Performance of Microfinance Services in Urban Punjab: A Customers' Perspective

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ABSTRACT

This paper analyses the qualitative performance of microfinance services in Urban Punjab as perceived by the beneficiaries. The success of microfinance in achieving its social objectives, effectiveness of the systems, role of HR and the ultimate impact it has on its customers has been taken into consideration. For this, the customers were asked to fill the questionnaires and a comparison of formal and informal service providers was made. The factor analysis technique followed by weighted average score ranked the various performance indicators. Even though the loan policies of formal channels were found favorable, they could not transform the status of the poor.

Keywords: Qualitative performance, accessibility, impact, loan policies, procedural formalities

INTRODUCTION

The concept of microfinance is not new to the society. Since the ancient era, the informal channels such as moneylenders, pawnshops are catering to the needs of poor by providing loans etc. The fact cannot be denied that although informal sources meet the requirement of poor but these loans trap them into exorbitant payment and restraint their growth. To overcome these barriers, Muhammad Yunus laid the foundation of microfinance industry whose motto is to serve the poorest of the poor.

The term 'microfinance' came into existence to serve financial needs of the poor. The scope of microfinance is not only limited to the provision of finance to the poor. Microfinance industry has to fulfill its social objective i.e. to transform the lives of poor by providing them livelihood through the provision of financial services. The Performance of microfinance is multi-dimensional **(Luzzi, 2006)**. This is to say that there are several ways in which the performance of these services can be gauged. For example it can be measured in context of the extent to which services have been able to accomplish their objectives such as poverty reduction, women empowerment etc.

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LITERATURE REVIEW

In order to measure the performance of microfinance services a number of related existing studies have been analyzed. Various authors and researchers have made an attempt to measure the performance of microfinance from different perspectives i.e. social, financial and others aspects such as self-sufficiency, repayment performance, staff attitudes etc.

Yeboah (2010) studied the users' perception of microfinance services in Ghana and found that it had a positive impact on the poorer users. The services also had a significant impact on non-business users. **Singh N. Tejwani (2009)** recognized that microfinance programmes could reduce income inequalities and contribute towards development. **Agriculture Finance Corporation Limited (AFCL)** commissioned by **SIDBI (2008)** carried out a longitudinal study of different states of India and concluded that the scheme could positively impact income related aspects but the overall results were negative due to increased workload and involvement of children in economic activities. **Holvoet (2005)** in her research carried out on two microfinance programmes operating in India found the positive impact of micro finance on decision making agency for women. A study conducted in Ghana by **Adjei & Arun (2009)** based on cross–sectional survey revealed that participation in the microfinance programme significantly contributed to enhanced standard of living through asset accumulation. **Simanowitz (2000)** worked on the reasons of drop-outs in microfinance programmes. The author found that not only death, illness and business reasons were urging the customer to drop out but the attitude of staff and procedural issues were also responsible for the client's exit. **Jones, et. al. (2004)** viewed that the managers had a negative opinion about the financial services provided to the poor as these were risky and there was dissatisfaction among them about the work situations in rural areas.

Reddy & Manak (2005) revealed that the repayment performance of SHGs was very strong. As far as non-financial results were concerned, it was found that SHGs membership enhanced women empowerment. **Silwal (2003)** focused on the repayment performance of village banks. The results showed that there were delinquencies in the loans due to seasonal income but default rate in repayment was missing due to the informal nature of groups.

Thompson (2006) found in a study made in Halti that village system of providing microfinance had a positive impact on social as well as human capital. **Kerata (2007)** studied the financial performance of microfinance in Ethopia. The results showed that the profits of the industry improved. **Agarwal & Sinha (2010)** also analyzed the financial performance of various micro-finance institutions operating in India. The results were divergent as all the MFIs followed different business models and disparate risk management practices.

A study conducted by **Zohra and Pandey (2011)** made a comparison between the financial performance of MFIs and Commercial Banks in India. The financial parameters such as financial structure, efficiency and profitability were considered. The results showed significant difference in performance as far as capital adequacy ratio and operating expenses to total assets were concerned. The operating expenses were high in case of MFIs as compared to commercial banks. Another study undertaken by **Roy (2011)** to measure the microfinance performance of public sector banks in India with special reference to North eastern region. The overall performance was concluded as satisfactory yet differences were found in the performance of RRBs, OCBs and CPBs.

