MASTERS IN BUSINESS ADMINISTRATION (Finance)

“Dissertation”

“Analyzing the Commercialization of Micro Financing Business in India”

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Abstract

Micro financing business is becoming a major sector in the economic development of developing countries. The main area that the researcher has chosen is “Analyzing the commercialization of Micro Financing in India”. In order to give the readers a more clear knowledge of the study, the background of the study is presented, where the researcher has described how it helps in evading poverties.

In the literature review part, the study contains the overall concept of the microfinance and commercialization of micro financing institutions. In addition it can be assured that the techniques that have been introduced in the research, provide results as per. Now, in order to talk about research philosophy, it would be appropriate to say that the researcher has taken up positivism philosophy, which helps to know the actual research process.

The researcher has presented various models of microfinance to provide the readers knowledge over the current trend pursued by Indian microfinance institutions. Research methodology part contains all the information about the approaches, strategies and designs that the researcher has taken to conduct the study. Data analysis part of the study analyses the gathered data. As the data have been gathered through the questionnaires, the questions that were asked in the survey have been presented accordingly.

It has been found that the most of the respondents have acknowledged the commercialization a positive step by the institution if the institutions pursue ethical practices. In the conclusion chapter the researcher has reflected all the recommendations and an overall conclusion of the study as per. For each of the objectives the research has given information as per tin the objective link part of that chapter. The overall recommendation of the study is also present. At last the limitations and the future scope of the study is given.
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Chapter 1: Introduction

1.1. Introduction:

Presently, micro financing business is becoming a major player in the economic development of developing countries. The main area that the researcher has chosen is “Analyzing the commercialization of Micro Financing in India”. Gueyie, Manos & Yaron (2013) has stated that this business had its first appearance, as an associate, in the money lending sector in 18th century. At that time a theorist named Lysander Spooner, proposed the benefits of the scheme to relief the farmers and small scale entrepreneurs from poverty.

Micro financing is termed as comprehensive range of products such as loans, insurances, savings and remittance that are provided by micro financing institutions such as banks, cooperative societies and non-governmental organization (CGAP, 2012). This concept was derived by Nobel Prize winner Yunus Khan to alleviate poverty. The chief aim of micro financing institutions is to provide uncollateralized loans and currently these face stiff competition with commercial financial institutions. In order to explain the impact of commercialization on Indian micro financing, there are few studies conducted on micro financing with relation to poverty reduction projects at worldwide level. The literature of Ashta et al., (2014), featuring in the research covers complex information on MFIs. It is hard to quote the sources for both the poverty reduction and micro financing schemes. There are many problems which arise, when micro financing is used for the poorest section of society in terms of generating the profit over them. Investing in such projects will guarantee higher scope of repayment because of the social benefits associated with such kind of investment. The other side of report also claims that investing in the social benefit projects will eventually make up the economic objectives of such kind of micro financing investments.

In terms of key benefits and challenges of commercialization of micro financing in India, it is claimed in the report of Ahmeti (2014) which stated that, NGO-MFIs are facing greater issues in the wake to opt for more sustainable practices in choosing financing options. This has led to speedy repayment of various loan amounts to earn good credit ratings, the key to such successful venture in the focus on high density urbanized areas rather than investing in
rural development projects. But, on the part of clients and employee there is a growing dissatisfaction regarding the social responsibility of the investment, in order to overcome from this, clients and NGOs have options for short term loans rather going for long term ones. One negative aspect for such kind of trend is negligence of innovation in funding options in agriculture sector. Moreover, Micro financing option is also emerging in the fields of retail and service sector that ensures timely repayment of loans with interest rate (Fosu-Osei & Boachie, 2013).

Micro financing option is still a lucrative business venture for NGO’s despite all its negative impact over profitability and corruption. Furthermore, in order to achieve greater impact in social benefit projects, investors and NGOs needs to reduce the confusion on mission drift.

Now days, commercialization has been associated with micro-financing. To spread the scope of working and profit making sectors, various NGO’s (Non-governmental organizations) and MFI’s are making themselves into profit making and self regulated organizations. By making its shares to public outreach, such MFI’s are borrowing money from various reputed banking institutions in the country. The high amount of capital flow into such Micro-financing Institutions (MFI’s) are corrupting the business, pressing upon common people and making them over – indebted to such crony self capitalism (Ahmeti, 2014)).

The process of over indebting of customer funded Micro financing projects was run into market penetration, saturation of funds and both multiple and over lending from investors. But such a scenario of over indebting of client is common sight in developing countries like Pakistan, Bangladesh, and European counter parts like Bosnia, Morocco and South Americana countries like Bolivia and Nicaragua with different context and dimensions of social issues (Yadav, 2014). It is very hard to commercialize micro financing institutions in light with the debate on sustainability.

The study will analyze whether commercialization of micro financing institutions are profitable in India. Studies conducted by Armendariz and Morduch (2010) argue that capital flow is from rich to poor and so increased profitability is less than initial investments. As a result poor entrepreneurs will not be able to scale economies. Market failures for micro
finance are due to high transaction cost, poor information and intricacies in contract enforcement.

Although it was quite evident that this concept had come long ago in the minds but only in 1970s it was taken up as a serious opportunity to help the needed ones. In order to give the readers a more clear knowledge of the study, the background of the study is presented, where the researcher has described how it helps in evading poverties. Thereafter, the problem statement of the study that is the commercialization scope of the business is briefed and in research rationale it is has been described specifically. The research aim, objectives, significance all have been described individually.

1.2. Background of the study:

According to Ledgerwood (2014), microfinance is a mode of financing followed by institutions to alleviate the financial setbacks faced by the needed ones of a country. In this context, Battilana & Dorado (2010) has also stated that micro financing institutions generally provide loans to the poor people of a country, who are usually deprived of the financial supports of conventional lenders, like banks. The main aim of this type (micro financing) of institutions is to make the poor people stand on their feet or to make them self-sufficient with money. This works as follows, institutions provide loans to the poor in small amount bearing low interest rates. They use these loans in their businesses. They earn from there and pay the debts in instalments with interest. By doing this they are enabled to create wealth of their own by saving money. Presently these institutions also help the borrowers in finding clients for their business.

As told above this particular idea came into the minds of people way back in 18th century. However, it was not quite effective as it should be, may be due to the lack of consciousness in the minds of the people or may be due to the associated risk of losing money. According to Hermes & Lensink (2011), it had become a full-fledged business opportunity only in 1970 when an economics lecturer of Bangladesh, Muhammad Yunus, took the first step by
providing $27 to a group of Bangladeshi villagers. From then it has become the most important lender in lifting up the lives of the neediest.

As the time moved on, its stretch has become more and more diverse. Along with private institutions, NGOs are also becoming key players. Presently, empowering women in the rurals has become one of the main objectives of the institutions. Governments are also becoming keen to support these institutions. The recent and the most appreciated triumph by the sector in India is the transformation of the Bandhan micro financing institution into a full commercial bank. This bold step taken by the Reserve Bank of India has opened up a new dimension for the economic development in the country. However, this huge progress of the sector has also made some; take up malpractices, for example, availing of loans by the affluent. In this way, the poor people of the country who are in need of these financial supports are facing loan crunch. The interest rates are also getting high which is altogether misleading the main purpose of these institutions. Therefore, the research study has given concentrations upon the commercialization of the microfinance in India and how the overlooked scopes can be availed and to what extent it can be effective is emphasized.

1.3. Problem Statement:

The attribute that has influenced the researcher to conduct the research is the present condition of the micro financing in India. It has been found out that the commercialization of micro financing institutions has created a crucial situation in the sector. This commercialization has mostly attracted the big players who are quietly able to take loans at higher interest rates but instead taking from these institutions at lower rates. This practice is making the due ones bereaved from loans, thereby increasing the wealth discrimination among the people. Therefore, the obvious problem statement is the backlog of this commercialization.

1.4. Research rationale:

What is the issue?

The issue of the study has been the commercialization scope of micro financing institutions in India. Microfinance is becoming more and more important for the developing countries. Although, India is a home of by several top industrialists of the world, as much as 73 percent
of the population lives in villages, out of which 172 million are living below the poverty line. Although, it has been reduced from the previous rate of 21 percent, according to Hermes, Lensink & Meesters (2011) it is way more below than standard rate for countries like India. IMF has attributed this reduction on the electrification of the rurals. However, some of the economists say that this would not be possible without the support of micro financial institutions. They have been there for a considerable time now and have helped immensely towards the welfare of those people but it is yet to reach the maximum point. Therefore, the scope of expansion the business has been the issue of the research.

**Why is it an issue?**

For countries like India, data that shows 73 percent living in the rurals, out of which 172 millions are living below poverty line has made it obvious to raise the issue. The history of microfinance in India has become pretty much old in comparison to the overall history of the micro financing. Nevertheless, it is not an overstatement that micro financing in India is yet to reach its full potential, as there are very much players present nowadays. Moreover, it has been only for Bandhan micro financing institution to become a full commercialized bank, where many more institutions are playing the same roles. Therefore, it has inevitably become an issue which has been raised in the research.

**Why is it an issue now?**

Presently, poverty line measurements are itself an issue because the big businesses are availing the microfinance at higher quantity. It has been seen that this unethical practices have been shortening the amount of available funds in the hand of these institutions. Therefore, the original partiers who require these loans are getting deprived. In addition, it can also be said that government's new projects, like Make in India, Digital India are in contrast with the present poverty scenario of the country. Even some of the economists have stated that these are actually in contrast with the present image of the overall economy. As much as 9.6 percent are living below the poverty line. Therefore, there is a huge scope present for the micro financing institutions for the betterment of these people but the aggressive commercialization by these are making this an issue now.

**What could the research shed light on?**
As the research study concentrates upon the commercialization of the micro financing institutions present in India, the research can shed light on the effectiveness of these institutions in context with the poverty position of the country. Furthermore, the research can also detail the overall poverty position in the country. The recent progress of the sector in India and how these institutions will help in lifting up those people from the people will also be reflected.

1.5. Research aim:

The research aim have been studying and understanding the reasons and challenges of high commercialization of Microfinance in India. In other words the present scenario of this particular business in India is scrutinized.

1.6. Research Objectives:

Following four points have been the objectives of the research.

- Identifying the present trend of the microfinance in India. The demarcation of this sector and the effectiveness has been one of the objectives.

- Identifying the benefits and the setbacks of microfinance in India is another objective of the research.

- Identifying the scopes and challenges of high commercialization of the business in India has been another pivot of the research study.

- The last but the most important objective has been giving best possible solution against the problems faced by micro financing institutions in India.

1.7. Research Question:

Viewing the research objectives, the obvious research questions of the study have arrived as the followings.

- What is the present trend of the microfinance business in India and to what extent it has been effective in reducing the poverty in India?
• What are the benefits and the setbacks of the business sector in India?

• What are the challenges faced by the sector in India in context with high commercialization scope?

• What are the steps that can be taken by due authorities to uplift the overall position of the economy?

1.8. Significance of the study:

This research study focuses upon the effectiveness of microfinance institutions in India. Therefore, the research study has been able to gather all the information of the sector in India as well as international information. In addition, the research study has been able to correctly justify the actual meaning of the commercialization of micro financing institutions. However, if one views the research objectives, the significance of the study can be clearly realised. The first objective tells that this study is done to know the trend of the microfinance business in India; thereby learner will be able to know the details of the sector. Thereafter, identifying the benefits of the micro financing institutions has remained another objective so it can be told that this is another signifying point that the learner will be able to develop knowledge over the benefits. Other objectives, identifying the challenges faced by the sector and the steps by the concerned authorities signifies the study.

