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Promoting Women Micro Entrepreneurs

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Abstract within 300 words:

Microfinance Institutions in India are established by providing an array of financial services to support the people from underprivileged categories. MFIs are an inventive development strategy to eradicate poverty through financial inclusion. Among various MFIs, Non-Banking Financial Company–Microfinance Institutions (NBFC-MFIs) are catered to address the economic exclusion by offering prompt and sufficient funding for entrepreneurial activities and plays a major role in empowering women micro entrepreneurs. The primary aim of the study was to examine the impact of various factors that influence the sustainability and outreach of NBFC-MFIs. The study was descriptive and analytical in nature. The required data were collected through a well-structured interview schedule from the women micro entrepreneurs and a questionnaire was used to collect data from thirty NBFC-MFIs managers. Secondary data were collected from the MFIN reports, RBI bulletins, journals and magazines. The study focused on 386 women micro entrepreneurs who borrowed funds from MFIN-registered NBFC-MFIs in Coimbatore district by adopting a proportionate stratified random sampling technique. The study applied various statistical tools, namely descriptive statistics, ANOVA, Kendall's rank correlation, factor analysis, ratio analysis, growth rate analysis, and path model. The findings indicate that borrower awareness, usage of borrowed funds, business, social and financial status have a major effect on NBFC-MFIs sustainability and outreach. Outreach has been directly affected by the business development and institutional sustainability, while the utilization of borrowed funds significantly supports business expansion. Even though the fact that the women entrepreneurs' social standing has little bearing on sustainability, the business empowerment of the borrowers has impacted the long-term institutional growth. The outreach and sustainability operate closely together and are associated with repayment ability, trust and financial viability. The study concluded that the sustainability and outreach of NBFC-MFIs have a far-reaching impact beyond their immediate financial services. By providing consistent and reliable financial support to the underserved community, it significantly contributes to the broader economic ecosystem by enhancing productivity, stimulating local markets and promoting economic growth. Therefore, the NBFC-MFIs are not only uplifting women entrepreneurs but also acting as a catalyst for sustainable and inclusive economic development.

i) Major objectives:

- To understand the awareness of loan terms and usage of borrowed funds by women micro entrepreneurs.
- To analyse the NBFC-MFIs role in enhancing business development, social status, and financial status of women micro entrepreneurs.
- To evaluate the operating performance, and perception of NBFC-MFI managers and women micro entrepreneurs on the sustainability of NBFC-MFIs.
- To examine the outreach of NBFC-MFIs based on operating efficiency and perspective of women micro entrepreneurs. To assess the effect of various factors that influences the sustainability and outreach of NBFC-MFIs.

ii) Hypothesis:

- H_{a1} : There is a significant mean difference in awareness of loan terms among the socio-economic, business, and loan profiles of the respondents.
- H_{a2} : There is a significant mean difference in usage of borrowed funds among socio-economic, business, and loan profiles of the respondents.
- H_{a3} : There is a significant mean difference in business development of the respondents among socio-economic, business and loan profiles of the respondents.
- H_{a4} : There is significant mean difference in social status of the respondents among socio-economic, business and loan profiles of the respondents.
- H_{a5} : There is a significant difference in the possession of assets before and after starting the business
- H_1 : Awareness of loan terms significantly influences the usage of borrowed funds, business development, social status, sustainability, and outreach of NBFC-MFIs
- H_2 : Usage of borrowed funds significantly influences the business development of the respondents.
- H_3 : Business development of the respondents significantly influences the sustainability of NBFC-MFIs.
- H_4 : Business development of the respondents significantly influences the outreach of NBFC-MFIs
- H_5 : Social status of the respondents significantly influences the sustainability of NBFC-MFIs
- H_6 : Sustainability of NBFC-MFIs significantly influences the outreach of NBFC-MFIs.
- H_7 : Usage of borrowed funds mediates between awareness of loan terms and business development of the respondents.