NEED OF THE STUDY

A number of researchers have made an attempt to analyze the performance of microfinance services in different parts of the world. But not much work has been carried out in Northern parts of India especially in urban Punjab. This research paper fills the gap found in the existing literature. The present research paper is an attempt to measure the performance of microfinance services in Urban Punjab.

OBJECTIVE OF RESEARCH

The objective of the research is to analyze the performance of microfinance services in Urban Punjab as perceived by microfinance beneficiaries. To meet this broad objective, the study has narrowed down the following sub-objectives:

* Awareness amongst beneficiaries about microfinance services as provided by formal channels;

* Comparison of informal and formal channels;

* To measure the perception of customers about microfinance services.

RESEARCH METHODOLOGY

The present study focuses on the performance of microfinance providers as perceived by its clients from the qualitative aspect. An Impact analysis approach has been used that reflects the multi-dimensional aspects of poverty such as social and economic.

The data for the study has been collected from primary sources using a structured questionnaire. A random sample of 600 respondents from three cities of Punjab namely, Amritsar, Jalandhar, Ludhiana was taken.

In order to meet the objective of the study, various questions were asked from the customers i.e. the extent of knowledge among sample population about microfinance services, loan policies etc. The perception of customers (those who were availing services from formal agencies) was ranked in order of their agreement. The city-wise tabular representation of sample is shown below:

Table 1: City-Wise List of Respondents

City	No. of Respondents	Percentage
Amritsar	213	35.5
Jalandhar	197	32.83
Ludhiana	190	31.67
Total	600	100

Only those respondents have been selected who were residing in urban slums or those with low income. Out of them, who were availing credit from one or other source (formal as well as informal), became part of the sample. In the present study Convenience Sampling & Judgement sampling along with Snowball technique was used to collect the data.
Most of the respondents were illiterate or less educated, so the questionnaire was verbally explained to them & responses were recorded on the basis of answers provided by the sample population. To make the analysis, Descriptive tools and Factor Analysis Technique were applied.

ANALYSIS & INTERPRETATION

The respondents were given the list of the microfinance services provided by banks to analyze the performance of the banks and other financial institutions. 92% of the respondents acclaimed to have knowledge about micro-finance services.

Table 2: Awareness about microfinance services amongst respondent

Sr. No.	Microfinance Services	Percentage
A.	Micro Credit	
	1.Consumption Loan	40.3
	2. Marriage loan	27.3
	3. Education loan	61.3
	4. Loan for carrying out business activity	73.0
	5. Loan for the purchase of assets	61.7
B.	Micro Savings	
	1.Fixed Deposits	61.0
	2. Current account	21.7
	3. Saving account	88.3
	4. Zero minimum balance saving account	55.0
	5. SHGs saving bank account	12.7
C.	Micro Insurance	
	1. Life Insurance	92.0
	2. Health Insurance	38.7
	3. Asset Insurance	44.7
D.	Money Transfer Facility	47.1
E.	Differential Rate of Interest (DRI) scheme	26.5
F.	Other non-financial services	
	1.Providing financial literacy	5.7
	2.Business Development Services to NGOs/SHGs to identify viable projects	6.7
	3.Training for Gender and social issues	1.3
	4.Other type of training	4.3
	5.Advisory services to NGOs/ SHGs to identify viable projects	12.3
	6.Training programs for NGOs/SHGs/entrepreneurs	18.7

The scheme-wise presentation of the awareness shows that although a significant portion of population (92%) is aware about the microfinance services, but the fact cannot be ignored that the people do not have knowledge about all the services. The poor respondents were aware about loans available for business purpose (73%), education loan (61.3%) and loans for purchase of assets (61.7%) but knowledge about the availability of facility of consumption loan (40.3%) and marriage loan (27.3%) was not too high. Similarly, a very small number of the respondents were aware about the SHGs saving bank account (12.7 percent); DRI schemes (26.5 percent) and non-financial services. The same results were seen in case of insurance services. 92 percent of the respondents have awareness about the life insurance services but the awareness about health (38.7%) and asset insurance (44.7%) is not wide. Only 1.3 percent of the population showed its awareness about training for gender and social issues. It also shows the poor level of outreach as well as poor performance of the schemes as they have failed even to educate people about such distinct and highly beneficial services.

