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A STUDY ON THE EFFECTIVENESS OF ELECTRONIC MODE OF PAYMENT BY NABFINS TO SHGs

by
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(2014-31-101)

MAJOR PROJECT REPORT

Submitted in partial fulfilment of the
requirement for the Post Graduate degree of



MBA IN AGRI BUSINESS MANAGEMENT

Faculty of Agriculture

Kerala Agricultural University



COLLEGE OF CO-OPERATION, BANKING AND MANAGEMENT

VELLANIKKARA, THRISSUR-680656

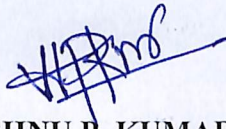
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Declaration

DECLARATION

I, hereby declare that this project report entitled “**A STUDY ON THE EFFECTIVENESS OF ELECTRONIC MODE OF PAYMENT BY NABFINS TO SHGs**” is a bonafide record of work done by me during the course of project work and that it has not previously formed the basis for the award to me of any degree/diploma, associateship, fellowship or other similar title of any other University or Society.

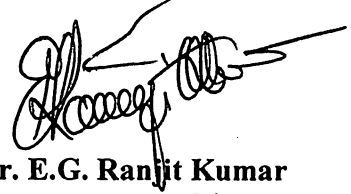
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Certificate

CERTIFICATE

Certified that this project report entitled “A STUDY ON THE EFFECTIVENESS OF ELECTRONIC MODE OF PAYMENT BY NAFINS TO SHGs” is a record of project work done independently by Mr. Vishnu P. Kumar under my guidance and supervision and that it has not previously formed the basis for the award of any degree, fellowship, or associateship to him.



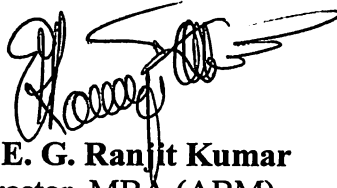
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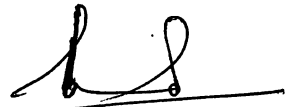
We, the undersigned members of the advisory committee of Mr. Vishnu P. Kumar, candidate for the degree of **MBA in Agribusiness Management**, agree that the project work entitled "**A STUDY ON THE EFFECTIVENESS OF ELECTRONIC MODE OF PAYMENTS BY NABFINS TO SHGs**" may be submitted by Mr. Vishnu P. Kumar, in partial fulfilment of the requirement for the degree.



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NABARD FINANCIAL SERVICES LIMITED

(Subsidiary of National Bank for Agriculture and Rural Development)

INS


Date: May 26, 2016

Course Completion Certificate

This is to certify the Mr. Vishnu P Kumar from Kerala Agricultural University, Kerala has satisfactorily completed their summer internship project titled "Payment to Self Help Groups through Electronic Mode - Issues and Challenges to the Clients at NABFINS" from 28th March to 26th May 2016 at NABARD FINANCIAL SERVICES LIMITED, Bengaluru.

With Best Wishes.

For NABARD Financial Services Limited


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I would also use this opportunity to beg to pardon to all those who have ever been hurt, knowingly or unknowingly by my words and deeds.

Finally a heartfelt thanks to my dear classmate **Jibinlal K.M.** and all my friends for their continuous support and encouragement throughout the study without which this project would not have completed.

For any errors or inadequacies that may remain in this work, of course, the responsibility is entirely my own.


VISHNU P. KUMAR

CONTENTS

Chapter No.	Title	Page No.
1	Design of the Study	1-10
2	NABARD Financial Services – A Profile	11-18
3	Effectiveness of E-payment System – An Analysis	19-38
4	Summary of Findings, Conclusions and Suggestions	39-45
	Bibliography	
	Annexure	

LIST OF TABLES

Table No.	Title	Page No.
3.1	Socio-Economic characteristics of the SHG members.	19
3.2	Infrastructure facilities available to SHG members facilitating E-payment.	21
3.3	Perception & Attitude of SHG members towards E-payment	22
3.4	Level of acceptance/resistance of SHG members towards E-payment.	28
3.5	Issues faced by SHG members in each stage of loan disbursement procedure of NABFINS.	29
3.6	Different risks in implementing E-payment system, faced by NABFINS.	29
3.7	Perception of Business Correspondent staffs towards E-payment system of NABFINS.	30
3.8	District wise comparison on the basis of selected parameters.	32
3.9	Degree of Association between selected parameters.	36
3.10	District wise comparison on the basis of SWOC.	37

Chapter - 1

Design of the Study

Chapter – 1

DESIGN OF THE STUDY

1.1 Introduction

SHG is a holistic programme of micro-enterprises covering all aspects of self-employment, organization of the rural poor into self Help groups and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing. Self-Help Group (SHG) is a small voluntary association of poor people generally group of 10-20 individuals, preferably from the same socio-economic background. They voluntarily come together to save whatever amount they can save conveniently out of their earnings, to mutually agree to contribute to a common fund and to lend to the members for meeting their productive and emergent needs. A SHG is an informal association to enhance the member's financial security as primary focus and other common interest of members such as area development, awareness, motivation, leadership, training and associating in other social inter-mediation programmes for the benefit of the entire community. Simple, Self Help Groups are a social design in which people participate by making themselves socially and economically accountable to each other. This gradually builds financial discipline and credit history for themselves, as the money involved in the lending operations is their own 'hard earned money' saved over time with great difficulty which is known as 'warm money.' Banks are encouraged to make loans to the Self Help Group in certain multiples of the accumulated savings of the SHGs. Banks find it easier to lend money to the groups as the members have developed a credit history. That is the 'Cold' (outside) money gets added to the owners 'warm money' in the hands of the groups. Members request loans during the group meetings and issue the loans during the group meeting (or beyond at ad hoc meetings in case of an individual emergency requirement) out from the collections during the day or they are issuing cheques on their group account with the partner bank.

1.2 Statement of the problem

NABARD Financial Services Limited, [NABFINS] is a subsidiary of National Bank for Agriculture and Rural Development (NABARD). It is a Non – Banking Financial Corporation (NBFC) registered with the Reserve Bank of India and is operating throughout India providing credit and other facilities for promotion, expansion, commercialization and modernization of agriculture and allied activities. NABFINS is engaging in the business of providing micro finance services and other facilities to the needy and disadvantaged sections of the society for securing

their prosperity in both rural and urban areas. Self Help Groups comprise a major portfolio for NABFINS. NABFINS used to finance these groups through Business Correspondents, usually an NGO operating in the area who acts as an intermediary to SHG members and NABFINS. BC's identify, nurture & introduce good SHGs to NABFINS for financing for which they receive a small commission of 2 per cent of the total loan amount (.5 during disbursement and 1.5 per cent during repayment). The uniqueness of NABFINS lies in their loan disbursement process. NABFINS fund the SHG members at their door steps so that the members can enjoy the full benefits of the loan availed by them. Here NABFINS bear the cost of carrying the loan to the member doorsteps including and other miscellaneous expenses. There are instances when BC staffs charge some additional commission in the form of registration expenses and processing charges.

As per the guidelines issued by RBI in 2015, financial institutions were discouraged to undertake cash transactions but were advised to practise E-transactions as a part of the financial inclusion programme and to ensure transparency in transactions. Subsequently NABFINS changed its loan disbursement procedure from direct cash disbursement to E-payment a system wherein the loan for a member of an SHG would be directly credited to the bank account of the SHG concerned which could be withdrawn by the members from the banks without involving the BC's. After implementing this novel system NABFINS started to face resistance from the SHG members where traditional mode (direct cash disbursement) of payment was prevailing, due to different reasons, while NABFINS is enjoying a higher level of acceptance from SHG members where they have directly implemented E-payment system. In this backdrop, the study attempts to examine the extent and the reasons for acceptance/resistance of members towards the newly introduced E-payment system of NABFINS. The study had the following objectives:

1.3 Objectives

1. To examine the issues and challenges faced by NABFINS in electronic mode of payment.
2. To identify the reasons for the acceptance/resistance of E-payments.

1.4 Methodology

1.4.1 Selection of the study area

The study covered 3 districts of Tamil Nadu state namely Chennai, Tiruvannamalai and Nammakal. The districts were selected on the basis of percentage of E-payment system implemented i.e. one district with high percentage of E-payment (Chennai) and two districts with low percentage of E-payment (Tiruvannamalai and Nammakal).

1.4.2 Sample selection

The total sample comprises of 101 individuals of which 75 were SHG members and 26 were BC staffs. Data were collected from SHG members to whom E-payment system was implemented adopting purposive sampling technique. Three SHG members from a group were interviewed for the study. Thus the total sample of 75 group members comprises of 21 SHG members from Nammakal, 33 members from Tiruvannamalai and 21 members from Chennai and the 26 Business Correspondent staffs selected was from the 6 NGO's of the respective SHGs using purposive sampling .

1.4.3. Parameters

The study was based on the following parameters:

- a) Infrastructure facilities available for members.
- b) Perception and attitude of SHG members towards E- payment.
- c) Level of acceptance/resistance of SHG members towards E-payment.
- d) Issues faced by SHG members in each stage of loan disbursement procedure of NABFINS.
- e) Different risks in implementing E-payment system, faced by NABFINS.
- f) Perception of Business Correspondent staffs with regard to E-payment system of NABFINS.
- g) Satisfaction level of SHG members towards E-payment system of NABFINS.

1.4.4. Data source

Primary and secondary data were used for the study.

1. Primary data:

The primary data were collected through a field study wherein information was collected from SHG members, Business Correspondents staffs, who comprise the E-payment system. Three leaders (President/Secretary, Treasurer and a member) from each selected SHG were interviewed with help of an interview schedule and the data were collected. Focus group discussions were also conducted between SHG members and BC staffs for collecting primary data. Informal interview was also conducted with a bank manager in order to understand the perception of the managers towards**NABFINS E-payment system.

2. Secondary data:

Secondary data with regard to SHG members and the BC staffs were collected from the annual report published by NABFINS.

1.4.5. Data analysis

The analysis was accomplished with the help of statistical tools like Percentage analysis, Chi – Square analysis, Kruskal – Wallis H test and Phi & Cramer’s V analysis.