- H₈ : Business development of the respondents mediates between awareness of loan terms and sustainability NBFC-MFIs.
- H₉ : Business development of the respondents mediates between awareness of loan terms and outreach of NBFC-MFIs.
- H₁₀ : Social status of the respondents mediates between awareness of loan terms and sustainability of NBFC-MFIs
- H₁₁ : Sustainability of NBFC-MFIs mediates between social status of the respondents and outreach of NBFC-MFIs.
- H₁₂ : Sustainability of NBFC-MFIs mediates between business development of the respondents and outreach of NBFC-MFIs.

iii) Methodology:

Coimbatore district has been confined as the study area. Coimbatore district has 14 percent, MFI Loan taking population which is highest across the top 10 districts of Tamil Nadu (MFIN,2020). The present study consists of primary and secondary data, sourced through well structured and designed interview schedule from NBFC-MFIs women borrowers in Coimbatore District. A structured questionnaire was employed to collect the data from managerial level employees from the selected NBFC-MFIs. Hence, 30 managers from NBFC-MFIs were considered. Hence Coimbatore is the right place to study the impact of microcredit support from microfinance institutions. The total number of borrowers in selected NBFC-MFIs of Coimbatore district consists of borrowers from five NBFC-MFIs registered under MFIN. The total number borrowers of the selected NBFCs including all the branches in Coimbatore district is estimated to be 80,384. The ideal sample size for a study is determined using Cochran's formula to ensure that results are reliable and statistically valid. 386 responses were taken into consideration for final sample size for the study. The secondary data were collected from MFIN Reports, RBI Bulletin, Microfinance exchange, Journals, Books, and web sources etc

Conceptual Framework of the Study

If MFIs aim for more financial sustainability the lower will be the impact on poverty reduction and hence there is a trade-off between outreach to the poor and financial sustainability (Zerai and Rani, 2012). MFIs should properly use capital funds like debt and equity to attain sustainability and Profitability (Parvinetal., 2020). MFI sustainability and loan performance are positively correlated with standardized reporting and performance monitoring. Loan disbursement has an impact on the sustainability of MFIs (Mbah and Wasum ,2019). The dual

objectives of MFIs are to maintain economic and social ideals. MFIs tend to accept modest profitability and make every effort to reach the impoverished because they operate on social welfare (Im and Sun, 2015). The independent variable in this study is awareness of loan terms. It affects both dependent and mediating variables. The variables that are mediating are the usage of borrowed funds, business development, social status and sustainability. The dependent variable is the outreach of NBFC-MFIs. The independent and mediating variables' combined impacts shape and have an impact on outreach of NBFC-MFIs. Awareness of loan terms significantly influences the usage of funds, which in turn contributes to the business development of women micro entrepreneurs while factors such as social status moderate these effects, ultimately impacting the sustainability and outreach of NBFC-MFIs.

Framework of Analysis

S. No	Tools	Purpose
1.	<ul style="list-style-type: none"> • Descriptive Statistics • Analysis of Variance (ANOVA) • Kendall's test 	To understand the awareness of loan terms and usage of borrowed funds by women micro entrepreneurs
2.	<ul style="list-style-type: none"> • Mean and Standard Deviation • Analysis of Variance (ANOVA) • Test of Proportion 	To analyse the NBFC-MFIs role in enhancing business development, social status and financial status of women micro entrepreneurs
3.	<ul style="list-style-type: none"> • Mean and Standard Deviation • Kendall's test • Factor Analysis • Ratio Analysis 	To evaluate the operating performance, and perception of NBFC-MFI managers and women micro entrepreneurs on the sustainability of NBFC-MFIs
4.	<ul style="list-style-type: none"> • Total Score with Mean and Standard Deviation • Factor Analysis • Growth Rate 	To examine the outreach of NBFC-MFIs based on operating efficiency and perspective of women micro entrepreneurs
5.	<ul style="list-style-type: none"> • Path Analysis 	To assess the effect of various factors that influences the sustainability and outreach of NBFC-MFIs

iv) Findings:

I. Socio-Economic, Business and Loan Profile of the Women Micro Entrepreneurs

- Age group of the respondents revealed, majority of the respondents were belongs to the age group of 36-43 years. Only 5.7 % of the respondents are between 52- 60 years.
- A majority of micro-entrepreneurs were educated at school level (49.5%), 19.4% of respondents had an undergraduate degree, 13.7 percent of respondents were illiterate, 7.5% held a diploma, 8.3% held a professional degree, and fewer held a postgraduate degree (1.6%)
- Majority of respondents (62.7%) belong to the most backward class, 29.5 percent belong to the backward class, and 7.8% belong to the SC/ST community.
- The majority of respondents (58.5%) were living in a nuclear family, and 41.5% in a joint family. The majority of respondents (98.4%) were not differently abled.
- The number of members in a family states, majority of the respondents (48.2%,) have three to four members in the family,33.7 percent respondents have 5-6 members in the family and only least number of respondents (3.4%) have one to two members in their family.
- Earning members in a family revealed 55.4 percent of the respondents have two earning members in the family 24.4 percent have three earning members in the family. 17.9 percent have more than three earning members in their family.
- The majority of respondents (26.2 percent) live in semi-urban areas, 31.1 percent live in urban areas, and (26.6%) live in rural areas.
- The year of experience in doing business revealed 47.2 percent of the respondents have the experience of 6-10 years, 28.5 percent of them have experience of 1-5 years, 20.2% had experience of 11-15 years, and only 4.1 percent had experience of more than 15 years.
- The Micro Entrepreneurs engage in a variety of businesses, including small-scale farming (12.2%), tailoring (10.6%), vegetable (8.0%), flower (8.5%), petty shop and garments (8.3%), and fast food (7.8%). The majority of the Micro Entrepreneurs (36.3%) small and cottage units, like food and masala preparation, handicraft embroidery, artistic work etc

