Research paper

Study on Scope of Digital payments in Rural Areas of Uttar Pradesh and Uttarakhand

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# Introduction

Organizations that offer small financial services, known as microfinance institutions (MFIs), are crucial in helping people have access to financial services and reducing poverty, especially in rural areas. This report looks at how small loans from Avanti Finance affect people in Western Uttar Pradesh and Uttarakhand, India. We use a combination of methods to study three main areas:

Creditworthiness Assessment: A comprehensive strategy is used to assess creditworthiness because borrowers rarely have verifiable sources of income. Information on primary and secondary income sources is gathered using questionnaires, and the results are cross-checked against industry norms. The assessment of imputed income also takes into account the borrowers' home amenities and asset ownership. A more realistic image of borrowers' ability to repay Avanti Finance loans is given by this combined method.

Adoption of Digital Payments: The extent to which borrowers are using digital payments is investigated. This covers their knowledge, how they now repay loans, and any issues they may have that could prevent broader adoption. For Avanti Finance to encourage effective loan repayment processes, it is imperative that it comprehend these patterns.

Social Impact Assessment: An examination is conducted into how Avanti Finance's microloan operations have affected the lives and means of subsistence of its borrowers. This include examining the investments made with loan funds, borrower satisfaction with Avanti Finance's offerings, and any wider societal shifts linked to Avanti Finance's microfinance services.

# Objective of the Study

This objective includes the three main areas studied:

Creditworthiness: Looking at actual and imputed income helps determine borrower’s creditworthiness.

Digital Payment Adoption: To analyze factors influencing digital payments in rural India

Social Impact: Checking why loans are needed, how they are used, and how borrowers feel about them measures how the loans affect borrowers' lives and work (economic impact based on data analysis).

# Methodologies

## Methods Used in the Study

This study looks into how borrowers in Western Uttar Pradesh and Uttarakhand, India, are affected by microloans from Avanti Finance.

* **Primary data**

Directly obtained from borrowers, primary data are used in this study. To choose participants, a convenience sampling strategy was used. This strategy entails finding volunteers who are easily available and reachable by the researchers. In this instance, the sample was taken from borrowers who lived in the selected geographic area but were in conveniently accessible areas.

* **Sampling Frame:**

Demographic: The borrowers of Avanti Finance microloans in Western Uttar Pradesh and Uttarakhand are the study's target demographic.

* **Geographic Scope:** The study focuses on borrowers who live in Dehradun and the surrounding villages in Uttarakhand, as well as Saharanpur and the surrounding villages in Western Uttar Pradesh.
* **Sample Size:** Convenience sampling yielded a sample size of 257 borrowers.
* **Analysis of Data:**

**Descriptive Statistics:** To highlight important features of the sample, descriptive statistics were used to assess the data that was gathered.

**Pictorial Representation:** To give a visual comprehension of the distribution of variables (e.g., profession breakdown), data visualization techniques were used, such as pie charts and bar diagrams.

**Statistical Measures:** The gathered data, such as the income, spending, and EMI ratios, were summarized using central tendency measures (mean, median), as well as standard deviation.

* **Focused Group Discussion:** Conducted Focused Group Discussion with borrowers to learn more about how they feel about paying with digital methods. These talks probably covered things like:
* What do people think about different ways to pay digitally?
* Why some people might not use digital payments for paying back loans.
* The good and bad parts of using digital payments.
* **Key Informant Interview:** Talked one-on-one with people who work at the DIMC, like those who go out into the field, manage branches, and oversee areas. These talks gave useful information from the staff who talk to borrowers often. They probably discussed things like:
* How borrowers act and what they know about different ways to repay loans.
* Problems borrowers in the countryside have with digital payments.
* What the financial company is doing to encourage people to use digital payments?

## Overall Data Analysis:

* The 257 gathered sample size were all included in the analysis.
* The professions of the borrowers were classified.
* For every profession category, the average income, spending ratio, and EMI ratio were computed.

# About Avanti Finance[[1]](#footnote-1)

Prioritizing financial inclusion through microloans, Avanti Finance Private Limited was founded in August 2016 to empower impoverished populations in rural India. Avanti, which was founded by Ratan Tata, Nandan Nilekani, and Dr. Vijay Kelkar, aims to close the gap in these populations' access to reasonably priced financial series.

Focusing on the "unbanked"—those without access to regular banking services—Avanti sets itself apart from conventional institutions. Their cutting-edge platform makes use of technology to provide services effectively and widely. This results in a “paperless, presenceless, and cashless” strategy, which lowers Avanti's administrative costs while simplifying the loan application procedure for borrowers. From the initial processing of the application through loan administration and repayment, the platform streamlines the whole loan lifecycle.

Collaborations with other microfinance organizations and cooperatives expand their reach and maximize their positive influence. By offering microloans specifically designed to stimulate entrepreneurial ventures and income generation, Avanti aims to break the cycle of poverty, empower borrowers, and ultimately foster economic growth in rural areas.

**Vision:** Avanti Finance wants to create a platform that uses credit to improve the lives of the impoverished on both a personal and a community level. The goal of this credit availability is to raise their level of living and livelihoods in a way that will continue over time and bring them prosperity.  
  
**Mission:** The primary goal of Avanti Finance is to empower the next 100 million households and promote sustainable livelihoods by providing easily accessible and reasonably priced financial services. By offering microloans that are tailored to the individual requirements of borrowers and promoting a positive financial ecology, they hope to accomplish this.

# About Disha[[2]](#footnote-2)

**Genesis**

Disha Social Organization (DSO) began in 1984 to achieve fairness in society and the economy for disadvantaged groups in India. They began by organizing social campaigns and later introduced self-help groups (SHGs) to help both women and men improve their financial situations. As the need for small loans grew, Disha started the Disha India Micro Credit (DIMC) program in 2006. This program offers small financial services and aims to support long-term growth in rural communities.

Disha Microfinance, which started in 2006, gives loans to help poor villagers. They work with banks and other organizations to make financial services available, even in areas where traditional banks are not easily accessible. In the year 2020-2021, Disha helped provide more than 32 crore rupees to various groups and customers.

The Disha Microfinance program is a part of the Disha Social Organization. It aims to economically empower and financially include the poor and low-income people in the villages. The number of groups in the community has increased and there is a growing demand for credit.

Although nationalized banks have entered rural markets, there is a gap between their policies and implementation at the grassroots level. Disha recognized that its Self-Help Groups (SHGs) have initiated economic development in the community. However, without timely credit, this progress will not be sustainable. In June 2006, Disha launched its Microfinance program with its own fund of Rs. 2 lakhs.

After experimenting with this fund for 8 months, Disha initiated dialogues with banks and financial institutions to raise more funds. ABN AMRO Foundation India provided technical assistance and capacity-building support.

