

## **MARKETING STRATEGIES OF MICROFINANCE INSTITUTIONS IN MOBILIZING FUNDS AND CREDIT DELIVERY IN INDIA**

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### **ABSTRACT**

Microfinance Institutions (MFIs) are very important in enhancing financial inclusion in India through offering credit and financial services to the low-income and marginalized groups. In order to carry on their activities and increase their outreach, MFIs implement various marketing practices in raising funds and efficient delivery of credit. The article will discuss the MFIs strategies used in India to mobilize finances and provide them with effective distribution of credits. It identifies institutional branding, relationship marketing, online outreach, partnership, model, and customer-oriented product design as major measures that will lead to growth and sustainability in the microfinance industry. To objective of the study is to identify the perception about marketing strategies of Microfinance Institutions among respondents belonging to different age groups. The study is based on primary data collected from 150 respondents using a structured questionnaire. The respondents were selected through the convenience sampling method, considering their accessibility and willingness to participate. The questionnaire was designed to measure respondents' perception regarding various marketing strategies of Microfinance Institutions, such as financial literacy campaigns, digital and mobile banking promotion, product diversification, and strategic partnerships. The findings revealed that perceptions regarding strategic partnerships and institutional funding networks also remain consistent among respondents of different ages. This may reflect a general confidence in the institutional strength and sustainability of MFIs.

**Keywords:** Savings and Deposit Schemes Mobilization, Credit delivery, Digital and Mobile Banking Promotion, Product Diversification and Customized Loan Products

### **INTRODUCTION**

Microfinance has become a potent instrument of poverty eradication and inclusive development in India. MFIs are mostly used by people where formal banking services are not available particularly women and rural entrepreneurs who constitute small businesses. As opposed to conventional banks, MFIs have been very dependent on trusting networks and community mobilization to raise funds and give credit. A competitive financial sector requires good marketing strategies to support the sustainability, expansion of its outreach, and quality of its portfolio. The mobilization of savings also provides a steady supply of internal funds, but it also lowers the level of dependence on external borrowings. In addition, it enhances customer relations and enhances financial discipline to the clients. In the long run, an excellent deposit base enhances liquidity position, sustainability in operations, and the reach of credit by the institution. Therefore, long-term financial stability is the result of savings-based fund mobilization.

## RESEARCH BACKGROUND

**1. Savings and Deposit Schemes Mobilization:** One of the most sustainable and economical fund mobilization strategies implemented by the financial institutions is savings mobilization. Small Finance Banks, Microfinance Institutions (MFIs), and cooperative banks develop appealing savings products to reach the target market of low-income households, self-help groups (SHGs), small traders, and rural clients. They could be recurrent deposits, daily collection programs, fixed deposits and money saved in micro-savings accounts with low minimum balance. The plan aims at establishing trust and financial inclusion. The institutions usually send field officers to collect small deposits of customers at their homes particularly in rural and semi-urban regions. More participation is also promoted through digital banking tools, mobile wallets, and simplified KYC processes.

**2. Banks and Financing Institutions Borrowings:** The other important plan of mobilizing funds is through wholesale funds available with the commercial banks, development finance institutions and even apex organizational bodies, like NABARD or SIDBI. MFIs normally depend on credit lines, term loans and refinancing facilities to increase the lending business. These loans give increased amounts of capital as opposed to individual mobilization of savings. The banks will lend money to MFIs due to their good grassroots and re-payment history. With high credit rating and transparent governance, institutions of high quality in terms of portfolio, can bargain with good interest rates and terms of repayment. In rural credit expansion, refinance schemes have a significant role. An example is NABARD which supports refinancing to financial institutions that practice agricultural and rural lending. In the same way, SIDBI helps in funding micro-enterprises and women entrepreneurs using systematic funds. The strategy allows institutions to expand their operations at a very high rate and sustain rising credit demand. Nevertheless, it involves making wise risk choices, because excessive reliance on borrowings can make it financially weak. The management of assets and liabilities properly creates sustainability as the growth is done by using borrowed funds.

