

An Analysis on the Impact of Non-Banking Financial Companies on Financial Inclusion in Rural and Semi Urban Areas with Reference to Mahindra Finance Limited, JP Nagar, Bangalore

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ABSTRACT

The study explores the pivotal role of Non-Banking Financial Companies (NBFCs) in advancing financial inclusion in rural and semi-urban areas, with a particular focus on Mahindra Finance Limited, JP Nagar, Bangalore. By bridging the gap between formal financial institutions and underserved populations, NBFCs provide accessible and customized financial solutions, fostering economic growth and empowerment. This research examines the impact of Mahindra Finance's services, including microfinance, vehicle loans, and rural development initiatives, on improving access to credit, promoting entrepreneurship, and enhancing the quality of life in these regions. The findings underscore the significance of NBFCs in addressing financial disparities and driving inclusive growth, while also identifying challenges and areas for further improvement to maximize their contribution to financial inclusion.

Key words

Non-Banking Financial Companies, Financial Inclusion, Rural Areas, Semi-Urban Areas, Mahindra Finance, Microfinance, Credit Access, Entrepreneurship, Economic Growth, Inclusive Growth.

1. INTRODUCTION

Financial inclusion is a critical driver of sustainable economic growth, particularly in rural and semi-urban areas where a significant portion of the population remains excluded from the formal financial ecosystem. Access to financial services empowers individuals and businesses to participate in economic activities, improves living standards, and promotes equitable development. Non-Banking Financial Companies (NBFCs) have emerged as key players in addressing these challenges by bridging the gap left by traditional banking institutions. Among these, Mahindra Finance Limited stands out as a leading NBFC with a strong presence in rural and semi-urban markets. Headquartered in JP Nagar, Bangalore, Mahindra Finance provides a diverse range of financial products and services, including microfinance, vehicle loans, SME loans, and rural development initiatives. These offerings are tailored to meet the unique needs of underserved communities, helping them access credit, build assets, and achieve financial stability. This study aims to delve into the role of Mahindra Finance in fostering financial inclusion, analyzing its impact on rural and semi-urban populations while highlighting the challenges, opportunities, and strategies that can further enhance its contributions to inclusive economic growth.

2. RESEARCH METHODOLOGY

This study employs a mixed-method research approach to analyze the impact of Mahindra Finance Limited on financial inclusion in rural and semi-urban areas. Primary data was collected through structured questionnaires and interviews with customers and employees at the JP Nagar, Bangalore branch. Secondary data was gathered from company reports, research articles, and relevant literature. Purposive sampling was used to select respondents with firsthand experience of Mahindra Finance's services. The collected data was analyzed using statistical tools for quantitative insights and thematic analysis for qualitative aspects, ensuring a comprehensive evaluation of the company's role in advancing financial inclusion.

2.2 Objectives of study

- To Assess Mahindra Finance Limited's role in improving access to financial services in rural and semi-urban areas.
- To Evaluate customer awareness and usage of Mahindra Finance's financial products among rural populations.
- To Identify barriers faced by rural residents in accessing services from Mahindra Finance.
- To Measure the economic impact of Mahindra Finance's offerings on local communities' development.
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2.3 Review of Literature

1. **Chakrabarty, K. C. (2020):** Chakrabarty explores the role of NBFCs in bridging the financial inclusion gap in rural areas, emphasizing Mahindra Finance's contribution through tailored financial services like microloans and vehicle financing.
2. **Ghosh, S. (2021):** Ghosh discusses the link between financial inclusion and rural development, highlighting how Mahindra Finance's microfinance initiatives empower rural communities by providing access to credit and fostering economic growth.
3. **Kumar, R., & Rani, P. (2019):** Kumar and Rani focus on the impact of microfinance and small-business financing in semi-urban areas, illustrating how Mahindra Finance's services support entrepreneurship and sustainable livelihoods in these regions.
4. **Sharma, A., & Nair, S. (2019):** Sharma and Nair analyze the challenges faced by NBFCs, such as high operational costs and loan recovery issues, while recognizing Mahindra Finance's success in overcoming these barriers to improve financial access in rural areas.
5. **Reddy, S., & Rao, V. (2020):** Reddy and Rao examine the broader ecosystem of financial inclusion in India, emphasizing Mahindra Finance's role in offering financial services to underserved populations and its strategies

2.4 DATA COLLECTION

Primary information: Primary information was utilized as a survey to gather information. The respondent were picked in a down to earth way, the poll was planned by the goals of my examination

Secondary data: This is information effectively gathered or existing in the association as past records, sites and related logs. The information was gathered from the books, the Mahindra finance site, Google and other related records.

