0	1	0	1
35 - 45	119	0	0	0	0	0	1	1
Total	322	1	1	1	1	1	1	6

Source: Own compilation

It may be concluded that, nearly 40% respondents have cited their problems in Resource centre and Lack of policy of MFIs taken together and maximum are in the age group of 35-45 years.

Table -6 Impact of Satisfaction on the Services of MFIs

(Measurement through factor analysis):

Serial No.	Components	Factor loading
1	Customer friendly attitude of employees of MFIs	0.978
2	Ambience of MFIs	0.964
3	System in providing loan	0.994
4	Facilities provided to beneficiaries	0.993
5	Location of Offices	0.849
6	Customer redressal	0.942
7	Friendliness of field staff	0.906
8	Promptness in problem solving	0.963
9	Contact programme of officers/employees	0.994
10	Knowledge of recovery/collection	0.958
11	Ability of employees to help beneficiaries	0.967

Extraction Method: Principal Component Analysis.

When initial values are one in all cases

Table-6 indicates the communalities of factors by using Principal Component analysis. Communalities indicate the proportion of variance in response to factor, which have been explained in the above table. Here the initial value of each factor is 1.00, but the highest extraction value is 0.994. Two factors have the highest extraction values such as system in providing loan and contact program of employees. The second highest extraction value is 0.993 and it represents the factor 'facilities provided to beneficiary'. Above all, all the factors are fit to be used in factorial analysis as the value shows above 80 percent level. For further explanations of these eleven factors on customer satisfaction, the total variance is analyzed in Table-7.

Table - 7: Total Variance Explained

Component	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	**% of Variance**	**Cumulative %**	**Total**	**% of Variance**	**Cumulative %**
1	8.450	38.250	38.250	8.450	38.250	38.250
2	5.342	27.212	65.462	5.342	27.212	65.462
3	3.932	20.659	86.121	3.932	20.659	86.121
4	2.072	12.358	98.478	2.072	12.358	98.478
5	.904	1.522	100.000			
6	2.14E-015	1.07E-014	100.000			
7	1.13E-015	5.67E-015	100.000			
8	4.11E-016	2.05E-015	100.000			
9	1.77E-016	8.87E-016	100.000			
10	1.60E-016	8.00E-016	100.000			
11	1.11E-016	5.55E-016	100.000			

Extraction Method: Principal Component Analysis.

Table-7 indicates Total variance with the initial Eigen values and sum of squared loadings. Here it shows total variances as 38.250, 27.212, 20.659 and 12.358. The last factor shows less than unity in total variance and so it has been excluded in the measurement. The total value, in the initial Eigen value calculation shows 8.450, 5.342, 3.932 and 2.072 respectively for four important factors. Further, in the extracted sum of squares loading, the values reflected in the table, are of equal value with the initial Eigen values. So, no difference arises among the factors even after loading. Similarly, the percentages of variances show the similar value of the initial Eigen values for all the four factors, which have been extracted out of the 11 factors. Hence in the next Table-8 four components are explained in a correlations matrix to represent the individual factors coefficient.

Table - 8: Component Matrix

Serial No.	Factors for satisfaction	Component			
		1	2	3	4
1	Customer friendly attitude of employees of MFIs	**.824**	**.568**	**.133**	**.101**
2	Ambience of MFIs	.084	.595	-.277	-.311
3	System in providing loan	-.272	.889	.874	-.384
4	Facilities provided to beneficiaries	**.873**	**.476**	**.226**	**.198**
5	Location of Offices	-.664	-.313	-.226	.507
6	Customer redressal	.365	-.526	.327	-.641
7	Friendliness of field staff	.453	.768	.-254	-.204
8	Promptness in problem solving	.806	-.560	.062	.091
9	Contact programme of officers/employees	**.912**	**.306**	**.312**	**.097**
10	Knowledge of recovery/collection	.565	.032	.331	.126
11	Ability of employees to help beneficiaries	**.779**	**.494**	**.569**	**.639**

Extraction Method: Principal Component Analysis.

Table-8 indicates that the analysis of component matrix, where Component '1' highlights the highest positive values on the factors such as contact programme of officers or employees of MFIs followed by facilities provided to the beneficiaries, customer friendly attitude of employees of MFIs and ability of employees to help beneficiaries with the values 0.912, 0.873, 0.824 and 0.779 respectively. Here beneficiaries have expressed their satisfaction on these factors of the MFIs. The first factor customer contact programme is a part of CRM practice and it is observed that the MFIs have organized these programmes satisfactorily. Component – 2 highlights the factors such as Customer friendly attitude of employee of MFIs (0.568), Ambience of NBFCs (0.595), System in providing loan (0.889), facilities provided to beneficiaries (0.476), Friendliness of field staff (0.768), Contact program of employees (0.306), Knowledge of recovery/collection (0.032), and Ability of employee to help beneficiaries (0.494). In considering the component – 3 column, it has been observed that, the system in providing loan of the MFIs(0.874), Facility to the customers(0.226), Customer redressal(0.327), Ability of employees to explain the products(0.569), Contact programme of employees (0.312)are having most positive values.

