AN EMPIRICAL STUDY ON CRITICAL SUCCESS FACTORS AND SUSTAINABILITY OF MICROFINANCE INSTITUTIONS IN BANGALORE

A Sheshu

Assistant Professor, Department of MBA,
New Horizon College of Engineering, Bengaluru

ABSTRACT

The objective of this paper was to evaluate the level of basic achievement factors on microfinance operations and therefore examine how this basic achievement factors impact the level of sustainability. In this proposed work, the investigation concentrated on Core skills, showcasing techniques, organization assets, non-budgetary assets, upper hands, client reliability and brand as a measure of basic achievement factors. The expectation of this investigation is to give the comprehension on how individuals ought to make stronger their business by taking a achievement factors and their effect on authoritative manageability subsequently diminishes the danger of disappointment and increment odds of progress.

Keywords: Marketing Strategies, Brand Loyalty, Sustainability, Microfinance Institutions

Introduction

Microfinance has been perceived as a standout amongst the most productive apparatuses to lighten neediness by the United Nations considering their huge commitment in term of occupation creation and income age for the administration. This is because of the experimental finding that emphasized the immense capability of microfinance in enhancing the personal satisfaction of the needy individuals. These microfinance organizations along these lines should be adequately figured out how to constantly champion the course of stretching out credits to the SMEs. In advancement of the above, there is the requirement for administration of MFIs to reveal the basic achievement factors that would prompt survival and development, upgrade their territories of center abilities and quality to define and execute more compelling systems to quality these basic achievement factors inside this consistently changing business condition.

“When women make money, families see the benefit” goes an old adage. This is the basic premise on which the Microfinance Institutions (MFIs) are run. The target clients are women, who come from the lower strata of the society, who may not find it convenient to get loans from established Banks. The MFIs demand no security from their customers but insist on group borrowing to ensure there is sufficient guarantee in case of a default. The customers are then progressed to the higher loan category based on past history of loan repayment. In a nutshell, the loans at the lowest level are advanced to a small batch of customers while both the disbursement and collection happens collectively as a group. This concept has ensured low loan default rate thanks to societal pressures.

MFIs have revolutionized the way “financial inclusion” has been adopted in developing countries. India, for example, has perhaps the largest “unbanked” population in the world and the statistics is really alarming. The unbanked adult population stands at roughly 40% (Urban) and 60% (Rural) while only 14% (Urban) and 10% (Rural) households have loan accounts. The MFIs catering to this large unbanked population have indirectly created self-employment opportunities especially for women, who have become independent or sole bread winners in the family. MFIs offering loans to Micro and Small & Medium Enterprises (MSMEs) indirectly support creation of employment opportunities thereby extending the benefit to a larger community. The growth of MFIs indirectly supports economic growth and importantly more power to women. To support growth of MFIs, Analytics has to be optimally leveraged and this is what the white paper is all about.
Predictive Analytics plays a key role in coming up with behavioral patterns to determine whether a Customer is likely to default. Every MFI has to submit the KYC (Know Your Customer) data to an external agency which collates the data from all MFIs operating in the country. They also collate data of all loan defaulters. Analytics performed on this database can come up with patterns with respect to Customer behavior so that the MFIs can target only those, who have a clean track record. This will reduce delinquencies to a great extent. Profitability based Analytics: Most of the MFIs are upgrading to small Banks to cater more or less to their existing customer base. If the MFIs used analytics to identify the profitable customers, they could also become target customers for the small Bank as well. Customer Lifetime Value or CLTV is a measure used for deriving the value of a customer relationship, based on the NPV or Net Present Value of the projected future cash flows from the customer relationship. Customers with a better NPV are the profitable ones. With the support of Analytics, the MFI can track such customers to take them to the next level. Those with negative NPV should be ignored in this respect while effort should be made to improve recoveries from such Customers. Analytics can also help derive a Customer’s SOW or Share of the Wallet, which is the amount of the customer’s total spending on the products and services that the MFI offers.

Material and Methods

Allan Mulengani Katwalo, Stella Isendi Muhanji, (2014) the paper found empathy and satisfaction to be the major critical success factors (CSFs) for these banks. This implies that customers who visit these banks are more concerned with the attention they receive when they seek financial services. It was also found that there was significant difference between banks that cater for the traditionally unbanked customers (TUC) and those that do not. Management of banks should put into cognizance aspects of empathy and satisfaction which are the identified CSFs. This will enable them to improve and sustain their competitiveness in the banking sector. The paper puts forward market practices which can inform policies and guide other financial institutions that would want to provide services to the TUC.

Jiyao Xun, Biao Guo, (2017) The results show that customer’s eWOM regarding a firm positively associate with the firm’s stock return but negatively associate with its stock volatility; as negative valence of customer’s eWOM increases, the positive effect of eWOM on firm’s stock return decreases; the negative eWOM impacts on the stock market more profoundly compared with when both positive and negative sensitivities are considered; and eWOM’s wear-out effect is much shorter than that of traditional WOM.

Joseph Toindepi, (2016) The paper argues that, business priorities of commercial microfinance providers differ significantly to those of development microfinance providers and this impact on the program design which means clients of each regardless of coming from the same target group may have different experiences. The microfinance concept evolved far beyond any single philosophical or ideological confinement that there is now need for formal recognition and acknowledgment that commercial and developmental microfinance paradigms are parallel models of approaches whose continuous evolution is less likely to converge in the near future, so should be treated separately. Because the purpose, challenges and requirements of commercial and developmental microfinance approaches are different, continued lack of purposeful distinction between the two will continue to cause confusion and lack of precision in policy response on specific sector challenges. Further work and discourse on the impact of both commercial and developmental approach to microfinance on service delivery to the poor is required to test the implications on best practice.