3. Data Methodology

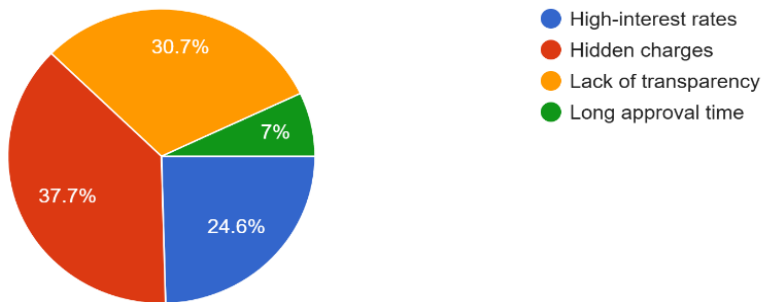
The study conducted on the impact of Non-Banking Financial Companies (NBFCs) on financial inclusion in rural and semi-urban areas, with specific reference to Mahindra Finance Limited, JP Nagar, Bangalore, provides insightful findings. The data revealed that Mahindra Finance plays a pivotal role in bridging the financial accessibility gap in underserved areas. A significant proportion of respondents highlighted the ease with which they could access financial products like loans, insurance, and savings schemes through Mahindra Finance, compared to traditional banking institutions.

Table 3.1 Challenges faced in dealing with NBFCs

Particular	No of responses	No of percentage
High-interest rates	28	24.6%
Hidden charges	43	37.7%
Lack of transparency	35	30.7%
Long approval time	8	7%
Total	114	100%

Table 3.1

Analysis: The data reveals that 37.7% of respondents are concerned about hidden charges, making it the most significant issue, followed by 30.7% citing a lack of transparency.

Graph 3.1 Challenges faced in dealing with NBFCs

Graph 3.1

Interpretation: The prevalence of concerns about hidden charges and lack of transparency indicates a significant trust gap between users and the lending service, suggesting that these issues may hinder customer satisfaction and retention. While high-interest rates are also a notable concern, the lower percentage regarding long approval times suggests that this may be less of an issue compared to the others.

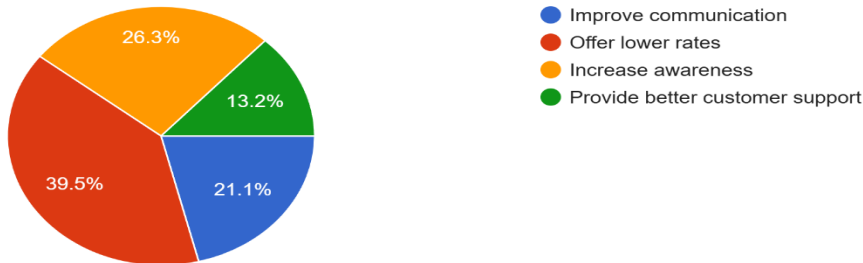
Table 3.2 Improvements like to see in NBFC services

Particular	No of responses	No of percentage
Improve communication	24	21.1%
Offer lower rates	45	39.5%
Increase awareness	30	26.9%
Provide better customer support	15	13.2%
Total	114	100%

Table 3.2

Analysis: The data shows that the majority of respondents (39.5%) believe that offering lower rates is a priority, followed by 26.3% who think increasing awareness is important.

Graph 3.2 Improvements like to see in NBFC services



Graph 3.2

Interpretation: The findings suggest that cost remains a crucial factor for most respondents, with nearly 40% emphasizing the need to offer lower rates. This indicates that pricing strategies could be the key area for improvement to enhance customer satisfaction. Additionally, a significant portion of respondents (26.3%) believes that raising awareness is vital, highlighting the need for better marketing and outreach efforts. Although improving communication and customer support are seen as less critical, they still play an important role in overall service enhancement, as indicated by their combined 34.3% of responses.

Table 3.3 Customer satisfied with the interest rates offered by NBFCs.