Several financial institutions such as HDFC Bank, HSBC Bank, SIDBI, FWWB, Ananya Finance, Punjab National Bank, NABARD, Indian Gramin Services, Reliance Commercial, Kanika Investment Limited, and Samunnati Financial Intermediation & Services Pvt. Ltd. have provided loans for on-lending to poor people. To bridge the gap, Disha continues to seek new contacts.

In 2012-13, Yes Bank and in 2017-18, Arohan Financial Services Ltd were introduced to the company under the business correspondent model. In 2020-21, we were able to finance 3,253.08 lakhs among our groups and clients. The total outstanding managed fund as of 31/03/2021 was 3,212.08.00 lakhs.

# Literature Review

**S Md Shakir Ali (2017)[[3]](#footnote-3):** The study looks into the possibilities and difficulties of putting digital payment systems in place in rural India. It looks at how government initiatives, demonetization, and ICT penetration affect the uptake of digital payments. The report examines how digital payments are now functioning in rural areas, highlights major development barriers, and suggests ways to quicken the shift from a cash-based to a digital economy.

**Syed Mustafa Rahmani, Shaik Saif Baba, Mohammed Mugaisuddin Majid, Syed Usama (2020):** [[4]](#footnote-4)This study examines how payments in rural India are moving from cash to digital forms.  
It talks about how, in comparison to cash transactions, digital payments can increase convenience, economic activity, and transparency. The study also emphasizes how this change has been fueled by recent changes in government regulations and technology developments.

**Bhagirath Prakash Baria (2018)[[5]](#footnote-5):** This study examines the difficulties and nuances involved in assessing the results of microlending initiatives in India. It focuses on the procedures and approaches utilized to evaluate how well these initiatives are doing at enhancing the quality of life for people living in rural areas.

The paper examines previous research on the effects of microfinance and finds important themes, obstacles, and viable strategies. It looks at how data is collected, what conceptual frameworks are employed, and how results are measured.

# Actual & Imputed Income

Evaluating Creditworthiness in Rural Microfinance: Real Income vs. Estimated Income

In microfinance, especially for people living in rural areas, it's very important to correctly measure how likely someone is to repay a loan. This is important for both the borrower and the organizations that lend money, called Microfinance Institutions (MFIs), which are also known as Non-Banking Financial Companies (NBFC-MFIs) when they give out loans without asking for collateral. Usually, these organizations look at official income records, but these might not show the full story for rural borrowers. That's why we talk about actual income and imputed income, which help give a better overall view when deciding if someone is a good candidate for a loan.

Household Income: The household is defined as an individual family unit consisting of a husband, wife, and unmarried children. According to RBI, a household income must be up to Rs.3 lakhs to be qualified

**Explaining Actual and Imputed Income:**

* **Actual Income:** This means the income a person gets from a job, salary, or business that can be proven with official records. In cities, common proofs of real earnings include paychecks, tax papers, and business licenses.
* **Imputed Income:** This means the guessed income a person gets from informal jobs or things they own. In the countryside, people might have income that isn't easily shown by usual documents. Estimated earnings try to figure out the value of this income to see if the person is a good candidate for a loan.

**Why is Knowing Real and Estimated Income Important in Rural Small Loans?**

* **Fewer Regular Jobs:** In the countryside, many people work in informal ways, like running their own small businesses or farming. The usual ways of checking how much someone earns might not show everything they can make.
* **Having Valuable Things:** People in rural areas might own things like land, animals, or small shops that bring in money, but they don't always have papers to prove it. Estimated income helps figure out how much these things add to a person's finances.
* **Better Loan Decisions:** By looking at both the real and estimated income, loan companies can get a better idea of who is a good risk for a loan. This helps them manage risks better and might let them give loans to people who would be turned down if only their official income was considered.

**Going Beyond CRIF Reports: A Diverse Strategy**

Although credit reports from agencies like CRIF give useful information about a person's history of paying back loans, they mainly focus on formal credit records. For people in rural areas who don't use formal credit much, these reports might not tell us much. A thorough way to check if someone is a good credit risk in rural microfinance should include:

Looking at Social Connections: Checking how respected and well-liked a borrower is in their community can give important clues about how likely they are to repay a loan.

Cash Flow Analysis: Looking at how much money a borrower expects to make and spend helps us see if they can afford to repay a loan.

Getting to Know the Person: Learning about a borrower's habits with money, their dedication to paying back loans, and their plans helps us get a full understanding of how good a credit risk they are.

# Scope of Digital Payment

The Growth of Digital Payments in Indian Microfinance

**Introduction:**

Microfinance institutions (MFIs) play a crucial role in helping low-income individuals in India access necessary financial services. In the past, these institutions mainly used cash for giving out loans and collecting repayments, which caused problems with managing transactions and raised security concerns. But now, the increase in digital payments has greatly improved the microfinance industry, making things better for both borrowers and MFIs.

A recent report from 2023 by the Microfinance Institutions Network (MFIN)[[6]](#footnote-6) shows that the use of digital methods, like mobile wallets and bank accounts, for giving out loans has more than doubled in the last three years. This quick change is supported by government programs such as the Jan Dhan-Aadhaar-Mobile (JAM) trinity, which helps create a strong digital system for financial activities. Moreover, the BHIM app, which is a government-supported mobile payment system, has made digital payments easier for people in rural areas who don't have much access to regular bank services.

**Advantages for Borrowers:**

* **Inclusion in Finance:** Digital payments help borrowers, particularly those in far-off places, by allowing them to repay loans without using cash and by making it simpler to use financial services. Mobile wallets provide a safe and easy way to handle money instead of carrying cash, which lowers the chance of theft and makes managing finances easier.
* **Clarity and Speed:** Digital transactions give borrowers detailed and checkable records of their loan payments. This removes the possibility of mistakes that can happen with cash payments and makes the repayment process faster, saving borrowers time and energy.
* **Safety and Lower Expenses:** Paying digitally is safer than using cash. It has things like PINs and extra checks to stop people from using your money without permission. Also, digital payments might cost less than paying with cash when you get a product, which is common in small loans.

**Advantages for Microfinance Institutions (MFIs):**

Quicker Loan Repayments and Better Cash Management: Digital payment methods allow MFIs to collect loan repayments electronically, which greatly enhances their cash flow and decreases the need for manual collection methods. This results in quicker loan processing times and better overall efficiency.

* **Lower Operating Expenses:** Digital systems automate tasks like loan distribution, repayment monitoring, and record maintenance, which reduces administrative expenses for MFIs. This enables them to use their resources more efficiently for their main activities and possibly provide more attractive loan options.
* **Improved Data Gathering and Credit Evaluation:** Online transactions provide useful information about how borrowers repay loans and their financial past. Small financial institutions can use this information to better understand their borrowers and assess risks, which can lead to better credit scoring methods and possibly more tailored loan options.