**3. Capital Infusion through Equity and Investor Funding:** Equity financing has become a major mobilization approach of funds especially to regulated MFIs and Small Finance Banks. Local investors, private equity firms, venture capitalists, impact investors, and international development agencies are some of the sources of capital attracted by institutions. The equity capital enhances the net worth and increases the capital adequacy ratios. Of particular interest to impact investors is the social purpose of MFIs, to alleviate poverty and include the poor in financial services. These investors pursue financial as well as quantifiable social impact. Another path that has been taken by big MFIs to attract huge funds in the capital markets is public listing (IPO). Equity financing helps in improving the institution credibility, expansion to new geographical locations and technological improvement. It also enhances borrowing capacity by the banks because a good capital base attracts less risk. Nonetheless, organizations have to strike a balance between profitability and social priorities so as to meet the expectations of the investors. It should have transparent reporting, effective corporate governance, and accountability to the performance. Equity mobilization when done strategically will lead to faster growth and enhance sustainability over time.

**4. Securitization and Portfolio Sell-Down:** This is a sophisticated method of mobilization of funds, in which MFIs package their loans portfolios and auction them to banks or other financial institutions. In the process, debtors become controlled into instant cash. It assists institutions in recycling capital and growing new lending without raising the balance sheet risk. A typical arrangement of the securitization is to transfer a pool of performing micro-loans to a bank and the MFI remains in service of the loans. This is a win-win situation as the

banks are encouraged to lend to priority sectors and the MFIs can easily get loans. There is also the direct assignment which is a similar scheme in which loan portfolios are sold directly to banks. These trades enhance liquidity as well as minimization of concentration risk and also increase the asset-liability management. In large well established MFIs that have a good record of repaying loans, securitization can come in handy. Nevertheless, it must be in line with regulatory standards and clear records. Securitization when well executed promotes financial flexibility and institutional capacity to serve harshly underserved segments.

## CREDIT DELIVERY STRATEGIES

- 1. Group Lending Model:** Group lending model is one of the most common strategies of credit delivery in microfinance. In this strategy, small borrowers organize themselves (typically 5 to 10 of them) and loans are advanced without conventional security. Its concept is founded on the mutual trust and peer pressure with the group members ensuring that each other repays. This is a tactic that minimizes credit risk to institutions since social accountability provides timely credit repayment. It works well especially in the rural and semi-urban regions where borrowers do not have a formal credit history or security. Institutions hold periodic group meetings to dispose loans, collect loan repayments and train people on financial literacy. Group lending reduces the transaction cost, improves monitoring effectiveness and develops relationships between the communities. It also women empowers women since most microfinance institutions are women-based Self-Help Groups (SHGs). The model, however, needs high supervision and appropriate group formation in order to avoid group default contagion. Group lending enhances financial inclusion and high levels of repayment when done efficiently.
- 2. Individual Lending Procedure:** Individual lending procedure applies to those borrowers that have established business and have increased credit requirement. It is also in the contrast of group lending where individual applicant is being directly assessed by the lending organization on the basis of income, repayment capacity, credit background, and business viability. This model enables institutions to give out higher values of loans in loose repayment terms. It is usually applied to micro-enterprises, small traders, and self-employed professionals. Field verification processes and credit scoring models are some of the risk assessment tools that are used in assessing the credibility of a borrower. Personal lending increases customisation and customer satisfaction. It helps in the growth of business, earnings, and creating jobs. It however is more expensive with regards to administration and monitoring than group lending. To reduce the risks of default, the institutions should have powerful appraisal systems. On the whole, this is the strategy to scale up the micro-enterprises and encourage the entrepreneurship which is not based on lending on the subsistence level.
- 3. Digital transformed credit delivery:** Technology has facilitated credit delivery significantly. Mobile banking, biometric authentication, digital KYC, and credit scoring algorithms are quickly becoming popular in financial institutions to simplify loan processing. The use of technology in credit delivery minimizes article work, accelerates the time of approval and ensures that the operation cost is minimized. Field officers work with handheld devices or mobile applications and gather data about borrowers, identify them, and send documents immediately. UPI, mobile wallets, and bank transfers provide digital repayment systems, thereby making them transparent and convenient. Data analytics assists the institutions to evaluate the risk of the borrowers in a more efficient way by examining the patterns of transactions and

other credit data. It improves the excellence of the portfolios and lessens non-performing assets (NPAs). Despite the cost of setting up technology infrastructure initially being large, in the long-run, technology infrastructure can result in efficiency, scalability, and enhanced customer experience. Remote areas are also expanded by use of digital platforms where financial inclusion is encouraged in the underserved regions.