Credit Utilizations

The sample size consists of large number of respondents who are availing credit from informal channels (64%). Private moneylenders are prioritized among the informal channels. Table No.3 enlists the source of credit chosen by the respondents.

Table 3: Source of Credit

Formal / Semi-formal Source	Frequency	Percent	Informal Source ʹ	Frequency	Percent
Semi-formal Source			Relatives/friends	138	23.0
NGOs	1	0.167	Private Moneylenders	128	21.33
MFIs	118	19.67	Employer	72	12.0
Formal Source			Colleagues	8	1.33
Co-operative Societies	0	0	SHGs	8	1.33
Commercial Banks (including co-operatives)	89	14.83	Landlords	10	1.67
NBFCs	8	1.33	Pawnshops	20	3.33
Total	216	36		384	64

Only 36 percent of the respondents chose formal source for availing credit. Out of formal, a major portion availed loan from MFIs followed by banks. None of our sample population had taken loan from co-operative societies that reflect inactiveness of such channels in providing small loans. Similarly, NBFCs were also found providing minimal service towards small loan. The reason behind it might be demand of collateral with loan sanction. A comparison of loan policies was made and discussed as shown in table no.4:

Table 4: Contrast between the loan policies

Source of finance	Average Amount of loan	Loan duration	Rate of Interest
Formal sources (including MFIs and Banks)	0-10,000	0-1 years	4-14 percent per annum
Informal source	0-10,000	0-1 years	0-10 percent per month

It was observed that ROI as charged by informal channel is quite high in comparison to ROI charged by banks or MFIs. The reason of taking loan from informal channels was asked from these customers and is provided in table no. 5.

Table 5: Reasons for availing credit from informal channels

Reason of availing credit from informal Channels	Percentage
1.Easily Available	37
2. Less procedural formalities	46.9
3. Loans can be used as per self-discretion	13.5
4. Lack of awareness of formal sources of finance	40.6
5. It is collateral free	23.2

The poor people are generally in need of funds even to fulfill their basic necessities such as consumption etc. They can't wait for long so they prefer to take loan from informal channels. Credit from informal channels is generally hassle free and requires little or no formalities. Lack of in-depth awareness about the formal source is another reason for taking credit from informal channels. Moreover, Informal channels provide finance even at odd timings and in most of the cases it is collateral free.

Whereas in case of formal channels, the customers were asked to open compulsory saving account with banks and in case of MFIs, JLGs are created where the security of loan amount is assured through guarantee of group members. All these policies result in smaller inclusion of formal channels.

Perception of Customers about Microfinance Services

In order to analyze the performance of micro-finance services, a list of 36 Variables was used. The statements measuring performance of microfinance services is inclusive of the variables that measures the impact and effectiveness of services; performance of HR as perceived and ranked by customers on 5-point-likert scale i.e. 5 for Highly Satisfied to 1 for Highly dissatisfied. The analysis was made from the point of view of customers. The sample of 216 respondents who had availed the services from formal channels i.e. Banks, MFIs were considered.

Factor analysis technique has been applied on the statements.

Application of Factor Analysis

The statistical technique known as factor analysis has been applied that reduces the variables and combine them into common groups. For this purpose, we first examine the internal consistency which is measured through Cronbach's Alpha. The value of Cronbach alpha is calculated on 36 variables. When this calculated cronbach alpha is compared with new cronbach alpha (if item deleted list), the following variables were eliminated thus enhancing to the value of cronbach alpha, hence the consistency of data:

• Increase in children enrollment to schools

• It leads to increase child labor in family business

• Rise in unnecessary expenditures on consumption

So, the variables list is refined and factor analysis is being adopted only for remaining 33 variables. The revised Cronbach alpha is found to be satisfactory (0.865).