1.5. Scope of the study

This study had thrown light on the effectiveness of electronic payment system implemented to the SHG members and various issues and challenges of E-payments to the SHG members. The study had also helped NABFINS to assess whether the system helped the SHG members.

1.6. Limitations of the study

Lack of fluency in the local language was a major hurdle for the study. The study was confined to the three selected districts and hence results of the study cannot be generalised. Limited time was also a hindrance for my study.

1.7. Chapterisation of the study

The study is presented in 4 chapters:

1. Design of the Study.
2. NABARD FINANCIAL SERVICES LIMITED – A Profile.
3. Effectiveness of E-payment System – An Analysis.
4. Summary of Finding, Suggestions and Conclusions.

1.8. Review of Literature

Karmakar (1999) in his work “Rural credit and Self Help Groups: Microfinance needs and Concepts in India”, examines the existing credit delivery system in India with special reference to the credit needs of the rural poor. He studies the importance of the micro-credit needs for women in rural areas and the micro enterprises in the non-farm sector in Odisha. The study focuses on the availability, credit requirements and the problems faced by the people in availing of it. He feels that the setting up of micro-enterprises particularly in the non- farm sector would go a long way in reducing poverty in rural areas. According to him, the micro-credit approach through SHGs would be the only best mechanism to deliver credit to the rural poor.

Nagayya (2000) maintains that an informal arrangement for credit supply to the poor through SHG's is fast emerging as a promising tool for promoting income-generating enterprises. He has reviewed the initiatives taken at the national level with a view of institutional arrangements to support this programme for alleviation of poverty among the poor, with focus on women. He maintained that NABARD and SIDBI are playing a prominent role at various stages of implementation of this programme. There are other national level bodies also supporting NGO's/VA/s, viz. Rastriya Mahila Kosh (RMK), Rashtriya Gramin Vikas Nidhi (RGVN) etc. He called for an imperative need to enlarge the coverage of SHG's in advance portfolio of banks as part of their corporate strategy, to recognize perceived benefits of SHG's financing in terms of reduced default risk and transaction costs.

Raman (2000) in his work "Self Help Groups : The Kerala Experiments" shares his research experience with the Kerala-based Primary Agricultural Cooperative Societies(PACS) extending credit to SHGs. PACS of Kerala had provided financial assistance to both SHGs and others(that is, individuals not attached to SHGs) for the same purpose. Recoveries of those loans from the SHGs were far better than from those who were not members of any SHG. He advocated in his study that the SHG mode of formal institutional finance to the rural poor which is backed by government interest subsidy is playing a role in reducing poverty. The SHG route of funding, he opines, has proved beneficial to the PACS too, as incidence of non-performing assets (unrecovered loans) has declined.

Sharma (2001) maintained that through SHG's women empowerment is taking place. Their participation in the economic activities and decision-making at the household and society level is increasing and making the process of rural development participatory, democratic, sustainable and independent of subsidy, thus, macro-financing through SHG's is contributing to the development of rural people in a meaningful manner. Interestingly even others have attempted to study the size, composition, characteristics of rural self-help groups, to examine their functions and the impact on generation of income and employment, to identify the major constraints and problems of the group and suggest measures for overcoming these problems. They suggested that the banks and other financial institutions and state government should come forward to help the rural poor through the SHG's and provide liberalized credit facilities at cheaper rates of interest. The above studies simply

demonstrate that SHG's are playing a vital role in extending macro-finance to the rural poor. The functioning of SHG's has been based on participatory mechanism and therefore the impacts of SHG's on its members in terms of empowerment, accessibility to credit, socio-economic change etc. has been found positive.

Manimekalai and Rajeshwari (2000) in their paper highlighted that the provision of micro-finance by the NGO's to women SHG's has helped the groups to achieve a measure of economic and social empowerment. It has developed a sense of leadership, organizational skill, management of various activities of a business, right from acquiring finance, identifying raw material, market and suitable diversification and modernization.”

Harper (2002) studied the differences, outreach and sustainability of the SHG banking system and Grameen banking system of providing microfinance. SHG bank linkage and Grameen banking systems dominated the microfinance markets in India and Bangladesh respectively. In SHG bank linkage system 10 to 20 members formed a group and this group became an autonomous financial organisation, received loans from the bank in group name and the group members carried all saving and lending transactions on their own behalf. Thus, SHG was effectively a micro bank. But in Grameen banking system microfinance participants organised themselves into groups of five members and each member maintained her individual saving and loan account with microfinance organisation and the main function of the group was to facilitate the financial intermediation process. It was also found that both systems were best suited to their prevailing environments. SHG bank linkage system was more flexible, independence creating and imparted freedom of saving and borrowing according to the member's requirements, so was suitable in the Indian context. But Grameen banking system was more rigid, autonomous, over disciplined and dependence creating system which was suitable in Bangladesh where people were relatively more homogeneous, very poor and had less experience of democracy. It was also found that SHGs were probably less likely to include poor people than Grameen Bank groups but neither system reached the poorest. It was also found that SHG members were free to manage the group financial affairs so they were more empowered but at the same time more vulnerable. Grameen groups were much better protected against internal and external threats. Their members were less vulnerable but also less empowered.

Selvachandra (2004) in her paper "Microfinance through Self Help Groups" concludes that banking through SHGs and the existing decentralized formal banking network, allow for a large scale outreach of microfinance services to the poor in India. These banking services, she observes, are made available at low cost, easy accessibility and flexibility to meet the needs of the poor. She avers that the proper promotion of the scheme will be a big help to drive away poverty from the country. Thus the SHG-Bank linkage is a boon to the poor and at the same time a via media for the banks to expand their outreach to a large number of beneficiaries.

Nayak (2006), concludes in his study entitled "Socio Economic Change in KBK Region through SHG-Bank linkage Programme" saying "SHG-Bank linkage programmes empowered the rural women with dignity, identification, recognition and respect. They were able to save, borrow, invest and earn. The male members and other members of the family changed their attitudes towards women folk with the SHG movement taking off in rural areas. The rural poor who remained always in the borrowing domain could find themselves with surplus and on lending side probably because of the magic of microfinance and the group approach under the SHG-Bank linkage programme. Credit became easily accessible to the members without the rampage of money lenders and hassles at banks. This created a sense of ability and willingness to-perform among women."

Bhatia and Bhatia (2006), in their same study visualize a bright future for rural development in India in the Group-financing method when they state "Thus, the potentialities in financing to groups in rural areas go far beyond economic considerations. Group financing has the potential to unleash multi-dimensional change in the lives of people. The financial system is destined to perform the functions of a change agent in this task. However, in doing so, while formal financial institutions may have to change their methodologies to cater to this need, MFIs would need a suitable enabling environment to function effectively. There may have to be a convergence between the formal financial institutions and MFIs. The specific needs of rural people and the inadequacies of the institutions and processes that are available may also give rise to new institutions or models in the coming years".

Namboodiri (2006) in his work entitled "Financial Intermediation in the Dynamics of Rural Economy" espouses the role of financial intermediation of SHGs in rural economy and asserts "The SHGs shall no more be seen as only a cost effective delivery channel for the banks to reach the rural poor. Instead, it is necessary to acknowledge their ability to mobilize

resources, undertake income-generating activities both individually and collectively, control over economic resources, and build linkages with other organizations for their financial and other services. What is intended here is to demonstrate the decisive role played by such financial intermediaries in achieving upliftment of the poorest of the poor in the rural areas through group-based approach. The role of intermediary is very critical in the sense that majority of the rural folks have hardly any asset base and therefore undertaking any viable economic activity at the individual level is very remote. Under such conditions, the first and foremost step of an MFI is in identifying appropriate economic activities at the group level which suit the local conditions and are feasible with the target group”.

Lokhande (2008) in his work “Socio-Economic impact of Micro financing through Self Help Groups in Marathwada Region” observes that microfinance for micro enterprises can be one of the most effective poverty reducing instrument. The need of the hour is to promote more and more microfinance institutions and strengthen them, so that they provide more service to the needy poor people. These tiny business activities can be started mostly based on local resources. In order to give impetus to micro entrepreneurial activities by poor people in rural as well as urban areas, microfinance institutions should be promoted to provide adequate, regular microcredit to the needy entrepreneurs. He is of the conviction that microfinance programs is the most promising strategic weapon for attacking poverty by way of providing development funds for the neglected groups.

Ramakrishnayya (2008), the founder chairman of NABARD, records his optimism in his work “Microfinance in India” saying “Microfinance in the form of bank SHG linkage model has been able to inspire hope in the lives of thousands of rural people, women in particular, and also enable them to contribute to their families” well-being, through their savings and enterprise. For banks, it is a business opportunity and for bank officials, it is an opportunity to extend their rural clientele without much risk, as the recovery levels exceed 95 per cent. The SHG members of today could turn out to be clients for several financial products over the years”.

Sangwan (2008) empirically ascertained the determinants of financial inclusion and studied the relevance of Self Help Groups (SHGs) in achieving financial inclusion. For the purpose of the study, the cross-section data of 42 Regions from different states and UTs of India was used. The coverage under financial inclusion was assessed in terms of percentage of adults having credit and saving bank accounts. In order to find out the

determinants of financial inclusion a multiple regression technique was applied. The empirical evidence of impact of bank branch density, level of income, literacy and SHG membership on financial inclusion was estimated with this technique. It was found that as on March 2006, the financial inclusion of adults above 19 years of age was 63 per cent in terms of saving accounts and 16 per cent in terms of credit accounts and about 37 per cent adults in India did not use financial services. The regression equations estimated with cross section data of States revealed that the branch density had positive and significant coefficient with the percentage of adults having saving as well as credit accounts. The coefficient of per capita income was also positive and significant. Literacy percentage had surprisingly negative relationship with both percentage of saving as well as credit accounts of adults. It may be partly because of lack of financial education among the educated ones. The results substantiated that the persons having low income and less geographical access to bank (e.g., agricultural labourers, marginal and small farmers, migrant labourers, tribal and women) were excluded from the financial inclusion. The regression equations were also estimated by including percentage of adult covered in SHGs, the variable had positive association with the level of financial inclusion especially in credit accounts. It suggested that SHGs could play significant role in achieving the financial inclusion especially for women and low-income families.