4. **Partnership and Linkage Models.** The activity of offering credit through partnerships comprises work with Self-Help Groups (SHGs), NGOs, cooperative societies, and banks. Shraddah Granthigala Bankaraji (SHG-Bank linkage model) is a system that is well employed in India and links informal savings groups to formal banks. According to this model, MFIs or NGOs can be viewed as an intermediary; they organize them, offer financial literacy, and make sure that the loans are used properly. SHGs obtain bulk credit at banks which are then distributed among the members. This strategy minimizes the cost of doing business on banks, and credit penetration in the rural areas is improved. Co-lending arrangements are also a partnership model with the two institutions sharing credit risk and resources. These types of partnerships enhance outreach, risk diversification, and fund optimization. The plan reinforces community-level development and creates credibility between official financial institutions and informal borrowers. It facilitates sustainable credit growth with discipline in the portfolio.
5. **Workplace Loans and Industry Lending.** The need based delivery of credit is based on the design of tailor made loans products to meet the needs of individual customers which include agriculture, small business needs, education needs, housing needs, or emergency needs. Lending in the sectors assures that money is channeled in productive and income generating activities. Agricultural loans can, by way of example, have seasonal terms of repayment according to the times of harvest, and a small business loan could contain working capital restrictions. Educational loans can have moratorium until after course work. Tailor-made products enhance better performance on repayment due to the fact that they correspond to the cash flows of the borrowers. Market research is done by institutions to develop the knowledge of the local economic conditions to help them develop a loan scheme. This policy will increase customer satisfaction of borrowers, decreases the risk of default and helps the economy grow. This can be achieved by making credit products to reflect the needs of the community to ensure responsible lending and sustainable growth by the institution.

## RESEARCH GAP

A number of studies have been conducted to analyze the operational performance and financial sustainability of the Microfinance Institutions (MFIs), there is limited studies that have been conducted to analyze the marketing strategies used by the MFIs in mobilizing funds and provision of credit services. Current literature mostly focuses on the issues of financial inclusion, repayment performance, and alleviation of poverty, with the perception of clients regarding marketing strategies being under-researched. Moreover, the presence of empirical research examining the effect of demographic variables on the perception of respondents to MFI marketing initiatives, especially age, is unavailable. Within the framework of emerging economies, where the role of MFIs is significant in terms of socio-economic development, it is crucial to comprehend the perception of customers on the strategic level to improve the situation. Hence, there is a clear gap in the research process to evaluate the relationship between age and perception regarding marketing strategies of MFIs

using suitable non-parametric statistical tools, hence justifying why the current study is necessary.

## **REVIEW OF LITERATURE AND RESEARCH AGENDA**

Rathi, K., & Kumar, S. (2025) examined the strategic transformation of Bandhan Bank from a microfinance institution (MFI) into a universal bank in India. The article analyzes the institutional evolution of Bandhan, which originally operated as a microfinance organization focused on providing financial services to underserved and low-income populations. With regulatory approval from the Reserve Bank of India, Bandhan transitioned into a full-fledged banking institution in 2015. The study highlights the strategic factors that contributed to this transformation, including strong grassroots presence, customer trust, efficient credit delivery, and financial inclusion initiatives. The authors discuss how the bank expanded its product portfolio beyond microloans to include savings accounts, insurance, remittance services, and SME financing. The paper also evaluates challenges faced during the transition, such as regulatory compliance, risk management, technology adoption, and maintaining operational efficiency while scaling up. The findings indicate that Bandhan's success lies in combining microfinance expertise with modern banking practices. The article concludes that the transformation demonstrates a viable model for MFIs seeking long-term sustainability and broader financial inclusion.

Tripathy, S. N. (2025) investigated how microfinance institutions (MFIs) contribute to expanding financial inclusion in India. The study emphasizes the role of MFIs in providing credit, savings, and financial services to economically marginalized groups, particularly rural populations, women entrepreneurs, and small-scale business owners who often lack access to formal banking.

