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Micro Finance in India: Contemporary Issues and Challenges

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ABSTRACT

Microfinance refers to small savings, credit and insurance services extended to social and economically disadvantaged segments of society. It is emerging as a powerful tool for poverty alleviation in India. This working paper tries to outline the prevailing condition of the Microfinance in India in the light of its emergence till now. The prospect of Micro-Finance is dominated by SHGs (Self Help Groups) - Banks linkage Program. Its main aim is to provide a cost effective mechanism for providing financial services to the poor. Recently Union Rural Development Minister Jairam Ramesh wanted the help of SHGs for the establishment of DRDO designed bio-toilets in rural areas. This paper discovers the prevailing gap in functioning of MFIs such as practices in credit delivery, lack of product diversification, customer overlapping and duplications, consumption and individual loan demand with lack of mitigation measures, less thrust on enterprise loans, collection of savings/loans and highest interest rate existing in micro finance sector. All these are clear syndromes, which tell us that the situation is moving without any direction. Finally paper concludes with practicable suggestions to overcome the issues and challenges associated with microfinance in India.

KEY WORDS: Microfinance SHGs MFIs NABARD

1. INTRODUCTION

Empowerment of women is one of very important issue in developing countries. As women are integral part of society, her status and participation in decision making as well as economic activities is very low. Microfinance plays role in improving women decision making by contributing in economic activities. In this study an attempt is made to explore the socio economic determinants of women empowerment in which microfinance is crucial economic determinant.

REVIEW OF LITERATURE

Female disempowerment is a critical issue throughout the world. Disempowered women face a variety of economic, social, and physical ills, which defeats their self-image, limits their ability to make desired choices, and leaves them powerless against abuse and injustice done to them. (Devin W. Bereaw, 2012)

Microfinance is a development strategy that has spread throughout the world. It has been identified as a key means of eradicating poverty and empowering women, hence research on its effectiveness

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has been carried out. (Kellett, Nicole Coffey, 2009) Microfinance is a type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Micro finance through Self Help Group (SHG) has been recognized internationally as the modem tool to combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation. (Kumar, Shrawan, 2013)

While increasing number of women enjoys more freedom and power in urban areas, women in rural areas are at a disadvantage in almost all aspects of life when compared to men. Investing in economic empowerment of women particularly in rural areas by supporting them to implement local context based business ideas and basic finance capacity and skills development may reverse these trends, however, when combined with heath education and promotion through trainings focusing on preventive health yields greater impact. . (Isangula et al, 2012)

The author (Kellett, Nicole Coffey) examines how microfinance programs and development interventions more broadly, are impacting poverty eradication and women's empowerment in the world. An evaluation of secondary data revealed significant, positive improvements on all five female empowerment indicators being measured. (Kellett, Nicole Coffey, 2009) Firstly it focuses on the economic impacts of microfinance programs on a community and regional level. Then discusses the role of microfinance in instigating greater competition in the world how such processes impact economic inequality in rural communities, and the role of communal processes in strengthening centralization of resources and social and political inequality. (Kellett, Nicole Coffey, 2009)

Microfinance loans — typically in amounts of $100 or less — enable women entrepreneurs in developing countries to start or expand small businesses, such as weaving baskets, raising chickens, or running small retail shops and restaurants. Income from these businesses provides better food, housing, health care and education for entire families, and perhaps most importantly, hope for a better future. Microfinance companies provides advisory services, mission-critical business solutions and financial support; including loans, grants and guarantees, to help women increase their capacity and enhance their ability to abide by the competitive world.(Business Wire, 2007)

Research by the author (Isangula) is a systematic review of the peer – reviewed research papers and project reports in English language on how rural women, children and family's health can be improved through integrating income generation and health education & promotion activities. Generally, integrated microfinance, a health education and promotion activity has resulted in significant reduction of intimate-partner violence, reduction in HIV/AIDS risk, promotion of mental.

STATEMENT OF THE PROBLEM

After the genocide of 1994, women in Rwanda took enormous responsibilities that made it difficult for women to be able to support themselves in absence of their spouses. This explain how women are vulnerable to poverty especially those women heading the family.