# Social Impact Assessment (SIA)

Microfinance organizations (MFIs) are important for helping people have access to money and for reducing poverty. But their effects go beyond just money matters. A Social Impact Assessment (SIA) looks at how microfinance programs affect people and their communities in more ways than just financially.

**What is a Social Impact Assessment?**

An SIA is a method used to find out, study, and keep track of the social effects, both good and bad, of a project or program. When it comes to microfinance, an SIA checks not only how it affects borrowers' money and jobs, but also the wider social changes that happen when people can use financial services.

**Economic Impact Assessment as Part of Social Impact Assessment:**

A Social Impact Assessment (SIA) looks at many social aspects, and it usually involves examining the economic effects too. This means looking at the measurable financial advantages of small loans, which can include:

- More money earned by people who borrow

- New jobs created in small businesses

- More spending on business equipment

- Better availability of important products and services

# Sample Area

In this study, the sample constitutes responses obtained from MFI consumers from different branches of:

**Western Uttar Pradesh:** Sarthavaha, Nakur, Gangoh, Baraut, Binauli, Kandhla, Shamli, Chutmalpur, and Nagal

**Uttarakhand:** Doiwala, Rishikesh, Bahadrabad, Laksar, and Jhabrera

|  |  |
| --- | --- |
| 1 | Population Rural India |
| 2 | Western Uttar Pradesh and Uttarakhand |
| 3 | Saharanpur and Dehradun |
| 4 | Sample (257) |

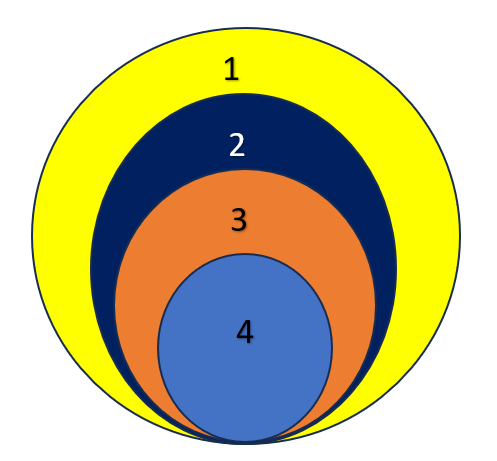
 Table : Sampling Frame

Figure : Sampling frame

# Findings

Table : Branch-wise Sample collection

|  |  |
| --- | --- |
| **Branch names** | **Count of Name** |
| Bahadrabad | 36 |
| Baraut | 5 |
| Binauli | 9 |
| Chutmalpur | 10 |
| Doiwala | 24 |
| Gangoh | 10 |
| Jhabrera | 48 |
| Kandhla | 7 |
| Laksar | 50 |
| Nagal | 7 |
| Nakur | 7 |
| Rishikesh | 28 |
| Sarthava | 7 |
| Shamli | 9 |
| **Grand Total** | **257** |

Figure : Branch-wise sample collection

This table represents the number of samples collected from each branch of Western Uttar Pradesh and Uttarakhand. Here is the breakdown of branches under both the states.

Uttar Pradesh: Sarthava, Nakur, Gangoh, Baraut, Binauli, Kandhla, Shamli, Chutmalpur, and Nagal.

Uttarakhand: Doiwala, Rishikesh, Bahadrabad, Jhabrera, and Laksar.

## Actual & Imputed Income

Table : Total Sample Analysis

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***257 Sample DS*** | ***Primary source of income (₹)*** | ***Household Income (₹)*** | ***Monthly Expenses (₹)*** | ***EMIs (₹)*** | ***Loan (₹)*** |
| Mean | 19879 | 28844 | 15361 | 7340 | 67571 |
| Median | 18000 | 25000 | 15000 | 6000 | 50000 |
| Mode | 15000 | 25000 | 10000 | 6000 | 0 |
| Standard Deviation | 10437 | 14813 | 8293 | 4182 | 56192 |
| Range | 112000 | 141000 | 79000 | 18000 | 300000 |
| Minimum | 8000 | 9000 | 1000 | 2000 | 0 |
| Maximum | 120000 | 150000 | 80000 | 20000 | 300000 |
| Sum | 5109000 | 7413000 | 3948000 | 1886500 | 17366000 |
| Count | 257 | 257 | 257 | 257 | 257 |

The average income of the overall observation is Rs. 28,000 approx. which explains that Avanti is providing loans under MFI (AMPL) category as well as Avanti Finance (AFPL). The average expenses of the household are Rs.15,361. Average EMI for the entire sample size is Rs.7340, and the average loan amount taken by borrowers beside Avanti I is Rs.67571.

### Top 10 Professions

Table :Top 10 professions distribution

Figure : Top 10 professions

|  |  |  |  |
| --- | --- | --- | --- |
| **Top 10 professions/occupations** | | | |
|  | Profession | Percentage | Frequency |
| 1 | Labour | 26% | 66 |
| 2 | Worker | 16% | 42 |
| 3 | Master Mason | 7% | 19 |
| 4 | Driver | 7% | 18 |
| 5 | Painter | 4% | 11 |
| 6 | Contractor | 4% | 9 |
| 7 | Farming | 4% | 9 |
| 8 | Confectioner | 3% | 7 |
| 9 | Apparel Retailer | 2% | 6 |
| 10 | Welder | 2% | 6 |
|  | **Total** | **75%** | **193** |

This table analyzes the top 10 professions, representing 75% of the 257 borrowers in the sample. These professions constitute the majority of the data set. Among all the professions, Labor is the major profession constituting 26%.

(Labour and Worker difference)

**Labour:** Labor refers to physical work performed in exchange for immediate compensation, without the provision of overtime or leave benefits. Worker: Person who is working in a company or factory, who is entitled wages but apart from that the also have some other benefits such as leaves etc.

**Worker:** A worker is an individual who is hired by an employer to perform various types of work, whether physical or mental, and is entitled to benefits such as overtime pay, leave, and the possibility of being part of a union.

### Analysis of EMIs of the top 10 professions

#### Analysis of Labour

Table : Measures of Central Tendency and Dispersion of Labour

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Labour*** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 16455 | 25985 | 13242 | 7009 |
| Median | 15000 | 24000 | 12000 | 7000 |
| Mode (33) | 15000 | 25000 | 10000 | 7000 |
| Standard Deviation | 5525 | 11278 | 5472 | 3678 |
| Range | 41000 | 53000 | 25000 | 15000 |
| Minimum | 9000 | 12000 | 5000 | 2000 |
| Maximum | 50000 | 65000 | 30000 | 17000 |
| Count | 66 | | |  |

The mean primary income of Labors is Rs.16455, but have a secondary source of income due to which the monthly income is more, the average comes up to Rs.25895. The frequency of Mode is (₹15000) is 33. The average Expense of all Labor is Rs.13242, and the average EMI is Rs.7009.