The author explains that MFIs bridge the gap between traditional banks and financially excluded communities by offering small loans, simplified procedures, and group-based lending models such as Self-Help Groups (SHGs). These institutions help improve income generation, entrepreneurship development, and poverty reduction. The study also highlights policy initiatives by the Government of India and regulatory frameworks introduced by the Reserve Bank of India to strengthen the microfinance sector. While MFIs have significantly increased financial access, the article notes several challenges, including high operational costs, loan repayment risks, over-indebtedness of borrowers, and regulatory pressures. The research concludes that microfinance institutions play a critical role in advancing financial inclusion and economic empowerment in India, but their long-term effectiveness depends on improved regulation, financial literacy programs, and sustainable lending practices.

## **IMPORTANCE OF THE STUDY**

The current research is relevant since Microfinance Institutions have a major role in enhancing financial inclusion, entrepreneurship, and poverty alleviation. MFIs must develop effective marketing strategies to gather funds, find customers, and provide them with credits as soon as possible. Knowledge of the perception of these marketing strategies by the clients assists the institutions to revise their strategies and improve the efficiency of their services. Through the attributes of age and perception, the research offers some useful knowledge on the necessity of marketing plans to be demographically tailored. In case the perceptions are considerably different, MFIs can devise age-targeted promotional campaigns; otherwise, they can emphasize on reinforcing the overall marketing activities. The research also integrates the academic literature whereby marketing strategies are related to demographic variables through statistical analysis. The findings may also benefit policymakers, managers and

practitioners by helping them to enhance outreach strategies, customer relations and sustainable expansion of microfinance institutions in competitive financial settings.

## **STATEMENT OF THE PROBLEM**

Microfinance Institutions are also embracing the use of different marketing strategies to mobilize funds and advance credit delivery mechanisms. Such strategies are financial literacy, promotion of digital banking, tailored loan products, and strategic alliances. Nevertheless, the relevance of these strategies is more or less determined by the perception of the clients. The age factor is a demographic variable that may affect attitudes, acceptance and reactivity to marketing campaigns in different society. Although marketing in the microfinance industry has increasingly been considered as a critical area, there has been minimal effort on the study of the extent to which age disparities have a substantial influence on the perceptions that the clients hold on the marketing strategies. In the absence of this knowledge, MFIs could not be able to effectively target their services, as well as allocate resources optimally. Thus, the research issue of this study is to establish whether or not there is a major difference in perceptions regarding the marketing strategies of Microfinance Institutions between different age categories of respondents.

## **OBJECTIVE OF THE STUDY AND METHODOLOGY**

The objective of the study is to identify the perception about marketing strategies of Microfinance Institutions among respondents belonging to different age groups. The study is based on primary data collected from 150 respondents using a structured questionnaire. The respondents were selected through the convenience sampling method, considering their accessibility and willingness to participate. The questionnaire was designed to measure respondents' perception regarding various marketing strategies of Microfinance Institutions, such as financial literacy campaigns, digital and mobile banking promotion, product diversification, and strategic partnerships. The collected data were classified and analyzed using appropriate statistical tools. Since the data did not meet normality assumptions, the Kruskal-Wallis test, a non-parametric statistical method, was applied to examine whether significant differences exist in perception among different age groups. The findings were interpreted based on the level of significance to draw meaningful conclusion

### ***Analysis and findings***

The Microfinance Institutions (MFIs) are crucial in enhancing financial inclusion in the provision of credit and other financial services to the low-income and underserved populations. In order to maintain their operations and increase their reach, MFIs embrace different marketing tactics that include financial literacy programs, online marketing, product differentiation, and strategic alliances. The success of such strategies usually can be determined by the perception of the various segments of customers. The attitude to marketing strategies can depend on the demographic features, especially age. Age brackets will react on awareness, digital programs and tailor-made financial solutions differently. The knowledge of the role of age in perception is relevant to MFIs in determining the marketing strategies that can be used to target specific applications. Against this, Kruskal-Wallis test is used to test the existence of the significant difference in perception regarding the marketing strategies of Microfinance Institutions among the various age groups of respondents.