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Chapter - 2

*NABARD FINANCIAL
SERVICES LIMITED – A
PROFILE*

Chapter – 2

NABARD FINANCIAL SERVICES LIMITED – A PROFILE

NABARD Financial Services Limited, (NABFINS) is a subsidiary of National Bank for Agriculture and Rural Development (NABARD) with equity participation from NABARD, Government of Karnataka, Canara Bank, Union Bank of India, Bank of Baroda, Dhanalakshmi Bank and Federal Bank. It is a Non – Banking Financial Corporation registered with the Reserve Bank of India and is operating throughout India. The main objectives of the Company are to provide financial services in two broad areas of agriculture and microfinance. NABFINS provides credit and other facilities for promotion, expansion, commercialization and modernization of agriculture and allied activities. NABFINS is engaging in the business of providing micro finance services (with or without thrift) and other facilities to the needy and disadvantageous sections of the society for securing their prosperity in both rural and urban areas.

NABARD, since its inception, has been entrusted (amongst other major responsibilities) with the responsibility of providing small loans to the priority sector. It fulfils this responsibility by supporting several schemes for the small and marginal farmers and since 1992 (by which time “micro finance” replaced “small loans”) by promoting the SHG-Bank Linkage Model which has spread all over the country.

Further it promoted in 2008 a subsidiary called NABFINS (with equity from NABARD, Government of Karnataka and several Commercial Banks) and positioned it in a field which till then was dominated by models of NBFC-MFIs which started with good intentions; some of the largest ones however were increasingly driven by private and venture capital, where profits, high growth rates and high remunerations became the dominant drivers because governance took a back seat. NABFINS and the SHG-Bank Linkage program are not in conflict. Both are required in order to offer the client a choice. NABFINS on its part does not enter areas where the SHG-Bank Linkage program is doing well due to pro-active Bank managers who visit the SHGs regularly and mentor them. Unfortunately such areas are declining. There are also large areas where people find it difficult to access a bank due to distance and lack of transport facilities; NABFINS operates in these areas. Over all, Banks’ involvement in the SHG-Bank Linkage program is decreasing, as reports clearly indicate. The reasons for this decline are many –ranging from acute staff shortage at Branches to amalgamations of Banks which tend to make small loans required by SHGs unviable.

NABFINS brief is to establish and run a NBFC-MFI model which would promote and sustain:

1. Good governance leading to transparency in accounting, remuneration and disclosure,
2. Reasonable rates of interest and other costs which earn a profit but do not maximize profits or profiteer at the expense of the clients at the bottom of the pyramid,
3. Investment in activities that generate income in the short, medium and long term and increase capital with the poor family; since these activities chosen by the group members are not only diverse in terms of sectors/categories but also in purpose, size, and repayment periods within a sector/category, it requires a business model which is able to customize loans and repayment schedules in order to respond to the diversity of livelihood situations; standardization therefore cannot be the main driver even though it results in higher profits for the NBFC-MFI, and
4. Fair practices which ensure that there is no over multiple lending or coercion in collection which, experience has shown, results from business models driven by speed and scale to maximize profits and in many cases to provide space for quick exits of investors. NABFINS is in this business for the long term.

Keeping in mind these guiding norms, NABFINS decided in 2010 to promote a culture, organizational and financial systems and software which would "Balance business with inclusion in growth". Inclusion here focuses on the poor and marginalised. To maintain this balance is the prime responsibility of the Governing Board. As a for profit entity, it endeavours to earn enough to cover all costs related to management and expansion, to design and absorption of appropriate technology support systems, to training and reasonable incentives to staff and management and to cover its risks especially arising from investment in second level institutions like producer collectives. All this is well accepted in the for profit sector But NABFINS also seeks to promote inclusion of the poor and marginalised in growth - not only financial inclusion which has been reduced to opening "no frill accounts". Inclusion of the poor and marginalised in the growth sector in a sustained way, requires support from a variety of institutions involved in building confidence and management skills of the poor and their ability to lobby for change and build linkages with others; it also requires technical, organisational and infrastructure support in production, aggregation and marketing of products; these in turn require financial support like grants, term loans, cash credit, working capital, revolving funds and appropriate infrastructure.

In the field of dry land agriculture- a high risk operation - where a large part of the loans of SHGs/JLGs are invested, support is required to reduce the clients risks and make her/his

investment productive and sustainable. They need to be insured against crop failure - but even more the production risk has to be reduced. Hence NABFINS loans to groups involved in dry land agriculture are focused in areas where watershed management programs are being implemented by NABARD, Government and NGOs. This reduces the risk of investment in this sector. To build confidence and management skills, NABFINS provides grants sourced from NABARD for institutional capacity building and to improve the organizational and financial management of SHGs, JLGs and Producer collectives. Likewise where investment is in livestock, it partners with an institution that has the expertise and outreach to provide animal health care. It responds to diversity in livelihood needs instead of standardizing loan sizes and products and staggers repayment schedules to cope with (customize) different cash flows of income generating activities; developing a software to support this diversity took time as those available off the shelf suited a standardised model which largely benefits the NBFC-MFI not the client. All these interventions require extra investment and a longer period of gestation, thus reducing profits to NABFINS; but they also help to develop a network and support system for the poor client to build a sustainable livelihood base and to be "included" in the growth sector. The conflict between business driven by self-interest, on the one hand, and inclusion of the poor in growth on the other (which implies a social objective to alleviate poverty), has been a subject of debate since the middle of the 19th century.

On the one hand some philosophers and economists hold a position that empties the market of all moral considerations; others hold that, left to itself, self-interest can go too far and therefore needs regulation. In general two streams could be identified: one that maximises profits and later sets aside part of the profits "to pay back to society". The other stream tempers the impact of market forces by several measures that reduce the stress on employees, improves their living conditions and ensures a standard of living while opening choices to customers; this model was the result of social movements that became enshrined in law. The first believes in growing the cake before it is shared, the second focuses on: growing the cake together or "creating value together", which - in the case of NBFC-MFIs, implies provision not only of credit and other financial services, but of a larger number of livelihood opportunities, improving skills and governance. NABFINS has no quarrel with the first approach as long as those involved do not claim to "alleviate poverty" and at the same time seek favours and benefits. In this case it is both immoral and unsustainable, NABFINS, however, would like to anchor itself firmly in the second category. But it realizes the extra challenges that this approach has to cope with. It does not accept that the first model is appropriate to include the poor in the growth sector. In fact maximization of

profits, in the final analysis, reduces capital in the hands of the poor and results in an increase in their vulnerability and often in their exclusion from the growth sector. Capital has been extracted from the bottom of the pyramid where it is in short supply and not controlled by the poor. It was commonly proclaimed that competition between NBFC-MFIs would bring down the interest rates as is the trend where market forces operate; in the case of micro finance, this was not the case, the customer obviously was not “king/queen”. NABFINS tries to keep the balance between “market forces geared entirely to earn profits” and “development finance” which attempts to open more opportunities to the marginalised,

As a business model which promotes development finance, it levies interest at reasonable rates but also ensures that the overall cost to the client remains low by providing door step services and quick turnaround. Up to March 31,2012 the rate of interest to SHGs/JLGs was 13.5%; to second level institutions, like producer collectives, it was 11.5% ; the margin cap was 4.66 % -- both well below the RBI norms of 26% (interest) and 12% (margin cap)respectively. The average cost of funds, thanks to NABARD, was 8.08%.

NABFINS endeavours to promote the following seven important features:

1. Governance- it plays a critical role in promoting inclusion of the poor especially in for profit NBFC- MFIs. The drive to maximize profits does not arise only in for profit MFI-NBFCs. It also exists in many Not for profits. Ultimately the difference is established by the policy and practice of the Members of the Governing Body of the NBFC-MFI. History of the large NBFC-MFIs provides adequate evidence that the “transformation” from not for profits to for profits which was assisted by various institutional mechanisms held up as “innovations”, was also accompanied by a transformation from standard salary packages to pay packages higher than earned by the CEO of the largest private sector Bank, high bonuses, stock option plans and stock purchase schemes at highly preferential rates which when en-cashed brought in super profits in a very short period. If the Chairman and Directors create an environment where profit maximization at any cost is rewarded; others in the organization follow and the objective of providing adequate and customized credit at reasonable costs as well as other support to enable the poor client to build a sustainable livelihood base is forgotten. NABFINS Board is aware of this danger and is taking steps to ensure that it’s Chairperson and independent Board members are not eligible for bonuses, loans or any payment arising from performance and related to incentives, which however the staff and BCs are entitled to. It is expected that these decisions will have an impact on the quality of overall governance.

2. Staffing: NABFINS has a staffing pattern which helps it to reduce costs resulting largely from salaries, training and housing. Head Office is staffed by a team aged between 25 and 45 years drawn from other financial institutions and by three senior staff on deputation from NABARD, two of whom remain in NABARD's payroll. At the Districts, it recruits just retired commercial bankers who have worked in the District and have a sound reputation, who have experience in working with the SHG bank Linkage program and relate well with NGOs; they need to have a House in the District headquarters in which they reside. A separate NABFINS office is provided; they are assisted by 2-4 Field Service officers. This team headed by the District officer deals with the first vertical, namely with SHGs/JLGs. This is a small team and is adequate since NABFINS lends directly to groups/institutions, not to individuals. The other vertical dealing with second level institutions like Cooperatives, Producer Collectives is managed by Institutions with experience in this area who function as Business Facilitators. During 2012-13 decentralisation will also take place through regional offices in Karnataka and Tamil Nadu, which, among other outcomes, will also reduce costs.