Table 6: Reliability Statistics

Cronbach's Alpha	No. of Items
0.865	33

Factor analysis has been done on remaining 33 variables after deleting the above three variables. The refined list of variables is provided in table No.7.

Table 7: List of Variables

V1:Sufficient loan amount is available

V2: Rate of interest charged on loan is reasonable.

V3: It does not lead to much time to get the loan sanctioned.

V4: Loan duration is sufficient.

V5: Service charges are adequate.

V6: Demand of guarantee is satisfactory.

V7: Demand of collateral is satisfactory.

V8: Repayment policy is convenient.

V9:Less procedural formalities

V10:Easy accessibility of microfinance services

V11:Tailor-made services are provided to customers

V12:Recognition and respect from the provider

V13: Behavior of providers is friendly.

V14: Interaction with the provider is comfortable.

V15: Attitude of service providers towards customer grievances is positive.

V16:There is sufficient staff in formal channels to serve the needs of microfinance

V17:Knowledge among staff members about microfinance services
(in case of formal channels)

V18:Required information is provided by service provider

V19:Poverty reduction

V20: Improvement in Income level.

V21:Creation of assets

V22:Improvement in consumption level of family

V23:Improvement in standard of living

V24:Better utilization of available resources

V25:Developed entrepreneurship skill

V26: Better empowerment of women.

V27: Improvement in social status

V28:Awareness of social issues

V29: Confidence building and gaining self-respect.

V30:Increase in decision making power

V31:Recognition in family

V32:Improves market Knowledge

V33:Improved communication skill

Before actually applying factor analysis, there are few parameters which must be used in order to test the reliability and consistency of the data.

1. KMO of Samplings Adequacy

KMO is a statistical technique that checks the internal consistency of the data. Generally, a value 0.6 or more is considered significant that certifies the reliability of the data. For the purpose of the study, it comes out to be 0.727 which is adequate for further analysis.

Table 8: Kaiser-Meyer-Olkin and Bartlett's Test of Sphericity

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.727
Bartlett's Test of Sphericity	Approx. Chi-Square	3255.949
	Df	528
	Sig.	.000

2. Barlett's test of Sphericity: This is a measure for testing the null hypothesis that the correlation is an identity matrix i.e. all of the diagonal elements are 1 and all off-diagonal elements are 0. The Barlett's test is found significant; it shows the sampling adequacy of the data.

Customers' perception and determination of factors

After measuring consistency of the data, we have applied factor analysis. Nine factors have been extracted with eigen values greater then unity and the total variances explained by the factors was found to be 64.954. Only those factors that have loading greater than 0.45(ignoring the signs) been considered for the analyses purpose. The following table shows the rotated factor matrix. Last column of the table shows the communalities i.e. the percent of variance in variable explained by all the factors jointly and is an indicator of reliability.

Table 9: Factor structure with principal dimensions/factors and items after rotation

