An Analysis on Competitive Performance of Microfinance and Banking Investments

By

Dr. (CA) Subrahmanya Bhat, Principal
Swami Vivekanand Vidyaprasarak Mandal's College of Commerce Bori-Ponda – Goa
Email: skmbhat@yahoo.co.in

Abstract

There is a tough competition running among the countries of the world in current days to ensure their secure placing as accomplished economy. Unfortunately, in most developing countries, a significant portion of middle-income or underprivileged mass of people are still excluded from receiving the facilities available in financial institutes, such as, loans, provisions of investments and securities, etc. India, too, despite being a promising rising economy consists of several flaws in banking system to safeguard the poor and under-developed communities, particularly, in the rural areas. Under such condition, micro-finance institutes play a vital role to provide easy loaning facilities and many other financial guaranties, such as, repayment relaxations, reduced interests, etc. that are particularly beneficial for the poor. On the other hand, emergence of MFIs has enlarged the competition space among the financial institutes. Based on these aforesaid progresses, this research attempts to locate the scope and actual competition margin between banking and MFIs operational in rural areas. The study is developed under descriptive and exploratory framework and build up by using the validated secondary information resources (current researches, official reports, news articles, etc.) and provides evidences to support that MFIs are achieving trust and acceptance among the poor and underprivileged people in terms of their financial demands in better way than formal banking systems. Such an endeavour is expected to provide areas of rectifications and improvements of the financial institutes so that they become more efficient to serve the said poor and middle-income populace.

1. Introduction

Giving lower-income populations, particularly the impoverished, access to banking services is referred to as "microfinance" (MF). Small loans for people and microenterprises, savings, services for money transfers, payment methods, and insurance are among these services. Due to their nature, microentrepreneurs typically operate outside of the mainstream economy, frequently without licences or other official paperwork, and typically lack fixed assets that may be used as security.

Formal records of expenses and revenue are typically hard to come by. Although earnings for microenterprises is frequently on the lower end of the spectrum, operating margins in terms of percentages can be large. MFIs were the first in the history of microfinance to recognise the enormous unmet demand for microcredit in developing nations, create procedures for disbursing and collecting small loans, and launch credit programmes for the underprivileged. High debt repayment rates have been attained through effective programmes. The strict capital requirements that lending institutions had to meet were one of the challenges that even successful programmes had to overcome. These institutions are typically unable to satisfy even a tiny portion of the demand for microcredit in the regions they serve due to their lack of regulation, inability to access sizable quantities of commercial funding, and tendency to offer voluntary savings services (Delfiner, 2007).

Some MFIs were able to escape this situation by subsequently evolving into commercial banks with MF specialisations (upgrading). The official banking system has not always been capable of meeting the demand for microfinance institutions for a broad range of reasons, including the following:

- Failing to recognise the financial services need from low-income consumers;
- The notion that banking firms cannot benefit from microfinance;
- Governmental, judicial, and compliance policies that disregard MF exist;
- High running expenses;
- Insufficient specific expertise in offering microfinance services;
- Insufficient infrastructure for offering microloans.

But it has been demonstrated that it is possible to meet this need profitably and on a wide scale, and other commercial banks have already recognised the financial prospects presented by MF. In many nations where microfinance is currently in various phases of development, commercial banks have entered the market. In its most developed form, all microloans are fully financed by savings, commercial debt, and retained earnings in banks and other official financial institutions. However, the conventional financial system still does not provide a significant amount of microfinance clientele in the majority of developing nations.

The primary driving force behind the conception and development of this research was the urgency of the expanding global demand for a network of microfinance services, particularly to protect the financial needs of the low and middle-income group. This study is centralised to locate the operational differences between MFI and commercial banking systems and consequently evaluates MFIs efficacy as a financial support for rural development.

2. Background Study

Dating in the eighteenth and nineteenth centuries, when theoretician Lysander wrote about the advantages of small credits to farmers and businessmen to relief individuals out of poverty, microfinance grew from an unorganised saving practise. Following that, microfinance has emerged as a crucial tool for reducing poverty in many areas of the world. These organisations offer a variety of financial services to the poor who are outside the traditional banking system, especially in developing nations (Chikwira, 2022).

Arguments about neoliberal economic policies, programmes to fight poverty and vulnerability, and paths to women's empowerment are all intertwined with the subject of microfinance. Over the past few decades, it has gained international legitimacy as a strategy for combating poverty and socioeconomic vulnerability, which has increased its credibility. The 1997 Microcredit Summit in Washington, DC, hailed it as a "wonder tool" for eradicating poverty. Connecting the poorest, empowering women, creating self-sufficient financial institutions, and guaranteeing a positive and demonstrable impact on customers' and their families' lives were its four main focuses (Herath, 2018).

The graph below shows the worldwide growth of microfinance customer growth till 2007.