#### Analysis of Worker

Table : Measures of central Tendency and Dispersion of Worker

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Worker*** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 17571 | 28262 | 15905 | 7998 |
| Median | 15000 | 25000 | 15000 | 6000 |
| Mode | 15000 | 20000 | 15000 | 6000 |
| Standard Deviation | 6286 | 13851 | 7139 | 4905 |
| Range | 32000 | 56000 | 43000 | 18000 |
| Minimum | 8000 | 9000 | 7000 | 2000 |
| Maximum | 40000 | 65000 | 50000 | 20000 |
| Count | 42 | | | |

The mean primary income of Workers is Rs.17571, but 29 out of 42, have a secondary source of income due to which the monthly income is more, the average comes up to Rs.28262. The average Expense of a Worker is Rs.15905, and the average EMI is Rs.7998.

#### Analysis of Master Mason

Table : Measures of Central Tendency and Dispersion of Master Mason

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Master mason*** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 21684 | 26684 | 12895 | 6678 |
| Median | 20000 | 26000 | 12000 | 6000 |
| Mode | 20000 | 30000 | 15000 | 6000 |
| Standard Deviation | 3128 | 5089 | 5043 | 4111 |
| Range | 12000 | 22000 | 25000 | 17500 |
| Minimum | 18000 | 18000 | 5000 | 2500 |
| Maximum | 30000 | 40000 | 30000 | 20000 |
| Count | 19 | | | |

The mean primary income of Master Masons is Rs.21684, but have a secondary source of income due to which the monthly income is more, the average comes up to Rs.26684. The average Expense of all Master Mason is Rs.12895, and the average EMI is Rs.6678.

#### Analysis of Driver

Table : Measures of Central Tendency and Dispersion of Driver

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Driver*** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 18176 | 29118 | 17000 | 7129 |
| Median | 18000 | 25000 | 15000 | 6000 |
| Mode | 15000 | 25000 | 20000 | 5000 |
| Standard Deviation | 5812 | 11581 | 5568 | 3522 |
| Range | 27000 | 47000 | 20000 | 13300 |
| Minimum | 3000 | 15000 | 10000 | 2700 |
| Maximum | 30000 | 62000 | 30000 | 16000 |
| Count | 17 | | | |

The mean primary income of Drivers is Rs.18,176, but 12 out of 17 drivers, have a secondary source of income due to which the monthly income is more, the average comes up to Rs.29,118. The average Expense of Driver is Rs.17000, and the average EMI is Rs.7129.

#### Analysis of Contractor

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Contractor*** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 35111 | 46111 | 18333 | 9856 |
| Median | 20000 | 30000 | 15000 | 7000 |
| Mode | 18000 | 25000 | 15000 | 7000 |
| Standard Deviation | 34284 | 42336 | 10235 | 6176 |
| Range | 110000 | 140000 | 30000 | 17300 |
| Minimum | 10000 | 10000 | 10000 | 2700 |
| Maximum | 120000 | 150000 | 40000 | 20000 |
| Count | 9 | | | |

Table : Measures of Central Tendency and Dispersion of Contractor

The mean primary income of Contractors is Rs.35,111, but 7 out of 9 have a secondary source of income due to which the monthly income is more, the average comes up to Rs.46,111. The average Expense of all Contractors is Rs.18,333, and the average EMI is Rs.9,856.

#### Analysis of Painter

Table : Measures of Central Tendency and Dispersion of Painter

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Painter*** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 20909 | 29091 | 13909 | 8045 |
| Median | 20000 | 26000 | 10000 | 6000 |
| Mode | 20000 | 25000 | 10000 | 4000 |
| Standard Deviation | 6395 | 10173 | 6580 | 4138 |
| Range | 23000 | 38000 | 20000 | 11000 |
| Minimum | 12000 | 12000 | 6000 | 4000 |
| Maximum | 35000 | 50000 | 26000 | 15000 |
| Count | 11 | | | |

The mean primary income of Painter is Rs.20,909, but 8 out of 11 samples have a secondary source of income due to which the monthly income is more, the average comes up to Rs.29,091. The frequency of Mode (₹18,000) is 2. The average Expense of all Painter is Rs.18,333, and the average EMI is Rs.8,045.

#### Analysis of Farming

Table : Measures of Central Tendency and Dispersion of Farming

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Farming** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 24111 | 30556 | 11444 | 5611 |
| Standard Error | 6724 | 6583 | 1226 | 942 |
| Median | 18000 | 25000 | 12000 | 5000 |
| Mode | 12000 | 25000 | 12000 | 5000 |
| Standard Deviation | 20171 | 19749 | 3678 | 2826 |
| Range | 65000 | 64000 | 12000 | 10000 |
| Minimum | 10000 | 18000 | 6000 | 2000 |
| Maximum | 75000 | 82000 | 18000 | 12000 |
| Count | 9 | | | |

The mean primary income of a Farmer is Rs.24,111, but 8 out of 11 samples have a secondary source of income due to which the monthly income is more, the average comes up to Rs.29,091. The average Expense of all Farmers is Rs.18,333, and the average EMI is Rs.8,045.

The high standard deviation is because of large variations in the agricultural land size, where the larger ones generate higher income than the smaller ones. Also, different crops have varying market prices and yields, which is also one factor for income fluctuations.

#### Analysis of Confectioner

Table : Measures of Central Tendency and Dispersion of Confectioner

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Confectioner*** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 19000 | 26571 | 17286 | 7100 |
| Median | 18000 | 30000 | 20000 | 10000 |
| Mode | 15000 | 30000 | 20000 | 10000 |
| Standard Deviation | 5354 | 4392 | 7847 | 4309 |
| Range | 15000 | 10000 | 24000 | 10000 |
| Minimum | 15000 | 20000 | 6000 | 2000 |
| Maximum | 30000 | 30000 | 30000 | 12000 |
| Count | 7 | | | |

The mean primary income of Confectioner is Rs.19,000, but 5 out of 7 samples have a secondary source of income due to which the monthly income is more, the average comes up to Rs.26,571. The average Expense of all Confectioners is Rs.17,286, and the average EMI is Rs.7,100.