	Factors									Communality
	1	2	3	4	5	6	7	8	9	
V1	.081	-.017	.192	.171	.099	-.040	**.681**	.006	.185	**.583**
V2	.056	-.020	.209	.160	.331	.023	**-.481**	**.468**	.050	**.636**
V3	.005	.158	.190	.184	**.683**	.125	.183	-.073	.196	**.655**
V4	.080	-.012	.191	.348	**.497**	.191	-.166	.252	-.284	**.620**
V5	-.147	.143	-.120	**.605**	.324	-.083	.330	.154	-.021	**.667**
V6	.097	-.002	.308	**.810**	.146	.151	-.040	-.141	.008	**.826**
V7	.066	.114	.412	**.738**	.118	.188	-.002	.061	-.034	**.787**
V8	.038	.059	.083	-.016	.058	.052	.064	**.844**	.109	**.747**
V9	-.168	.171	.150	.229	**.454**	.088	-.205	.133	.374	**.536**
V10	.037	-.206	.122	.457	.088	.181	.110	.173	**.493**	**.593**
V11	-.029	-.029	**498**	.410	.077	.193	.165	.214	.289	**.617**
V12	.092	.111	**.730**	.154	.047	.119	.052	.051	.029	**.599**
V13	.132	.063	**.689**	.143	.223	-.057	-.008	-.026	.110	**.583**
V14	.022	-.099	.408	.020	**.576**	.241	-.073	.007	-.140	**.592**
V15	.146	-.086	.072	.252	**.570**	-.096	.003	.266	.057	**.505**
V16	-.011	.005	.179	.174	.081	**.802**	-.118	.030	.086	**.734**
V17	003	.114	.043	.076	.088	**.868**	.107	.049	-.017	**.796**
V18	.006	.079	**516**	.230	.179	.214	-.037	.366	-.022	**.540**
V19	.440	.426	-.145	.061	-.124	.104	**.509**	.143	-.092	**.714**
V20	**.514**	.441	-.159	.010	-.015	.056	.453	.235	-.138	**.767**
V21	**.701**	-.108	.145	-.003	.044	.011	.128	-.140	.231	**.616**
V22	**.756**	.008	.094	-.018	.111	.182	.095	.123	-.159	**.676**
V23	**.699**	.434	.158	-.032	.056	-.190	.017	.029	-.094	**.752**
V24	**.658**	.392	.115	-.016	-.069	-.094	-.015	.102	-.130	**.642**
V25	**.711**	.282	.087	089	-.155	.021	-.027	-.075	.312	**.728**
V26	.354	.256	.141	-.183	.067	-.040	.147	.113	**.572**	**.612**
V27	**660**	.303	-.197	.094	.004	-.057	-.013	-.001	.285	**.660**
V28	.302	**.565**	-.178	.144	.211	.102	-.210	-.054	.236	**.621**
V29	.287	**.509**	.128	-.179	.005	.186	.333	-.279	.012	**.613**
V30	.269	**.672**	.232	.042	-.093	.034	.243	-.076	.114	**.667**
V31	.165	**.459**	.327	-.107	-.257	.093	.218	.070	.310	**.580**
V32	.376	.375	.155	.187	**-.501**	-.017	-.022	.074	.018	**.599**
V33	.110	**.732**	.038	.054	.028	.012	-.062	.119	-.032	**.572**
Eigen Values	6.716	4.992	1.782	1.506	1.494	1.328	1.237	1.226	1.153	
Explained % variance	20.532	15.127	5.401	4.565	4.025	3.747	3.747	3.716	3.494	**64.954**

Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalisation
Rotation converged in 20 iterations

Extraction of Factors

Table 10 enlists the factors that are extracted (Eigen Value >1) and the variables associated with those variables. 9 factors were extracted explaining 64.954 per cent of the variance and the explanation of each factor has been provided subsequent to the table.

Table 10: Factors reflecting the Performance of Microfinance Services as perceived by Customers

Factor Label.	Name of the Factor	Variables	Variable Label	Factor Loading
F1.	Impact on livelihood	Improvement in income level	V20	0.514
		Creation of assets	V21	0.701
		Improvement in consumption level of family	V22	0.756
		Improvement in standard of living	V23	0.699
		Better utilization of available resources	V24	0.658
		Developed entrepreneurial skills	V25	0.711
		Improvement in social status	V27	0.660
F2.	Individual Growth Performance	Awareness of social issues	V28	0.565
		Confidence building and self-respect	V29	0.509
		Increase in decision making power	V30	0.672
		Recognition in family	V31	0.459
		Improved communication skills	V33	0.732
F3.	Staff Attitudinal performance	Tailor made services are provided to customers.	V11	0.498
		Recognition and respect from the provider.	V12	0.730
		Required information is provided by service provider.	V18	0.516
		Behavior of provider is friendly	V13	0.689
F4.	Service Delivery Performance factor	Service charges are adequate.	V5	0.605
		Demand of guarantee is satisfactory.	V6	0.810
		Demand of collateral is satisfactory.	V7	0.738
F5.	Procedural Performance Factor	It does not lead to much time to get the loan sanctioned	V3	0.683
		Loan duration is sufficient.	V4	0.497
		Interaction with the provider is comfortable	V14	0.576
		Attitude of service provider service providers towards customer grievances.	V15	0.570
		Improves market knowledge	V32	0.501
		Less procedural formalities	V9	0.454
F6.	Knowledge based performance	There is sufficient staff in formal channels to serve the needs of microfinance.	V16	0.802
		Knowledge among staff members about microfinance services is adequate	V17	0.868
F7.	Credit performance	Sufficient loan amount is available.	V1	0.681
		Rate of interest charged on loan is reasonable.	V2	0.481
		Poverty reduction	V19	0.509
F8	Repayment Factor	Repayment policy is convenient	V8	0.844
F9.	Accessibility Performance	Easy accessibility of microfinance services.	V10	0.572
		Better empowerment of women	V26	0.493