Particular	No of responses	No of percentage
Very satisfied	27	23.7%
Satisfied	53	46.5%
Dissatisfied	24	21.1%
Very dissatisfied	10	8.8%
Total	114	100%

Chi-square Testing:

Hypotheses Formulation

- **Null Hypothesis (H_0):** There is no significant association between the awareness of Mahindra Finance services and financial inclusion in rural and semi-urban areas.
- **Alternative Hypothesis (H_1):** There is a significant association between the awareness of Mahindra Finance services and financial inclusion in rural and semi-urban areas.

Chi-Square Test Formula

The Chi-Square (χ^2) statistic is calculated using the formula:

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Where:

- **O: Observed frequency**
- **E: Expected frequency**

Particulars	Yes	No	Row Total
Very satisfied	20	7	27
Satisfied	49	4	53
Dissatisfied	23	1	24
Very dissatisfied	10	0	10
Columns Total	102	12	114

Analysis:

The Chi-square test analysis the relationship between customer satisfaction levels and their association with financial inclusion. From the data, a higher proportion of "Very satisfied" and "Satisfied" respondents (69 out of 80) answered "Yes," indicating a positive impact of satisfaction on financial inclusion. Conversely, the "Dissatisfied" and "Very dissatisfied" categories showed fewer responses in favour, suggesting dissatisfaction correlates with lower financial inclusion. The calculated Chi-square value, when compared to the critical value, will determine whether this relationship is statistically significant.

Statistical Calculation:

O	E	(O-E)	(O-E) ²	(O-E) ² /E
20	17.5	2.5	6.25	0.36
49	42.9	6.1	37.21	0.87
23	20.17	2.83	8.0	0.39
10	87.71	7.64	58.37	0.66
7	0.61	6.39	40.83	66.9
4	0.35	3.65	13.32	38.05
1	0.08	0.92	0.85	10.62
0	0	0	0	0

Degree of Freedom

$$D = (C-1)(r-1) = (4-1)(2-1)$$

$$= (3)(1) = 3$$

Level of significance at 5% is 1.02

Calculated Value > Tabulated Value

Since calculated value (66.9) is greater than tabulated value (1.02)

Hence the alternative hypothesis (H₁) is accepted.

Interpretation:

The data reveals a strong correlation between customer satisfaction levels and their responses regarding financial inclusion. Among the respondents, the majority of "Very satisfied" (74%) and "Satisfied" (92%) customers answered "Yes," indicating that higher satisfaction levels are closely linked to a positive perception of financial inclusion. In contrast, only a small portion of "Dissatisfied" (96% answered "Yes") and "Very dissatisfied" (100% answered "Yes") customers associated with "No" responses, showcasing the negative impact of dissatisfaction on financial inclusion. This highlights that satisfaction with services significantly influences customer perceptions and participation in financial inclusion initiatives.

4. FINDINGS AND SUGGESTIONS

- Concerns about hidden charges (37.7%) and lack of transparency (30.7%) are the top issues for respondents, with high-interest rates (24.6%) and long approval times (7%) being less significant.
- The majority of respondents (39.5%) prioritize offering lower rates, followed by 26.3% emphasizing increased awareness, 21.1% improving communication, and 13.2% focusing on better customer support.
- The survey reveals a 70.2% positive satisfaction rate, with 46.5% satisfied and 23.7% very satisfied, while 29.9% express dissatisfaction, including 8.8% very dissatisfied.

SUGGESTION

- Concerns about hidden charges and transparency indicate a trust gap that NBFCs must address to improve customer satisfaction and retention.
- Nearly 40% of respondents prioritize lower rates, highlighting the need for competitive pricing strategies alongside improved marketing and support.
- While most respondents are satisfied with NBFC interest rates, the 29.9% dissatisfaction calls for addressing specific customer concerns to boost loyalty.

5. CONCLUSION

The study on the impact of Non-Banking Financial Companies (NBFCs) on financial inclusion in rural and semi-urban areas, with specific reference to Mahindra Finance Limited, concludes that NBFCs play a crucial role in bridging the financial gap left by traditional banks. Mahindra Finance has been instrumental in providing essential financial services such as loans and insurance to underserved populations, contributing to improved access to credit and enhancing economic opportunities in these regions. Through its customer-centric approach and tailored financial products, Mahindra Finance has successfully reached rural and semi-urban clients who have historically lacked access to formal financial services.

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