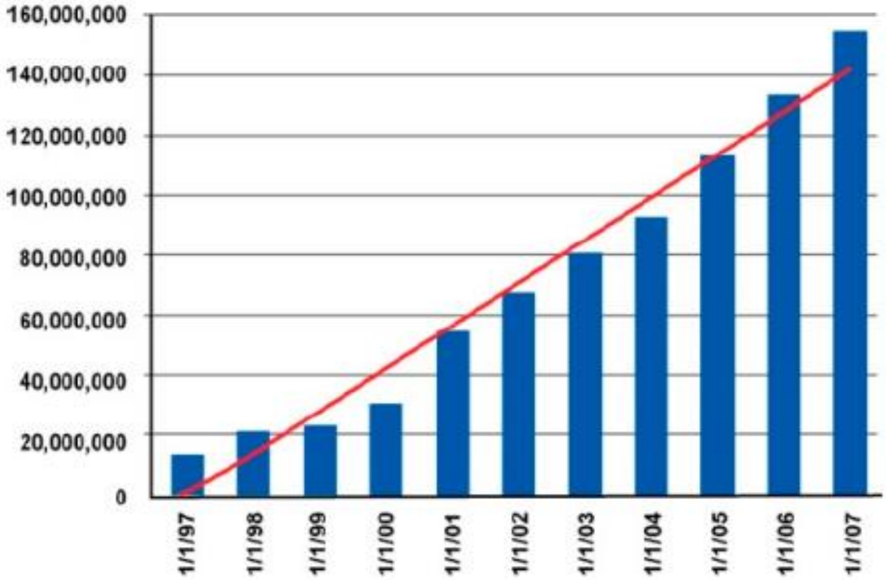

Figure 1: *Worldwide Growth of Microfinance Customer Growth*
(**Source:** *Rafi, 2010)*

Banks are institutions of finance that offer banking and other financial services, including taking deposits and lending money to clients. In addition to this, banks offer a variety of unique services, including credit/debit card provision, insurance, demat services, locker services, and cash withdrawal from ATMs. In other words, banks record the transactions of their clients' accounts and portfolios while providing cash management services.

However, MFIs primarily work with low-income rural households, providing them with financial services like microcredit to help them start or expand small businesses (micro enterprises) (Chetty, 2017).

Microcredit or modest working-capital loans that are provided to the working poor through community-based credit intermediaries known as microfinance institutions have historically been called to as microfinance (MFIs). MFIs may be nongovernmental or not-for-profit organisations (NGOs), the largest of which are credit and savings cooperatives, credit unions, nonbank financial institutions, or commercial banks, the latter as a result of NGOs becoming commercial banks (Lieberman, 2019).

Microloans, made famous in 1976 by the Grameen Bank in Bangladesh, are one of the most well-liked new technological tools for poverty alleviation and economic development. The goal is to provide farmers or rural communities with short loans of cash so they may buy the supplies they need to increase their economic advantages. Access to inputs and land could increase people's access to food (Chikwira, 2022).

Larger commercial banks have recently entered the microfinance market and are now engaged there, especially in Latin America. While credit has historically been the primary driver of microfinance, as MFIs have evolved and grown more regulated, they have drawn an increasing amount of savings deposits. It turns out that saving may be more important for the poor than borrowing.

Borrowers have used microloans for objectives other than working capital loans, such as regulating unpredictable cash flows or paying for a relative's wedding or burial. With time, MFIs that have grown in size have also started to offer various financial services and products such remittances, housing financing, education loans, microinsurance, and small business loans. Donors and other funders are talking more and more about financial inclusion as being more relevant to the requirements of the working poor because these varied goods and services, other than savings, now only make up a small portion of the portfolios of the majority of MFIs

Financial inclusion aims to increase access to financial services for the underprivileged, such as bank accounts, electronic payment methods, loans for solar energy and water and irrigation systems for underprivileged rural people. As a result, funders and investors increasingly see microfinance as a part of financial inclusion.

The table below shows the significant events of MFIs in India's rural areas till 2015.

Year	Achievements
1974	First registered MFI, Self Employed Women's Association (SEWA) at Ahmadabad
1984	NABARD advocated SHG Linkage as an important tool for poverty alleviation and other Government agencies followed.
2004	RBI included MFI lending in priority sector lending and recognize MFI as a tool for financial inclusion.
2009	Microfinance Institutions Network (MFIN) was started as a self regulatory body for the sector and all the NBFC-MFI are eligible for membership.
2010	a) 9.2 million borrowers in Andhra Pradesh (AP) in default on MFI loans, largest number of defaulters in any single location in the world. b) AP crisis strikes; state issues ordinance to regulate MFI sector while banks refuse to lend to the MFI companies.
2011	RBI releases Malegam Committee regulations.
2012	Margin cap revised to 10% from 12% (for MFIs with portfolios >1,000 million)
2013	Malegam recommendations fully implemented and industry back on the growth path.
2014	a) The RBI issues Universal Banking license to Bandhan, the largestmicro-lender in terms of assets. b) MFIN was formally recognized as a self regulatory body by the RBI.
2015	MUDRA Bank announced; and RBI eases lending norms for MFI companies
2015	Small Finance Bank (SFB) license awarded to 8 MFI companies namely Disha, ESAF, JFS, RGVN, Suryoday, Ujjivan,Equitasand Utkarsh

Table 1: *Significant MFI events in India's Rural Financial Development*
(**Source:** *Biswas, 2015*)

As previously said, various institutions have taken the lead in the Indian microfinance industry. However, there are two main delivery models for their services: the SHG and MFI models. The latter is the model that predominates the most in the nation. A variety of lending strategies, including joint liability groups, Grameen, and individual banking, are offered by the MFI model (Hailu Abebe Wondirad, 2020).

MFIs are currently being forced to abandon their social aim of giving unbanked people access to financing in favour of profit-seeking entities due to the rapid expansion of commercialization in the Indian microfinance sector and competition. Getting the double bottom line goals accomplished in the cutthroat microfinance industry is quite difficult. As a result of growing financial performance desperation brought on by increased competition, MFIs have begun to undermine their social objective. The fact that marketed Indian MFIs offer greater loans than non-commercialized MFIs has been observed, indicating a potential shift away from their social objective.