3. Working in Partnerships: The poor cannot be included in growth only through provision of credit and other financial services. To promote inclusion in growth NABFINS decided to work in partnerships with NGOs, Cooperatives, producer Collectives, Federations which not only function as Business Correspondents and Facilitators, but more importantly are able to provide technical and other support services critical to make investment productive and/or to reduce production risk, to aggregate, add value and market commodities. NABFINS does not propose to take on all these activities when others can do them more efficiently. In the case of life insurance for example, given the various subsidies provided by States, NABFINS is engaged with the BCs in identifying pro-active Insurance Companies in their areas of operation and will provide any support required for insurance companies to extend their coverage. NABFINS will provide only those services which others cannot provide at NABFINS' level of costs, quality and social concern; it will however endeavour to actively promote institutions providing insurance (life insurance to begin with and later health); it must be noted that the SHGs advance loans for purchase of medicines and medical care while savings is a product of the SHGs. There is no doubt that there is a higher risk in working with BCs as partners.

NABFINS believes that this risk must be shared by supporting the partners to become more organizationally and financially sustainable, by maintaining a transparent relationship, responding to their justifiable demand, rewarding them for good performance and at the same time

by ensuring that its own staff maintain a close relationship with the groups. . This is easier said than done. NABFINS has taken the first steps in this direction and will continue to expand its support to BCs by mobilizing funds for organizational and financial management and, by introducing incentives for good performance. As on March 31, 2012 the average yield on NABFINS' loans was 14.74% out of which 2% was passed on to its BC partners leaving 12.74% with NABFINS.

4. Personal interaction between staff and SHGs/JLGs: NABFINS staff together with the BC staff assesses the SHGs/JLGs together and those eligible are advanced loans directly by NABFINS staff who later keep in touch with the groups. The responsibility for ensuring repayments lies with the SHG itself; the responsibility for collection of repayments lies with the BC. Personal contact with the groups helps in maintaining and building mutual trust.

5. Support for second level institutions like Producer collectives, Cooperatives: If the poor are to be integrated in growth in a sustainable and incremental manner, provision of credit to the SHGs/JLGs and support for production is not enough. Since most of them are small and marginal farmers their produce needs aggregation, value addition and marketing. As on March 2012, NABFINS has invested Rs 2.42 cr cumulatively in second level institutions as working capital to support aggregation, value addition and marketing in cotton, handicrafts and fisheries. The risk increases and diversifies with second level institutions. Efforts are being made to cover this risk through mobilizing support from financial institutions (unsuccessfully so far) as well as through building a risk fund from profits. Investing in second level institutions has taken time to take off because there are few functioning and the experience and expertise to support and mentor them is limited. NGOs who have devoted time and effort in promoting this sector find it difficult to mobilize financial support to build these institutions. Unfortunately there is no integrated organizational and financial scaffolding in the country to support aggregation value addition and marketing of agricultural commodities –the only example where such integration functions is in milk. NABFINS intends to give priority to support the formation and functioning of second level institutions. It has sought NABARD's support to achieve this objective. Its attempts to mobilize resources to cover the higher risk involved have so far not been successful. The Board decided to allocate a sum of Rs 5 lakhs for this purpose at the end of March 2012. ***

6. Respect for diversity is a major requirement for inclusion in growth. Inclusion in growth demands customization to cope with the variety in purposes, sizes and repayment schedules. Recognising this diversity, in the early 90s before the SHG Bank Linkage program was launched; a major policy decision was taken by NABARD and supported by RBI to allow banks to lend one loan (bulk loan) to the SHG allowing the SHG to decide on the size, purpose and repayment schedule of the loans. This major policy decision enabled the SHG members to ask for what they could manage and the training provided to the group as well as their local knowledge equipped the group to decide whether the member was serious and able to manage the loan effectively. This was a major reason why the poor respond so well to the SHG program. Briefly NABARD did not mainstream the functioning of the SHGs by imposing pre-determined products and a cost structure. It left these decisions to the group and this resulted in "innovations" which no bank could have coped with. Since NABARD respected this diversity, it did not prescribe or plan "products" in the context of the SHG-Bank Linkage program.

Recent communications from NABARD however are asking NABFINS for its "products". Savings is listed as a "product" of NABFINS. It is really a product of the SHG. Studies of SHGs formed by NGOs show that members save and invest in the SHG common fund up to a certain point and then opt to open individual Bank accounts and deposit their savings there. What also emerged from the decision to allow the group to decide, was that a family had a livelihood strategy comprising of several small activities and not of one or two large activities which many of our anti – poverty programs assume they have. Loans from the SHG provided finance for these small activities some of which expanded while others were dropped after a year or so. The group also knows whether some unexpected event has taken place which interrupts the cash flow or channels it elsewhere to meet an emergency, hence it is best suited to decide whether and how to reschedule the loan. Unfortunately this is where most financial institutions hesitate to respond since it demands time and reduces their profits. Standardisation of sizes, purposes and repayment periods is easy to monitor no matter what its impact on the client or customer. NABFINS realizes, as NABARD did in the early 90s, that inclusion in growth demands that the last mile has to be an institution which can cope with this diversity. ICT (which has been accorded a role far above its potential in this last mile) can help to collate and analyse the data after the SHG has decided. The data on the decisions taken by the group on the purpose, size etc. of the loans to individuals must be taken from the Minutes Book of the SHG and not asked for in advance (before the loan is given) by the MFI-NBFC. In most cases the latter is the case, and experience has shown that this data does not give the real picture. Since NABFINS gives one bulk

loan to the SHG/JLG (as in the SHG-Bank Linkage program) it reduces transaction costs as well as enables the member to borrow according to her/his requirements. The tenure of loans is not uniform or standardised; it ranges from 12 months to 36 months depending on the purpose of the loan and the cash flow. However as of April 1, 2012 the shortest tenure will be 24 months in compliance with RBI norms.

7. Institutional Capacity building (ICB before ICT) If the poor are to acquire skills to manage their own institutions (the last mile) like SHGs/JLGs/Producer collectives etc. they need training in institutional capacity building (ICB). Modules comprising how to meet, resolve conflict, foster participation, how to analyse the causes of poverty, how to build linkages etc. have been designed by NABARD and other NGOs and put to use. But conducting this ICB training takes time –at least 4- 6 months before loans are extended. Few for profit NBFC/MFIs will agree to provide this space even though funds are available from NABARD, Government programs and from institutions like IFAD and the World Bank. Even the private sector is now providing grants for ICB. NABFINS hopes that when SHG-2 is launched, adequate funds will be provided for ICB and NGOs with experience in ICB selected to train the groups. Looking back, however, what is more relevant is to go “back to the basics” on which the SHG movement was built.

NABFINS has become highly successful in the MFI sector catering the needs of the rural poor helping them provide a better standard of living and ultimately developing the rural section in the society.

Chapter - 3

*Effectiveness of E-payment System
of NABFINS – An Analysis*

Chapter – 3

EFFECTIVENESS OF E-PAYMENT SYSTEM – AN ANALYSIS

This chapter deals with the detailed analysis of the parameters selected to measure the effectiveness of E-payment system of NABFINS. The analysis was conducted based on the following selected parameters.

These were identified using the following:

- 3.1 Socio-economic characteristics of SHG members.
- 3.2 Basic & Banking Infrastructure facilities available for members.
- 3.3 Perception and attitude of SHG members towards E- payment. ...
- 3.4 Level of acceptance/resistance of SHG members towards E-payment.
- 3.5 Issues faced by SHG members in the loan disbursement stage of NABFINS.
- 3.6 Risks in implementing E-payment system, faced by NABFINS
- 3.7 BC staffs perception towards E-payment.
- 3.8 District wise comparison on the selected parameters.
- 3.9 Degree of association between selected parameters.
- 3.10 District wise comparison on the basis of SWOC.

3.1 Socio-Economic characteristics of SHG members

Socio economic characteristics include the gender, age, education level, annual income, occupation etc. to understand the personality of the members and serves as a means to recognise the changes. So a study on these characteristics is invaluable for this research.

Table 3.1 Socio-Economic characteristics of the SHG members

Sl. No.	Characteristics	No. of respondents
1.	Gender of the members	
	Female	75 (100)
	Male	0 (0)
	Total	75 (100)
2.	Age of the members (in years)	
	20 – 30	11 (15)
	31 – 40	24 (32)
	41 – 50	27 (36)
	51 – 60	8 (11)

	>61	5 (6)
	Total	75 (100)
3.	Educational qualification of SHG members	
	Upper primary	40 (57)
	High school	25 (33)
	Higher secondary	10 (13)
	Total	75 (100)
4.	Occupation of members	
	Agricultural labourers	33 (44)
	Self – employed	24 (32)
	Wage – employed	18 (24)
	Total	75 (100)
5.	Annual Income of the SHG members (in rupees)	
	50,000-99,999	30 (40)
	1,00,000- 1,49,999	21 (28)
	1,50,000 - 1,99,999	21 (28)
	>2,00,000	3 (4)
	Total	75 (100)

Source: Primary data

Note: Figures in the brackets show percentage to total.

Table 3.1 depicts the socio economic characteristics of SHG members. All the members were women. Thirty six per cent of the members were middle aged (41-50 years). It can be inferred majority members (57 per cent) have high school education. Agricultural labourers formed 44 per cent of the respondents. Majority respondents 40 per cent have annual income under one lakh rupees since they are not employed regularly. So we can infer that the majority respondents are middle aged women, having an annual income of less than one lakh who mainly depend on agriculture and allied activities to earn their living.

3.2 Infrastructure facilities available for members facilitating E-payment

Infrastructure facilities show how well the district is developed with regard to roads, banks available. Infrastructure facilities are required to ensure smooth functioning of E-payment system of NABFINS.

Table 3.2 Infrastructure facilities available to SHG members facilitating E-payment

Sl. No.	Infrastructure Facilities	No. of respondents
1.	Distance to Banks	
	1-4 km (Low)	36 (48)
	5-8 km (Medium)	30 (40)
	8-12 km (High)	9 (12)
	Total	75 (100)
2.	Basic Infrastructure	
	Yes	69 (92)
	No	6 (8)
	Total	75 (100)
3.	Banking Infrastructure	
	High	30 (40)
	Medium	39 (52)
	Low	6 (8)
	Total	75 (100)

Source: Primary data

Note: Figures in the brackets show percentage to total.

