



A STUDY ON INVESTOR AWARENESS AND SCHEME UNDERSTANDING IN ESAF

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Abstract:

The study investigates the awareness of investors regarding the schemes provided by ESAF Small Finance Bank, a notable microfinance institution in India. Despite the bank's significant role in promoting rural economic development and enhancing financial inclusion, a notable gap exists in potential investors' awareness of its growth potential. The study highlights the necessity for increased awareness among investors about ESAF's initiatives and capabilities as a small finance bank. Additionally, the preferences of customers regarding various service and savings schemes offered by ESAF are examined. Basic offerings, such as Savings and Current Accounts, show moderate preference levels, while specialized products like Retail Loans and Insurance policies enjoy greater favour. A snowball sampling technique was employed, with a final sample size of 108 respondents from the Palakkad District of Kerala. Data analyses were conducted using descriptive statistics and the Friedman rank test. The findings emphasize the importance of aligning marketing strategies and product development with the diverse needs of customers. The study also advocates for ESAF to utilize insights into customer preferences to refine its service offerings, improve customer satisfaction, and promote sustainable growth. Addressing the lack of investor awareness and adapting to the evolving needs of customers is crucial for ESAF Small Finance Bank to strengthen its market position and effectively contribute to rural economic development and financial inclusion.

Key Words: ESAF Small Finance Bank, Investor Awareness, Financial Inclusion, Rural Economic Development

Introduction:

The dynamism of the real economy necessitates a flexible and competitive banking infrastructure to address the needs of various sectors within the economy. Over the past few decades, the Indian economy has diversified significantly, accompanied by progressive liberalization and globalization. However, a substantial portion of the population continues to be either unbanked or reliant on informal banking systems. For comprehensive development and growth of the economy, it is crucial to extend financial services to all segments of society.

In a developing nation like India, growth is significantly driven by entrepreneurship, which can be fostered by enhancing financial opportunities for Micro, Small, and Medium Enterprises (MSMEs). According to research estimates from KPMG, by the year 2020, the contribution of MSMEs to the GDP was projected to rise from the current 8 percent to 15 percent, while employment levels were expected to reach 50 percent of total employment, effectively more than doubling the existing MSME workforce of 106 million across the agriculture, manufacturing, and services sectors.

ESAF has emerged as one of the prominent microfinance institutions in India, particularly within Kerala. In 1995, ESAF launched its Micro Enterprise Development (MED) program, which became a crucial area of intervention. The MED initiative provided a comprehensive package of financial and business development services aimed at supporting economically disadvantaged men and women. The organization is guided by the vision of achieving sustainable holistic transformation for the poor and marginalized communities.

In December 2018, ESAF Small Finance Bank received approval from the Reserve Bank of India (RBI) to operate as a scheduled bank, becoming the fifth scheduled bank from Kerala, following Federal Bank, South India Bank, Catholic Syrian Bank, and Dhanalaxmi Bank. This status is expected to lower the bank's cost of funds while enhancing its capacity and commitment to deliver services. ESAF is dedicated to creating opportunities and supporting the underprivileged and underserved segments of society. In addition to fostering livelihood opportunities, ESAF also focuses on enhancing health and education. The organization's approach to its initiatives involves selecting appropriate strategies, providing grants, assessing progress, measuring impact, and evaluating final outcomes. Based on performance assessments, adjustments are made to the strategies and methodologies employed.

Review of the Literature:

Sasidharan, (2022) depicted the history of ESAF and also the features of various Services offered by ESAF. The paper highlighted various services provided by ESAF Such as micro credit, insurance, business improvement services etc. It highlighted the SwalambanYojana, Vyaparseva and Jeevanshuddh schemes of ESAF.

Kohil, (2021) reported that ESAF small finance bank has joined hands with NABARD for rural economic development. ESAF has started financial literacy programs in Collaboration with NABARD. Financial inclusion and ensuring financial stability to Local people are the ultimate aim of ESAF and NABARD.

Swaraj s (2021) reported that ESAF small finance bank has issued prospectus for initial Public offering. ESAF, the new bank, mainly focused on retail banking with the help of Micro banking, housing finance, business loan, and loan against property. Micro Banking facility of ESAF is very familiar to Indian micro financial landscape.

Statement of the Problem:

There exists a significant gap in awareness and perception among investors regarding the potential of ESAF Small Finance Bank as a microfinance institution. This deficiency may impede the bank's ability to attract and secure investments, consequently restricting its growth and market expansion. Understanding the factors that shape investors' awareness and perception of ESAF Small Finance Bank is crucial for developing effective strategies and initiatives to address any misconceptions or knowledge gaps. As a small finance bank, ESAF plays a vital role in providing financial assistance to underserved populations, thereby enhancing their living standards. This study is structured to assess the awareness levels and the various schemes available to investors at ESAF Bank. The aim is to identify the factors that influence customers' preferences for choosing ESAF Bank for their financial transactions.

Objectives of the Study:

- To study Investor awareness of ESAF Small Finance Bank
- To examine the saving schemes of ESAF Small Finance Bank

Scope of Study:

This study aims to investigate the awareness and perceptions of investors regarding the schemes offered by ESAF Small Finance Bank, a small microfinance institution. The focus is on understanding how investors view the bank's potential for growth, profitability, risk, and overall performance. Additionally, the research seeks to assess the level of awareness that investors possess about ESAF Small Finance Bank and its role within the microfinance sector. Data will be collected from individuals who have invested in or expressed interest in investing in ESAF Small Finance Bank. This will involve a combination of surveys, interviews, and secondary research to gather comprehensive insights. The findings of this study are expected to provide valuable information about investor perceptions and awareness, highlighting areas where ESAF can improve its outreach and communication strategies. Ultimately, this research will contribute to enhancing the bank's engagement with potential investors and support its growth objectives in the market.