3. Problem Statement

In a 2016 Microfinance Society Debate at the London School of Economics, Phyllis SantaMaria argued that over 2 billion people worldwide lacked access to financial services. Globally, 41% of individuals from developing nations had bank accounts. In other nations, 95% of the population lacked financial services availability (Voss, 2016). With 1.3 billion people, India has the world's fastest-growing economy. Its overall poverty rate is 37%. 42% of its total is rural, while 26% is urban. India is 74% rural, however it only contributes 30% to the country's GDP. Only 18% of the population in rural areas has access to a bank, and only 30% of them can open a deposit or savings account. The situation for India's financial infrastructure development is pretty bleak as seen in Figure 2. In a recent report on savings access across India, the Indian government called for "simple, affordable and local financial services" that were "connected with efforts for promoting awareness." Financial services and awareness are both necessary for financial inclusion.

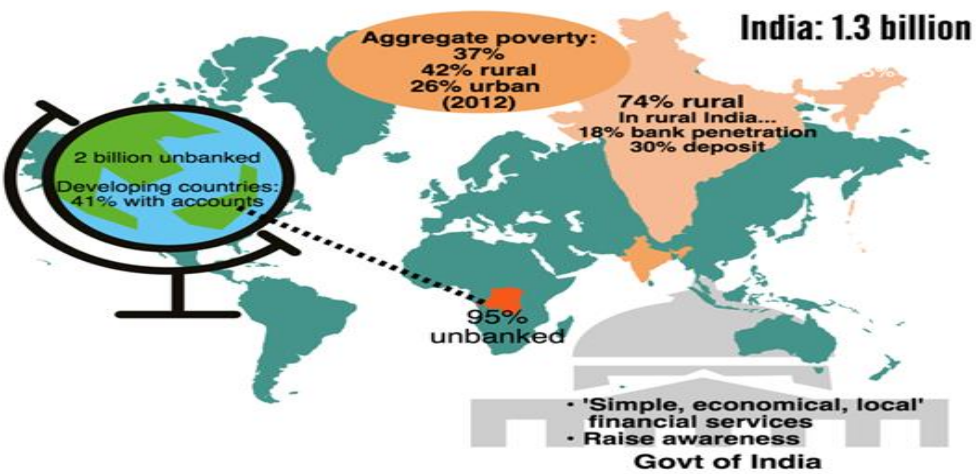

Figure 2: *Global Shortages of Lack of Access to Banking Facilities in Rural Areas*
(**Source:** *Voss, Learning Without Borders, 2016*)

To deal with this major and severe problem, numerous solutions and tools have been suggested. The microfinance institution (MFI), which sets itself apart from conventional financial institutions like the commercial bank by providing small loans to "unbankable poor people and small businesses," is one of these strategies and tools that is not only regarded as an effective way for the underprivileged to manage their finances and take advantage of economic opportunities while managing risks, but also as a key means of fostering economic development, employment, and growth through the use of microloans (Xu, 2019). Because it bridges the gap between official financial institutions and low-income organisations or individuals, the MFI has gained substantial interest from academic scholars as well as practitioners because of its important contribution to the elimination of poverty.

4. Related Works

Chaerani Nisa (2022) provided an overview of the effects of competition on microfinance institutions based on current investigations and, as a result, made suggestions for further study. Four clusters on the influence of competition emerged from the study's findings: social impact, performance, market structure, and connections to other financial institutions. The authors concluded that the competition would benefit microfinance institutions provided they recognised its inevitable nature and made an effort to adjust. In light of this, our study offered a direction for future policy research.

In his 2016 article, **Roberto Moro Visconti** discussed some of the key features of microfinance (MF) in developing nations, demonstrating why it had been successful in helping the poor while traditional banks had failed. He used cutting-edge techniques like group lending with self-monitoring, brief repayment terms, and small loans to demonstrate why. The study demonstrated how microfinance institutions (MFIs) filled the gap left by the absence of conventional banks in developing nations by putting forward novel products and business strategies.

Mrinal Savyanavar (2016) examined the effectiveness of commercial banks that work in rural areas and offering microfinance. Operating Self-Sufficiency, Efficiency, and Productivity were some of the various metrics used in the study. According to the current analysis, private sector commercial banks continue to have higher cost per borrower than public commercial banks. The report came to the conclusion that microfinance providers needed to be financially self-sufficient in order to operate these organisations effectively for the underprivileged.

According to the **IMF Financial Sector Assessment (2008)**, the goal of microfinance access in rural areas is to: (a) identify the range of products gaps that exist (and that need to be filled) for multiple levels of households, microenterprises, and small businesses in various geographic markets; and (b) evaluate whether the regulatory framework for banking transactions helps develop or regulate accessibility to the necessary financial services.

Orhan Zçatalbaş (2022) noted that traditional banks had long overlooked the needs of the poor and small-scale landowners. There, microcredit originated as a growth strategy to offer loans to the underprivileged in Bangladesh who had little or no collateral and has since been followed by many other nations. According to the report, microcredit can help with many of the issues that rural communities face. In relation to rural development, the writers asserted that current efforts were concentrated on enhancing people's quality of life generally in terms of economic, social, political, and environmental concerns. The social, economic, and environmental aspects of sustainable rural development all benefited by having access to microcredit.

In his study of commercial banks' entry methods into microfinance, **Rim Bounouala (2014)** argued that these tactics were essential to their success in turning microfinance into a lucrative branch of their operations. The study discussed the growing tendency of commercial banks entering the microfinance business, which was driven in part by increased competition in the banking industry and in part by pressure from various governments. However, the authors claim that while some banks opted to enter the microfinance industry directly by "downscaling," others opted to play it safe by forming alliances with these organisations (MFIs). Then they claimed that risks associated with microfinance activities might be distinct from those associated with typical banking activities.