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In general, Rwanda women make up the majority of the low income earners, unorganized informal sector of the economy and bigger number of them are windows left behind by the 1994 genocide tragedy, others are illiterate and have been marginalized by poverty and negative cultural practices.

Accessing loan is the major constraint on women's ability to earn income since most traditional financial systems require physical collateral worth more than the amount of loan requested. The poor women find it difficult to generate significant income from such loan because interest rates are high. In addition, due to high rate of illiteracy, women have always been facing unemployment problem compared to men. Providing the poor women with financial services boost their income and productivity, thereby reducing poverty.

The microfinance has been developed to fill these gaps, with increasing assistance from the various financial institutions and other donors, microfinance service is emerging as a powerful tool to reduce poverty and improve access to financial services for the poor women of Rwanda.

It is against this background that the researcher intends to carry out a study in order to analyze the outreach and impact of microfinance on the poor women of Rwanda. The findings will be drawn from an in-depth analysis of data obtained from microcredit issued to women beneficiaries.

2. OBJECTIVES OF STUDY

GENERAL OBJECTIVE

To determine the contribution of microfinance in women empowerment in Rwanda.

SPECIFIC OBJECTIVES

To identify various determinants of women empowerment.

To find out the impact of microcredit in women development/promotion. ? To analyze the role of microfinance in family empowerment by women.

HYPOTHESES OF THE STUDY

GENERAL HYPOTHESIS

The main hypothesis stipulates that the microfinance contributes in women empowerment.

Specific hypotheses

? Savings, credits and family self-sufficiency are among various determinants of

women empowerment.

? Microcredit impacts the women development/promotion.

? Women contribute in family empowerment through microfinance.

ISSN:2277-2995
Vol-8-Issue-12-December-2019

DEFINITION

WOMEN EMPOWERMENT

Empowerment of women means to let women survive and let them live a life with dignity, humanity, respect, self esteem and self reliance source. Different scholars have identified the indicators of women's empowerment, likewise, Schuler and Hashemi (1994) outlined six elements of women's empowerment in Bangladesh which includes a sense of self and vision of a future, mobility and visibility, economic security, status and decision making

power within the household, ability to interact effectively in the public sphere and participation in non-family groups. While on other hand, Friedman's (1992) analysis of women's empowerment identified different kinds of power: economic, social, political and psychological. Economic power means access to income, assets, food, markets and decision-making power in the economic activities. Social power means access to certain bases of individual production such as financial resources, information, knowledge, skills and participation in social organizations. Political power means the access of individual household members to the process by which decisions, particularly those that affect their own future, are made. Psychological power means the individual's sense of potency, which is demonstrated in self-confident behavior and self esteem. While on other hand Rowlands (1995) describe it as «a process whereby women become able to organize themselves to increase their own self-reliance, to assert their independent right to make choices and to control resources which will assist.

RESEARCH METHODOLOGY

This research methodology was designed in a simple way and conducted using a detailed questionnaire and structured interviewed to gather and systematically track the client's responses on the impact of microfinance towards their economic empowerment.

Research methodology can be described as a course of action which describes the tools that are used when conducting a research study. This chapter involves various methods, techniques and procedures of the data collection, processing as well as data analysis that were used to collect, analyze, and interpret data which gives an overview of how the entire study was conducted to reach a final conclusion on how microfinance leads to women's economic empowerment. I t also discusses the case study, the population, sample size, and sampling the techniques used during research study such as, documentations, questionnaires and interviews. The chapter cannot conclude without taking about various procedures for data processing and analysis. These procedures include percentages, editing, coding, and tabulation.

CASE STUDY

Pro-Femmes/ TweseHamwe through Duterimbere Microfinance Institution is the oldest and one of the renowned Microfinance institutions in Rwanda. The research chose this organization because of its outstanding performance in promoting economic development of poor in Rwanda especially the marginalized women. To this point it serves as an important source of content for the researcher to achieve the objective of her research topic. The bank helps the unemployed women to get microcredit loans to invest in small income generating activities to ensure them with income self sustenance result into economic empowerment of Rwanda women.