Kamran Ahmed, Rakib Khan, (2016) the results also show that the frequency of board meetings, qualifications of MFIs’ board members and MFI size are positively associated with MFIs disclosures. However, board size, board independence, audit firm and other control variables have no such effect on disclosure. This implies that MFIs should focus in board effectiveness rather than its
composition. Using a general purpose financial reporting framework, the paper examines how effective boards can improve financial reporting standards of MFIs for better monitoring by international donor agencies, regulatory bodies and depositors.

Nixon Kamukama, Bazinzi Natamba, (2013) In order to boost the wealth of the active poor and microfinance institutions in Uganda, Uganda should always endeavor to build the human and institutional capacities through social intermediation so as to encourage the marginalized people to fully participate in formal financial intermediation in the microfinance industry.

Rosman Mahmood, M. Mohd Rosli, (2013) Microcredit is positively and significantly related to the performance of MSEs across all the microcredit programs under investigation. Other entrepreneur-specific factors, especially entrepreneurial values and management practices are equally significant for enhancing firm performance. This study reminds policy makers, support institutions and small entrepreneurs that the microcredit program alone is not enough for improving the performance of MSEs. Besides microcredit, entrepreneur-specific factors are equally important for firm performance. Thus, readjustment to the existing microcredit programs, especially on entrepreneurial and managerial developments, should be made so that entrepreneurial values and management competencies of the entrepreneurs could be enhanced from time to time for superior performance of MSEs.

Saju Jose, F. Robert Buchanan, (2013) Customer dissatisfaction with the microfinance product, lack of commitment from lender’s staff, and dissatisfaction with informational support, was all significantly related to future purchase intentions. Only dissatisfaction toward the firm's people was significantly related to perceptions of CSR. Dissatisfied poor would prefer to buy elsewhere, even if they find the seller to be socially responsible. However, attitudes and behaviors of the firm's agents convey low CSR. Microfinance customers were sensitive to customer service. Service quality was also significantly related to their perceptions of CSR.

Ultan Faherty, Simon Stephens, (2016) Although awareness of innovation theories, processes and procedures is found to be low, all of the micro enterprises studied engage in a range of innovation activities across products, processes, people and marketing. Innovation is important to the development of the enterprises; however, innovation is not a managed or systematic process, and this is often due to lack of resources. This paper presents six recommendations which are of use to academics, micro enterprises and government support agencies. These recommendations include making changes to the service provided by support agencies, simplifying innovation, developing an innovation brokering facility, and improving the design/delivery of innovation programmes.

Employing a cross-sectional survey design, data on the variables are collected via self-administered questionnaires. 15 microfinance institutions across Bangalore and sample size of 115 staff of these institutions were used via purposive sampling technique. The study used mean scale and correlation analysis to address the research process and achieve the objective. However, drawing from the theories arguments and other empirical evidences, it was revealed that six out of seven critical success factors had contributed significant positive influence on the level of sustainability with the exception of non-financial resource considered as negative related impact. It is recommended that microfinance institutions should critically review their critical success indicators, seek for additional external financial support and minimize overreliance on non-financial resources. Management should practically develop and implement constant strategies to strengthen the critical success factors.

The main of the study is to analyse the impact of CSF towards the Sustainability in the selected MFIs, Bengaluru

**Results and Discussions**

Table 1: Demographic breakdown based on the personal profile

<table>
<thead>
<tr>
<th>Demographic Meticulous</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age in years</strong></td>
<td></td>
</tr>
<tr>
<td>21 - 25</td>
<td>3.08</td>
</tr>
<tr>
<td>26 - 30</td>
<td>24.62</td>
</tr>
<tr>
<td>31 - 40</td>
<td>72.31</td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td></td>
</tr>
<tr>
<td>Self Employed</td>
<td>56.92</td>
</tr>
<tr>
<td>Private</td>
<td>41.54</td>
</tr>
<tr>
<td>Government</td>
<td>1.54</td>
</tr>
<tr>
<td><strong>Marital Status</strong></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>41.54</td>
</tr>
</tbody>
</table>
Table 2: Correlation analysis

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Sustainability</th>
<th>Brand Loyalty</th>
<th>Marketing Strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.876**</td>
<td>.791**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>115</td>
<td>115</td>
<td>115</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis between the Sustainability and Brand Loyalty is 0.876 which shows that there is a high positive correlation between the variables; similarly the Marketing Strategies and Sustainability shows a positive correlation of 0.791 which is also high. This shows that both the variables show high positive correlation among the independent variables and dependent variable.

Conclusion and suggestion

The investigation concentrated on basic achievement components and its impacts on maintainability of microfinance establishments. Following the examination and key discoveries from the investigation, the investigation reasoned that microfinance foundations in Bengaluru have abnormal state of beneficial outcomes on basic achievement factors in connection to center competency, advertise system, organization assets, client and brand reliability, business development and benefit and upper hand with negative non-money related administration on maintainability level.

Base on the outcomes from the examination, microfinance organizations are encouraged to define operational procedures that would fortify basic achievement factors particularly organization back. With respect to the subsidizing; it is prescribed that administration should look for outside subsidizing to help operations and limit keeping in mind the end goal to create exhaustive and cognizant preparing for representatives considering their individual parts and obligations and in addition their requirements to hamburger the budgetary supportability. It is additionally prescribed that microfinance foundations should give careful consideration to building monetary manageability as it is center to supporting the general operations. It is additionally prescribed that the money related establishments should look for outer accomplices and speculators to fortify the monetary manageability.
References