1.9. Structure of the dissertation:

The structure of the study includes five chapters. The chronological order is introduction, literature review, methodology, research findings and recommendations and conclusion.
In the introduction part, the research purpose has been described. It includes the background of the study, research objectives, research aims and the significance of the study. Research background details the concept of the microfinance and what has led this research study to be made, the research objectives of the study details all the reasons for this study. The aims describe the findings that have been sought and the significance tells the knowledge this study carries. The second chapter that is literature review contains several theories that are present in line with the micro finance. Methodology chapter contains the research tasks that were personally performed for the research purpose is described. Hereunder, processes undertaken for collection of data, analysing data are detailed. In the next chapter, research findings are described. These findings are based on the outcome of the data analysis. The fifth and the last chapter, recommendations and conclusion, details the possible ways for improving the scenario in context with the raised topic is described.

1.10. Summary:
In concluding the chapter, it can be told that the researcher has endeavoured to appropriately introduce the study. Analysing the commercialization of micro financing institutions in India has been the aim of the research study. For this, background of the study is presented to provide the basic concept and history of micro financing. The research rationale of the study is given to specify the including concern of the topic. After specifying the research rationale, the objectives of the research study are provided to give the learners the fundamental purpose of the study. Presented research questions have been made in accordance with the objectives. The significance of the study has been presented in details also in context with the research objectives. At last the structure of this dissertation is presented to provide the knowledge over the following chapters.
Chapter 2: Literature review

2.1. Introduction:

This part of the study contains the overall concept of the microfinance and commercialization of micro financing institutions. In order to contextualize the importance of the study, theories of previous researches have been presented and how this study is different from them, is told. The benefits caused by and challenges faced by these type of institutions are described thereafter. Various models of microfinance is given to provide the readers knowledge over the current trend pursued by these institutions. After that this research has emphasized on the commercialization prospectus of these micro financing institutions. This section of the proposal will explain theoretical part of the research report. The research will examine the concept of commercialization and its impact on Indian Micro Financing Business. The research will also examine the growth of micro financing in India and kind of challenges faced by micro financing institutions in order to limit the penetration of micro financing in rural segment. Moreover, the literature review section will gather the secondary information from various sources such as published research papers, academic journals and published material of Indian government on micro financing to construct the theoretical part of the research.

2.2. Previous studies:

It has been 30 years now, micro financing have appeared in india of the service to the poor. And on it several literatures with different views have been presented till date. For example, In “Commercialization of Microfinance Institutions in India: A Debate between Financial Sustainability and Poverty Outreach”, author Sakshi Kapoor has prioritized the issue of commercialization in context with the profitability of these organization. The author has perfectly described how this pursuance of profit has affected the original concept of microfinance. It has been told that, in order to avail the scope of profit making at the same time of providing loan have drifted these institutions from the basic concept of the betterment of the poor.
In, “Is Commercialization of Microfinance Responsible for Over-Indebtedness? The Case of Andhra Pradesh Crisis” author Shahadat Hossain has raised the topic over-indebtedness buy MFIs. For this the author had examples the case of Andhra Pradesh where these institutions disproportionately influxed commercial capital and provided loans, thereby aroused the over-indebtedness. He has specifically mentioned that, how the thrive for profit maximization of micro financing institutions have faulted to meet the optimum goal of reviving the lives of poor. He has also mentioned the unethical practices pursued by these institutions and corroborated the inefficiency factor for the fault.

The following literature has taken up the legal regime that governs the microfinance institutions and its backlogs. “Regulating the Growing Commercialization of Microfinance Institutions in India” authored by Aditya Alok and Nihal Joseph has told that there is not a unique regime to monitor and control these institutions. This has led the Indian institutions behind its counterparts in Bangladesh, Europe and Latin America. The ancient convention was that the poor farmers had to borrow minimal amounts with higher interest rates. In order to save them from this deceit of usurers micro financing scheme had developed. However, over the course of time these institutions became more and more profit seeker and this led them to pursue malpractices. Viewing the opportunity, this type of institutions are popping up every day. The government also were inactive but the case of Andhra Pradesh had influenced the government and the central bank to set up new regime by presenting Microfinance bill. However, the authors had proposed a different proposition. In their literature, they had told that a two-way model in regulating would have been a better step.

Another literature concentrating the same topic but with different aspect was introduced by Janus Bo Andersen in “Commercialization of Microfinance Portfolio Aspects of Turning Banker to the Poor”. It would be fair to say that the author had endeavoured to present an overall situation of the microfinance institutions of the world. In this study the researcher had described the basic differences between the traditional finance and microfinance. The regulatory prospects over the world, the influences of these legislations on the investors and how they affect their investment decision have been presented. However, the most significant point that the researcher had pointed out was the profitability scope of micro financing and how this attracts a proficient investment banker to turn around to this sector. As the researcher had given concentration on the profitability scope, the point of commercialization
automatically arises. Therefore, the literature review of the study has been presented in this study.

2.3. Conceptual framework:

![Conceptual Framework](Source: Created by author)

2.4. Concept of microfinance:

According to Hudon & Traca (2011), microfinance is a way of lending money to the poorest individuals and households of a country in order to stabilize their lives. The main aim of these institutions is to make the poor people able to earn on their own. Generally, it has been
found that in the rural areas, most of the so called big banks do not lend money as there is pretty much risk associated with the loan and very low scope of making profit. By this way, the poor ones remain deprived of the financial supports provided by the leading banks. So, the micro financing institutions have presented themselves to support these people financially as well as mentally.

The function of the micro financing institutions or MFIs is arranging loans for the poorest ones. Now in order to accumulate the funds for loan, most of the organizations, till now, have been depended upon donations. From these donations, they give financial supports to the people of these rural areas. These supports are provided in many ways, out of which the main way is by creating credit accounts of these borrowers. The amounts of these loans are quite low in figures, upto 2012 the upper cap limit of these loans were INR 50000. However, this was upped by 10 times to cap the limit at INR 500000. As the main aim is to standardize the lives of these poor, financial institutions also give advices and ideas to make them excel in their business.

Currently, empowering women has become one of the main objectives of these financial institutions. The institutions, after justifying the business scope, provide loans to the groups of 20 to 25 housewives. This also enables these women becoming more and more self dependent and leaving the orthodox convention of patriarchalship. These institutions also help in creating wealth as they become liable to maintain the accounts they have allotted. These accounts help them deposit funds and availing the benefit of interests. Khavul (2010) has stated that these institutions also act as intermediaries for them as they meet the ultimate buyers with the main sellers. By this way the products get cheap and the businesses get more vast.

2.5. Benefits and challenges in microfinance:

The challenges of micro financing in India is much more than its benefits. Bok (2009) has stated that the first and the foremost challenge that is faced by the microfinance institutions is that the profit making scopes of these institutions are low. This is due to multiple reasons. First of all as the institutions give loan to the poors, they cannot charge higher interest rates. In addition, when these institutions take loans from others, they have to bear higher interests and this, itself arises a challenge for the institutions.
The second challenge is that working with dispersed fragmented group of borrowers; therefore it gets hard for the institutions to gather the people having same interests. Magrab et al. (2009) has stated that this leads to the increase of transaction cost. As the institutions have to search and gather these people to make them understand the benefits of micro financing and how it works these transaction costs automatically get higher.

As the loans are given to the poorest of people, who are unable of earning any fixed income, it needs significant brilliances and ample of time to correctly manage the borrowers. According to Quinones & Remenyi (2014), although this attracts most of the brilliant academicians towards it, but many a time it has been seen that the lower income in relation to the devoted time has affected the progress of these sector. The volunteering factor gets drained. The rigorous contribution that this sector asks is not optimum comparing to the income it yields.

Manos, Gueyić & Yaron (2013) has stated that it has also been seen that the borrowers often try to conceal significant information from the lenders to avail the money easily. This led the institutions to search for information on their own and this asymmetries increase the overall cost structure of the organization. According to Ledgerwood (2014), realising this as a more capital-draining task, the institutions get uninterested and leave the sector.

Another challenging factor is finding the optimum borrower. It gets often seen that the lenders find it hard to find the main people who are originally in need of the loans. In this context, Gibson & Conceição (2012) has stated that the optimum goal of the institutions is to provide loan to the poorest of the poors. However, the actual scenario depicts an alternative expression. It has been found that mainly the borrowers belong from relatively affluent families, who are quite capable to manage on their own. This shows more clearly the inefficiencies or the unwillingness of the institutions to outreach to the poorest.

Mersland & Strøm (2014) has stated that along with this several challenges some of the benefits are also present of microfinance and the benefits are of higher significance than the challenges. The first of all benefits is that it helps lift up the poor people's lives out of misery. Data has shown these micro financing institutions have managed to lower the proportion of poverty by some amount. It is presented that in 1990 the number of people living below the poverty line ($1.90 per day) was figured at 1958.50 million, whereas in 2015 it was 702.1
million. In this context, Quinones & Remenyi (2014) has told that though this rate is quite short of other countries, but the importance of it cannot be ignored. Moreover, it has helped the women in rural areas to strengthen themselves on their own. Children are going to schools as these institutions have been effectively awaring the benefits of education. Electrification of the rurals and effectiveness of these institutions have improved the lives of these people. People are becoming more and more confidant and started creating wealths. The governments are also aiding these institutions for the betterment of its people. Therefore, it can be said although there are several setbacks faced by this institutions, but their benefits for the social upliftment cannot be ignored.

2.6. Models of microfinance:

There are several models present for the microfinance. The mostly seen model in India are as Self help group model, Federated Self Help Group Model, Grameen bank model, Joint Liability Group and Cooperative Model.

**Self Help Group model:**

This model is formatted by groups comprising of 20 members, specifically it is seen that these groups are followed by the housewives of rural areas. The activities of these groups stay under the supervision of the NGOs or the institutions that provide the loans. The institutions along with providing loans educate these women to make them understand the importance of different money matter. This type of model basically includes the women who share the same goal and ready to work for the welfare of others also. The women spontaneously choose their leaders on their own and provide loans to only the members of the group.

The rules and the norms are also set out by the group members. Micro financing institutes or non-governmental organizations also give advices to these groups. Along with this, the institutions also help the group connect with the banks for further monetary assistances. In this context, McCoy, Thabet, & Badinelli (2009) has told that the borrowing power of these groups relies upon the saving power of them. It means that the more they save, the more they can borrow. Recently, it has been found out that though these loans are given to the needed ones, some serious health issues have become a major point of concern for the banks. As they mostly are unable to income a fixed amount over time, they face some serious food crunch which critically imbalance the nutrition portion in their bodies, which to extent decrease the
working ability of those people. Therefore, the NGOs and the institutions have become more conscious with the health issue of these borrowers. Most of the banks have opened up voluntary check up centres for the people to check their health’s when they come to pay the instalments.