After extracting the factors, it is important to find out the level of significance of individual factor. For this purpose, Factor wise average scores were calculated and ranked on the basis of the scores. The average score has been calculated from the five point likert scale.

Ranking of Performance Factors

The average scores and the ranking have been presented in Table No. 11 as shown below:

Table 11: Weighted Average Score and Ranking of the Factors

Factor	Factor Name	Weighted Score	Rank
F1	Impact on livelihood	2.153	8th
F2	Individual growth performance	2.238	7th
F3	Staff Attitudinal Performance	3.605	3rd
F4	Service Delivery performance	4.21	1st
F5	Procedural performance factor	2.65	5th
F6	Knowledge based performance	3.104	4th
F7	Credit performance	3.54	6th
F8	Repayment factor	3.90	2nd
F9	Accessibility factor	1.98	9th

Explanation of Factors

F4: Service delivery performance

Under this factor, the perception of customers towards various delivery indicators such as favorable service charges (V5); demand of collateral and guarantee (V6 and V7) were included. The customers ranked this factor on the top i.e., customers agreement that microfinance service as provided by formal channels offer high value services and ranked it as the most important constituent showing it as the best performer out of all the factors. This factor shows that service charges, collateral and guarantee as charged by microfinance providers are satisfactory to customers. As the banks have policy to offer collateral free loans to the poor and service charges charged by them are negligible, the microfinance services perform well on the ground of delivery factors.

F8: Repayment factor

The only variable that constitutes this factor is the adequate repayment policy explaining the performance of microfinance as perceived by microfinance users. This factor stresses that repayment has great influence on the performance of microfinance s. The customers feel that the repayment policy is convenient. The MFIs collect the loan installments in weekly meetings. The users feel that they can repay the loans easily and don't have to leave their works. Similarly banks offer small and easy repayment facility which also inculcates the saving habits among people. This is the reason that repayment factor is ranked second.

F3: Staff Attitudinal performance

The perception of customers' about the staff has shown positive results. The attitude of staff includes their behavior (V13); the respect and recognition provided by the staff to its customers (V12) highly ranked by the customers. Moreover, the service providers also give adequate information to the staff. On the basis of performance, attitudinal factor was ranked 3rd. It shows that microfinance services try to fulfill its objective of serving poor and try to make long-term relations with its customers.

F6: Knowledge Based Performance

This factor shows that the providers have required skills to fulfill the needs of clients. The customers were in agreement that there is no lack of staff to serve the needs of customers and the staff has adequate knowledge about the microfinance schemes. It was ranked 4th by the customers on their satisfaction scale. This performance scale reflects the customers got adequate favor from the staff that caters to the need of its customers.

F5: Procedural Performance Factor

Procedural performance of microfinance services deals with the formalities and time attached with loan sanction. The customers' perception ranked the procedural formalities of services on mediocre scale. It reflects that they were not highly satisfied with the procedural formalities of the microfinance. The customers feel that time to get the loan (V3); term of the loan (V4); and procedural formalities are not in line with their requirements. Generally, micro credit clients belong to illiterate or less educated group. So they were neutral on the issues of interaction with the bankers and they felt the procedure of sanction of loan little bit inconvenient as it led to lot of formalities and did not add much to their knowledge as expected by them. It might be the reason that they have to move to the informal sources that have fewer formalities.