The Self Help Group (SHG) Bank Linkage programme was analysed as the most prevalent microfinance strategy in India by **Priya Basu (2010)**, who also studied the existing level and pattern of access to financing for India's rural poor. It examined the causes of SHG Bank Linkage's success in reaching the poor, the lessons learned, and an empirical analysis of this achievement. The paper's key conclusions and repercussions were that the rural poor of India now have extremely little access to formal financing. Microfinance strategies aim to close the gap.

The advantages of microfinance for Self Help Groups were demonstrated by **J. Anudevi in 2021**. (SHG). A descriptive study design had been used by the researcher. This study used a multistage sampling technique on a number of Tamil Nadu districts. It was discovered that there were numerous obstacles, including rigidity, a delay in loan approval, and insufficient management skills. Furthermore, it was discovered that receiving microfinance support will improve managers' abilities, group management, and independence.

Rural finance is one tool in the arsenal against rural poverty, according to **Lennart BAGE (2022)**, but it's a crucial one. Rural finance, according to the author, can be quite beneficial even though it is not a magic bullet for eradicating poverty. It shown in particular how women, who were frequently the main recipients of microfinance, tend to use extra money to enhance their families' health and nutrition as well as their children's attendance at school. As a result, expanding access to financial services helped to actively contribute to the achievement of key MDGs. As a result, the author believed that microfinance was a crucial tool in the endeavour to help poor rural people escape poverty.

5. Materials And Methods

This study is worked with descriptive and exploratory analytical framework to establish the challenges of financial inclusion for commercial banking in rural areas of India and the approaches of microfinance utilized to fill the gap. Data and resources are collected from authentic secondary sources, that includes, currently published research papers, news articles, Government website reports, etc. These resources are extensively scrutinised and filtered out before organizing them in the form of observation and analysis as done in the next section. Such strategy is applied to gather insightful data and information to provide clarity, better understanding and logical evidences to support for the proposed research goal.

6. Analysis: Financial Inclusion In Rural India And Competition In Mfi And Banking Systems

6.1 Overview of National Strategy For Financial Inclusion

The National Strategy for Financial Inclusion for India 2019–2024 was created by the RBI under the direction of the Financial Inclusion Advisory Committee, and it is based on recommendations and input from the Indian government as well as the Securities Exchange Board of India (SEBI), Insurance Regulatory and Development Authority of India (IRDAI), and Pension Fund Regulatory and Development Authority of India (PFRDA). The National Bank for Agriculture and Rural Development (NABARD), the National Payments Corporation of India (NPCI), commercial banks, large business partners, and other market participants were all involved in the extensive consultation that went into this publication (RBI, 2020).

India has historically been reported to have a higher level of financial exclusion than many affluent nations and certain significant emerging economies. High bank branch population densities and limited population access to essential financial services like savings accounts, credit lines, and credit and debit cards highlight India's extensive financial exclusion. The state-by-state index of financial inclusion in India in 2012 is depicted in the diagram below. Three fundamental factors—banking penetration, the availability of banking services, and banking system use—are used to calculate this index. (ur Rehman, 2020; Khan, 2012) .

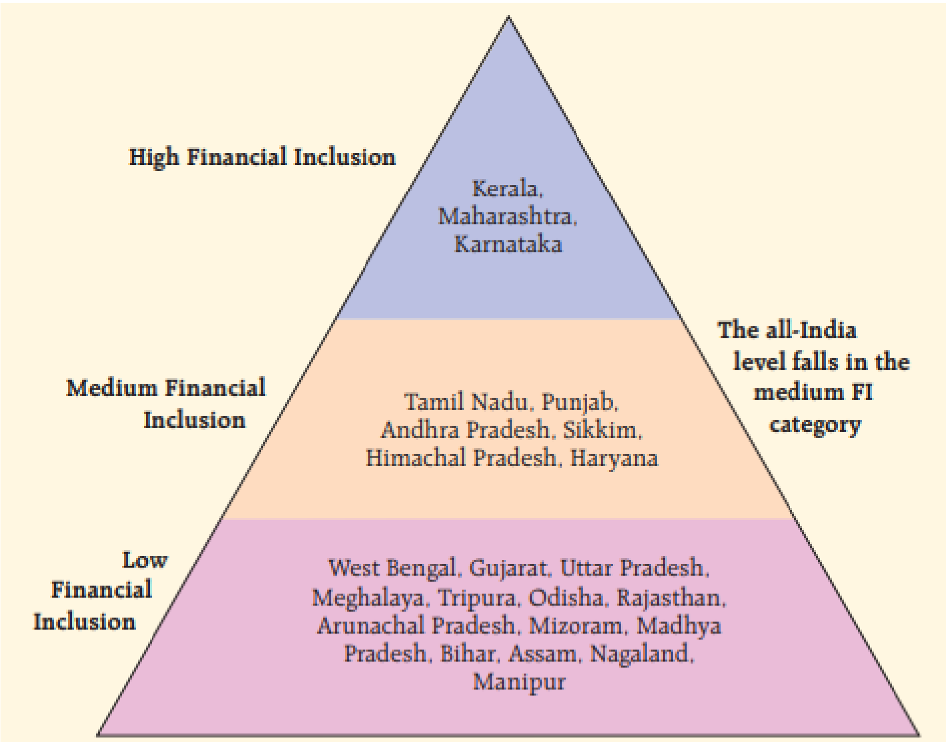

Figure 3: *State Wise index of Financial Inclusion*
(**Source:** *Khan, 2012; ur Rehman, 2020*)

We can see from the above diagram (see Figure 3) that Indian States can be divided into three categories, namely states with high, low, and medium financial exclusion levels. As a result, the regions with medium and low financial inclusion levels require strict measures to ensure rural financial security.