3.2.1 Distance to banks

From the table it can be inferred that majority (48 per cent) of the respondents need to travel only under 5 km to reach their respective bank branches. Meanwhile 40 per cent of them need to travel 5-8 km to perform the banking transactions. Distance actually is a major issue only for 12 per cent of respondents who have to travel 8-12 km. Safety concerns are the main reasons for members creating a mental block in their minds ultimately making them resist E-payment.

3.2.2 Basic infrastructure

Basic infrastructure denotes how developed the district with regard to roads, conveyance facilities in the form of timely bus services, auto rickshaws, cabs etc. From the table it is clear that 92 per cent of the area have good basic infrastructure which aids them in travelling to their respective banks for conducting necessary transactions ultimately basic infrastructure acts as an important factor amongst members to take up E-payment.

3.2.3 Banking infrastructure

Banking infrastructure includes the number of nationalised banks available in the area of study which supports E-payment system. High banking infrastructure means almost every nationalised bank branches are available at the members disposal to facilitate E-payment, while medium banking infrastructure which means that only 2-4 nationalised banks are operational and poor banking infrastructure means only 1-2 banks are operational in that area facilitating E-payment.

The above table clearly depicts that only a minimal 8 per cent of the members have very poor banking infrastructure, while 40 per cent of them have very high banking infrastructure. Majority 52 per cent of the members have medium banking infrastructure to facilitate E-payments. Although majority of the area have good banking infrastructure majority of the members are maintaining accounts in cooperative banks, where it is not possible to implement E-payment system. So we can conclude that higher banking infrastructure offers members more freedom to open accounts with banks that they think is more comfortable for them ultimately facilitating E-payments.

3.3 Perception and attitude of SHG members towards E- payment

The below table depicts the perception of SHG members towards the electronic payment system of NABFINS.

Table 3.3 Perception of members towards E-payment

Sl. No.	Parameters	No. of respondents
1.	Banking Knowledge of SHG members	
	High	24 (32)
	Medium	33 (44)
	Low	18 (24)
	Total	75 (100)

2.	SHG Members going to bank	
	1-3 members	39 (52)
	4-6 members	18 (24)
	7-9 members	3 (4)
	>10 members	15 (20)
	Total	75 (100)
3.	Motivating factor for selecting a mode of payment	
	Safety & Security	27 (36)
	Timely Availability	6 (8)
	Convenience	42 (56)
	Total	75 (100)
4.	Knowledge of SHG members regarding smart phones	
	High	9 (12)
	Medium	42 (56)
	Low	24 (32)
	Total	75 (100)
5.	Preferred mode of payment	
	Cash disbursement	48 (64)
	E-payment	27 (36)
	Total	75 (100)
6.	Complexity in loan disbursement procedure of NABFINS	
	High	36 (48)
	Medium	30 (40)
	Low	9 (12)
	Total	75 (100)

7.	Satisfaction level of SHG members on bankers attitude	
	Highly Satisfactory	15 (20)
	Satisfactory	30 (40)
	Unsatisfactory	10 (13)
	Highly Unsatisfactory	20 (27)
	Total	75 (100)
8.	Level of competition	
	High	54 (72)
	Medium	21 (28)
	Total	75 (100)
9.	Problems from BCs side	
	Yes	27 (36)
	No	48 (64)
	Total	75 (100)

Source: Primary data

Note: Figures in the brackets show percentage to total.

3.3.1 Banking knowledge of members

Banking knowledge of members reflects the knowledge level of members in withdrawing loan amount and depositing savings. High banking knowledge means all the members of a group know how to perform all the transactions by themselves, average banking knowledge means only 4-6 members have the basic banking knowledge and low banking knowledge reflects only the 3 members of the group are aware of the procedures.

From the table it can be inferred that 32 per cent of the respondents have high banking knowledge, while 44 per cent of the members have average banking knowledge and the rest 24 per cent of them have poor banking knowledge. So we can infer that poor banking knowledge of the members can be a hurdle to implement E-payment since groups where members have poor banking knowledge the leaders have to bear an extra burden by accompanying the other members to the bank and to assist them to conduct these transactions which is not possible every time.

3.3.2 SHG members going to bank

As per the requirement of E-payment system implemented by NABFINS three leaders viz; the head of the group, secretary and the treasurer need to go to the bank and sign the forms to withdraw the loan from the bank.

Majority of the respondents 52 per cent 3 members i.e. the leaders are going to bank to withdraw the loan amount which is normal. Meanwhile in 20 per cent of respondents more than 10 members of a group are going to the bank as insisted by the bank manager as a part of the safety measures taken from the banks side to ensure that such a group exist and all the members are enjoying the loan amounts as per their need. Only newly formed group members need to present in full.

3.3.3 Motivating factor for selecting a mode of payment

Motivating factor defines the main reason which makes members select a Micro Finance Institution to avail loan. It was measured using three factors viz; convenience, timely availability and safety & security. Convenience means members prefer MFIs which provides higher loan amounts without involving much paper work and other complex procedures. While safety and security implies that they want their money to reach them safely without any risk preferably at their door steps and timely availability depicts that members want the money in the right place, at the right time, so that they can use it for the intended purpose without any delay.

From the above frequency table it can be figured out that 56 per cent of the respondents selected convenience as the major motivating factor for selecting a mode of payment and 36 per cent of them opt for safety and security while timely availability was the main motivating factor for 8 per cent of the members. So we can say that perception plays a major role in motivating members to opt for a mode of payment.

3.3.4 Knowledge of SHG members' vis-à-vis smart phones

Knowledge level regarding smart phones shows the SHG members awareness level with regard to mobile services like SMS. This is done by NABFINS to intimate members regarding the date at which the loan will be credited to the SHG account so that the members can withdraw the loan that day itself from the bank without any delay. It is the obligation of the bank manager to get the cash ready in the bank so that members can withdraw the loan amount without any delay. High mobile knowledge means the members know how to open, read and send text messages, average mobile knowledge shows know only to open and read messages and low mobile knowledge implies that they know only to read messages.

The above table shows that only 12 per cent of the SHG members have high mobile knowledge meanwhile 56 per cent of the members have average mobile knowledge. The rest 32 per cent have low mobile knowledge. All the SHG members are comfortable reading Tamil messages.

3.3.5 Preferred mode of payment

Preferred mode reflects whether the members like to get the loan funded by NABFINS in cash which is disbursed directly to the members' door steps or E-payment where members need to travel to their respective banks to withdraw loan.

The above diagram implies that majority 64 per cent of the members have selected cash disbursement as the most preferred mode of payment mainly because it's very simple and the group members will get the money at their door steps and they enjoy the full benefit of the loan amount without incurring additional expenses in the form of travelling expenses, miscellaneous expenses etc. Meanwhile only 36 per cent of the members chose E-payment as their most preferred mode of payment although it provides a great deal of freedom to the members as they can withdraw money as per their requirements but do incur additional expenses. So from the table we can say that majority of the respondents are still preferring cash disbursement over E-payment mainly due to the convenience cash offers to the members.

3.3.6 Complexity in loan disbursement procedure of NABFINS to SHG

NABFINS loan disbursement procedure comprises of five stages namely Grading, Re-grading (only done if the total loan amount exceeds Rs.5, 00,000), Pre-disbursement visit, loan disbursement and Loan Acknowledge Receipt (LAR). All the group members should be present for all these stages for completing different documentation procedures except for LAR. It is difficult for members those who are employed to take leave for all these procedures for which they will loss wage.

Majority of the members i.e. 88 per cent have rated NABFINS loan disbursement procedure as highly complex when compared to other MFIs which do not insist on any formal documentations like NABFINS. The rest 12 per cent have rated the procedure as easy. So members are expecting very easy money without any complexities.

3.3.7 Satisfaction level of SHG members on bankers' attitude

Banks act as a link between the NABFINS and SHGs in E-payment system. NABFINS deposits loan to the bank account of the group which will be withdrawn by the

members. Satisfaction on bankers' attitude shows how the bank managers' approach towards members acts as a major factor for resisting E-payment. Respondents are mainly dissatisfied with bankers' attitude because of the behaviour of the manager towards the members, lack of availability of funds in the banks in such a case the SHG members have to come another day to withdraw loan amount for which they have to take leave causing them major inconvenience. The mainly reason being, the managers say that they are not getting any monetary benefits out of these transaction which they felt they must gain.

Majority of the respondents (60 per cent) are satisfied with banks attitude towards the SHGs. The bank managers are cooperative and are helping members to smoothly carry out banking transactions. The rest 40 per cent are not satisfied with bankers' attitude. This shows the significance of bankers' attitude with regard to the satisfaction level of the members in choosing E-payment. So the satisfaction level of the banker's side as measured by the beneficiaries is a very pivotal factor. So the banker's attitude must be improved. One cannot teach these things but can only request the bankers to provide a level platform to progress. Naturally in this level platform itself the bankers provide a good service for them.

3.3.8 Level of competition faced by NABFINS

Competition shows the intensity of rivalry NABFINS face from other prominent MFIs like Muthoot, Ujjayin, and Aashirvad etc. apart from these MFIs, banks have also started to lend to SHGs in a significant fashion. From the table it can be inferred that NABFINS face high competition in 72 per cent of the sample area. While the rest of the sample area 28 per cent the competition is average where NABFINS face competing mainly from the banks and not from other MFIs as the members are not ready to approach other MFIs since they are completely satisfied with NABFINS service. So financial institutions have found it very profitable financing SHGs and are trying hard to fund them.

3.3.9 Problems faced by members from the side of Business Correspondents

Business Correspondents (BCs) are intermediaries which links the SHGs with NABFINS. These BCs are mainly NGOs who identify, nurture, and introduce good SHG to NABFINS for availing financial assistance. BC staffs act as a friend, philosopher & guide to SHG members and assists them in availing loan amount from the banks. From the above table it can be said that majority 64 per cent of the members do not face any problems from the BCs side and is completely satisfied with their approach towards them. On the other hand 36

per cent of the members are facing difficulties from the BCs side. So we can conclude that the attitude of BCs is a major factor for members to both accept and reject E-payment.