F7: Credit Performance

As far as credit performance of microfinance services from the point of view of customers is concerned, the performance was not at comfortable level. The low ranking of this factor shows that the credit terms of the loans were not performing well for the customers. The insufficient loan amount and high rate of interest of loan does not contribute to poverty alleviation. Microcredit services have not succeeded much to cater to the needs of poor due to unfavorable credit policy and restrictions.

F2: Individual Growth Performance

Individual growth refers to perceived improvement in communication skills and improved confidence building and self-respect (V29); awareness of social issues. The social mission of the microfinance is to serve the poor in such a way so that it leads to their growth. The 7th rank of this factor reflects that microcredit service providers are not performing up to mark as far as individual growth factor is concerned. Yet it is fundamental objective of the microfinance to enhance the personality of the individual so that he/she could make themselves aware of the social issues.

F1: Impact on livelihood

Impact on livelihood reflects the performance of microfinance services i.e. how far it has been successful in influencing the lives of its clients which is its main motto. But unfortunately it has been ranked as 8th out of nine factors reflecting the performance of microfinance services. The microfinance services have the potential to enhance the entrepreneur skill; asset creation process of the clients that could raise income and consumption level (V22) but microfinance schemes have not been able to impact the lives of society in a positive manner.

F9: Accessibility Factor

Accessibility of microfinance services also comprises of two variables i.e. better empowerment of women and easy accessibility of microfinance services. It explains the extent to which accessibility factor impacts the performance of microfinance services. The last ranking of this factor shows that microfinance services are not easily accessible to the clients easily. The objective of microfinance is to ease the access of the financial services to the poor and to empower the women. But the difficulty involved in receiving the financing assistance might be negatively impacting the women empowerment. So this factor shows that the microfinance schemes are not easily accessible to the poor and does not contribute much to women empowerment.

The above analysis reflects that the microcredit services have performed well on the scale of service delivery, repayment factor. Moreover, customers who availed credit services ranked the attitude of provider and their knowledge as high. It means the performance of staff and other policy factors is positive as perceived by its customers. Whereas, customers disagree that micro credit service s impacts the individual growth and livelihood of its clients. It means customers feel that microfinance schemes and policy are good but cumbersome formalities and unfavorable credit policy leads to poor performance of micro finance services that have low impact on the society. So, the accessibility factor, impact on livelihood and individual growth has least ranking.

CONCLUSION

The major focus in this research paper has been to evaluate the performance of microfinance services in urban Punjab. The performance of microfinance is measured from the aspect of its beneficiaries by framing various questions about the different aspect of these services such as awareness among them about these services; reason of availing microfinance services from a particular source and perception about formal sources. It reveals how effectively they are able to reach their objective i.e. to serve the poor.

The analysis found that the formal agencies have successfully reached the people as the awareness was quite high among respondents. Still it is noticeable that a large number of poor were availing financial assistance from informal channels. It is justifiable because loans from informal channels are easily available and have less procedural formalities due to which the poor prioritized informal channels over formal channels.

The performance of the microfinance activities was further analyzed in terms of the impact and extent to which customers feel about the services provided by formal channels. Nine factors were extracted after applying Factor Analysis i.e. impact on livelihood; individual growth performance; staff attitudinal performance; service delivery performance; procedural performance; knowledge based performance; credit performance; repayment factors and accessibility performance. The factors such as service delivery performance, convenient repayment facility and staff attitudinal performance were ranked as important factors while the factors like accessibility and impact on livelihood were ranked low. The results of factor analysis revealed that the service providers provide suitable services and policies; still they fail to impact the lives of poor favorably, the reason being that services are not easily accessible to them as and when required by the poor masses.

This research concludes that microfinance services in Urban Punjab have not been able to perform in the manner they are supposed to. The results were blended. On one side, the level of awareness regarding microfinance services among the poor is quite good and they agreed that the policies of formal channels are favorable. But they hesitate to enter the formal financial institutions due to cumbersome formalities and the inability of these channels to meet their divergent needs.

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