- The majority of respondents (53.9%) borrowed money from NBFC-MFIs to meet their initial investment requirements for business startup while 18.7% responded with their own funds. 12.2 percent of micro entrepreneurs borrowed money from friends and family, 13.7% raised money from private money lenders, and 1.6% of respondents opted funding banks.
- 32.6 percent of Micro Entrepreneurs had a monthly income of ₹ 30001- ₹ 40000, while 26.4% had an income of ₹ 20001-₹ 30000. The respondents' incomes from ₹ 40001-₹ 50000 accounted for 20.7%. 15.8% made up of ₹ 10000- ₹ 20000 incomes. Micro Entrepreneurs have a lower number of respondents (4.4%) who make more than ₹ 50000 a month. However, there are more respondents who make income between ₹ 30000 and ₹ 40000.
- Monthly business expenditure of the Micro Entrepreneurs shows 30.6 percent of them have business expenditure of ₹15001-₹20000, 24.6 percent of them have expenditure of ₹ 10001-₹ 15000, 21.8 Percent of have expenditure of ₹5001-₹10000. 9.6 percent of them have expenditure of ₹20001-₹25000, 8.5 percent of them have expenditure of ₹25001-₹30000. Least of them (2.1%) have incurred expenditure of above ₹ 30000.
- A majority of respondents have a monthly savings of ₹15001-₹20000, while 28.2 percent of Micro Entrepreneurs have a monthly savings of ₹10001-₹15000. About 18.7% of Micro Entrepreneurs have savings of ₹5001-₹10000, 13.0% have saved from ₹20000 to ₹25000, 4.4% have saved above ₹ 25001. Only 1.6 percent have saved up to ₹ 5000.
- Years of association with NBFC-MFIs revealed 37.3 percent of the Micro Entrepreneurs have six to seven years of association with NBFC-MFIs, 20.5 percent of the respondents have 4-5 years of association, 16.8% of the respondents have 8-9 years of association, 14% of the respondents have more than 10 years of association. 11.4 percent of them 2-3 years of association. Majority of them have 6-7 years of association
- It was found that 33.2% of them took out loans exceeding ₹ 65000 in a year from NBFC-MFIs, 26.4% of them took out loans ₹55001-₹65000, 16.8% of them took out

loans ₹35001-₹45000, 14.5% took out loans ₹45001-₹55000, and only 9.1% took out loans up to ₹ 35000. The majority of them obtained loans of over ₹ 65000.

- Top up loan availed by the borrowers revealed Majority of the respondents not availed top up loans (75.4%) and less no of respondents availed (24.6%) top up loans.
- Repayment of loan due amount ,49.7 percent of the respondents repaid amount through executives they have collected from their respondents place.31.9 percent of them repaid from collection point, from NBFCs office 13.0 percent of them repaid, only 5.4 percent of them preferred through online payment.
- Factors Influenced to borrow Funds from NBFC-MFIs ,37.2 percent of the respondents encouraged and influenced to borrow funds from NBFC-MFIs through other entrepreneurs, by self-interest (32.6%) through family members (16.6%), by friends 8.5 percent ,3.1 percent of them influenced to borrow through NBFC executives. Less number of respondents influenced through Media. Most of them influenced through other Micro Entrepreneurs.
- Regarding the problem ,25.1 percent of the respondents pointed out that less flexibility in repayment of the loan, 20.7 percent of them faced the problem of the high rate of interest, less coordination by the executives was the problem for 18.4 percent the respondents, 14.2 percent of them indicated the problem of insufficiency of loan amount offered by NBFC-MFIs, 12.4 percent of them experienced a delay of getting funds, 4.7 percent of them have faced the technical issue and less respondents (4.4%) have a problem of lack of advisory service

➤ **Association between socio economic profile and awareness on terms of loans**

The socio-economic variable of the respondents like Age (0.0001), Educational qualification (0.0001), social category (0.044), earning members in the family (0.0001), area of residence (0.0001) have a significant difference in the mean awareness score on the above variables. With reference to the variable type of family (1.789) there is no significant difference is found.