**Federated Self Help Group Model:**

According to Nasir (2013), this model is a modified type of the conventional Self Help Group model. In actual, this model is a collective group of Self Help Groups. This escalation or the transformation of the self help group is due to the success factor of the self help group. As told above, self help groups consist not more than 20 members, whereas the federated self help groups consists more than 1000 members. The operational structure is three tier based, where in the lowest tier the general members of the SHGs remain. The second tier is kind of a cluster and at the summit remains the apex body. The responsibilities of these groups are also different.

The lower base performs their general tasks like operating businesses. Members of the second tier belong from the several SHGs which comprise the FSHG. Generally, two to three members represent each SHGs and convey meetings over the performance of each groups. The outcomes and the details of these meetings are then getting informed to the apex body. The apex body of each FSHGs consists of 10 to 15 members and they are the responsible for controlling the total group. These members connect the SHGs with the NGOs. NGOs also get the benefit of one time reach to cover multiple SHGs. Some of the examples of this model is PRADAN, SEWA etc.

**Grameen Bank Model:**

According to Jha, & Singh (2015), this type of micro financing model is mostly successful one. Where the previous models are comprised of the borrowers itself, this model is formatted by different institutions. There are many reasons for the success of this model. First of all these institutions give loans for almost every ethical reason, like from housing loans to sanitation loans. No obligations of providing collateral are suppressed upon the borrowers. Most of the times, the institutions also do not indulge themselves in paper works or other formalities. Overall transaction costs are low as the borrowers go to the institutions rather
than lenders coming searching them. The repayment of loans can be done in minimal instalments at the convenience of the borrowers.

**Joint Liability Group:**

This is another model of microfinance currently present in India, introduce in the year 2014 by NABARD. The model is kind of same as the SHGs but some certain features have made it stand aside of SHGs. The foremost signified feature is that it only provides loans to farmers or farming related group with the aim to increase the amount of agricultural products. The members of the group are 4 to 10 in numbers (Nair, 2014).

**Co-operative models:**

Co-operative models are developed by a group of locals who have the same goals and are in confidence of self help. It means that, these groups develop these models on their own and avail all the services of it using their own resources. The basic idea of the model resembles the concept of conventional Credit Union model. Co-operative Development Foundation or Sahavikasa is the example of this group in India (Pinz & Helmig, 2015). This autonomous body is the leading co-operative institution in India. This foundation helps the men’s groups as well as women’s in order to revive their lives. Training and educating the members are also another conduct of these groups.

**2.7. The commercialization process of micro financing institutions:**

Commercialization of micro financing means transformation of these groups from mere supportive lending entities to a comprehensive social helping profit making organization. It would be proper to say that this tells about becoming professional with the business. This escalation is a five stage process. Casselman, Sama & Stefanidis (2015) has stated that the dispersed unsettled groups come along and open up offices on their own. Places for situating the offices are acquired, and then equipping process is taken up. All of these tasks are performed meeting the least capital requirement norm. The second phase of the transformation is done by gaining adequate amount of return to meet up their own obligations or the costs. After becoming efficient to meet their own costs, the groups seek to become financially self-resilient. D’Espallier, Hudon & Szafarz (2013) has stated that the tasks
become more and more complicated and the members become more focused on wealth creation to avert any possible upsets. The fourth and the most important step of issuing shares come only after reaching a certain point of excellence. After scaling up the overall performances and starting to yield enough returns that will meet the demands of the shareholders, the organizations seek for public offerings. The aims are to avail the huge capital base that is out there in the capital market. The last stage of the transformation is becoming more cognizance to become a full-fledged commercial unit (Delgado et al. 2015).

The development towards commercialization comprises of five stages. The first stage comprises of obtaining assets such as equipments and space for office, appointing personnel, and satisfying least capital needs as stated by the central bank. The next stage i.e. the second stage comprises of operational self-reliance (gains same as costs). The third stage comprises of gaining financial self-reliance in which sufficient gains are generated to guard the organization from fiscal upsets and to create added investments (Delgado et al. 2015). The fourth stage is used when operation scale increases and as a result of which organizations penetrate the fiscal market by floating their shares to make use of market based funds. The fifth stage appears when the organization runs as a profit making commercial unit.

The superior quality of goods and services and fiscal stability is the effect of commercialization of microfinance (D’Espallier, Hudon & Szafarz, 2013). As identified by Hoque et al. (2011), there are three supplies of financial support that accompanies commercialization of microfinance. These comprises of deposits (savings), shareholder capital and the loans. Savings is the source of funds that is more familiar to the developed nations. It makes an economical source of finance and remains unaffected in the fluctuating markets. The main purpose of deposits is to form an excellent funding source which was not possible earlier because of organization’s NGO status. The usage of Loan guarantees and moreover, a regulatory network from the conventional banks permits MFI to have a loan at little interest rates. Furthermore, deeper reach of investors in the market and increasing knowledge about MFI as a money-spinning business proposal has drawn investors from across the world.
2.7.1. Advantages and opportunities of commercialization of micro financing institutions:

Commercialization of microfinance institutions are well stretched in comparison to the traditional approach where all the tasks are governed and performed by NGOs. As told above commercialization seeks for professionalism in each and every tasks performed. According to Hudon & Sandberg (2013), this creates a feasible condition for all the stakeholders, as the quality of the services and products get more and more significant. Moreover, the supply of funds gets proportionately higher as these increases the savings of the borrowers. In this context, D’Espallier, Hudon & Szafarz (2013) have stated that the benefits of commercialization are multiple. In an comprehensive way it can be said that the commercialization has led the institutions to accumulate cheaper funds, better regulate, improve the quality of its services and gain access to the funds and increase the stretch.

Levie (2014) has stated that commercialization have helped the institutions to gain funds from open market by issuing shares. Therefore, the liability upon donations to operate has been averted. Furthermore, commercialization has given the opportunity to take deposits from the general people, as the scope of earning is present.

These higher amounts of funds have increased the reach of these institutions. So far, it has been problematic for the NGOs to reach to the farthest extent of the poor population for the lack of funds. The organizations also have been staying away for the high transaction cost and the risks associated with micro financing. Now, that commercialization have increased the supply of funds, the institutions are becoming more bold and the financial inclusion is becoming more and more prolific (Casselman, Sama & Stefanidis, 2015).

Carrillo (2013) has stated that the commercialization of micro financing institutions has also helped to improve the services of the institutions. Corroborating this, Aarikka-Stenroos & Sandberg (2016) has also told that this has not only uplifted the services but has created new dimensions of it. As the commercialization fully supports the dynamics of financial inclusion, several financial services, like insurance, payment systems, remittances are being introduced, thereby, improving the lives of the people more significantly.

The basic feature of commercialized micro financing institutions is that it is governed by central banks of countries, in India it is done by the Reserve Bank of India. Gibson &
Conceição (2012) has stated that the obligation to meet the proposed norms have made the institutions more and more standardized and this is where these new institutions outperform the conventional NGO-controlled micro financing institutions. These norms have mandated the institutions to provide insurance facilities for its clients, as well as it has also set out the capital adequacy ratio for the institutions. This proper management has made the institutions perform better.

Another benefit is the rise of competition. Currently, these institutions take up the helping tasks spontaneously and competition level is zero as the scope of profit making is nil. But, the financial inclusion and the commercialization have showed how even this non-profitability sector have started generating profit. In this context, Nasir (2013) has stated this competition will lead the institutions to be controlled by market conditions and as the scope of profit making is there, more and more organization will try to enter in these markets. As per the general rule, this competition will ultimately benefit the users of their products. Intense rivalry will decrease the price of the loans and will make the services value-added. Quinones & Remenyi (2014) has stated that these competitions have led the institutions to provide individual loans rather than group loans. Also this has made the institutions to invest in technological advancements.

Commercialization has made the structures and the governance of micro financing institutions more standardised. It has been mandated to constitute Board of Directors as the apex body of controllers of every organization, whereas in the traditional model this has not been necessary. Ledgerwood (2014) has stated these calls for better professionalism by the controllers and they need to be proficient in their course. Commercialization of micro financing institutions has opened up leveraging opportunity for them. Therefore it asks for sheer excellence and brilliance to handle the funds. As these institutions gradually become private concern, the peer pressure automatically arrives.

Gibson & Conceição (2012) has stated that this will also help reach the institutions their economies of scale as the number of customer will increase. This will also help reduce the transaction cost on average as the number of services will also increase.

According to Mersland & Strøm (2014), although the costs associated with commercialization will increase the cost structure as these will need to train staffs and change
in the management information systems the effectiveness of the commercialization has the upper hand.

2.7.2. Setbacks of commercialization of micro financing institutions:

Magrab et al. (2009) have stated that although the aforesaid benefits have been availed through commercialization by the institutions, but some challenges will also be there for them in near future. In this context, Manos, Gueyié & Yaron (2013) has also stated that the high competition will make it more critical for the organizations to maintain the optimum goal that is welfare of the poor.

The first and the foremost challenge commercialization create for the micro financing institutions is aversion of them from the main principle that is helping the poors. As told above, that commercialization will definitely bring about competition amongst the institution; this will hinder the progress of the society. The scope of profit making is relatively low than the conventional organization. Along with this the competition will also lower the price of the products; therefore, indulgence in malpractices is due to be happened. Altogether, this will drift the institutions from its goal and ultimately the poor ones will get affected.

Quinones & Remenyi (2014) has stated this will also create pressures from the shareholders and other lenders. The basic theme of the commercialization is that these micro financing institutions issue shares to raise capital. Therefore they get obliged to report to these shareholders. As the owners always try to gain higher yield from the investment, the organizations also strives for higher profits. This creates a situation of conflict of interest. As the organizations seek to betterment of the people, whereas the owners seeks higher profits. This will possibly led the organizations to provide higher loans to clients who are able to pay higher interest rates. The higher amount of loans neglects the actual people who are in need of these funds (Ledgerwood, 2014). However, Jha, & Singh (2015) has stated that commercialization can be efficiently put into place financial stability is properly maintained.

The last challenging factor of commercialization is creating a proper regulating framework (Casselman, Sama & Stefanidis, 2015). It has been seen around the world that the commercialization have caused several micro financing institutions indulge themselves in unethical conducts. Although there is a scope of maintaining a proper balance between the social welfare and profit making, over-pressurization by the owners have made them
deceiving with deposits and services. Therefore, it is also an important challenge associated with commercialization (Delgado et al. 2015).

2.8. Present scenario of micro financing institutions in India:

The present scenario of India’s poverty measurements is that 29.8 percent of India’s 1 billion populations are below poverty line. According to Battilana & Dorado (2010), this is quite in contrast with a nation that has estimated a growth of 5.4% in its national income. As per the statistical measures by National Sample Survey organization, 25.7 percent, 13.7 percent of the overall population were residing in rural and urban areas respectively that were considered poor. However, there are several micro financing institutions presently serving the needy ones but their operations are yet to reach the zenith of their purpose.

Not attaining the main mission is a major challenge faced by the modified MFI. Moreover, it raises issues relating to reconciliation of the social intentions of the MFI with the fiscal intentions. It has been claimed that commercialized MFIs concentrate on comparatively more affluent clients and neglect poorer one to maintain financial self-reliance. The largest test for MFIs is to keep their focus on their social intent without digressing in lookout of profitability. Another reason for criticism is the soaring interest rates debited by these organizations. However, in their endeavour to envelop high operation costs and to generate higher profits, MFIs charge high interest rates and moreover, rates debited by MFIs are higher than rates charged by the conventional banks, thereby becoming a source of exploitation for deprived and poor section of the society.