#### Analysis of Apparel Retailer

Table : Measures of Central Tendency and Dispersion of Apparel Retailer

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Apparel Retailer** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 24667 | 26667 | 26500 | 8500 |
| Standard Error | 3756 | 4410 | 11117 | 1384 |
| Median | 22500 | 22500 | 14000 | 7500 |
| Standard Deviation | 9201 | 10801 | 27230 | 3391 |
| Range | 25000 | 25000 | 70000 | 9000 |
| Minimum | 15000 | 15000 | 10000 | 6000 |
| Maximum | 40000 | 40000 | 80000 | 15000 |
| Count | 6 | | | |

The mean primary income of Apparel Retailer is Rs.24,667, but 2 out of 6 samples have a secondary source of income due to which the monthly income is slightly more, the average comes up to Rs.26,667. The average Expense of all Apparel Retailer is Rs.26,500, and the average EMI is Rs.8500.

#### Analysis of Welder

Table : Central Tendency and Dispersion of Welder

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Welder*** | ***Primary Income (₹)*** | ***Household Income (₹)*** | ***Monthly Expense (₹)*** | ***EMIs (₹)*** |
| Mean | 20333 | 26000 | 13167 | 6700 |
| Standard Error | 2654 | 2366 | 1515 | 1734 |
| Median | 20000 | 28000 | 12000 | 5750 |
| Mode | 20000 | 30000 | 12000 | 6000 |
| Standard Deviation | 6501 | 5797 | 3710 | 4247 |
| Range | 20000 | 14000 | 11000 | 12300 |
| Minimum | 12000 | 18000 | 9000 | 2700 |
| Maximum | 32000 | 32000 | 20000 | 15000 |
| Count | 6 | | | |

The mean primary income of Welder is Rs.20,333, but 4 out of 6 samples have a secondary source of income due to which the household income is slightly more, the average comes up to Rs.26,000. The average Expense of Welder is Rs.13167, and the average EMI is Rs.6700.

Among all the top 10 professions, the lowest mean primary income is for Labor, i.e., ₹16455, and the highest is for Apparel Retailer, i.e., ₹24667. Among all the top 10 professions, Labor's lowest mean household income is for Labour, i.e., ₹25985, and the highest is for Farming, i.e., ₹30556. The highest EMIs are being paid by contractors, Rs.9,856

#### Monthly Income

Table : Monthly Income

|  |  |  |
| --- | --- | --- |
| **Income (₹)** | **Percentage** | **frequency** |
| 5000 - 15000 | 5% | 13 |
| 15000 - 25000 | 37% | 95 |
| 25000 - 35000 | 32% | 81 |
| 35000 - 45000 | 16% | 40 |
| 45000 - 55000 | 5% | 14 |
| 55000 - 65000 | 2% | 6 |
| >65000 | 3% | 8 |

Figure : Monthly Income distribution

The maximum number of borrower’s household income is between Rs.15000 – 25000, i.e., 95 borrowers.

#### Analysis of EMIs

Table : EMI Analysis

Figure 4: EMI Analysis

|  |  |  |
| --- | --- | --- |
| **EMIs (₹)** | **frequency** | **%** |
| 2000 - 4000 | 49 | 19% |
| 4000 - 6000 | 51 | 20% |
| 6000 - 8000 | 62 | 24% |
| 8000 - 10000 | 25 | 10% |
| 10000 - 12000 | 24 | 9% |
| 12000 - 14000 | 19 | 7% |
| 14000 - 16000 | 15 | 6% |
| 16000 - 18000 | 4 | 2% |
| 18000 - 20000 | 8 | 3% |

* The maximum number of people are paying EMIs between 6000 – 8000, which is representing 24% of the sample size.

Figure : Other existing Loans

Out of 257 samples, 49 (19%) borrowers don’t have other active loans beside Avanti, whereas 208 (81%) borrowers have other active loans.

#### Loan from other companies besides Avanti

Table : Number of loans taken by borrowers

|  |  |
| --- | --- |
| **No. of companies** | **%** |
| 4 | 2% |
| 3 | 5% |
| 2 | 27% |
| 1 | 48% |
| 0 | 19% |
| Total | **100%** |

Figure : No. of active loans taken

* This table indicates a significant risk of excessive debt. While 48% probably only use one company beside Avanti, a worrying 65% (27% + 19% + perhaps more) have loans from several lenders.
* This aligns with the RBI data highlighting over-indebtedness in UP and Bihar, where 10% of borrowers have loans from 4 or more companies. If left unchecked, this trend may result in defaults and other difficulties. [[7]](#footnote-7)

## Scope of Digital Payments

### Analysis of Branch wise EMI Payment Mode

Table : EMI Payment Mode branch-wise

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Payment Mode Assessment for Different Branches** | | | | | | | | |
| **Branch Name** | **DP** | **Always** | **% of DP(Sometimes + Always)** | **Always(%)** | **Cash** | **% of Cash** | **Total** | **Total %** |
| Sarthava | 4 | 0 | 57% | 0% | 3 | 43% | 7 | 100% |
| Nakur | 5 | 0 | 71% | 0% | 2 | 29% | 7 | 100% |
| Gangoh | 3 | 0 | 30% | 0% | 7 | 70% | 10 | 100% |
| Baraut | 1 | 1 | 20% | 20% | 4 | 80% | 5 | 100% |
| Binuali | 5 | 3 | 56% | 33% | 4 | 44% | 9 | 100% |
| Kandhla | 1 | 0 | 14% | 0% | 6 | 86% | 7 | 100% |
| Shamli | 1 | 0 | 11% | 0% | 8 | 89% | 9 | 100% |
| Nagal | 2 | 0 | 29% | 0% | 5 | 71% | 7 | 100% |
| Chutmalpur | 0 | 0 | 0% | 0% | 10 | 100% | 10 | 100% |
| Doiwala | 8 | 2 | 33% | 8% | 16 | 67% | 24 | 100% |
| Bahadrabad | 10 | 0 | 27% | 0% | 27 | 73% | 37 | 100% |
| Rishikesh | 8 | 0 | 29% | 0% | 20 | 71% | 28 | 100% |
| Laksar | 4 | 0 | 8% | 0% | 46 | 92% | 50 | 100% |
| Jhabrera | 12 | 1 | 25% | 2% | 36 | 75% | 48 | 100% |

Both regular and infrequent users of digital EMI payments are included in the above data. However, concentrating only on individuals who make their payment online offers a constrained viewpoint.

Just two of the 14 branches appear to be actively pushing borrowers to use digital payments for their EMI repayments, i.e., Baraut and Binauli.

### Analysis of EMI payment mode

Table : Macro view of Collections

|  |  |  |
| --- | --- | --- |
| **Particulars** | **%** | **Numbers** |
| Always Cash | 78% | 200 |
| Both (Cash + Online) | 20% | 52 |
| Online | 2% | 5 |
| **Total** | **100%** | **257** |

Figure : Macro view of collections

* Borrowers who pay EMI through cash are 78%, those who pay online but the frequency is less i.e., (cash + Online) are 20% and those who pay regularly via online are 2% only.