Null Hypothesis (H<sub>0</sub>): There is no significant difference in the perception about marketing strategies of Microfinance Institutions among respondents belonging to different age groups.

Alternative Hypothesis (H<sub>1</sub>): There is a significant difference in the perception about marketing strategies of Microfinance Institutions among respondents belonging to different age groups.

### PERCEPTION ABOUT MARKETING STRATEGIES OF MICROFINANCE INSTITUTIONS AND AGE OF RESPONDENTS

Kruskal Wallis Test

Factors	Age	N	Mean Rank	Result	
Financial Literacy and Awareness Campaigns	Young	59	81.32	Chi-Square	2.346
	Middle	70	73.39	df	2
	Old	21	66.19	Asymp. Sig.	.309
	Total	150			
Digital and Mobile Banking Promotion	Young	59	72.39	Chi-Square	1.670
	Middle	70	78.41	df	2
	Old	21	74.55	Asymp. Sig.	.715
	Total	150			
Product Diversification and Customized Loan Products	Young	59	73.52	Chi-Square	1.337
	Middle	70	75.95	df	2
	Old	21	79.57	Asymp. Sig.	.845
	Total	150			
Strategic Partnerships and Institutional Funding Networks	Young	59	76.69	Chi-Square	1.194
	Middle	70	78.24	df	2
	Old	21	63.02	Asymp. Sig.	.334
	Total	150			

- Financial Literacy and Awareness Campaigns:** Since the p-value is greater than 0.05, there is no statistically significant difference in perception among different age groups. Hence, the null hypothesis is accepted.
- Digital and Mobile Banking Promotion:** The p-value exceeds 0.05, indicating no significant difference in perception across age groups. Therefore, the null hypothesis is accepted.
- Product Diversification and Customized Loan Products:** As the p-value is greater than 0.05, there is no significant variation in perception among respondents of different age groups. The null hypothesis is accepted.
- Strategic Partnerships and Institutional Funding Networks:** Since the p-value is greater than the 0.05 level of significance, there is no significant difference in perception among age groups. The null hypothesis is accepted.

For all four marketing strategy factors, the p-values are greater than 0.05. Therefore, it is concluded that age does not significantly influence respondents' perception about the marketing strategies of Microfinance Institutions.

## DISCUSSION

The results of Kruskal-Wallis test shows that, the difference in perception regarding the marketing strategy of the Microfinance Institutions (MFIs) between the various age groups do not vary significantly. This implies that all respondents regardless of their age bracket have relatively the same perceptions concerning the effectiveness and relevance of the marketing strategies embraced by MFIs. Concerning the financial literacy and awareness campaigns, the lack of any noteworthy deviation suggests that the age groups have a similar conceptual understanding and appreciation of the actions. This shows the universality of financial education programs in enhancing client knowledge and trust. On the same note, age groups do not have a big difference in the perception of digital and mobile banking promotion. This can show that there is a growing digital flexibility between generations, and even the older respondents are getting more familiar with digital financial services. In the product diversification and customized loan products, the perception in all age groups appears to be similar, indicating that the customized financial products are satisfying the needs of clients regardless of their age. This goes to show the inclusive characteristics of MFI product strategies. Last but not least, the perception of strategic alliances and institutional fund networks is also the same across respondents of various ages. This could be an indication of a perceived strong institution of MFIs and their sustainability. In general, the findings suggest that age is not a distinguishing variable when forming perceptions regarding MFI marketing strategies. Thus, MFIs can consider reinforcing and diversifying their marketing initiatives on a larger scale instead of developing age-specific marketing methods.

## CONCLUSION

The article concluded that the age factor has no significant effect in the perception of the respondents of the marketing strategies embraced by Microfinance Institutions. The findings of the Kruskal-Wallis test indicate that the perception towards financial literacy programs, internet promotion, product diversification, and strategic alliances do not change with age. This shows that marketing strategies used by MFIs are quite universal and acceptable to respondents regardless of their age. The homogeneity of the perceived indicates that these strategies are accommodative and can be able to support the requirements of different age groups. Thus, it is safe to say that Microfinance Institutions could proceed with their current marketing strategies, and concentrate on service quality enhancement in general, instead of focusing on age-based differentiation in marketing strategies.

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