According to Ledgerwood (2014), these micro financing institutions are developing gradually. If it is seen, it can be realised that these institutions have gone through various ups and downs over the past years. These volatilities can be segregated in 4 phase. In the first phase, these institutions faced high growth in their businesses. No situations like shortage of funds were present. The funds were coming from both debts and equities. Entrance in the sector was also easy. However, the crisis in the Andhra Pradesh led to the end of the first phase of microfinance. Comparing to the first phase, the second phase of timeline of the
sector was way more detrimental. The crisis led to the emergence of high volatility within the sector.

The adversity of capital crunch became bare and the overall asset quality of the institutions was becoming much more below standard. Need not to say all of these were the after-effects of the Andhra Pradesh. The bankruptcy of the major micro financing institutions in Andhra Pradesh have had nudged the head regulatory body Reserve Bank of India. The consequence, intervention of the central bank of India, was obvious. In October, 2011 the Reserve Bank of India came along proposing new regimes for the consolidation of the sector. The proposition was to curb out intentions of expansion by micro financing institutions, also it proposed the institutions to take to technology based operations to curb out extra costs. With RBI taking the helm, the investors started to turn around being optimistic to the sector. Therefore the volatility in the capital structure which was faced by the institutions in the earlier phase was redeemed. These funds mainly came from equity sector and social sector funds. Presently, it is perceived that the sector is going through the phase 4. The intervention by RBI resulted in increasing confidence among the players of the sector as well as in the investors of the sector. Stern regulatory framework and the contrasting stances, with previous operations of Andhra Pradesh government, of the state governments have improved the overall structure of the sector. Profitability and margins are gradually improving.

Now if we are to go with the emergence of different major institutions of the sector, history of it should be revised. According to Hermes & Lensink (2011), the development of Self Employed Women’s Association in 1974 was the first step of the sector towards privatization. The main aim was to empower women of the rural society. Spontaneously they came along and formed a bank to help of their own. As told above, this association along with providing loans gave other financial services also. Another important contributor was MYRADA or Mysore Rehabilitation and Development Agency, developed in 1968. Initially it was operational in resettling Tibetan refugees with Indian government; however the institution became more focused upon the poor of the India in the later stage. It got more adamant by building Credit Management Groups, who started helping families as well. The institution was set up in the southern region of India to help the inhabitants of Andhra Pradesh, Karnataka and Tamil Nadu. The institution built Common Fund from several revenue sources of the organization, which was shown to the banks and other financial
institutions to avail loans. Grants from NABARD were also reallocated as loans by the institution to the poor for production purpose and other as well.

2.8.1. Geographical reach of micro financing in India:

The presence of micro financing institutions in India has been there for many decades now. Initially the growth of it was dispersed, however, as the time pass by, the evolution of these institutions became more and more rapid and today in almost every corner of the country, they are present. But, as it seems most of the significant institutions are present in southern part of the country. According to data, top most 25 district of the overall country in gross loan portfolio index are all from southern states. These states are Karnataka, Andhra Pradesh, Kerala and Tamil Nadu. However, according to the past data, it can be seen that the share of the Andhra Pradesh in this segment gradually decreased and in other states it increased as reciprocal effects. Not only this disbursement increased in the other states in southern part but also flowed towards east (West Bengal) and middle (Uttar Pradesh) part of the country. 12 micro financing institutions that are present in West Bengal registered a combined portfolio of 2869 crore rupees in June, 2013. Tamil Nadu was just behind it with a 2776 crore rupees of gross loan portfolio. Although, over the years the spread of microfinance institutions increased in overall country, but the tops remained in the southern part mostly. Therefore, it can be said that the decrease in micro financing in southern states did not reciprocate in the other states, but actually an increase happened throughout the country. Data showed that the southern states, in which most of the institutions headquartered, were as much as 80 percent contributors to the overall gross portfolio of loans (Refers to appendix 2).

Along with West Bengal and Uttar Pradesh, the other states which are becoming preferable for these institutions are Bihar, Odisha and Madhya Pradesh. However, in the north-east region of the country, micro financing is not much effective compared to the other parts. According to Hermes, Lensink & Meesters (2011), this is due to the poor support system and this has raised concern among the banks as well, they have become reluctant showing any kind of assistance towards these institutions.

The scope of profitability by micro financing institutions in India is better than the commercial banks. It can be seen that over the years the return on assets of these institutions have increased to 2 percent and more whereas for the commercial banks’ it was around 1.6
percent. The return on equity is also higher than other industries. Hudon & Traca (2011) have stated that this is because of the strict regulatory framework by RBI and the shift towards commercialization. However, negative ROEs were also on the lists of some of the micro financing institutions.

The rate of national growth for the period 2014-15 (Government of India, 2014) is anticipated to be 5.4% but poverty still remains a major issue for a developing nation like India as development is mainly driven in industry and service sector only. As per the data tabularized by NSSO, 25.7% of rural area population, 13.7% or the urban population and 21.9% of the whole nation was under poverty line in the period 2011-12 (Planning Commission, 2012).

Microfinance in India has developed speedily with the spotlight towards its chief intention of fiscal inclusion (Ashta et al., 2014). This kind of inclusion would lead to socio-economic empowerment besides giving an official identification and authority to engage in actions that could perk up their livelihood. In India, Microfinance was basically initiated to benefit the segment of society that included farmers, laborers, unorganized and unofficial sectors, minority groups, senior citizens and women (Appiah, 2011).

The introduction of SEWA (Self Employed Women’s Association) in 1974 led to the development of microfinance services in private sector. This organization brought together working women to form a bank that would provide loans and other support services to them. This was seen as a movement meant for empowering women and rising their standing financially as well as socially. Another organization, MYRADA (Mysore Rehabilitation and Development Agency) assisted CMGs (credit management groups) or SHGs (Self Help Groups) in Andhra Pradesh, Tamil Nadu, and Karnataka. Credits were issued from money received as grants from NABARD (National Bank for Agriculture and Rural Development) that contributed to almost 31.3% and 40.9% that came from other sources. Furthermore, a section of seed money (27.8%) was provided by MYRADA itself (Mohanty et al., 2013). This helped them to build associations with various NGOs which further assisted them in raising loans for consumption (religious occasions, marriage, and clothing) and production purposes.

Micro financing organizations have gained momentum slowly and gradually. The total client reach of MFIs was approximated to be 26.6 million and a total loan assortment of INR 209.13
billion according to the Sector Report of the state. The liquidity crisis during 2010-11 caused a minor decline in 2012; as observed by MFIs, both MFIs and SHGs have registered 19.1% growth rate in 2010-11 in regard to the client outreach (Sate of Sector Report, 2012).

The business of MFI has not extended evenly across India. It is heterogeneously distributed both in terms of growth rate and customer count with southern states like Kerala, Andhra Pradesh, Pondicherry, Karnataka and Tamil Nadu which are sharing the maximum MFIs and customers. The northern states like Jammu and Kashmir, Delhi, Himachal Pradesh, Punjab, Haryana, and Rajasthan have minimal pervasiveness of MFIs (Sate of Sector Report, 2012).

As quoted by Chakrabarti and Ravi (2010), from State of the sector Report (2010), it is evident that out of 70 MFIs, 62 MFIs had optimistic return on assets. The return on these MFIs was an excess of 2% in comparison to a usual bank which paid a return in the range of 2% to 1.6%. Moreover, MFI returns on Equity too showed a positive return. A total of seven MFIs registered more than 50% of return on equity with the biggest return quoted to be 147%. However, a large number of organizations reported less than 10% ROE (Chakrabarti and Ravi, 2010).

Hulme (2000) pointed that the approximate loan size could be utilized as an alternative indicator to compute mission drift, as huge average loan size indicates a swing of MFI’s focus from poor to comparatively wealthier customers as poor customers would generally opt for smaller loans. To recover the costs expressed by MFIs, they prefer bigger loans which reasonably rich customers are capable of paying. As witnessed by Indian MFIs, there has been an improvement in loan size over the time but this increase is expected to prove beneficial to MFIs (Sate of Sector Report, 2012) referring to present context of interest caps and margins placed. The use of average loan size to gauge mission drift and poverty has earned criticism from a number of researchers for reasons like the client outreach increases and entry to new markets may bring about rise in loan size.

2.9. Backlogs of micro financing in India:

The backlogs of the sector are quite alike international scenario. Same are the points for the local institutions. For example the poor reach. It has been found that though the original aim
is to serve the poorest of poor of the society, high transaction cost and operating costs have deterred the organization from their aim. Another backlog is refraining themselves from urban areas. The poor people from rural areas go to urban areas for better living. However, micro financing institutions do not consider these people as potential customers. Therefore, the scopes to accumulate poor get decreased by lump sum proportion. The service qualities of the institutions are also an affecting point for expansion. This is collaterally connected with the limitations of funds and subjected to time. As profit making scopes are relatively low, the institutions are bound to minimize the operational costs. As a result, the service quality of these organizations gets low. In addition, lack of funds also constrains the institutions to develop new dimension of services.

Microfinance reach is limited to only 8% in India as against Bangladesh’s 65% reach of MFIs. It is crucial to consider that the commercialization of MFIs is a relatively recent trend here. In addition to meet up their costs, MFIs are struggling to increase their outreach. A large proportion of MFIs focus on female than male population for their trustworthiness for savings and payment of loans but in order to increase client outreach there is a need to pay attention to male population too (Abrar & Javaid, 2014).

The details as follows

**Least Attention to Urban Region**

MFIs primarily focuses on poor sections in the rural parts of the country but it has to be realized that with increasing urbanization, a large segment of the rural population has migrated to urban towns in search of livelihood. Thus, urban poor population also demands equal attention. In India, the current statistics estimates the urban poor population to be over 100 million (Nasir, 2013).

**Issues with Service Quality**

It becomes imperative to improve the customer outreach and provide better services and goods to the customers. However, it is important that the products must be developed to suit the needs of the target customers whether it is for the purpose of insurance or loan (Appave, 2005). For instance, a smaller average MFI loan size is not at all useful for inventive purposes rather it might be just helpful in satisfying their liquidity needs.
Unavailability of Legal Body

The micro financing organizations and non-banking fiscal companies have yet to be recorded under any kind of regulatory governance. Consequently, MFIs are not able to acquire any type of deposits (Sate of Sector Report, 2012). It’s the savings that acts as a funding source for MFIs as well as for the clients. Moreover, this is a significant aspect in present time as borrowing for commercial purposes is not tolerable to the rising demand by MFIs. Therefore, in the absence of regulation, a lack of effectual administration and authority crops up as MFIs are not obligated to abide by code of conduct. It may lead to unprofessional practices and also disrupt the path of growth (Singh, 2014).

Prior to 2011, there was not a single regulation or body in force to control this sector. However, the crisis in Andhra Pradesh had concerned RBI, which resulted in introduction of regime by the institution. Lately, a bill regarding the sector has also been passed but the institutions are yet to fully comply with the norms set out. Therefore, this is also another challenging factor for micro financing institutions in India.