India's current financial inclusion strategy is working to provide additional support as needed to guarantee that various groups of the underserved and unserved population in India have enough access to financial services and use them.

The NSFI 2019–2024, which is rooted in the nation's development priorities, aims to overcome the access obstacles that come with a variety of financial goods and services. An inclusive financial system is not just pro-growth but also pro-poor, with the potential to lessen income inequality and poverty, promote social cohesion, and shared economic progress (ably supported by strong financial inclusion regulations, focus on financial education, and customer safety).

On the other side, financial exclusion leaves the underprivileged and low-income groups of society with no choice except to rely on unofficial options, leaving them exposed to financial hardship, debt, and poverty.

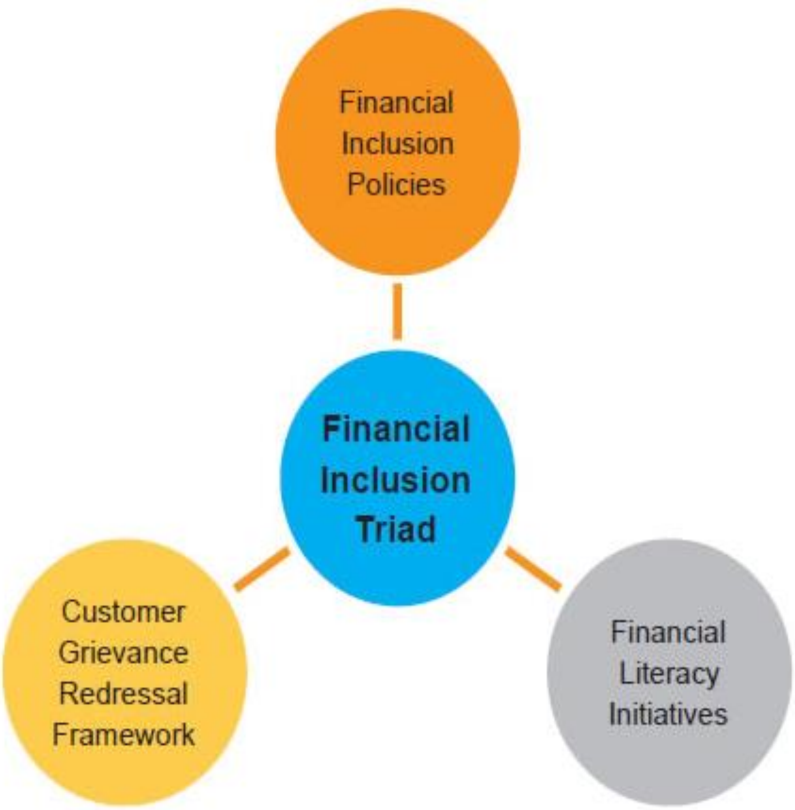

Figure 3: *Key Features of Current Financial Inclusion Policy of India*
(**Source:** *RBI, 2020*)

6.2 India's Financial Inclusion Status for Rural India

The aforementioned aspects of financial inclusion are now challenging to execute in rural India. It is reasonable to argue that most banks open rural branches primarily to follow RBI directives because opening physical branches in rural areas does not produce an appropriate return on investment (ROI). Since banking activities have been completely computerised over the past twenty years or so, banks have had to make sure that rural branches have the appropriate physical infrastructure, computing/printing equipment, and internet access in addition to skilled staff. Working hours also presented a problem because many rural clients spent the entire day in the fields or elsewhere, leaving them with a very narrow window of time to execute their banking activities (BFSI, 2021).

According to a March 2016 report by IndiaSpend, over the past three years, 9,000 crore rupees given by banks to SHGs under the National Rural Livelihood Mission (NRLM), a government programme established five years ago to increase rural incomes, have become non-performing assets (NPA), or loans that are in danger of being written off, similar to the bad-loan crisis that is causing havoc in India's commercial banking system and leaving more than 5,000 willful defaulters The NPA figure may seem low at 12% of the Rs 77,650 crore that the NRLM has lent over the last three years (IndiaSpend, 2016). According to data from the Reserve Bank of India, the comparable NPAs in the commercial banking system for the corporate sector were 5.5% as of March 2015.

The SHG women's defaults are red flags of comparable stress, and they show that the Mission's plan to form up to 90 million rural households into SHGs over the next ten years may have overly ambitious goals and insufficient protections, endangering the same livelihoods it seeks to enhance (NABARD, 2020).

According to M S Sriram, an economics professor at the Indian Institute of Management in Bangalore and a microfinance expert, there are two guidelines for lending money: One, evaluate a customer's creditworthiness, just like banks do; two, penalise defaulters so that consumers can evaluate their capacity for repayment. These regulations were broken when banks lent to the biggest firms in India, and they are still being broken as the NPA crisis spreads to rural areas of the country. The growing rural debt crisis concerning women is caused by two factors.
One is that SHGs do not instruct and teach rural women in the fundamentals of good borrowing, sensible investing, and savvy spending. Borrowed funds are frequently used for personal needs, such as weddings and home construction, rather than for income-generating endeavours like farming, candlemaking, or needlework. Two, without making comparable measures to track where this money flows, banks are aggressively pushing loans through SHGs to achieve the government's loan quotas (Hoffmann et al., 2021).