- **Association between business and loan profile and awareness on terms of loans**
Variables like years of experience in business (0.0001), nature of business (0.0001), monthly income from the business (0.0001), years of association with NBFC-MFIs (0.0002) amount of loan taken in a year (0.0001) have a significant difference in the mean awareness score on the above variables.
- **Association between socio economic profile and usage of borrowed funds**
The socioeconomic variable of the respondents like Age (0.124), educational qualification (0.191), social category (0.957), type of family (0.422) area of Residence (0.629) have no significant difference in the usage of borrowed funds, earning members in the family (.031) there is significant difference is found.
- **Association between business and loan profile and usage of borrowed funds**
variables like years of experience in business (0.288), monthly income from the business (0.929), years of association with NBFC-MFIs (0.199) amount of loan taken in a year (0.225) have a no significant, with regarding nature of business (0.088) here is significant difference is found.

Role of NBFC-MFIs in enhancing Business Development, Social Status and Financial Status of the Women Micro Entrepreneurs

- **Association between Socio economic profile and business development of the micro entrepreneurs**
The socio-economic variable of the respondents like age (0.001), educational qualification (0.0001), earning members in the family (0.001), area of residence (0.01) have a significant difference with reference to the variable social category (0.56), type of family (0.699) there is no significant difference is found.
- **Association between business and loan profile and business development of the women micro entrepreneurs**
Variables like years of experience in business (0.001), nature of business (0.038), years of association (0.24), amount of loan taken in a year (0.17) have a significant difference, with reference to variable Nature of business (0.038) there is no significant difference is found.

➤ **Association between Socio economic profile and social status of the women micro entrepreneurs**

The socio-economic variable of the respondents like Age (0.020), educational qualification (0.0001), social category (0.003), earning members in the family (0.004), area of residence (0.01) have a significant difference in the mean of social status, with reference to the variable type of family (0.263) there is no significant difference is found.

➤ **Association between Business and loan profile and social status of the micro entrepreneurs**

Variables like years of experience in business (0.001), nature of business (0.001), monthly income from the business (0.045), have a significant difference in the social status, with reference to variables like years of association with NBFC-MFIs (0.0002) amount of loan taken in a year (0.0001) there is no significant difference is found.

➤ **Financial Status of the Women Micro Entrepreneurs**

The test of proportions was applied to find whether there is any change in the proportion of respondents who owned different forms of assets before and starting the business. It is seen from the table that the test value for land 4.634, Shop/Building 5.569, Cattles 3.743, Fixed Deposits 6.434, Insurance 9.987, Savings in Post Office 15.012, Savings in banks 9.245 which is, greater than the critical value of 2.58 at 1% level of significance. This shows that there is significant increase in the proportion of respondents who have owned the assets and investments before and after starting the business.

With respect to the test value of the House (1.155), Machinery (0.847), Gold (0.0), Other Assets (1.841) shows that there is no significant value in terms of different form of assets before and after starting the business. This results in after starting the business there is less proportion of the above assets purchased.

➤ **Sustainability based on operating Performance**

- The Loan Portfolio has shown consistent growth, peaking at 29.55% in 2024. A slight slowdown in 2020 and 2021 (around 9%) may indicate cautious lending due to market uncertainties due to economic downturn, and COVID-19 impact.
- During 2019, (40%) expansion in the microcredit portfolio, and lesser growth rate in 2020 and 2021 due to covid pandemic. The highest post-pandemic growth rate, signaling strong confidence in microfinance lending in 2022 and 2023 of 24.65 percent and 37.75 percent respectively. In 2024(23.5%) the growth rate remains strong but has moderated.
- Client growth rate in 2019 25.3 shows a strong customer acquisition strategy. However, growth slowed down from 2020 onward, even showing a slight decline in 2021 (-2.80%) The slow but steady increase in 2022 (8.63%), 2023 (14.71%), and 2024 (10.26%) indicates a recovery phase
- Loan disbursement growth rate 39.07% increase in 2019 suggests a push for higher disbursement. Declines in 2020 (-7.06%) and 2021 (-24.89%) indicate risk aversion, possibly due to economic instability. A sharp rise (43.98%) in 2022 and a massive 56.64% increase in 2023 show a return to aggressive lending. A slowdown to 5.92% in 2024 indicate market saturation or stricter credit policies
- Borrowing to asset ratio indicates the percentage of total assets funded through borrowings. Increased from 65.63% in 2019 to 73.50 % in 2024 shows higher debt reliance.
- Factor score coefficients can be calculated for all variables ,using factor analysis, the 14 variables in the data were reduced to 5 factor in primary component analysis by using Varimax rotation model and each factor may identified with the corresponding variables like Factor 1-Financial Adequacy and Security, Factor 2- Customer support and Ethical practices, Factor 3- Effective Customer Service, Factor 4- Communication and Transparency, Factor 5- Technological Advancements, with cumulative variance 57.667 percent.