#### Cross-tabular Analysis of Income and Awareness of Digital Payments

Table : Cross-tab analysis of household income and awareness

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Household Income and Awareness** | | | | | | |
|  |  |  | **Figures** | | **Percentage** | |
| **Household Income (₹)** | **Frequency** | **Percentage** | **Yes** | **No** | **Yes** | **No** |
| 5000 - 15000 | 13 | 5.1% | 4 | 9 | 31% | 69% |
| 15000 - 25000 | 95 | 37.0% | 56 | 39 | 59% | 41% |
| 25000 - 35000 | 81 | 31.5% | 49 | 32 | 60% | 40% |
| 35000 - 45000 | 40 | 15.6% | 31 | 9 | 78% | 23% |
| 45000 - 55000 | 14 | 5.4% | 13 | 1 | 93% | 7% |
| >55000 | 14 | 5.4% | 11 | 3 | 79% | 21% |

* As income is increasing, the percentage of awareness is also increasing parallel.
* People who use digital payments for everyday purchases aren't using them for EMI payments.
* The frequency of online payment is less, as the borrowers also pay through cash
* Borrowers with higher income levels are more aware.

#### Cross-tabular Analysis of Profession and Awareness of Digital Payments

Table : Cross-tab analysis of Profession, Income, awareness, and online payments

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| ***Analysis of Digital Payments (DP)*** | | | | | ***Online Payment Mode for EMI*** | |
| **Profession** | **Mean Income (₹)** | **Aware** | **Not aware** | **Awareness Percentage** | **Always** | **Sometimes** |
| **Labour** | 16,455 | 30 | 36 | 45% | 7% | 33% |
| **Worker** | 17,571 | 28 | 14 | 67% | 4% | 25% |
| **Master Mason** | 21,684 | 8 | 11 | 42% | 13% | 38% |
| **Driver** | 18,176 | 12 | 5 | 71% | 0 | 58% |
| **Painter** | 20,909 | 8 | 3 | 73% | 13% | 50% |
| **Contractor** | 35,111 | 5 | 4 | 56% | 0% | 0% |
| **Farming** | 24,111 | 3 | 6 | 33% | 0% | 33% |
| **Confectioner** | 19,000 | 2 | 5 | 29% | 0% | 0% |
| **Apparel Retailer** | 24,667 | 5 | 1 | 83% | 0% | 20% |
| **Welder** | 20,333 | 6 | 0 | 100% | 17% | 33% |

There is a considerable difference between the awareness of digital payments and the actual usage of online payment methods among apparel retailers, welders, and drivers, according to statistics comparing profession, income, awareness, and payment mode. It's interesting to note that these vocations are more aware than others.

Figure : Analysis of Concerns

## Social Impact Assessment

#### Economic Impact Analysis

Table : Impact Analysis

|  |  |  |
| --- | --- | --- |
| **Impact** | | |
| **Earnings** | **Frequency** | **Percentage** |
| 0 - 5000 | 106 | 41% |
| 5000 - 10000 | 62 | 24% |
| 10000 - 15000 | 30 | 12% |
| 15000 - 20000 | 7 | 3% |
| 20000 - 25000 | 2 | 1% |
| >25000 | 4 | 2% |
| Can't Determine | 46 | 18% |

Figure : Impact of Avanti’s Loan

Borrowers who utilized loans for their personal use, have zero impact, and borrowers who were able to generate an income up to Rs.5000 per month, both combined sum up to 41%. Similarly, borrowers generating Rs.5000 – 10000 monthly are 24%. Borrowers earning Rs.10000 to more than Rs.25000 are about 17% of the sample size. People who utilized the loan for purchasing inventory, tools, or maintenance of vehicles have been categorized under one segment, where they couldn’t quantify the impact generated by Avanti’s loan.

#### Impact of Avanti’s Loan investment by industry

Table : Impact of Loan Investments by Industry

|  |  |  |
| --- | --- | --- |
| **Industry** | **Percentage** | **frequency** |
| Agriculture | 35% | 91 |
| Manufacturing/Services | 2% | 5 |
| Personal | 22% | 56 |
| Retail | 12% | 30 |
| Small Business | 23% | 60 |
| Transportation | 6% | 15 |
| **Total** | **100%** | **257** |

Agriculture Industry: Borrowers who bought cattle (cows and buffaloes) for the dairy business and agriculture purposes, using the loan amount, and also invested in agriculture (buying fertilizers or taking land on lease, etc.) have been considered.

Manufacturing/Services: Borrowers who utilized the loan amount to purchase tools and equipment for business, such as eateries, tailoring, flour mills, plumbing, and masonry have been considered.

Personal: Borrowers who used the loan (>40%) for their personal use have been considered under this category.

Retail: Borrowers who used the loan either for expansion of business or purchased inventory for the existing business have been considered under this category.

Small Business: Borrowers who invested the loan amount in establishing or expanding businesses like Welding, Juice Shops, Painting, and Furniture shops have been considered.

Transportation: Drivers of e-rickshaws, auto-rickshaws, and goods carriers have been included under this category, who invested the loan either in purchasing a new vehicle or in maintenance of the vehicle.

Figure : Impact of Loan Investment by Industry

## Focused Group Discussion

This study examines a Focused Group Discussion (FGD) that Avanti Finance, a microfinance company, had with its borrowers. The goal of the conversation was to learn about borrower experiences with loan use, adoption of digital payments, and other obstacles.

### Participants:

Members of Avanti's Joint Liability Group (JLG) program participated in the FGD. The conversation did not specifically elicit information about the industries in which they invested the loan amounts.

### Key Result

**1. Adoption of Digital Payments:** Opinions among borrowers for digital EMI payments were divided.

While some saw no problems with the proposal, others had reservations\*.

**2. Obstacles to Online Payments:**

Limited Banking Infrastructure: The participants brought up the trouble of having to make lengthy trips in order to deposit money into bank accounts.

Digital Transactions and Literacy: A few did not own smartphones or have any experience with digital transactions.

Flexibility Issues: Some borrowers rely on last-minute cash borrowing from others, which wouldn't be feasible with online payments, because they would not have the EMI amount readily available at the due date.

# Key Informant Interview (KII)

Important takeaways from Staff Interviews with Avanti: Digital Payments, Loan Applications, and Branch Challenges. The main conclusions drawn from interviews with branch managers, area managers, and Avanti field officers are outlined in this study. The region's livelihoods, loan application procedures, acceptance of digital payments, and branch-level difficulties were the main areas of focus.

### Applications for loans and livelihoods:

The area is home to a wide variety of occupations, including labor, farming, and skilled trades.  
Group Recognition Tests (GRT) are administered by Avanti's partner organization, Disha, to confirm the identity, creditworthiness, and financial literacy of loan applicants. Branch managers employ credential checks and residence visits to further verify information.