Further, in component – 4, the factors like, location of MFIs (0.507), ability of employees to explain the products (0.639), facilities provided by MFIs (0.198) and customer friendly attitude (0.101), knowledge of recovery (0.126) have recorded most significant positive values. The beneficiaries pay more importance to these factors and are satisfied. So, in cumulative assessment, beneficiaries are immensely satisfied on the factors like customer friendly attitude of the employees, facilities provided by the MFIs, customer redressal and contact programme of officers of the MFIs as compared to the other factors. So MFIs need to pay special attention to upgrade the quality of other factors, those are not satisfying the customers as per their expectation.

Findings of the Study:

The major findings of the study are as follows:

- Out of 322 respondents, 198 are male representing 72% and 124 are female accounting for 28% of the total. Further, as per the age groups mentioned in the table, highest number of male represent by the 35-45 age group followed by 25-35 age group. Similarly, in the female group maximum 67 is represented by 35-45 age groups followed by 25-35 age groups. The lowest number of beneficiaries in both the sex groups are represented the age group of above 65 years.

- In the study of domicile of beneficiaries, it was reported that the maximum beneficiaries of MFIs belong to the rural areas followed by Semi - urban areas.

- In the study of age and period transaction in Cross tabulation, it was found that the maximum beneficiaries belong to the age group of 35 – 45 years of age and their transactional period with the MFIs was continuing since last 2 – 3 years.

- In the study of age and frequency of visit by the employees of MFIs is more to the age group of 35-45 years followed to the age group of 55-65 years and it is confirmed that they maintain informal relation in business by visiting daily to the SHGs and touch beneficiaries.

- In the study of age and problems of SHGs, it was found that the nearly 50% respondents have cited their problems in Resource centre and Lack of policy of MFIs taken together and maximum are in the age group of 35-45 years. So if better marketing policy would be framed for them, no doubt they could increase their sales and ultimate earnings.

- In the study of age and satisfaction level, it was found that the maximum numbers of beneficiaries who feel that high degree of satisfaction are within the age group of 45 – 55 years; where as low degree of satisfaction has been derived among the beneficiaries in the age group of 55 – 65 years.

- In the study of Impact of Satisfaction on the Services of MFIs through factor analysis, it was found that beneficiaries are immensely satisfied on the factors like beneficiary friendly attitude of the employees, facilities provided by the MFIs, beneficiary redressal and contact programme of officers of the MFIs.

Suggestions:

Eventually, it would be ideal to enhance the creditworthiness of Microfinance institutions; those have contributed a lot by building financial discipline and social requirements. The following area of intervention is required to support of the SHG and the Micro Finance Sector.

- Development of standards for SHGs in the Urban and semi urban areas.

- Loan products of MFIs must match with the requirements of the beneficiaries.

- Continuous support in the form of grants for promotion of SHG.

- New and renewing microfinance programs and projects should be launched to alleviate the poverty level of beneficiaries.

- Attention should be given to upgrade the system of providing loan to the beneficiaries as per their expectation.

- MFIs must take initiative in the form of various promotional programs to attract the attention of young beneficiaries.

Limitations of the Study:

Each market research is subject to certain limitations. So this piece of work is not an exception. The limitations of this study include:

a) Use of limited samples of 322 beneficiary and 89 employees.

b) Limited sample may not represent the 100 percent accuracy.

c) 'Level of satisfaction' is a relative term and in this regard the views of the beneficiaries are not accepted whole heartedly.

d) Due to limitation of time and resources a full length survey was not possible.

In spite of these limitations an attempt has been made to make the study a systematic and reliable one.

Conclusion:

The empirical analyses carried out in this paper suggest that micro finance institutions have in fact a positive influence on economic development of the state. Based on descriptive analyses of the study, it is striking that the numbers of employees as well as beneficiaries have been strongly increasing even in rural areas during the past decade, implying increasing demand for micro finance services. Women are especially encouraged in engaging in micro finance businesses. Augmented loan portfolios may also be evoked by the success of group-lending schemes where a trigger strategy in repeated micro finance games is responsible for well functioning repayment systems despite the lack of standard collateral requirements.

The perspectives for micro finance institutions in the future can thus be gauged as fairly positive and their contribution to the economic development of the state. The concept therefore is most likely independent from differences in economic, political, and cultural factors. Particularly against the background of great heterogeneity in the roots of weak development and the lack of theories to explain them comprehensively, micro finance institutions are a good mechanism to enhance economic development despite imperfect knowledge of the interdependence of underlying reasons.

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