2.10. Conclusion:

In this part of the paper, an overall endeavour has been made to introduce the concept of micro financing and its commercialization. It has been seen that several literatures have been published regarding the factor, some of which have been introduced in the previous studies point. After that an analysis of the commercialization of the sector has been done in respect to international perspective and domestic perspective. It has been found that the India is falling behind from its counterparts in the part. Stern regulating bodies are yet to fully active, which are causing several issues for the organizations. The southern part of the country are home to the most of the institutions and they are mostly active in that part. Among the models of micro financing institutions the Self help groups and the co-operatives are mostly seen. For the backlogs it has been found out that the most important one is poor reach of the institutions.
3: Research Methodology

3.1. Introduction:

The third chapter of the study is research methodology, which contains all the information about the approaches, strategies and designs that the researcher has taken to conduct the study. In this context, it can be said that the research methodology is the sole contributor of making the study accurate.

3.2. Methodology framework:

In this part of the chapter the researcher has endeavoured to introduce the aims of the research. Furthermore, it can be assured that the techniques that have been introduced in the research, provide results as per. Now, in order to talk about research philosophy, it would be appropriate to say that the researcher has taken up positivism philosophy, which helps to know the actual research process. For the approach part, the researcher has adopted deductive approach as it has been found mostly effective. This is due to the perception that deductive approach is the best approach for obtaining actual research results. However, Taylor, Bogdan & DeVault (2015) has told that this is not possible as because the data gathered are tend to be manipulated by the researchers. The research design taken is explanatory design.

3.3. Research Onion:

The research onion is a diagrammatical presentation of the overall research task. It can be said that, this helps effectively in using several tools for the research purpose. It also helps in attaining expected results for the research. In addition, it can be said that the layers of the onion perfectly resemble the process and the strategies that the researcher has taken up for the research. There are six layers of the onion that have to be covered by the researchers to obtain best possible results for the research. As told above, these six layered onion shows a perfect working path of the researchers which he or she adopts by following certain processes and techniques. Therefore, it can be said that the research onion immensely helps in using the strategies, philosophies and time horizon appropriately.
3.4. Philosophy:

According to Silverman (2010), effective research philosophy helps the researcher in identifying the main objects of the research appropriately. The philosophies are mainly characterized in four different dimensions; they are pragmatism, realism, positivism and interpretivism.
According to Gast & Ledford (2009), research philosophy is a comprehensive element of the combination of three characteristics, axiology, ontology and epistemology.

Positivism factor of the philosophy tells that the techniques adopted for the research purpose are scientifically approved. Interpretivism tells that the philosophy signifies the understanding factor of human experiences as well. In addition, it can be told that the positivism factor regards both qualitative and quantitative approaches for analyzing data. The realism factor has been maintained in the objects. Pragmatism factor of the philosophy assures higher accuracy of the results as it combines the positivism and interpretivism factors.

3.4.1. Justification for the chosen philosophy:

The research has been made to know the effects of commercialization of micro financing institutions in India. Therefore, it has been attempted by the researcher to know and analyse the challenges the poor people as well the institutions themselves are facing for this commercialization. In doing this, the researcher has adopted positivism philosophy to link it with the previous models and strategies that have been cited in the literature review part. As the research emphasizes upon analyzing the commercialization of micro financing institutions
in India, positivism philosophy is perceived to be the most relevant one. Here, it would better to notify the readers that the researcher has refrain from using any other philosophies, as they fail to meet the scientifically approved recognition.

3.5. Approach:

Perhaps, research approach is the most crucial factor for the success of the study. In this context, Creswell (2013) has told that the research approach must be suitable to the nature of the study as the validation of the research outcomes depends upon the approach the researcher adopts.

Figure 5: Research Approaches

(Source: Panneerselvam, 2014, p.48)

The cause of it is, it helps the researcher to identify all the steps to be taken to get the expected results. Panneerselvam (2014) has stated that research approach is basically of two types, deductive approach and inductive approach. The inductive approach helps the researcher to develop new models and theories on his own on the basis of the research outcomes. Whereas the deductive approach mainly tells about analyzing the present models and strategies that adopted by the researcher.

3.5.1. Justification for the chosen approach:
As the present work concentrates upon the analysis of commercialization of the micro financing institutions in India, the researcher has taken up deductive approach. There are several research proposals and reviews are present on the topic as it is the mostly sought economic dimension at present, therefore the preference on deductive approach has been obvious.

On the contrast, there are several reasons for not choosing the inductive approach as well. The most important reason of them all is that, this approach does not consider any kind of quantitative analysis and qualitative analysis. Therefore, it can be said that, if the inductive approach was taken, the results would not have been as desired and most probably considered as vague.

In addition, it is being notified that the researcher has not tried or developed any kind of model or theories in context with the research and has relied upon fully on the previous models and theories.

3.6. Design:

According to Maxwell (2012), research design works as guidance for the researcher, following which it is usually confirmed that the researcher will achieve the desired goal which is sought by the set objectives.
In this context, Myers, Well & Lorch (2010) have told that the research design helps in curtailing unwanted data and helps the researcher work with optimum required data. In the present study, it can be told that the research design has enabled the researcher in limiting the desired outcomes from the vast expand and has allowed to work on the basis of it. As per Lewis (2015), research designs are of three types, explanatory research design, descriptive research design and exploratory research design. Explanatory research design has helped the researcher to describe the cause-effect relationship between the factors on the basis of predicted outcomes.

Taticchi, Tonelli & Cagnazzo (2010) have told that exploratory design helps in detecting the main reasons raising the concerns of the related subjects. It usually emphasizes upon the research issues that confront the problems relating to the research. However, the descriptive research design according to Silverman (2010), helps defining the problems and issues creating concerns for the study. It can be told that this helps researcher to expand the knowledge base.

3.6.1. Justification for the chosen design:

This research has concentrated upon analyzing the effects of commercialization by the micro financing institutions present in India on the poor people and the main objective of these institutions. It has been done so to devise a path, following which the desired goal can be achieved. Therefore, the study clearly depicts a detailed description of the factors those influence the business of these institutions and the stakeholders of them. The study also depicts the other concerning factors relating to the subject as well. As the problems have been sought, best possible solutions for them are also devised and recommended at the bottom of the research. Therefore, it can be said that the researcher has adopted the descriptive research design in the the process of the study. As the other designs have failed to meet the mandate of depicting and describing the reasons and issues in this context, they have been averted.

3.7. Data collection technique:
In general, there are two types of data that are accumulated for any kind of research, primary and secondary data. Of these two, primary data are perceived to be the most important for research purpose as here data reflect most acceptable perceptions of the research subjects. Mackey & Gass (2015) has told that primary data are more relevant than secondary data, as the effects of time factor here is nil. However, the importance of secondary data cannot be ignored. As stated by Taylor, Bogdan & DeVault (2015) secondary data are significant because it helps in gaining initial knowledge over the concerned topic. Books, previous researches, magazines, web information are the sources of secondary data.

Primary data can be furthermore subdivided in qualitative and quantitative data. For this research, both qualitative and quantitative data have been given importance but qualitative data is given more degree of significance.

**Quantitative data:**

As per Panneerselvam (2014), quantitative data reveal the best possible perceptions of the subjects on the related topic subject to their hoaxing and concealing nature. However, as these data are gathered to know the overall perception of the society on the chosen subject, the sample size must be bigger. The researcher has gone to the small entrepreneurs of Andhra Pradesh, where microfinance institutions are most effective.

**Primary data collection:**

Primary data have been gathered through surveys only. Questionnaires have been developed to gather quantitative data by surveys from the entrepreneurs of Andhra Pradesh. **Secondary data collection:**

Secondary data have been collected from previous research journals, books, magazines and internet. The previous studies part of the literature review has been constituted from the secondary data.

**3.8. Sampling process:**

The sampling technique describes the selection process of the respondents. In this research the simple random sampling technique has been taken. This technique gives each and every people of the population an equal chance of getting selected. As commercialization has
affected more or less all over the country, therefore selection from any one place will give the same result if selected from other areas. For this research, 120 locals have been taken from Andhra Pradesh as respondents.

3.9. Plan for data analysis:

The data analysis has been made appropriately to achieve the best possible result. For this, several analytical tools have been taken. In this context, Carrillo (2013) have told that choosing appropriate tools is essential to maintain transparency in the results. All data have been presented with graphs and in tabular form to ease the understanding.

3.10. Ethical pursuance:

The data have been gathered following certain code of conducts. Secondary data have been gathered from authentic sources to get best possible results. Hereby, it is being assured that any kind misleading and self-assumed data have been not accounted.

Conducting the research using ethical means assures the researcher the liberty to quote the results strongly, without any fear of security from critics (Bryman and Bell, 2011). All the ethical issues pertaining to demography and organizations would be considered in this research. The information about the objective and impact of the research would be for told to each person involved in the research as a direct participant or help. The questionnaires will contain the note to allow the freedom to user to answer or not if he chooses to. Moreover, there will be no compulsion and fudging with the data obtained. All the sources will be given due citations in the research work in detail. Permission should be obtained from any unpublished work or from those with copyright issues. Personal details of the people involved in the research will never be shared out neither in the part or a whole.

3.11. Gantt Chart:
<table>
<thead>
<tr>
<th>Task</th>
<th>Week 1</th>
<th>Week 2</th>
<th>Week 3</th>
<th>Week 4</th>
<th>Week 5</th>
<th>Week 6</th>
<th>Week 7</th>
<th>Week 8</th>
<th>Week 9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selection and justification of the topic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Literature development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selection of methods</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collection of data</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analysis and presentation of data.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Review of the outcomes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conclusion and recommendation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submission of the drafts</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
3.12. Summary:

This part of the research study clearly reflects the details of the analytical process that have been taken by the researcher while conducting this particular research. Positivism philosophy has been followed by the researcher and the approach was deductive. The research design has been descriptive. For the analysis, primary and secondary both were gathered. In order to gather primary data, the researcher has conducted surveys and interviews and code of conduct has been maintained.
Chapter 4: Data analysis

4.1. Introduction:

In this part of the study the analysis of the gathered data have been done. As the data have been gathered through the questionnaires, the questions that were asked in the survey have been presented below. It has been mentioned previously that the questions that are developed reflects entirely the concern subjected in this research. 10 questions were asked by the researcher and it has been seen that the opinions were kind of mixing and confronting each other. Therefore, the researcher has tried to find out the implicit meaning of the opinions like what the main concerns are and what the issues are that has presented confronting opinions. Details of the analysis are described below the presented questionnaire.

4.2. Analysis of the survey outcomes:

1. What is the age group that you belong from?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-30</td>
<td>15.83</td>
<td>19</td>
<td>120</td>
</tr>
<tr>
<td>31-35</td>
<td>25.83</td>
<td>31</td>
<td>120</td>
</tr>
<tr>
<td>36-40</td>
<td>22.50</td>
<td>27</td>
<td>120</td>
</tr>
<tr>
<td>41-45</td>
<td>27.50</td>
<td>33</td>
<td>120</td>
</tr>
<tr>
<td>46-50</td>
<td>16.67</td>
<td>20</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 2: Age group of the participants
Figure 7: Age group of the participants

Findings:

From the first question, the researcher has tried to find the age of the respondents. It is found that 19 of the total 120 respondents belonged to the age group of 25-30 years. 31 respondents belonged to the age group of 31-35 years. The percentage of the respondents belonged to the group of 36-40 years was 22.50. Most of the respondents belonged from the age group 41-45 years, the number was 33 and in the last group denoting the band, 46 to 50 years a total number of 20 respondents ticked.