**Digital payments and financial services:**  
  
Basic banking services, such as loans and savings accounts, are available to villagers.  
Even if some borrowers are aware of digital payment methods like UPI and mobile wallets, they are hesitant to utilize them because of:

* fear that a failed transaction would lower credit score.
* not having enough money in the bank to pay for regular EMIs.
* unaware of the fact that Avanti accepts online EMI payments.

### Obstacles in the Way of Digital Payment Collections:

* One major obstacle is Partner Disha's lack of passion for promoting digital EMI collection.
* By promising online payments, some borrowers deceive field officials and cause actual settlements to be delayed.
* Villagers have a limited understanding of digital payments.
* Not enough money in the bank to make regular online purchases.
* Some segments do not own smartphones.
* Cash transactions require less effort compared to digital payments

### Branch-Level Difficulties:

* tracking down OD borrowers.
* Managing migrant borrowers.
* Encouraging borrowers to pay EMI digitally instead of using cash

### Prospects for Growth:

* Extending business activities to new areas.
* Finding financially stable borrowers from previously blacklisted locations and offering a chance to increase the rate of payments.

### Emphasizing the Partner's Lack of Interest in Electronic Payments:

One area manager revealed Disha's preference for cash collection and possible disincentive to accept online payments, which raised a crucial concern. Avanti's efforts to advance digital financial inclusion are severely obstructed by this.

### Suggestions given by the interviewee:

* Disha's worries about digital payments can be reduced with incentives and training.
* Educate borrowers about financial literacy to reduce their fears and highlight the advantages of making online payments.
* Make the option to use an auto-debit mechanism available to borrowers who feel comfortable with it.

# Conclusion

This study has explored Avanti Finance's microloan program in Western Uttar Pradesh and Uttarakhand through three key lenses: creditworthiness assessment, digital payment adoption, and social impact assessment.

Creditworthiness Assessment: Avanti's unique approach that considers both primary and secondary income sources alongside imputed income based on asset ownership offers a more realistic picture of borrower repayment potential in this region. This can lead to more inclusive lending practices and potentially reach borrowers who might otherwise be excluded from traditional financial institutions.

Digital Payment Adoption: Our research shows that borrowers' restricted internet access and inadequate digital literacy now impede the widespread adoption of digital payments. Convenience sampling produced insightful results, but a more comprehensive picture may come from a bigger study with a more representative sample across the region. To improve user experience and repayment efficiency, Avanti Finance can investigate focused digital literacy campaigns and create alternative digital payment options that are accessible in remote locations.

Social Impact Assessment: Analyzing the investment decisions and satisfaction levels of borrowers offers important insights into the overall impact of the program. Knowing how microloans are used and how they help people lead better lives allows Avanti Finance to improve its offerings and increase its positive social impact. If Avanti's microfinance program is connected to broader societal shifts like women's empowerment or community development, more research may be necessary to fully understand these developments.

# Recommendations (points)

* **Align with Avanti’s vision:** Emphasize Paperless, Presenceless, and Cashless principles for Disha.
* **Focus on specific borrower segments:** Prioritize borrowers already paying EMI digitally, and encourage infrequent and hesitant borrowers.
* **Enhance financial literacy:** Conduct financial literacy campaigns through CSR funds.
* Look at other digital payment options, such as (Unstructured Supplementary Service Data) USSD-based systems, which may not require internet access.
* Review physical visits for initial support.
* Support and troubleshooting for Field Officers: Train field officers to address borrowers difficulties while paying EMI digitally.

# Annexure

## Annexure 1: Key Informative Interview Transcription

**KII of Salman, Branch Manager of Chutmalpur**

Q1. What are the major source of income?

Ans: Labour, Farming and animal husbandry are the major sources of income.

Q2. What are the financial services here in this region?

Ans: NBFCs and Banking services (savings account)

Q3. What are the main challenges people face when using digital payments?

Ans: People are not financial literate; they have trust issues such as sending the amount to a wrong person etc. They trust more in paying cash to field officers rather than paying through online. Some of the people here doesn’t have smartphones as well.

Q4. How do you deal with the OD cases?

Ans: The Field Officers would try to understand the reasons, and try to convince and take confidence from them to pay EMI as soon as possible. The Field Officer and Branch Manager keep in touch with the borrower who ever has defaulted or delyed the payment.

**KII of Sachin, Area Manager (Sarthava, Nakur, Gangoh)**

Q1. What are the major sources of income?

Ans: Labour, Animal Husbandry, workers, and Farming are the major sources of income here in this place.

Q2. What types of financial services are available here to the people?

Ans: NBFCs, MFIs, Banking services (savings A/C)

Q3. Competitors of Avanti?

Ans: Janlakshmi, Utkarsh, Ujjivan, RBL, Shivalik bank, Bandhan bank,

Q4. How familiar are villagers with digital payment methods (e.g., mobile wallets, UPI)?

Ans: Majority of the collections are collected in cash. Usage of digital means is comparatively less, its more cash driven society here. The ladies here (borrowers) have keypad phone, and the spouse works outstation. So is the reason they prefer to pay in cash rather than managing to pay online.

Q5. What are the main challenges they face when using digital payments?

Ans: Since the bulk of our borrowers have loans from other NBFCs, most MFIs and other institutions collect EMIs in cash, making it easier for them to repay loans in cash. Going to the bank, depositing money into their savings account, and then making a digital payment would be more work for them. While it does happen occasionally, extremely few borrowers make their payments online. Four out of five borrowers consented when Field Officers urged them to pay their EMI online, while one borrower chose not to pay. The Field Officers could have handled the situation more skillfully if the collecting strategy had been cash-based. Although it is a fictional scenario, it captures reality. As a whole, digital awareness is low in this region.

Q6. Any concerns/suggestions?

Ans: Let's make sure that by raising awareness, we progressively raise people's level of digital literacy. Avanti does not have a set timeframe for approving loan applications that are uploaded on the platform and are awaiting lender clearance. Regardless of whether it is the case of a co-lender or a lender, it must be settled within a certain time frame. With Avanti, everything else is going smoothly.

**KII of Neetu, Area Manager (Dehradun)**

Q1. What prevents the wider adoption of digital payments among villagers?

Ans:The borrowers don't feel at ease making digital payments. They are uncomfortable making money online, hence they don't trust internet transactions. They worry that they will be hit with overdraft penalties and have their money stranded if a transaction fails because of a server problem. One obstacle is that the borrowers might not be able to arrange funds right away if the deal fails.