6.3 Challenges of Financial Inclusion in Rural India

Demand side problems include a sizable unbanked population dispersed across huge geographic areas, restricted credit availability, low skill, low productivity, and vulnerability to small and marginal farmers, rural landlessness, urban poor, and lack of financial and technology awareness. The most frequently mentioned issue on the supply side is financial institutions' reluctance to cater to low-value, unprofitable clients with fluctuating income. In other words, inclusion is seen by banks as a duty rather than a chance for profit. The severity of this constraint has historically been exacerbated by high loan default rates. Moreover, because of the inadequate delivery system, expenditures of various programmes intended for the rural poor did not result in outcomes.

The need for various document proof is another barrier prohibiting them from entering official banking institutions. Documents including birth certificates, income certificates, and proofs of address are typically absent from the impoverished. Opening an account does not, however, guarantee integration with the official economy. One must engage in revenue-generating economic activity involving financial transactions. The Pradhan Mantra Jan Dhan Yojna has been heavily criticised for having dormant accounts (2014). Notably, Regional Rural Banks have the greatest rate of dormant accounts with a zero balance.

The extremely constrictive character of the banking correspondent (BC) model is another obstacle to the effective implementation of the financial inclusion plan (Varghese & Viswanathan, 2018). The concept fell short for a number of reasons, including the inappropriate and insufficient use of technology, a lack of reach and coverage, an inadequate infrastructure, etc. The major problem is that BC has no incentives to maintain its financial stability. Additionally, the BCs frequently behave irresponsibly since they are not fully aware of the importance of the bank's reputational risk. Therefore, there is a huge need to set up consistent training programmes for BCs. Technical education is crucial for better service delivery.

The SHG-Bank connection strategy has been hailed as beneficial in rural areas, but its application nationwide is rather inconsistent. Additionally, as was already mentioned, it was found that despite a year of organisation and group activity, the SHGs were unable to obtain loans from banks (PAUL & JOHN P, 2010).

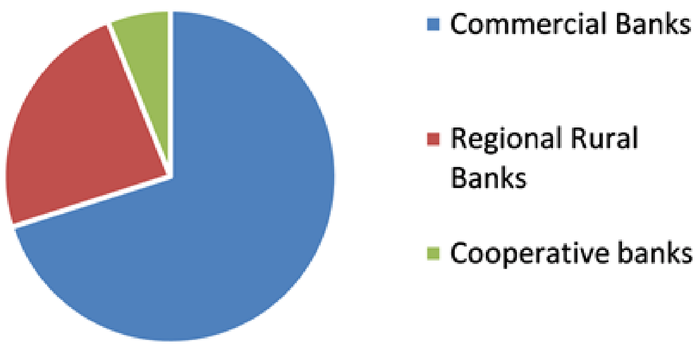

Figure 4: *Bank loans outstanding against SHGs.*
(**Source:** *Varghese & Viswanathan, 2018*)

The informal sector is the main source of expensive financing for the rural population. They are unable to access any legitimate financial services because they become trapped in the vicious cycle of debt, poverty, and debt repayment. The main cause of this is a lack of financial literacy. People are unable to follow even more straightforward information about financial inclusion because they lack a foundational education. Even fundamental things like insurance, bank accounts, check facilities, etc. elude them. For policymakers, providing financial services in rural and semi-urban areas through the use of technology presents a difficulty because of this ignorance.

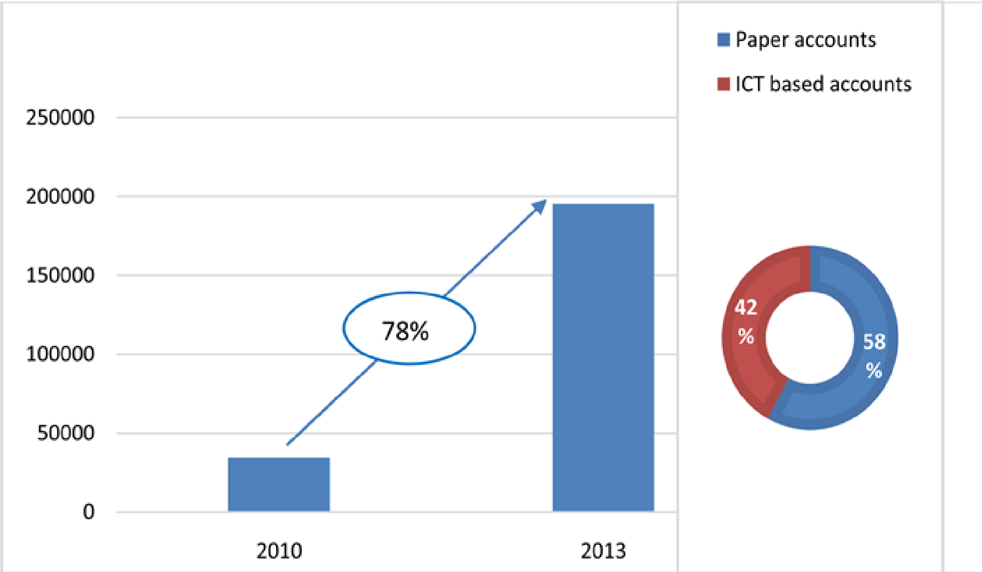

Figure 5: *Technology Usages in Banking Services*
(**Source:** *Varghese & Viswanathan, 2018*)

6.4 Scope for Microfinance and Banking through Financial Inclusion in Rural India

The micro-insurance could be a crucial tool for risk reduction. The rural population's exposure to risk may be lessened if the authorities are successful in fostering trust in the product and easing liquidity restrictions. Credit availability in rural areas was boosted through self-help group movements and microfinance organisations. Increased agricultural productivity and other revenue-generating rural activities are the outcome.