3.4 Level of acceptance/resistance of SHG members towards E-payment

The acceptance/resistance level with regard to E-payment depicts the success rate of E-payment system which NABFINS have implemented.

Table 3.4 Level of acceptance/resistance of SHG members towards E-payment

Parameter	No. of respondents
High resistance	18 (24)
Resistance	36 (48)
Acceptance	15 (20)
High acceptance	6 (8)
Total	75 (100)

Source: Primary data

Note: Figures in the brackets show percentage to total.

From the table 3.3 it can be inferred 64 per cent of the SHG members are either highly resisting or resisting E-payments mainly because of the complexity involved in the NABFINS loan disbursement procedure when compared with other MFIs, the inconvenience E-payment mode puts forward when compared with cash disbursement, causing members major inconvenience when compared with cash disbursement. Members are not satisfied with E-payment due to psychological block since this is a new system and it is the inbound nature if the beneficiaries to resist change. Only a mere 21 per cent of the members are either highly accepting or accepting E-payments mainly because the above said factors are working in tandem with E-payment moreover the members are willing to accept change without much resistance. So this E-payment system is still at its infancy and the company must be patient enough to enjoy complete satisfaction level from the SHG side.

3.5 Issues faced by SHG members in each stage of loan disbursement procedure of NABFINS

Disbursement stage is the most important phase in the loan disbursement process of NABFINS where the company will credit the entire money to the loan account of the group and the members will come to the bank and withdraw the amount.

Table 3.5 Issues faced by SHG members in each stage of loan disbursement procedure of NABFINS

Parameter	No. of respondents
Bankers attitude	45 (60)
Safety & Security	3 (4)
Conveyance issues	24 (32)
Leave problems	3 (4)
Total	75 (100)

Source: Primary data

Note: Figures in the brackets show percentage to total.

From the table 3.4 it can be inferred that 60 per cent of the respondents stated disbursement stage as the most difficult stage because of the fear of going into the bank mainly because of the approach of managers towards the SHG members. 32 per cent of them were facing difficulty to travel long distances to their respective banks to carry out transactions. They think that travelling to bank will consume their whole day which is difficult for them. The rest 8 per cent faced safety concerns where the members have to carry huge amount of cash from banks to their houses. So E-payment is causing several practical concerns for members forcing them to resist this novel method.

3.6 Different risks in implementing E-payment system, faced by NABFINS

The below table shows the various risks NABFINS is facing which prevents the company from implementing the E-payment system.

Table 3.6 Different risks in implementing E-payment system, faced by NABFINS

Parameters	No. of respondents
Attitude of banks managers	21 (28)
SHGs maintaining accounts with Cooperative banks	27 (36)
Poor banking knowledge	6 (8)
Complex loan disbursement procedure	9 (12)
No risk	12 (16)
Total	75 (100)

Source: Primary data

Note: Figures in the brackets show percentage to total.

From the table it can be observed that 36 per cent of the SHG accounts are with cooperative banks, which are yet to implement Core Banking System acting as a major risk in implementing E-payment system. Twenty eight per cent of the respondents stated attitude of the banks is the major risk in implementing in E-payment. Complex loan disbursement procedure was the major hurdle for implementing E-payment system for 12 per cent of the respondents.

Sixteen per cent of the respondents had no issues with E-payment system of NABFINS. The functioning of this system is smooth and hurdle free.

3.7 Perception of Business Correspondent staffs towards E-payment system of NABFINS

Business Correspondents (BC) usually an NGO acts as a link between NABFINS and SHGs. They help NABFINS to identify best SHGs in order to fund them. In the earlier cash disbursement procedure the loan was disbursed to the members at their door steps by NABFINS field officers along with the representatives of the concerned BC. All the risks like, withdrawing money from the bank, carrying cash etc. was bearded by the field officers and the BC staffs. Banks were not at all involved. After implementing E-payment system the members should themselves go to the bank to withdraw the loan without the presence of BC staff or NABFINS field officers causing both BC staffs and members major inconvenience. Every time the members face any difficulty in the banks they first inform the BC staffs who should come to the bank and solve issue which was not the case in cash disbursement. BC staffs are finding it difficult to motivate, provide training with regard to banking services because the members are not at all interested in learning and the groups have started to move away from the NGO due to this reason.

Table 3.7 Perception of Business Correspondent staffs towards E-payment system of NABFINS

Sl. No.	Perception parameters	No. of respondents
1.	Problems for BC staffs after implementing E-payment system	
	Loss of groups	6 (24)
	Attitude of Bank managers	10 (38)
	Lack of interest from SHG members	10 (38)

important role in implementing E-payment system.

From the above table it can be inferred that 85 per cent of the BC staffs prefer cash disbursement as this new system has given rise to major issues like loss of groups, problem from bankers' side etc. So we can conclude that the perception of BC staffs play a very

From the above table it can be inferred that 85 per cent of the BC staffs prefer cash disbursement as this new system has given rise to major issues like loss of groups, problem from bankers' side etc. So we can conclude that the perception of BC staffs play a very important role in implementing E-payment system.

3.7.2 Preferred mode of payment for Business Correspondents

staffs in implementing E-payment system.

From the above table it can be inferred that problems from banks side and lack of interest from the members accounted for 76 per cent are the major problems faced by the BC

3.7.1 Problems for Business Correspondents staffs after implementing E-payment system

Note: Figures in the brackets show percentage to total.
Source: Primary data

	Total	26 (100)
3.	Support provided for SHG members	10 (38)
	Solving banking issues	8 (31)
	Accompanying SHG members	8 (31)
	Educating and training members with regard to banking services	8 (31)
	Total	26 (100)
2.	Preferred mode of payment for BCs	22 (85)
	E-payment	4 (15)
	Total	26 (100)

3.7.3 Support provided for SHG members

BC staffs have a major role in motivating SHG members to take up E-payment system. BC staffs assist members by giving training to the all the group members regarding the basic banking procedures like depositing and withdrawing money. BC staffs also accompany SHG members to their houses after withdrawing loan from the bank for security reasons. They also help SHG members to solve issues arising from the banks side and assist them in withdrawing the loan amount without any delay.

The above table implies that majority BC staffs 38 per cent help SHG members to solve issues related to banks, followed by accompanying SHG members to banks 31 per cent & educating and training members with regard to banking services 31 per cent. So we can conclude that all the BC staffs are helping SHGs to regarding all issues arising out of E-payment system ultimately facilitating SHG members to take up E-payment system.

3.8 District wise comparison on the basis of selected parameters

Kruskal – Wallis analysis was performed to compare the 3 districts on the parameters selected in order to rank these districts from best to worst in terms of the parameters. 1 was given as the value for satisfactory and 2 was given for unsatisfactory. So the district with the lowest mean rank will be taken as the best district and the district with the highest value will be the worst district for the parameter measured as per the analysis.

Table 3.8 District wise comparison on the basis of selected parameters

Ranks					
Parameters	District	No. of samples	Mean Rank	Chi-Square	P-value
1. Distance to the bank	Nammakal	21	43.57	11.45**	0.003
	Tiruvannamalai	33	41.14		
	Chennai	21	27.50		
	Total	75			
2. Adequate banking infrastructure	Nammakal	21	40.14	43.073**	0.000
	Tiruvannamalai	33	50.95		
	Chennai	21	15.50		
	Total	75			
3. Banking knowledge of members	Nammakal	21	44.21	32.843**	0.000
	Tiruvannamalai	33	47.68		
	Chennai	21	16.57		

	Total	75			
4. Satisfaction level of SHG members on bankers' attitude	Nammakal	21	44.43	3.844	0.146
	Tiruvannamalai	33	36.64		
	Chennai	21	33.71		
	Total	75			
5. Level of competition	Nammakal	21	43.57	3.829	0.147
	Tiruvannamalai	33	34.32		
	Chennai	21	38.21		
	Total	75			

**Significant at 1 per cent level.

Source: Primary data

3.8.1 Distance to the bank

The effect of distance to banks in various districts and E-payment was performed using the Kruskal – Wallis H test. As per the data obtained it is clear that Nammakal with a score of 43.57 is the district where members have to travel maximum distance to their banks to conduct transactions when compared with other districts. The average distance to bank here is around 6.5 km, the longest being 12 km. The psychological block of members have with regard to the fear of carrying huge amount of cash play a major role in the respondents mind rendering distance a major problem. Followed by Tiruvannamalai with a score of 41.14 where the average distance is around 5 km which is comparatively low when compared Nammakal. Here the main issue is that majority SHG accounts are with cooperative banks which are very near to members but E-payment is not possible so they have to open accounts with nationalised banks which is situated mainly in town areas far away from the outskirts. Chennai had the least score of 27.50 mainly because it is an urban area where the average distance to bank is 1.5 km which is not at a problem for the respondents. From the P – Value (0.003) obtained it can be inferred there exists a 1 per cent level of significance between the districts and the distance to banks. From the value it can be inferred there is inter district disparity when it comes to distance. Members of each districts had to travel varying distances to their banks.

3.8.2 Adequate banking infrastructure

Banking infrastructure as per the analysis is very low in the Tiruvannamalai district with a score of 50.95. Although all the nationalised banks are present in the area majority members are maintaining their accounts with cooperative banks which are also very near to the members' disposal where it is difficult to implement E-payment system as these banks are not linked with Core Banking System. Nammakal was the second with a score of 40.14. Here the banking infrastructure is poor in the rural areas so, the members have to reach the town area for conducting transactions. Meanwhile Chennai is the least with a very low 15.50. Chennai being a metro all the banks are available for the respondents to open their account. So we can conclude that an area where banking infrastructure is very high and bank managers are good E-payment is successful. The P – Value of 0.000 shows that there is 1 per cent significance between banking infrastructure and the districts. Banking infrastructure differs in all the 3 districts, considerably affecting the perception of members of each district with regard to E-payment system.