Borrowers' lack of financial literacy makes it difficult for them to comprehend how digital transactions operate. This includes being unaware of what occurs and how long it takes to receive a refund if a transaction goes wrong and money is taken out. Furthermore, there have been cases of fraud in the area, which has had a bad effect on debtors.

Q2. How much trust do villagers have in digital payment systems?

Ans: Borrowers don’t have trust in digital payments, because of few factors such as, the frauds happening like the Field Officers or a fake representative of FO comes and takes money into his QR and doesn’t forward this money. Another reason is that the JLG attendance is being low on the collection day, is a challenge for the field officers to make proper track of the group’s EMI payment. Another challenge is that though the customer says that he will pay EMI online but he doesn’t pay and keeps on delaying and creates an OD mark

Q3. What are the biggest challenges faced by your branch in serving its clients?

Ans: Branch-Level Difficulties:

* tracking down borrowers who are in default and managing overdues (OD).
* managing borrower movement, which interferes with loan payback.
* promoting the transition to electronic payment methods.

## Annexure 2: Focus Group Discussion Transcription

Branch: Gangoh

Moderator: Sachin, Nikhil

Introduction:

To understand the exposure, usage, and perspective of low-income rural populations towards digital payments and financial services.

No. of participants: 5

Professions: 1. 3 Labor, 1 Driver, and 1 Farming

**On these topics moderators asked the borrowers:**

Q1. How much loan each member got?

Ans: 3 people got Rs.30000 as loan and other 2 got Rs.40000

Q2. Where did you invest the loan amount?

Ans: 3 people purchased cattles and 2 people used for personal use

Q3. What is the occupation they are involved in

Ans: The borrower's family is involved in Labor, Driver, and Farming

Q4. Did everyone benefit from the loan?

Ans: Yes, everyone got benefits from the loan taken

Q5. Importance of paying EMIs timely?

Ans:Making your EMI payments on time is essential to your financial health. By raising your credit score, they help you avoid future interest and penalty costs. Having a track record of timely repayment builds confidence with lenders, which facilitates future loan qualification. On-time EMI payments keep your finances on track and open the door to a better financial future by preventing late fees and lowering stress.

Q6. Does anybody amongst you pay EMI online?

Ans:None of us have a smartphone with us, so it is convenient for us to pay in cash to the field officer who visits the center on a particular date every month.

Q7. Do you maintain sufficient balance in the bank balance?

Ans:Yes, we do maintain an average balance of Rs.1500. Since, we deal in cash daily, it is an extra effort to visit the bank and deposit in our savings account, which is not used too frequently.

Q8. Since all of you are paying EMI through cash, what if we ask you to pay online next time. Will you be able to pay or will face some challenges?

Ans:Having timely cash arrangements is convenient and advantageous for you. If we are unable to come up with the required EMI payment, we have the option to borrow the funds and repay the EMI. We ensure that there is no disruption to the EMI payment. If it is meant to be paid online, though, we will need to visit the bank and deposit the money before you deduct it. We are unable to even seek for assistance if we are unable to arrange the sum. This indicates that while it costs us money to travel to and from the bank, it's simply handy for you.

Q9. The moderators explained the benefits of digital payments

Ans: While we acknowledge that some of you would rather pay with cash, there are a number of benefits to digital EMI payments that improve security, ease of use, and record-keeping. No more concerns about carrying large amounts of cash or running into dubious field police. Your money is protected by the security and encryption of digital transactions. Envision utilizing your phone to pay your EMIs at any time or location! Forget about finding a field officer during specified hours or organizing exact change. Making payments online is simple and fast. They also make your EMI payment history easily accessible online. You can effortlessly monitor your financial obligations - no more uncertainty or misplaced receipts. Additionally, digital payments offer increased transparency by giving you and Avanti a clear record and minimizing mistakes and disagreements. Every time, your payments are correctly reflected. Although a digital footprint may worry you, your transaction history really benefits you! It exhibits appropriate repayment practices, which is advantageous when submitting an application for a loan or other financial service later on. Make the move to digital EMI payments for a transparent, easy, and safe loan management experience!

10. How much impact did Avanti's loan have on your life?

Ans:Two of the borrowers used the loans for personal expenses, while the majority invested in buffalo and cows so they could sell their milk and make money. In order to guarantee that future funding would directly support revenue-generating operations, we are working to enhance loan applications.

## Annexure 3: Questionnaire

1. What is your primary occupation?

2. Do you have additional source of income?

3. If “Yes”, what are the additional sources of income

4. How much do you earn from Primary source?

5. How much do you earn from Secondary source?

6. What is your monthly income?

7. How much is your monthly expenses?

8. How much EMI you pay monthly?

9. From how many institutions have you taken loan?

10. How much loan have you taken in total?

11. What is the purpose of taking loan?

12. Are you aware of digital payment methods?

13. What is your EMI payment mode?

14. What are the biggest concerns of using digital payments?

3

## Appendix 3: Concerns

|  |  |
| --- | --- |
| **What are the concerns of not using DP:** | |
| Sometimes | The frequency of use is less |
| No usage | Smartphone is there, but not using apps |
| Trust Issues | though they have apps but don't have the confidence to do transactions of EMI |
| Difficulty in using tech | low literacy |
| No smartphone | No smartphone in the house |
| Unaware of the fact | They use generally but are not aware of the fact that they can pay through UPI |
| Always | Always pay online |
| Transaction fails | unnecessarily have to face the heat from Fos |

## Appendix 4: Professions data

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **What is your primary occupation? (farmer, tailor, shopkeeper, etc.)** | **Primary Income** | **Range of Income** | **Monthly Expense** | **EMIs** |
| Farming | 12000 | 18000 | 12000 | 6000 |
| Farming | 25000 | 25000 | 13000 | 5500 |
| Farming | 75000 | 82000 | 18000 | 12000 |
| Farming | 15000 | 25000 | 12000 | 5000 |
| Farming | 30000 | 30000 | 10000 | 5000 |
| Farming | 10000 | 25000 | 15000 | 7000 |
| Farming | 18000 | 30000 | 8000 | 5000 |
| Farming | 20000 | 20000 | 9000 | 3000 |
| Farming | 12000 | 20000 | 6000 | 2000 |

1. https://www.avantifinance.in/ [↑](#footnote-ref-1)
2. https://www.dimc.in [↑](#footnote-ref-2)
3. https://www.researchgate.net/publication/377183877\_Digital\_Payment\_for\_Rural\_India-\_Challenges\_and\_Opportunities [↑](#footnote-ref-3)
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6. **MFIN Micrometer Reports** (<https://mfinindia.org/>) [↑](#footnote-ref-6)
7. https://finshots.in/archive/why-is-the-rbi-worried-about-the-microfinance-credit-growth-in-up-and-bihar/ [↑](#footnote-ref-7)