➤ **Sustainability of NBFC-MFIs based the Managers Perspective**

- 76.6 percent of the respondents is not preferring to particular nature of business and 23.3 percent of the respondents preferring to give loans to particular nature of business
- Regarding most preferable factor to select micro entrepreneurs to provide loan 53.3 percent of them prefer on the basis of Group members and less number of NBFC-MFIs (6.7%) considering recommendation for providing loans.
- All NBFC-MFIs in the study offer loans as per the institution's policies and regulations for approving the total amount of loan and routinely update borrowers' business profiles.
- Majority of the NBFC- MFI (93.3%) agreed Govt policies helps to Micro credit lending activities and less number of NBFC-MFIs (6.7%) felt that Govt policies were not support to Micro credit lending activities
- With reference to the repayment ability of borrowers of the NBFC-MFIs, 90 percent of them states that high repayment ability found among the borrowers and less number of respondents (10%) of them states repayment ability the borrower is average.
- Top up loans are provided by NBFC-MFIs, regular repayment of interest of previous loans are considered by (53.3%) of the respondents (13.3%) of them consider Profit level of the existing business and Interest accumulation.
- Regarding competition by similar institution, majority of the respondents (63.3 percent) agree on facing competition and 36.7 percent of the NBFC-MFIs not agree that not facing competition.
- Factors influencing the competition of NBFC-MFIs is 42.1 percent of the NBFC-MFIs pointed immediate sanction of loan by other NBFC-MFIs and only 1percent NBFC-MFIs pointed out new and attractive schemes. 30.0% of the respondents have given rank 1 to 'closure of business' 36.7% of the respondents have also given the least rank 12 to Government policies and regulations.

Outreach of NBFC-MFIs based on operating efficiency and perspective of women micro entrepreneurs

➤ Operating Performance

- The number of branches in the NBFC-MFI sector have increased from 12277 in the year 2018-19 to 20348 in the year 2023-24. During this six-year period, the average number of branches are found to be 15325 in number, with a S.D of 3465
- The number of clients in the NBFC-MFI sector has increased from 3.17 crore in the year 2018-19 to 4.30 crore in the year 2023-24. During this sevenyear period, the average number of clients are found to be 3.38, with a S.D of 0.53.

➤ Factor influencing Perception on Outreach of NBFC-MFIs

Factor score coefficients can be calculated for all variables, using factor analysis, the 17 variables in the data were reduced to 6 factors in primary component analysis by using Varimax rotation model and each factor may identified with the corresponding variables like Factor 1-Administration, Factor 2- Customer Attention, Factor 3- Personal attention, Factor 4- Information referrals, Factor 5- Customer confidence, Factor 6- Accessibility with cumulative variance 54.91 percent.

Effect of various factors which influences the Sustainability and Outreach of NBFC-MFIs

wareness on terms of loans has direct positive effect on all other factors namely, usage of borrowed funds (0.32), business development, (0.47) social status (0.32) sustainability of NBFC-MFIs (0.23) and outreach of NBFC-MFIs (0.17). The effect of usage of borrowed funds is direct positive effect on (0.24) on business development. Business development has positive effect on sustainability of NBFC-MFIs with regression weight of 0.15 but social status has negative effect on sustainability of NBFC-MFIs with regression weight of -0.02. The model further shows that business development has positive effect on outreach of NBFC-MFIs with regression weight of 0.18. The effect of sustainability of NBFC-MFIs on outreach of NBFC-MFIs is positive with

regression weight of 0.27. Overall, the results show that increasing loan awareness, making efficient use of funds, and encouraging business growth will have a impact on NBFC-MFIs' sustainability and outreach.

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