Analysis:

The first question, the researcher had asked that in which age group the respondents belong. From the answers, it has been found out that 19 out of the 120 respondents belongs from the group 25-30 years. The percentage was 15.83, a significant proportion. However, it turned out as the least percentage of the overall proportion. Therefore, it can be assumed that the entrepreneurship from the young generation is much below than it should be. The nation is built by the young ones and the direction of its progress is actually set by these youngsters. As more and more entrepreneurships helps in the overall progress of the nation. Therefore, it can be recommended that the entrepreneurship by the young ones must be increased in India.

The percentage of the group 31-35 years stood at 25.83. The number of respondents belong from this group was 31. It can be seen that it was higher by a considerable proportion than the
previous group. The main reason behind this was that, prior to 2011 there was no rules and regulations on these certain business sector. Therefore, the availability of funds was much higher than the present scenario. As a result starting entrepreneurship was way easy than now. The third age group was constructed as 36-40 years. The number of respondents belonged in this group was 27. The percentage was 22.50 of the total respondents. From this, it can be seen that the change from the previous group was only 3 percent approximately which mostly describes the possibility that all of these respondents started their own ventures prior to this decade which has been analysed in the third question of this questionnaire. The most respondents belonged from the age group 41-45 years. This tells that before the commercialization most of the people took to entrepreneurship and it was most preferable to these persons. The people from the age group 46-50 years were 20, lower than the previous two groups. Therefore it can be told that this decrease in the percentage was because of the ineffectiveness of these institutions at the initial stages.

2. What is your gender?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>40.83</td>
<td>49</td>
<td>120</td>
</tr>
<tr>
<td>Female</td>
<td>59.17</td>
<td>71</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 3: Gender Deviation of the participants
Findings:

The second question was asked to know the gender diversity. The reflections were as follows. Out of the total 120 respondents, 49 were male and 71 were female.

Analysis:

As told above, this question was asked to assume a perception over the number of women entrepreneurs and men entrepreneurs. Although the researcher had tried to avoid the gender diversity the higher percentage of women entrepreneurs has resulted in this data. It has also been viewed by the previous researchers that most of the groups were formed by the women in the rural areas. Most of them followed the self help group model.

These women with the funds of the NGOs and institutions have started their own ventures. In the rural areas the most common business is handicrafts business which is taken up by the women there. Therefore, this has caused the diversity. However, the men in the rural areas are also taking up new ventures and investing in farming activities. In the initial stages of their presence, microfinance institutions in India mainly helped the women residing in the rural areas to give them a way to improve their lives. But at present these institutions are funding the men as well.

Figure 8: Gender Deviation of the participants
3. For how long you are running your own business?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-2 years</td>
<td>9.17</td>
<td>11</td>
<td>120</td>
</tr>
<tr>
<td>2-5 years</td>
<td>11.67</td>
<td>14</td>
<td>120</td>
</tr>
<tr>
<td>5-10 years</td>
<td>21.67</td>
<td>26</td>
<td>120</td>
</tr>
<tr>
<td>10-15 years</td>
<td>39.17</td>
<td>47</td>
<td>120</td>
</tr>
<tr>
<td>15-20 years</td>
<td>18.33</td>
<td>22</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 4: Time period of the participants as entrepreneur

Figure 9: Time period of the participants as entrepreneur

Findings:

In the above table, data reflects the timeline for which the respondents have taken up their own ventures. It has been seen that least of the entrepreneurs have started their ventures in the past 1 or 2 years, the number was 11. In the second group that is 2 to 5 years this number was
14. The next group was formed as 5 to 10 years, in which 26 respondents ticked. However, in the next group this percentage increased. It has been found out that 47 respondents belonged in the group 10 to 15 years and 22 were in the 15-25 years group.

**Analysis:**

This question was asked to know the presence and the effectiveness of the micro financing institutions in India. It has been found that a mere 12.50 percent have started their businesses in the past 1 or 2 years. The cause of it can be the commercialization itself which has decreased the availability of the funds. In the next group the respondents were 14. For this the same aforesaid reason can be mentioned. Along with this, another reason was the introduction of regulatory framework, which mandated the institutions to follow certain norms. Therefore, it decreased the amount of funding of these institutions. However, most of the respondents belonged in the group 10 to 15 years.

The number was 47; several factors had played for this to happen. The first factor is that, in those years the micro financing institutions were investing more aggressively with the aim to help the poor. The task only needed was finding those people as the lives of the people were pretty much stressed; the scope of reviving influenced them to take loans. Another factor was the absence any unified regulatory framework. Therefore, the institutions were working on their own regulations. Competition was nil and they did not refrain themselves from availing the higher profitability scope. In the last group the percentage was lower as compared to the previous two groups. As told above the reason of it may be the ineffectiveness of the micro financing institutions in the initial stages.

4. **Why do you like to opt for microfinance?**

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy availability</td>
<td>5.83</td>
<td>7</td>
<td>120</td>
</tr>
<tr>
<td>No collateral</td>
<td>45.83</td>
<td>55</td>
<td>120</td>
</tr>
</tbody>
</table>
Findings:

From the above table it has been found out that the respondents prioritize no collateral scheme and low instalment repayment scheme of the institutions. In this two 85 respondents have reflected their opinions. Of the other three, the lowest percentage has been reflected by the no paper works point. Advices and the easy availability of funds accounted 10.83 and 5.83 percentage respectively.

Analysis:

From the above table, it can be perceived that the no collateral is the mostly preferred point by the respondents. This reason is obvious for the people. As they do not possess any kind of
valuable assets which can be kept as mortgage, commercial banks are less likely to provide them loans. Therefore, the micro financing institutions came up with the no collateral scheme.

Another point that has been preferred by the entrepreneurs is the low instalment repayment. The micro financing institutions had developed these schemes for the convenience of their clients. It has been ruled by the institutions that the borrowers have to repay on weekly, fortnightly and monthly basis, based on their preference and in small amounts. Therefore, the entrepreneurs find it as one of the most influencing factor.

Easy availability of the funds is the lowest preferred point and this is due to the commercialization factor of the institutions. This commercialization has provoked concerned authorities like RBI to present new regulatory framework, which has mandated the institutions to follow the norms. Therefore, the institutions have strict their operations and are also asking the borrowers to meet the regulations of these institutions. Another point is the lack of funds itself. Commercialization has shifted the targets of the micro financing institutions. It has been seen that for high profits, these institutions have started to fund relatively higher business entities. Therefore, poor people are getting less from the institutions. Paper works is seen to have the lowest weightage, because of its insignificant nature. The advice point have the second lowest percentage, therefore it can be assumed that the micro financing institutions have failed to advise the people as required and these people depends on themselves as there is no one to give them proper advice.

5. How far do you believe that microfinance is better option for a small entrepreneur?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>14.17</td>
<td>17</td>
<td>120</td>
</tr>
<tr>
<td>Agree</td>
<td>47.5</td>
<td>57</td>
<td>120</td>
</tr>
<tr>
<td>Neutral</td>
<td>13.33</td>
<td>16</td>
<td>120</td>
</tr>
<tr>
<td>Disagree</td>
<td>15.83</td>
<td>19</td>
<td>120</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>9.17</td>
<td>11</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 6: Participants’ opinion regarding the appropriateness of microfinance

Figure 11: Participants’ opinion regarding the appropriateness of microfinance

Findings:

From the above table, it can be found that most of the entrepreneurs have agreed that micro financing institutions do help in building their entrepreneurship careers. The percentage of it is 47.5 percent, almost half of the total respondents. However, all the other points have raised almost similar concerns among the other respondents.

Analysis:

From the above table it can be perceived that micro financing institutions have helped the entrepreneurs in building their ventures. The main reason for it that the commercial banks do not provide loans to them as there is low scope of profitability. Another point is the low interest rates or nil interest rates. At the initial stages these institutions focus upon creating wealth for its customers and this also attracted the entrepreneurs. However, all the other
points got almost the similar weightage because of the commercialization of these institutions which have raised serious concern in recent days.

6. What are the major challenges that you have faced in using microfinance?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of availability</td>
<td>62.5</td>
<td>75</td>
<td>120</td>
</tr>
<tr>
<td>Lack of proper information</td>
<td>19.17</td>
<td>23</td>
<td>120</td>
</tr>
<tr>
<td>Complex procedure</td>
<td>18.33</td>
<td>22</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 7: Different challenges in microfinance

![Different challenges in microfinance](chart)

Figure 12: Different challenges in microfinance

Findings:

From the above table, it can be seen that the most of the respondents think that the lack of availability of funds is the most challenging factor in enhancing their businesses. 75 of the
120 respondents have chosen this one. Lack of proper information is the second point that has raised concern among them and the last one is the complexed procedure.

**Analysis:**

The above question directly relates to the subject of this topic. It has been found out that the commercialization has drifted away most of the micro financing institutions from their focus of helping the poor. As these institutions are looking to open capital market, they are getting more pressurized by these funders to make more profits. As a solution, these institutions are now lending to higher business units who are capable of making higher profits and these loans are given in bulk amounts. Therefore, the percentage in the option lack of availability of funds is quite justifiable. In order to blame the commercialization for this it can also be told here that prior to Andhra Pradesh scandal this problem did not show up. After that RBI imposed new set of rules for which the operations of these institutions got restricted and thus resulted in lack of funds.

Lack of proper information is another challenge that has raised the concerns among 23 respondents of the total 120. It has been seen that imposing exorbitant rates was familiar in the operations of micro financing institutions. Concealing important notices was another point of concern. However, after the new rules these have been taken care of but it is yet to reach the optimum point and to the entrepreneurs this is somewhat problematic.

The least percentage has been seen in the complex procedure option. The main reason for it the regulatory framework itself. Although, previously the organizations did not take to any kind of paper works but the rules now have mandated them to comply with certain norms. Therefore, it is getting complexed for the people of the rural areas.

7. How far do you believe that microfinance must be available to the middle class and lower class people?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly believe</td>
<td>39.17</td>
<td>47</td>
<td>120</td>
</tr>
</tbody>
</table>
Table 8: Opinions of the participants regarding the availability of microfinance to the middle and lower income group

<table>
<thead>
<tr>
<th></th>
<th>Believe</th>
<th>Neutral</th>
<th>Disbelief</th>
<th>Strongly disbelief</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage (%)</td>
<td>29.17</td>
<td>15</td>
<td>10.83</td>
<td>5.83</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>35</td>
<td>18</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Total respondents</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
</tbody>
</table>

Figure 13: Opinions of the participants regarding the availability of microfinance to the middle and lower income group

Findings:

From the above table it has been found that most of the entrepreneurs strongly believe that microfinance must be available to the middle class and lower class people. Out of the total 120, this option got a proportion of 47. The moderate option has been able to attract 35 respondents. Therefore, it can be seen that approximately 69 percent of the overall agrees that microfinance should be available to the poor and middle class people. 15 percent did not show any concern. However, 20 respondents gave opposed reflection.
Analysis:

Believing microfinance should be available to the middle and poor class people is quite obvious. Almost 3 decades have gone by micro financing institutions are present in India. From the day one of operation, these institutions are in the welfare for the poor people. Where the commercial banks have refrained, these institutions came up with their own services to the poor ones. Therefore, it is obvious fact that these people will believe that micro financing institutions should service to them only. It has been aimed by these organizations to be at the convenience of the poor people. The interest rates are low and even at some places it is nil. Loans were easily accessible. Therefore, the respondents believe that microfinance should be available to the middle and poor class people only.