Increased income results in higher levels of investment, saving, and consumption. If this tendency continues, the poverty rates will inevitably drop even further. The rate of integration with the established banking system will increase as the level of poverty declines. Financial accessibility will draw more players to the global economy, expanding trade and job prospects.

The creation of remittance corridors for the migrant population provides migrants from rural areas with a tremendous opportunity to use simple and affordable remittance services. As of right present, immigrants lack proper insurance and have trouble creating bank accounts.

Additionally, it gives the unbanked/underserved communities a chance to improve their level of financial literacy and raise awareness of their rights. When considered holistically, financial inclusion offers numerous additional auxiliary services, such as insurance coverage, business loans, payment and settlement options, etc. in addition to secure savings.

Financial organisations have numerous opportunities as well. Credit penetration remains below the world average even though Indian banks credit has experienced significant growth since 2003. Banks and other financial institutions have more opportunity to increase their customer base and boost performance by supporting the inclusive growth process. A vast resource base can aid in lowering transaction costs, enhancing the system's overall efficiency. Additionally, by implementing UID and more straightforward KYC standards, banking procedures can be made simpler, which will aid in lowering cash and non-cash costs. By collaborating with NGOs and non-profit groups to carry out certain tasks, banks and other financial institutions can also obtain low-cost solutions. Integrating with them helps lower the risk of default because they have a deeper awareness of the neighbourhood communities (Varghese & Viswanathan, 2018).

To turn the process of financial inclusion into the next major business opportunity, banks must create low-cost, customer-focused creative products. Private sector banks have the chance to increase their customer base in rural areas. A strategic increase in technology may be advantageous because it makes financial processes faster and more precise. Mobile money, for instance, lowers the cost of transactions for households and increases their capacity to share risk. As of March 2012, there were 323.27 million mobile subscribers in rural India. A committee led by B. Sambamurthy has been established by the RBI to investigate these potential, including the viability of deploying encrypted SMS-based payments transmission (NABARD, 2020).

A viable solution for increasing financial inclusion has been found in the fusion of IT and IT-enabled services. This will lessen the need to establish physical branches everywhere. It enables the usage of numerous channels to function as an integrated system and helps the servicing banks to increase efficiency. To offer financial services to customers' doorsteps, banks must employ information and communication technology (ICT) effectively. Consumer confidence will increase, and the process will be more convenient, if more banking correspondents with technology training are allowed to do doorstep banking in rural areas.

6.5 Conclusion and Future Possibilities

The discussion presented above provides facts and proofs that indicate better scope of MFIs than banking institutes in terms of meeting the necessities of rural poor people as viewed in current dates. Commercial banking systems are observed as technology driven and complex in terms of the formalities in delivering services to the rural people. On the other hand, MFIs are simpler and flexible as per the customer demands. These are observed as boosting components for the poor and migrant group of rural people who fail to avail commercial banking features either due to their unawareness or lack of eligibilities.

Consumer infrastructures, such as, ATMs, mobile banking, Smart shopping outlets, etc. in rural areas are still scanty. Economy is mostly based on agrarian outcome where the rural people are connected with self hep groups that are currently a popular and supportive agencies for the rural people in various ways including their occupational support, skill development, financial securities and awareness generation. Growing trend of connectivity of SHGs with MFIs are observed for the financial support purpose. On the other hand, due to defaulting of repayment and lack of stable financial resources are main barriers where banking systems are coming to risks to serve the poor rural mass.

The much needed financial stability and guarantee for the rural people are the aspects where SHGs are supportive for them and through easy accessibility of MFIs with these agencies let them to gain better scope than banking systems. It is observed that to gain better reachability to the rural poor banking systems are extending as MFI facilities. This approach is showing promises both for the poor and the banking systems to earn better and stable revenue and gain credibility in risk mitigation. Also, spread of ICTs in rural areas is a resource that banking systems are availing currently for their easy reachability to the rural mass. These parameters and tools are anticipated as vital in terms of meeting rural people's demand and ensuring bank's own security to aid for its long-term sustainability in rural areas.

References

Anudevi, J. (2021) Nationalized Commercial Banks' Microfinance In The Development Of Self-Help Groups In Tamil Nadu, Ilkogretim Online - Elementary Education Online. Elementary Education Online. Available at: https://www.ilkogretim-online.org/index.php/fulltext/fulltext/index.php?fulltxt=2238&fulltxtj=218&fulltxtp=218-1648484031.pdf (Accessed: January 31, 2023).

BÄGE, L. (2022) Microfinance: A Lifeline For Poor Rural People, T.C. Dışişleri Bakanlığı. Available at: https://www.mfa.gov.tr/microfinance_-a-lifeline-for-poor-rural-people.tr.mfa (Accessed: January 31, 2023).

Basu, P., Bank , W. and Srivastava, P. (2010) Scaling-up Microfinance for India's Rural Poor, FinDev Gateway. Available at: https://www.findevgateway.org/ (Accessed: January 31, 2023).

Biswas, B. (2015) Growth and Trend in Indian MFIs Sector – A Study. University of Calcutta. Available at: https://www.caluniv.ac.in/dj/BS-Journal/vol-38/Growth-Trend.pdf (Accessed: January 31, 2023).

Chetty, P. (2017) Difference between microfinance institutions and commercial banks in India, Knowledge Tank. Available at: https://www.projectguru.in/microfinance-commercial-banks/ (Accessed: January 31, 2023).