Research Methodology:

The data for the study is collected from both primary and secondary sources. Primary data collected by the way of interview schedule from the Investors in ESAF Banks Palakkad. The secondary data is gathered from online thesis, magazine and journals of Economics time, High commission of India etc. Snow ball sampling technique is been applied. The population has been set to 108 respondents from Palakkad District of Kerala. The data collected have been analysed through.

Results and Discussions:

Investor Awareness of ESAF:

The Friedman test is a non-parametric test developed by US economist Milton Friedman. This test is used to detect the differences in treatments across multiple test attempts. Here the major sources that customer aware on information about ESAF microfinance service are tested using statistical tool of Friedman Test and the output are presented below.

H0: There is no difference in the sources upon which customers aware on information about ESAF microfinance bank service.

H1: There is difference in the sources upon which customers aware on information about ESAF microfinance bank service.

Table 1: Friedman Test on Regarding Investor Awareness of ESAF

Awareness of ESAF	Mean Rank	Rank
Advertisement	4.72	6
Newspaper	4.73	7
Word of mouth	4.24	2
Friends	3.97	1
Family	4.37	3
Social media	4.70	5
Financial article	4.56	4
Others	4.72	6

Source: Primary Data

The mean rank obtained for various sources of information about ESAF as a microfinance bank are stated in table 4.5.1. The lower rank represents higher level of dependence towards different sources. As per the table given above higher level of dependence are towards friends (mean rank 3.97) the next level of dependence are word of mouth (4.24) and the lowest dependence towards newspaper (mean rank 4.73)

Table 2: Friedman Test

Test Statistic	
N	108
Chi- Square	15.137
Df	7
Asymp.sig	.034*

Source: Primary Data

*significant at 5 per cent level

The X^2 statistic provide a value of 15.137, which is significant at 5 per cent level of significance (p value <0.05) Therefore, the null hypothesis is rejected. This indicates that there is difference in the sources upon which customers depend for information about awareness of ESAF as a microfinance Bank

Saving schemes of ESAF Small Finance Bank:

Table 3: Table Showing Saving schemes of ESAF Small Finance Bank

Service or Saving Schemes of ESAF Small Finance Bank	N	Minimum	Maximum	Mean	Std. Deviation
Saving Account	108	1.00	3.00	1.8333	.64851

Current Account	108	1.00	3.00	1.9167	.61333
Recurring Deposit	108	1.00	4.00	1.9444	.68130
Fixed Deposit	108	1.00	4.00	1.8981	.72266
Microfinance Loan	108	1.00	4.00	1.9444	.73413
Retails lianas	108	1.00	5.00	2.0741	.81692
Insurance policies	108	1.00	5.00	2.0185	.79697

Source: Primary Data

Table presents the descriptive statistics for the variables service or saving schemes of ESAF Small Finance Bank. The analysis of service or saving schemes offered by ESAF Small Finance Bank illuminates intriguing patterns in customer preference. Across the spectrum of schemes, from Saving Accounts to Insurance policies, varying degrees of popularity are evident. While basic schemes like Saving and Current Accounts exhibit moderate levels of preference, more specialized options like Retails Loans and Insurance policies garner higher favorability, suggesting a diverse set of customer needs and interests. These findings underscore the importance of tailoring marketing efforts and product development strategies to align with the distinct preferences of customers, ensuring that ESAF Small Finance Bank remains competitive and responsive in meeting their financial needs. Among the service or saving schemes of ESAF Small Finance Bank, the statement shows the retails lianas has Highly influenced factor of service or saving schemes of ESAF Small Finance Bank since the mean value is 2.0741.

Furthermore, the relatively low standard deviations across all schemes suggest a degree of consistency in customer preferences, with responses clustering closely around the mean. This implies a certain level of stability in the popularity of each scheme, providing ESAF Small Finance Bank with valuable insights for resource allocation and strategic planning. By leveraging this understanding of customer preferences, the bank can optimize its service offerings, enhance customer satisfaction, and strengthen its position in the market, ultimately driving sustainable growth and success.

Conclusion:

ESAF Small Finance Bank plays a vital role in fostering rural economic development and promoting financial inclusion. However, a notable lack of awareness among potential investors regarding the bank's growth prospects and profitability poses a significant challenge. This knowledge gap could hinder the bank's efforts to secure investments and expand its operations effectively. The study also highlights customer preferences for various service and saving schemes offered by ESAF, revealing that while basic offerings such as Savings and Current Accounts receive moderate interest, specialized products like Retail Loans and Insurance policies are much more favored. These insights underscore the critical need for ESAF to align its marketing strategies and product development with the diverse preferences of its customer base. Additionally, leveraging an understanding of customer needs will be essential for optimizing service offerings, enhancing customer satisfaction, and promoting sustainable growth. Ultimately, addressing the lack of investor awareness and responding to the evolving demands of customers will be instrumental for ESAF Small Finance Bank in solidifying its market position and effectively contributing to rural economic development and financial inclusion.

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