However, the negative responses may be because of the commercialization, It has been seen that commercialization has affected these people more or less. They are not getting that much support from these institutions as they used to as a result 20 people’s thoughts are negative.

8. How many times you have encountered the problem of unavailability at the time of opting microfinance?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some times</td>
<td>22.5</td>
<td>27</td>
<td>120</td>
</tr>
<tr>
<td>Always</td>
<td>43.33</td>
<td>52</td>
<td>120</td>
</tr>
<tr>
<td>Very few</td>
<td>25.83</td>
<td>31</td>
<td>120</td>
</tr>
<tr>
<td>Never</td>
<td>8.33</td>
<td>10</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 9: Participants’ opinion regarding the rate of unavailability of microfinance
Findings:

The above question has been asked to emphasize upon the option, lack of availability of funds. It has been found that the most of the people have faced the problem more or less. 27 respondents have told that they have faced this problem some times and 18 respondents have told that they have encountered the problem for a very few times. However, 52 respondents, 43.33 percent of the total proportion have told that all the time they go to get a loan faced problem, which is of major concern.

Analysis:

From the above table it can be seen that most of the people have faced the problem unavailability of fund. From this, it can be assumed that most of the micro financing institutions are now neglecting the poor and focusing on the big players. In this context, it can be told that the commercialization is the main reason for it. Due to commercialization the micro financing institutions are now capable of raising capital from open market by IPOs or debts. Therefore, these institutions are now acknowledging the profitability aspect more. As providing small amount of loans with minimum interest rates has led these institutions nowhere near profitability, they have started providing loans to the big players. These business entities are also seeing this as a huge opportunity as micro financing institutions come with better schemes than the commercial banks. Therefore, it can be told that, it is
indeed a significant problem to the people. As told above, this signals the lack of affectivity of the micro financing institutions.

9. How far do you agree that Indian government must take care to the availability of microfinance?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>47.5</td>
<td>57</td>
<td>120</td>
</tr>
<tr>
<td>Agree</td>
<td>29.17</td>
<td>35</td>
<td>120</td>
</tr>
<tr>
<td>Neutral</td>
<td>15</td>
<td>18</td>
<td>120</td>
</tr>
<tr>
<td>Disagree</td>
<td>5.83</td>
<td>7</td>
<td>120</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>2.5</td>
<td>3</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 10: Participants’ opinion regarding the government’s step for microfinance

Figure 15: Participants’ opinion regarding the government’s step for microfinance
Findings:

From the above table it can be seen that 32 respondents have strongly agreed to the comment that government should take necessary steps to check the liquidity crunch. 25 of the whole have moderately agreed the option. 22.5 percent did not reflect any kind of concerns and in total 36 respondents showed opposite reflections.

Analysis:

Viewing the above data it can be assumed that the acts of the government are still to reach the expectations of these people. As has been found, prior to 2011, there was no set of rules and regulations for this sector. However, after the Andhra Pradesh scandal RBI has introduced new norms and recently the government has proposed microfinance bill. These two steps have limited the operations of micro financing institutions and their image as usurer have decreased. Therefore, these people are in demand that government should take aggressive steps and control the borrowing problem. In this context, it can also be told that prior step of the RBI has made these institutions to go for commercialization. For better profitability these institutions are not providing loans to these poor people, instead providing them to bigger institutions. Therefore, it can be said that though regulations have been able to control the institutions, it has raised this major concern, which must be addressed by the government only.

The negative opinions have come from the respondents who have not availed the services of micro financing institutions.

10. How far do you agree that India must reorganize the microfinance sector?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>29.67</td>
<td>32</td>
<td>120</td>
</tr>
<tr>
<td>Agree</td>
<td>20.83</td>
<td>25</td>
<td>120</td>
</tr>
<tr>
<td>Option</td>
<td>% Agree</td>
<td>N</td>
<td>Total</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------</td>
<td>---</td>
<td>-------</td>
</tr>
<tr>
<td>Neutral</td>
<td>22.5</td>
<td>27</td>
<td>120</td>
</tr>
<tr>
<td>Disagree</td>
<td>16.67</td>
<td>20</td>
<td>120</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>13.33</td>
<td>16</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 11: Participants’ opinion regarding the reorganization of microfinance in India

Figure 16: Participants’ opinion regarding the reorganization of microfinance in India

Findings:

It has been found that almost half of the total respondents have agreed to the reorganization proposal. 27 people stayed neutral, whereas 20 respondents expressed slight negativity and 16 totally opposed to it though it has other meaning.

Analysis:

From the above table it can be seen that most of the people agrees that present condition of the micro financing sector are not that much effective. Some basic problems, like lack in proper outreach, unavailability of funds, not providing loans to the original needy ones, are still there. In this context, it can be told that though these institutions are present for some days now, they are yet to reach the poorest of the poor with their services. It is commonly seen that these organizations in actual provide loans to relatively affluent people. The
institutions have their own justification for this and they have recognized the high transaction cost as the main problem. Another problem is the asymmetry of information of the borrowers; therefore they have not been able to grow as much as their counterparts in other countries like Bangladesh, Europe. These respondents believe that this can only be solved by optimizing the sector which can be only done combinedly by government and the institutions.

11. Do you believe that commercialization of microfinance in India would help you to boost up your capital for further investment?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage (%)</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>22.5</td>
<td>27</td>
<td>120</td>
</tr>
<tr>
<td>Agree</td>
<td>35.83</td>
<td>43</td>
<td>120</td>
</tr>
<tr>
<td>Neutral</td>
<td>9.17</td>
<td>11</td>
<td>120</td>
</tr>
<tr>
<td>Disagree</td>
<td>19.17</td>
<td>23</td>
<td>120</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>13.33</td>
<td>16</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 12: Participants’ Opinion regarding the commercialization of microfinance in India
Figure 17: Participants’ Opinion regarding the commercialization of microfinance in India

Findings:

From the above table it can be seen that most of the entrepreneurs have agreed that commercialization will meet their demand of excess capital, though it seems contrasting with the aforesaid points. This has been addressed in the analysis part. 11 have been stayed neutral because of the belief that it will not affect the present scenario. In total, 39 people have given negative remarks.

Analysis:

As told above, 70 of the total respondents have agreed that commercialization will help to improve the capital structure of their businesses. However, they have also agreed that this has increased the unavailability of funds. As it seems a bit of confronting stance, the implicit meaning that can be assumed is that they are in hope this commercialization if put as per, it will be most effective. Therefore, it can be told that the institutions need to act efficiently for the welfare. The rules are also set out in this way that they help the poor people; therefore any kind of negative implications of commercialization can be ignored. The neutral expressions can be assumed that neither believe nor agree that this commercialization will help them. The negative opinions are because of the present scenario of unavailability of funds.

12. Give your opinion whether the political instability in India could create a sound barrier to the growth potential of the micro financing sector?
<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
<th>Frequency of respondents</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>14.17</td>
<td>17</td>
<td>120</td>
</tr>
<tr>
<td>Agree</td>
<td>15.83</td>
<td>19</td>
<td>120</td>
</tr>
<tr>
<td>Neutral</td>
<td>27.5</td>
<td>33</td>
<td>120</td>
</tr>
<tr>
<td>Disagree</td>
<td>34.17</td>
<td>41</td>
<td>120</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>8.33</td>
<td>10</td>
<td>120</td>
</tr>
</tbody>
</table>

Table 13: Participants’ opinion regarding the impact of political instability on microfinance

![Graph showing participants' opinion regarding political instability](image)

Figure 18: Participants’ opinion regarding the impact of political instability on microfinance

Findings:
It can be seen from the above table 17 respondents have strongly agreed that political instability will affect the growth of the sector. 19 moderately agreed. 33 remained neutral and 51 gave opposite reaction.

**Analysis:**

From the table it can be assumed that most of the people think that any kind of political influence will not affect the growth of the sector. Here, it can be told that helping poor in reviving their lives is seen as a social responsibility, therefore any kind of political change or instability will not deter the growth. It can be assumed that neutral stances of the people are somehow seems to be aligned with the disagree option as this type of questions are more delicate. 36 people have agreed the fact that instability will affect the growth. Here it can be assumed that the people are in thoughts that the government is the main driver of the growth. As government’s propositions are the most effective for development of the nation, any kind of instability in it is bound to affect the economy.

**4.3. Summary:**

In this chapter, the data that has been gathered for the research purpose is analysed. The researcher has gathered 120 entrepreneurs from Andhra Pradesh who is directly or indirectly cognizable of microfinance. They were asked 12 questions, implicitly bearing some significant subjects. For example the gender related question was asked to know who the main clients of these micro financing institutions are, it has been found that most of them are women, so it can be told that the promise of women empowering by these institutions are quite achieved. For the problem, most of them have recognized the unavailability of funds and blamed commercialization for it. However, they have also told that if commercialization is appropriately done, they will seek to raise capital from these institutions more. It has been also observed they are seeking government’s action for the revival of the sector which ultimately will help them. On the other hand, no collateral and repayment in small instalments have got the most preferences.
Chapter 5: Conclusion and recommendations:

5.1. Conclusion:

In concluding this study, it can be told that the researcher has made a holistic approach in making this research and the endeavour to make it most prolific has remained from the beginning to the end. As the researcher have taken up a debatable topic “commercialization of the micro financing business in India”, it has been found that these sector have come into existence way back in the 70s in India with the aim to revive the lives of the poor people living in rural areas. These institutions have started providing minimal loans to them and other assistances as well. However, according to published data, they were not much effective as their counterparts in Bangladesh and Europe. It has also been found out that this kind of institutions have not been reaching to the poorest of the poors to recover their lives, rather they have been providing loans to relatively affluent people. In the initial stages there was no competition as this sector yields low profit, however, lately higher interest rates have attracted many usurers who influxed more and more funds. However, this high lending and low yielding situation in 2011 had bankrupted most of the institutions in Andhra Pradesh. Therefore RBI came up with certain rules, which created this commercialization. These institutions are now allowed to raise capital from open market by IPOs and debts. Due to this, the profitability scope of these institutions has also increased and this has resulted in negligence of the poors.

5.2. Objective linking:

At the introductory part of this research, 4 research objectives have been presented and all the task has been done in accordance with these objectives.

Objective 1: Identifying the present trend of the microfinance in India. The demarcation of this sector and the effectiveness of the organizations.

The first objective has been to know the boundary or the reach of the sector in India and their effectiveness. In the “previous studies” part of the literature review chapter it has been pointed out that most of the organization have preferred relatively affluent people and not the
poorest of the poors. The authentication of it has also been reflected in the result of the questions numbered 4, 5, 7 and 8 presented in the data analysis chapter. These information have reflected the outreach of the micro financing institutions. Now, to know in which areas of the country, these institutions are mostly situated, one has to look into the point “geographical reach of micro financing in India” presented in chapter 2 of the study. It has been told there that the most of these institutions are presented in the southern part of the country. Lately, they are now looking to enter in the middle part also and the eastern region also.