Delfiner, M. (2007) commercial banks and microfinance, Research Gate. Available at: https://www.researchgate.net/publication/24112066_Commercial_Banks_and_Microfinance (Accessed: January 31, 2023).

Herath, H.M.W.A. (2018) microfinance theory and practice, researchgate. Available at: https://www.researchgate.net/publication/335757487_MICROFINANCE_Theory_and_Practice (Accessed: January 31, 2023).

Hoffmann, V. et al. (2021) "Relief from usury: Impact of a self-help group lending program in Rural India," Journal of Development Economics, 148, p. 102567. Available at: https://doi.org/10.1016/j.jdeveco.2020.102567.

IMF (2008) Rural and Microfinance Institutions: Regulatory and Supervisory Issues, IMF. IMF. Available at: https://www.imf.org/external/pubs/ft/fsa/eng/pdf/ch07.pdf (Accessed: January 31, 2023).

Imran, M., Ul Haq, S. and Ozcatalbas, O. (2022) "Role of microcredit in sustainable rural development," Sustainable Rural Development [Working Title] [Preprint]. Available at: https://doi.org/10.5772/intechopen.102588.

IndiaSpend (2016) Banks race to targets, rural women's groups to defaults, Indiaspend. Indiaspend. Available at: https://www.indiaspend.com/banks-race-to-targets-rural-womens-groups-to-defaults-68113-2/ (Accessed: January 31, 2023).

Khan, H.R. (2012) Issues and Challenges in Financial Inclusion: Policies, Partnerships, Processes and Products, RBI Docs. RBI Monthly Bulletin. Available at: https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/7ICFINC100812F.pdf (Accessed: January 31, 2023).

Lieberman, I.W. (2019) The Growth and Commercial Evolution of Microfinance, Brookings - quality. independence. impact. Available at: https://www.brookings.edu/wp-content/uploads/2019/04/9780815737636_ch1.pdf (Accessed: January 31, 2023).

NABARD (2020) Status of Microfinance in India- 2019-2020, NABARD. Micro Credit Innovations Department National Bank for Agriculture and Rural Development. Available at:

https://www.nabard.org/auth/writereaddata/tender/NABARD%20SMFI%202019-20_compressed.pdf (Accessed: January 31, 2023).

Network, B.F.S.I. (2021) Bringing Financial Inclusion to rural India, Elets BFSI. Available at: https://bfsi.eletsonline.com/bringing-financial-inclusion-to-rural-india/ (Accessed: January 31, 2023).

Nisa, C., rita, V. and Chalid, D.A. (2022) “Impact of competition on microfinance institutions: Bibliometric Analysis and systematic literature review,” Heliyon, 8(10). Available at: https://doi.org/10.1016/j.heliyon.2022.e10749.

PAUL, G. and JOHN P, S. (2010) COMPARATIVE ANALYSIS OF MFI AND SHG-BANKING MODELS, INSTITUTE OF RURAL MANAGEMENT, ANAND. Management Traineeship Segment. Available at: http://webspace.ship.edu/pgmarr/Geo441/Readings/Tukey%201949%20-%20Comparing%20Individual%20Means%20in%20the%20Analysis%20of%20Variance.pdf (Accessed: January 31, 2023).

Rafi, U. (2010) ICT & Microfinance – A case study of mfbs in Pakistan, researchgate. Available at: https://www.researchgate.net/publication/264688092_ICT_Microfinance_-_A_Case_Study_of_MFBs_in_Pakistan (Accessed: January 31, 2023).

RBI (2020) National Strategy for Financial Inclusion (NSFI): 2019-2024, Reserve Bank of India - Reports. Available at: https://www.rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1154 (Accessed: January 31, 2023).

Rim Bounouala and Chérif Rihane (2014). “Commercial banks in microfinance: entry strategies and keys of success”. Investment Management and Financial Innovations, 11(1-1)

Savyanavar, M. and Trivedi, P. (2016) Performance Analysis of Commercial Banks Providing Microfinance in Rural Areas of Maharashtra, IOSR Journal. IOSR Journal of Economics and Finance (IOSR-jef). Available at: https://www.iosrjournals.org/iosr-jef.html (Accessed: January 31, 2023).

ur Rehman, A. (2020) “Innovation and management by regional rural banks in achieving the dream of financial inclusion in India: Challenges and prospects.,” Marketing and Management of Innovations, (1), pp. 222–234. Available at: https://doi.org/10.21272/mmi.2020.1-18.

Varghese, G. and Viswanathan, L. (2018) “Financial inclusion: Opportunities, issues and challenges,” Theoretical Economics Letters, 08(11), pp. 1935–1942. Available at: https://doi.org/10.4236/tel.2018.811126.

Visconti , R.M. (2016) Microfinance vs. traditional banking in developing countries, Int. J. Financial Innovation in Banking . Inderscience Enterprises Ltd. Available at: https://www.morovisconti.com/workspace/uploads/documents/microfinance-vs-traditional-banking.pdf (Accessed: January 31, 2023).

Voss, C. (2016) Does financial inclusion via microfinance reduce poverty?, Learning without Borders. Available at: https://learning-without-borders.com/does-financial-inclusion-via-microfinance-reduce-poverty/ (Accessed: January 31, 2023).

Xu, W., Fu, H. and Liu, H. (2019) “Evaluating the sustainability of microfinance institutions considering macro-environmental factors: A cross-country study,” Sustainability, 11(21), p. 5947. Available at: https://doi.org/10.3390/su11215947.