3.8.3 Banking knowledge of members

Banking knowledge of the members is acting as a major hindrance to opt E-payment in the Tiruvannamalai District with a mean score of 47.68. SHG members had very poor awareness level with regard to banking and also lack the urge to learn these things mainly due to their lack of interest. So in this case the leaders must bear the extra burden of those members who do not have an understanding of basic banking knowledge making these members resist E-payment. Followed by Nammakal with a score of 44.21 Chennai is the lowest ranked district with a score of 16.57 since all the members know the basic transactions that have to be performed. So high is the knowledge level of the SHG members, higher will be the confidence to go to the bank and perform these transactions. The P – Value of 0.000 shows that the banking knowledge of members and the districts is significant at 1 per cent level. The knowledge of members with regard banking is distinct in all the three districts. Higher the banking knowledge of the members easier it is for NABFINS to implement E-payment system in the district.

3.8.4 Satisfaction level of members on bankers' attitude

The SHG members of Nammakal were the most dissatisfied with the attitude of the bankers with a score of 44.43. This dissatisfaction is due to the approach of the bank manager towards SHG members. This acts as the major problem to resist E-payment system.

Moreover the banks are against groups which depend on NABFINS for loan as the banks feel banks are losing its business. Followed by Tiruvannamalai with a score of 36.64 and the Chennai SHG members with a score of 33.71 were the most satisfied of the 6 districts where the bank managers gave them full support to get financed by NABFINS without creating any uproar. We can observe that the ranks are not varying very much and are very close to one another which mean that all the 3 districts are somewhat similar when it comes to attitude of bank managers. The P – Value of 0.146 shows that there is no significant relationship between districts and the bankers' attitude, which means there is no inter district disparity when it comes to the bankers' attitude towards SHG members.

3.8.5 Level of competition

Nammakal with a score of 43.57 was the most competitive area for NABFINS to operate. The presence of other major MFIs like Aashirvad, Grammenkoot, L&T, etc. are also financing groups largely in cash which is more convenient for them. Followed by Chennai securing 38.21 which is an urban area where members demand high loan amount. NABFINS faces competition from the banks where the managers are canvassing the members to take up a loan from the banks at a lower rate of interest. Tiruvannamalai district with a score 38.21 is where NABFINS face the lowest competition. All the members are highly satisfied with the NAFINS service. It can be observed that the mean rank obtained is not spread to a great distance but is somewhat concentrated. This implies that there is high competition prevailing in all the three districts. The P.– Value obtained (0.147) depicts that there is no inter district discrepancy among the districts and the level of competition.

3.9 Association between the selected variables

Chi-square analysis was performed to understand the association between the independent variables like distance to banks, basic infrastructure, banking infrastructure, banking knowledge of members, preferred mode of payment satisfaction level of members on bankers' attitude and the dependent variable level of satisfaction on E-payment.

Table 3.9 Degree of association between selected parameters

Sl. No.	Parameters	X ²	P-Value	Phi & Cramer's V value
1	Distance to banks	5.96**	0.015	0.282
2	Basic infrastructure	0.555	0.456	0.086
3	Banking infrastructure	15.204**	0.000	0.450
4	Banking knowledge of members	11.326**	0.003	0.389
5	Preferred mode of payment	7.002**	0.008	0.306
6	Satisfaction level of members on bankers' attitude	28.125**	0.000	0.612

**Significant at 1 per cent level.

Source: Primary data

From the chi-square analysis it was identified that independent factors like distance to the bank, banking knowledge, banking infrastructure and bankers attitude are showing a substantial degree of relationship with the satisfaction level on E-payment which was the dependent variable for our study. Banking infrastructure and satisfaction level on bankers attitude were both significant at 1 per cent. Whereas banking knowledge and preferred mode of payment was significant at 5 per cent. However basic infrastructure gave a p-value of 0.456 which is more than 0.05 depicting that there is no significance between the satisfaction levels on E -payment.

Phi & Cramer's V analysis was performed in order to understand the strength of association between the dependent and independent variable. Phi & Cramer's V always produces a result between 0 & 1 where 0 implies very weak association between the dependent and independent variable and 1 shows very strong association and 0.5 shows moderate relationship. Phi & Cramer's V value obtained indicates that there exist a very weak relationship between the level of satisfaction on E-payment with distance to banks and basic infrastructure. Meanwhile there was a moderate relationship between level of satisfaction on E-payment with banking infrastructure, banking knowledge of members & preferred mode of payment, however there exists a high relationship between level of satisfaction on E-payment and the bankers' attitude. So we can conclude that bankers'

attitude is the most strongly associated factor influencing the level of satisfaction on E-payment.

3.10 District wise comparison on the basis of SWOC

The below table shows the inter-district comparison on the basis of Strengths, Weaknesses, Opportunities and Challenges NABFINS is facing with regard to the E-payment system.

Table 3.10 District wise comparison on the basis of SWOC

Districts	Chennai	Nammakal	Tiruvannamalai
Strengths	<p>High banking knowledge.</p> <p>High level of satisfaction for E-payment among SHG members.</p> <p>Banks managers supporting E-payment.</p> <p>NABFINS providing higher loan amount to SHG members compared to banks that too more easily.</p>	<p>Good support from BC staffs to implement E-payment system.</p>	<p>High banking infrastructure in the town areas.</p> <p>Acceptance level of members is high towards E-payment where it had been implemented.</p> <p>BCs strong relationship with both banks and members.</p>
Weaknesses	<p>Lack of proficiency with mobile banking system.</p> <p>Loan disbursement procedure too complex when compared with other MFIs.</p>	<p>Poor banking knowledge of members.</p> <p>High resistance of SHG members towards E-payment.</p>	<p>Poor knowledge in mobile banking system.</p> <p>Members feel the disbursement procedure is complex in E-payment.</p> <p>BCs not educating members on E-payment.</p> <p>70% of SHG accounts</p>

			<p>are with cooperative banks as per district office records of NABFINS.</p> <p>Poor banking knowledge.</p>
Opportunities	<p>No issues with the implementation of E-payment among SHG members.</p> <p>No concerns with interest rate as members are ready to repay any amount.</p> <p>Groups demanding loan amount up to 1, 00,000 per member.</p>	<p>BC staffs continuously educating SHG members with regard to E-payment.</p>	<p>Implementation of Core Banking System in cooperative banks in the near future.</p> <p>SHG members' willingness to change their accounts to Nationalised banks.</p> <p>Low competition.</p>
Challenges	<p>Cut throat competition prevailing in the area from other MFIs and banks.</p>	<p>Bankers' attitude.</p> <p>Lose of groups for BCs.</p> <p>Fear of theft for SHG members.</p>	<p>Lack of core banking technology in cooperative banks.</p> <p>Majority members maintain their account with cooperative banks</p> <p>Cooperative banks providing loans to members at a much lower rate of interest compared with NABFINS.</p>

Chapter – 4

*Findings, Conclusions and
Suggestions*

Chapter – 4

FINDINGS, CONCLUSION & SUGGESTIONS

NABARD Financial Services Limited, [NABFINS] is a subsidiary of National Bank for Agriculture and Rural Development (NABARD). The uniqueness of NABFINS lies in their loan disbursement process. NABFINS fund the SHG members at their door steps so that the members can enjoy the full benefits of the loan availed by them. Later NABFINS changed its loan disbursement procedure from direct cash disbursement to E-payment a system wherein the loan for a member of an SHG would be directly credited to the bank account of the SHG concerned. After implementing this novel system NABFINS started to face resistance from the SHG members where traditional mode (direct cash disbursement) of payment was prevailing, due to different reasons, while NABFINS is enjoying a higher level of acceptance from SHG members where they have directly implemented E-payment system. In this backdrop, the study attempts to examine the extent and the reasons for acceptance/resistance of members towards the newly introduced E-payment system of NABFINS. The study had the following objectives:

1. To examine the issues and challenges faced by NABFINS in electronic mode of payment.
2. To identify the reasons for the acceptance/resistance of E-payments.

The study on the topic was carried out in three districts of Tamil Nadu state namely Nammakal, Tiruvannamalai and Chennai to pin point the reasons for the acceptance/resistance level of beneficiaries with regard to E-payment system implemented by NABFINS. Information was collected from SHG members and BC staffs. After collecting the data from the respondents with help of an interview schedule, focused group discussions, it was analysed using SPSS software to arrive at the findings and conclusions for the study which are discussed below:

4.1 Major Findings of the Study

1. All the respondents were women. Thirty six per cent of the members were middle aged (41-50 years). It can be inferred majority members (57 per cent) have high school education. Agricultural labourers formed 44 per cent of the respondents. Majority respondents 40 per cent have annual income under one lakh rupees. So we can infer that the majority respondents are middle aged women, having an annual income of less than one lakh who mainly depend on agriculture and allied activities to earn their living.

2. Forty eight per cent of the SHG members need to travel only 1 – 4 km to their respective banks for conducting banking transactions. While 40 per cent had to travel almost 5 – 8 km only a mere 12 per cent had to travel a distance of more than 12 km to their banks. SHG members of Nammakal district (Kruskal Value – 43.57) had to travel the farthest to the banks followed by members of Tiruvannamalai (Kruskal Value – 41.14) and Chennai (Kruskal Value – 27.5) districts. SHG members of Nammakal districts had to travel long distances after withdrawing loan from bank which made the members fear to carry cash which ultimately resisted in resisting E-payment system.
3. Ninety two per cent of the sample area had very good basic infrastructure. Only a mere 8 per cent of the area lacked basic infrastructure.
4. Banking infrastructure in 52 per cent of the sample area was moderate, which implies that there were only two to four nationalised banks available for the members for transacting. Whereas 40 per cent of the area had high banking infrastructure, where all the nationalised banks had branches in that area. Tiruvannamalai district (Kruskal Value – 50.95) was ranked the worst in terms of banking infrastructure followed by Nammakal (Kruskal Value – 40.14) and Chennai districts (Kruskal Value – 15.5). So we could conclude that poor banking infrastructure was a major hurdle for SHG members in Tiruvannamalai district to accept E-payment system.
5. Out of the total sample, 44 percent of the SHGs members had average banking knowledge, this implies that in a group only 4-6 members are aware of the basic banking procedures that have to performed while in bank, while 32 percent of the group members had high banking knowledge which implies that almost all members knew banking procedures and the rest 24 per cent members had very poor banking knowledge, here only 3 members knew how to perform banking transactions. So this will act as a major hurdle for NABFINS in implementing E-payments since members having poor banking knowledge cannot go to the bank alone so the leader of the group or the BC representative must accompany them which is not possible every time. Chennai district (Kruskal Value – 16.57) was ranked the best in terms of banking knowledge members which really helped NABFINS to implement E-payment system with ease. However members of Tiruvannamalai district (Kruskal Value – 47.68) with the lowest banking knowledge resisted E-payment system.