**Objective 2: Identifying the benefits and the setbacks of microfinance in India.**

The second objective was to know the benefits and the setbacks of this sector in India. The researcher has given main focus to this objective and the next as well. The researcher has provided primary and secondary information to address the objective. In the “previous studies” part the researcher has mentioned the study “Regulating the Growing Commercialization of Microfinance Institutions in India” written by Aditya Alok and Nihal Joseph, who have told that regulating framework is a major challenge for the institutions. Furthermore, in order to give precise knowledge the researcher has presented the specific point “benefits and challenges in microfinance” in the literature review part. Therein the researcher has distinctively described all the major point relating to this objective. All the benefits and the challenges that have been presented are most optimum, the readers may also find some of the questions relating to this objective in the data analysis part. For example the question number 6 that is “What are the major challenges that you have faced in using microfinance”.

**Objective 3: Identifying the scopes and challenges of high commercialization of the business in India.**

The third objective of the study is known as the scopes and challenges of high commercialization of the micro financing business in India. The researcher has given the most significance to this objective. Now in order to give the readers a brief knowledge over it, in the previous studies part the researcher has presented a study which was done in the context of commercialization. The readers may find relevant knowledge in the description of the book “Is Commercialization of Microfinance Responsible for Over-Indebtedness? The
"Case of Andhra Pradesh Crisis”, presented in the literature review part. Moreover the researcher has also presented separate points in the literature review part. The first point for this is “advantages and opportunities of commercialization of micro financing institutions”, where the readers will be able to know the overall opportunities of commercialization. The next point that has been presented in this context is “setbacks of commercialization of micro financing institutions”, wherein the readers will be able to know the overall setbacks separately the setbacks of commercialization. However, this to present in Indian context the researcher has presented separately three points, “present scenario of micro financing institutions in India”, “scope of profitability of microfinance in India” and “backlogs of micro financing in India”. The first point has been given to describe the present scenario of micro financing institutions, how commercialization has affected the sector. The next point, the profitability scope tells about if commercialization has increased or decreased the profitability. The last point has told the setbacks of commercialization to the Indian micro financing institutions. In the data analysis part, researcher has also asked relevant questions. These questions are 6, 7, and 8. From the analysis of the number 6 question, readers will be able to find the challenges that have been faced by the borrowers. The number 7 question describes the thoughts of the people over what class of people should get loans from these institutions. The last question describes how many times the people have encountered the problem of unavailability of funds to know how commercialization has affected the MFIs handling of funds.

**Objective 4: Best possible solution against the problems faced by micro financing institutions in India.**

The last objective of the researcher is to give the best possible solution for the problem. For this, the researcher has firstly broadly described the problems faced by these institutions in the point “backlogs of micro financing in India”. Thereafter, the researcher has depended upon the primary data. Relevant questions have been asked for the purpose. For example, number 6, 9,10, 11 and 12. In the number 6 question the researcher has asked to know whether microfinance institutions are better option for them. In the 9th question, the researcher has asked the thoughts over the government’s stance relating to this sector. The respondents have showed their great concern over it and told that government should take necessary steps. 10th question was asked to know whether current position of the sector in
India is adequate or not. The proposition has come that most of the people have thought that this should be done. The 11th one was asked to know how the people are thinking about microfinance institutions as their main investors; the implicit meaning of it is finding the effect of commercialization. The last one has been asked to know the influence of political activities on the sector.

5.3. Recommendations:

From the above study, it can be recommended that commercialization of micro financing institutions need to have a new aspect. It has been found that commercialization of the institutions have influenced the institutions in lending the bigger business entities. These loans were given in bulk amounts; therefore the poor people are now facing the lack of availability of funds. Although this proposition was made by the RBI to help the poor more, originally the opposite is happening. Therefore it can be recommended that RBI must come with more strict rules and control the sector more sternly.

Another recommendation can be given from the data arrived from the question number 6. It has been seen that most of the people believe that microfinance is better option for them. However, commercialization has affected their businesses by the lack of funds. It has also been seen that these institutions are yet to reach the poorest of the poor of the society. Therefore it can be recommended that with complying new rules and available funds this organization may go the farthest corner of the country to provide financial assistances to the people.

The third recommendation is given on the basis of the gender diversity. It has been seen that most of the customers of these institutions are woman. Therefore gender diversity arises. Hence it can be recommended that along with the women the institutions should provide loans to the men as well.

The fourth concentrates upon the services provided by these organizations. As till now, the institutions have been giving mostly loan assistance. However, the commercialization has obliged them to provide many other services as well like insurance, specific loan and many more but it is still to reach the optimum point. Therefore, it can be recommended that these services by the organizations need to be more available as has happened in the other countries.
Lastly it can be said that commercialization will be able to improve the sector wholly in the future, if the workings are made accordingly keeping in mind the fact of improving the lives of the poor people of India.

5.4. Limitation of the study:

Although the endeavour has been made to get the best possible information on the topic but certain issues relating to it cannot be ignored. First of all the time limitation posed a major issue for the research study as making them understand the research purpose was rigorous. Thereafter, the illiteracy of the samples were another major problem and therefore gaining optimum information can be questioned. Cost factor was another point of concern for the researcher. Therefore, it can be told that the result of the research may to some extent not be as it should.

5.5. Future scope of the study:

The research has been made on the topic “commercialization of the microfinance business in India”. It has been found that after the Andhra Pradesh scandal in 2011, the RBI has set new rules for this sector, which have initiated the concept of commercialization. Prior to which, there was no rules and the institutions had full freedom to operate on their will. However, though this new rules were set to improve the lives of the poor, ultimately it turned out ineffective. Therefore, the researcher has given equal weight to all the three factors that have shown negative implications of the commercialization. These three factors are poor regulation, greed to avail higher profits and inefficiency of the institutions. The researcher has given clear reflections on the above three factors and related topics, which will help the readers to grasp a comprehensive knowledge over the topic.

6.0 Reflection:

This project taught me the relevance of the commercialisation of the micro financing system followed in India. The micro-financing system is used for analysing the importance of the system that helps in understanding the issues related to the finances. Through the data analysis method I understood the relevance of collecting and evaluating the information that are required for increasing the financial performances of the economy of the country.
Through an improved economic plan, the sustainable practices for the development is designed and implemented. I understood the factors that are associated with loan applications for the people. Applicants with positive credit ratings are necessary for approval of the loan. The key success factors are required for improving the economic condition of the people.

For the rural development and projects, which is required for approving the loans of the employees of the company? I understood the relevance of the financing system and the loans that is required for executing the works. The negative impact of the credit ratings is impacted by evaluating the social impact or the benefits that are associated with the investment plan (Den Haan et al., 2009).

I learned the relevance of the commercialisation which has majority impacted the micro-financing system. Through this process the profit distribution method essential for the business development is used for analysing the challenges that are associated with the task performances. Through the self-regulated method, the funds borrowing method are decided and implemented by the company. This is an effective method that helps in implementing the changes that are quite essential for regulating the banking policies.

In-debating process is followed by the management or the banks for penetrating into different markets. This is a process that helps the investors to gather the required information about the challenges that could impact the business development. The trends for banking policies are quite different in various countries. It is necessary to understand the policies and introduce an effective measure and strategies that will help in increasing the performances of the banks.

The process of commercialisation has negatively affected the business and the banking system followed by the individuals. This process is evaluated to understand the impact of the process on the poor people and evaluation of the interest rate impact on the overall business activities. As compared to earlier days, the banks provide less benefits and services to the clients. This has affected the business performances and facilities that are expected to be provided to the service providers. This is an important strategy that is used for evaluating the challenges that impacts the business activities related to the banking sectors (Driscoll, 2004 pp. 451-71).
I understood the impact of the interest rates on the overall banking system, which helps in developing the best strategies that is used for improving the business performances. Prime lending rates and its effect on the banking industry is analysed to determine the best changes that can be introduced for increasing the business activities. The major challenge with this issue is determining the steps that are followed by the companies to improve the business performances and the banking industry rates.
References:

Books:


**Journals:**


Appendices:

Appendix 1: Questionnaire for the research study:

1. What is the age group that you belong from?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-30</td>
<td>120</td>
</tr>
<tr>
<td>31-35</td>
<td>120</td>
</tr>
<tr>
<td>36-40</td>
<td>120</td>
</tr>
<tr>
<td>41-45</td>
<td>120</td>
</tr>
<tr>
<td>46-50</td>
<td>120</td>
</tr>
</tbody>
</table>

2. What is your gender?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>120</td>
</tr>
<tr>
<td>Female</td>
<td>120</td>
</tr>
</tbody>
</table>

3. For how long you are running your own business?
4. Why do you like to opt for microfinance?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Easy availability</td>
<td>120</td>
</tr>
<tr>
<td>No collateral</td>
<td>120</td>
</tr>
<tr>
<td>Low instalments of repayment</td>
<td>120</td>
</tr>
<tr>
<td>No paper works</td>
<td>120</td>
</tr>
<tr>
<td>Advices from loan issuers</td>
<td>120</td>
</tr>
</tbody>
</table>

5. How far do you believe that microfinance is better option for a small entrepreneur?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. What are the major challenges that you have faced in using microfinance?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of availability</td>
<td>120</td>
</tr>
<tr>
<td>Lack of proper information</td>
<td>120</td>
</tr>
<tr>
<td>Complex procedure</td>
<td>120</td>
</tr>
</tbody>
</table>

7. How far do you believe that microfinance must be available to the middle class and lower class people?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly believe</td>
<td>120</td>
</tr>
<tr>
<td>Believe</td>
<td>120</td>
</tr>
</tbody>
</table>
8. How many times you have encountered the problem of unavailability at the time of opting microfinance?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some times</td>
<td>120</td>
</tr>
<tr>
<td>Always</td>
<td>120</td>
</tr>
<tr>
<td>Very few</td>
<td>120</td>
</tr>
<tr>
<td>Never</td>
<td>120</td>
</tr>
</tbody>
</table>

9. How far do you agree that Indian government must take care to the availability of microfinance?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>120</td>
</tr>
<tr>
<td>Agree</td>
<td>120</td>
</tr>
<tr>
<td>Neutral</td>
<td>120</td>
</tr>
</tbody>
</table>
10. How far do you agree that India must reorganize the microfinance sector?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>120</td>
</tr>
<tr>
<td>Agree</td>
<td>120</td>
</tr>
<tr>
<td>Neutral</td>
<td>120</td>
</tr>
<tr>
<td>Disagree</td>
<td>120</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>120</td>
</tr>
</tbody>
</table>

11. Do you believe that commercialization of microfinance in India would help you to boost up your capital for further investment?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>120</td>
</tr>
<tr>
<td>Agree</td>
<td>120</td>
</tr>
<tr>
<td>Neutral</td>
<td>120</td>
</tr>
<tr>
<td>Disagree</td>
<td>120</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>120</td>
</tr>
</tbody>
</table>
12. Give your opinion whether the political instability in India could create a sound barrier to the growth potential of the micro financing sector?

<table>
<thead>
<tr>
<th>Option</th>
<th>Total number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>120</td>
</tr>
<tr>
<td>Agree</td>
<td>120</td>
</tr>
<tr>
<td>Neutral</td>
<td>120</td>
</tr>
<tr>
<td>Disagree</td>
<td>120</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>120</td>
</tr>
</tbody>
</table>

Appendix 2: Data showing loans provided by the micro financing institutions in different districts of India.