6. In majority of the sample 52 percent three leaders of the group were going to the bank to withdraw money. In 20 per cent of the sample more than 10 members went to the bank to withdraw money as a part of the safety measures from the banks side which caused difficulty for all the members which developed dissatisfaction among the members with regard to E-payment.
7. Convenience was the major motivating factor 56 per cent of the respondents. This shows that the members prefer institutions that provide easy and useful loan as per their needs and wants. Safety and security was the main motivating factor for 36 per cent of the members. This implies that members want their money safely given to them without any trouble from anyone, further 8 per cent of the respondents opted for timely availability of money so that they can use it for the intended purpose. So the motivating factors solely depend on the perception of the group members.
8. SHG members were examined on the basis of usage of mobile phones for banking transactions. Only 12 per cent of the members had high knowledge level with regard to usage of mobile phones for banking transactions. They used normal phones and knew how to read, write and send text messages. Fifty six per cent of the members had only average knowledge for usage of mobile phones i.e. they knew how to read messages, the rest 32 per cent have very poor mobile knowledge. They didn't know how to even read the messages. Thus it may be difficult for NABFINS to implement mobile based banking services at present.
9. Sixty four per cent of the respondents still prefer cash disbursement over E-payment mainly because of they receive the loan directly at their door steps, the rest 36 per cent prefer E-payment mainly it provides more freedom for members to withdraw money.
10. Eighty eight per cent of the respondents rated NABFINS loan disbursement procedure as highly complex when compared with other MFIs, meanwhile 12 per cent of the members rated it as low complex and they are comfortable with it. So the probabilities of members depending on other MFIs are very high due to their simple loan disbursement procedures when compared with NABFINS.

11. Sixty per cent members were happy with the bankers' attitude towards them as they helped SHGs to perform the transactions without any problem. This was a major resistance factor for them. Forty per cent of the members were dissatisfied with the bankers' attitude toward them. Members of Nammakal district were the most dissatisfied with bank managers attitude making them resist E-payment system, followed by Tiruvannamalai and Chennai. So the better the attitude of the managers higher is the satisfaction level of the groups towards E-payment.
12. Seventy two per cent area where NABFINS operate had very high competition from other MFIs like Ujjain, L&T etc. who are directly disbursing loan as cash as and when required for the groups. Meanwhile 28 per cent of the SHGs rated the competition level as a medium. Nammakal was the most competitive area for NAFINS to operate, followed by Chennai and Tiruvannamalai. So we can conclude that SHGs have now become a major portfolio for all financing institutions.
13. Sixty four per cent of the members had no problems from their BC. They were helping and motivating them to accept E-payment while the rest 32 per cent of the SHGs faced some issues where BC staffs failed to help members with regard to E-payment. So the attitudes of BC staffs play a very important role in making members resist/accept E-payment.
14. Seventy two per cent of the sample is either highly resisting/ resisting E-payment. This is mainly because of the complexity involve in the loan disbursement procedure of NABFINS and also the psychological block the members have with regard to change as the earlier system was within their comfort zone, meanwhile 28 per cent are happy with E-payment because the members have found this new system much more convenient and they were also ready to accept change.
15. Majority (60 per cent) of the members rated bankers attitude as the major issue faced by them during the loan disbursement stage mainly due to the approach of bank managers towards members, followed by transportation issues (32 per cent) where SHG members find it very difficult to reach banks for transactions. The attitude of the bankers has to be changed so that SHGs gain confidence to enter into bank and carry out transactions easily.

16. Majority, 36 per cent of the SHG accounts are with cooperative banks, which are yet to implement Core Banking System acting as a major hurdle in implementing E-payment system for NABFINS, 28 per cent respondents rated bankers' attitude towards members as the major obstacle in the implementation of E-payment system. Twelve per cent of the respondents 16 per cent of the SHGs do not face any issues with regard to E-payment. So we can conclude that the system is good but needs support of external entities for its smooth functioning.
17. Nammakal district was the worst in terms of basic infrastructure (43.57), in terms of competition (43.57) and the least satisfied with E-payment with a score of 44.43, as a result we can say that implementing E-payment in the area will be difficult but not impossible and needs patience as SHGs need time to adjust with the new system. Chennai was the best place for implementing E-payment as it was ranked as the best district in terms of distance to banks (27.5), banking infrastructure (15.5), attitude of the bankers (33.71), banking knowledge (16.57), etc. So we can say that the E-payment is a good way to disburse loan amount to SHGs provided, both internal and external factors are satisfactory. In Tiruvannamalai district banking infrastructure (50.95) and banking knowledge (47.68) of SHGs are very poor when compared with other districts. So in this district it will be possible to implement E-payment provided extra efforts must be put by the DMs, BC staffs in solving all these issues and must educate members with regard to banking and motivate SHGs to change their accounts from PACS to nationalised banks to facilitate E-payment.
18. Independent factors like distance to the bank, banking knowledge, banking infrastructure and bankers attitude are showing a substantial degree of relationship with the satisfaction level on E-payment. All the independent factors were significant at 1 per cent level. Thus we can infer that the success of E-payment will depend upon how well these independent variables perform.
19. There was a high level of association between level of satisfaction on E-payment and the satisfaction level on bankers' attitude by generating a value of 0.6. Meanwhile, Meanwhile there was a moderate relationship between level of satisfaction on E-payment with banking infrastructure (0.4), banking knowledge of members (0.3) & preferred mode of payment (0.3) and indicated that there exist a very weak

relationship between the level of satisfaction on E-payment with distance to banks (0.2) and basic infrastructure (0.08).

20. Seventy six per cent of the BC staffs responded that attitude of the bank managers and lack of interest of the SHG members were the major problems BC staffs were facing after implementing E-payment system.

21. Majority i.e. 85 per cent of the BC staffs still prefer cash disbursement rather than E-payment system. They have started to encounter numerous issues after the implementation of this novel system which was not happening earlier. So we could conclude that perception of BC staffs play a very important role in implementing E-payment system.

4.2. Suggestions

1. NABFINS should organise a one day workshop for SHG members to familiarise them with the banking procedures that have to be performed.
2. Training must be imparted to BC staffs to serve the SHG members to their satisfaction.
3. NABFINS authorities must conduct a Participatory Rural Appraisal meeting and interactions with the bank managers who are not ready to cooperate with the E-payment system to evolve a strategy to implement E-payment system.
4. SHG members should be permitted to withdraw money with an authorisation letter from NABFINS.
5. NABFINS must start to provide higher loan amounts per member so that we can retain the existing SHGs.
6. NAFINS must try to introduce different products like JLG loans, loans for other purposes like sanitation, individual loan etc. products to ensure sustainability of NABFINS.
7. NABFINS should simplify their loan disbursement procedure so as to face the cut-throat competition prevailing in the market.



8. NABFINS officials along with BC staffs should convince the SHG members to open accounts with the nearby nationalised banks to facilitate E-payment system.

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Annexure

ANNEXURE

INTERVIEW SCHEDULE

1. Basic details

- a) Name of the SHG:
- b) Age
- c) Annual income
- d) Educational qualification
- e) Occupation
- f) No. of members:
- g) District: Place/village:
- h) Name of the BC:
- i) Bank: Distance:

2. Number of Loans availed from NABFINS:

Cash transfer: E-transfer:

3. Your expertise level in the new E- payment system.

- a) Comfortable
- b) Need to gain more knowledge through training
- c) Difficult and need to shift to other technology
- d) Reasons _____

4. Motivating factor for selecting a mode of payment.

- a) Safety and security
- b) Timely availability
- c) Convenience
- d) Others.....

5. How educated are the group with regard to banking services?

- a) Educated
- b) Uneducated

6. Frequency of visits to bank for conducting transactions.

- a) Weekly
- b) Monthly
- c) Others specify.....

7. How many group members are going to bank to withdraw loan amount?

- a) All members
- b) Leaders
- c) Some members (no.....)

8. Which is the most preferred mode of payment?

- a) E-payment
- b) Cash payment

Reasons.....

9. Are you comfortable with mobile phone usage and sending SMS through it?

- a) Yes
- b) No

.....

10. Do you think to avail financial services through mobile phone?

- a) Yes
- b) No

.....

11. What are the risks involved in E- payments as per your view?

.....

12. What are the problems that you face from the banks side?

.....

13. What is your opinion on the attitude of bankers in helping you to easily conduct banking transactions?

- a) Highly unsatisfactory
- b) Unsatisfactory
- c) Neutral
- d) Satisfactory
- e) Highly satisfactory

14. Are the banks continuously influencing you to avail banks loans other than NABFINS loan?

- a) Yes
- b) No

.....

15. Opinion on your BC's support and responsibility in educating you in E-payment system.

- a) Unsatisfactory
 - b) Neutral
 - c) Satisfactory
-

16. Are you facing any problem from your BCs in electronic mode of payment

- a) Yes
- b) No

Specify

INTERVIEW SCHEDULE FOR B&DCs

Name of the staff _____

Region _____

1. Type of agency:

2. Problems frequently faced by you in the E-transfer mode.

- a) Problems from the Bank side
- b) Lack of interest of members to participate in the fund transfer
- c) Lack of awareness and low understanding levels of the SHG members on the E-payment system
- d) Others (specify).....

3. The mode of fund transfer you prefer to provide financial services to the SHGs.

- a) Door step payment
 - b) E-payment
-

4. What are the major problems faced by you through the implementation of E-transfers?

- a) Lose of groups
- b) Difficult to monitor and control groups
- c) Problem from banks
- d) Others