ISSN:2277-2995
Vol-8-Issue-12-December-2019

AREA OF THE STUDY

An area of the study refers to the area in which the research was conducted. The research was carried out the PTH through Duterimbere Microfinance Institution in Kigali city. The reason for choosing to study the clients of PTH through Duterimbere Microfinance Institution is because the majorities are women who are most vulnerable and marginalized in Rwandan society. Secondly Pro-Femmes/ TweseHamwe through Duterimbere Microfinance Institution is one of pioneers' of women microfinance in through Duterimbere Microfinance Institution, its mission is to provide unique financial services to low income groups in Rwanda and these are mainly women.

Both employees and clients of Duterimbere microfinance institution were considered. The Duterimbere microfinance institution has many clients located in almost all districts of Rwanda, but due to limited time the researcher targeted clients in both Nyarugenge, Kicukiro and Gasabo districts of the Kigali City in mid of May 2012. In addition these districts were selected purposely because of the density of the credit beneficiaries in the area. There are many microfinance institutions that provide similar microfinance services, their coverage in this research would therefore require enough time and fund to meet necessary requirement.

POPULATION OF THE STUDY

The target populations were all beneficiaries of Pro-Femmes/ TweseHamwe through Duterimbere Microfinance Institution in Kigali city specifically in Nyarugenge, Kicukiro and Gasabo Districts. The clients from these three districts were chosen to represent other groups due to the limited time and the fact that Pro-Femmes/ TweseHamwe through Duterimbere Microfinance Institution had within that period planned a meeting with these three groups helped the researcher to meet each group of respondents at a time and within short period.

Traditional development theories believed that a high growth rate of the economy would benefit the poor through the so-called trickle down effect. This suggests that, among the poor, both men and women would equally reap the fruits of high economic growth rate. However, this has been belied by actual development and in spite of the various development measures and constitutional legal guarantees – women have lagged behind in almost all sectors.

In India, the emergence of liberalization and globalization in early 1990s aggravated the problem of women workers in the unorganized sectors from bad to worse as most of the women who were engaged in various self-employment activities have lost their livelihood. Despite the tremendous contribution of women to the agricultural sector, their work is considered just an extension of household domain and remains non-monetized.

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. Micro Finance refers to a collection of banking practices built around providing small loans (typically without collateral) and accepting tiny deposits. In India, micro finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost-effective mechanism for providing financial services to the “unreached poor”. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting the peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment.

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Vol-8-Issue-12-December-2019

Micro finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for women's economic empowerment. There are good reasons to target women. Gender equality turns out to be good for everybody. The World Bank reports that societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance, and a lower standard of living. Women are poorer and more disadvantaged than men. The UNDP's Human Development Report, 1995 found that 70% of the 1.3 billion people living on less than $1 a day are women. Studies in Latin America, and elsewhere show that men typically contribute 50-68% of their salaries to the collective household fund, whereas women "tend to keep nothing back for themselves." Because "women contribute decisively to the well-being of their families," investing in women brings about a multiplier effect. Again, every micro finance institution has stories of women who not only are better off economically as a result of access to financial services, but who are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased self-esteem, control and empowerment by helping them achieve greater economic independence and security, which in turns gives them the chance to contribute financially to their households and communities.

While many micro finance institutions seek to empower women as an implicit or explicit goal, others believe they cannot afford to focus on empowerment because it is incompatible with financial sustainability or because it detracts from the core business of providing financial services. Yet, various studies have shown ample evidence of efficient, sustainable micro finance institutions whose programmes are intentionally empowering. It is worth mentioning some of the institutions that are both focused on empowerment and are financially self-sufficient, such as Working Women's Forum (WWF) in India, which organizes women to achieve better wages and working conditions; ADOPEM in the Dominican Republic, which provides business training and training on democratic processes and civil society; and OMB in the Philippines, whose commitment to holistic transformation includes leadership training, personal development and business training.

A survey of 60 micro finance institutions by Cheston and Kuhn found strong evidence that micro finance institutions contribute to women's empowerment. One consistent finding was increased self-confidence and increase self-esteem. Another was women's increased participation in decision-making. Women's Empowerment Project in Nepal, for example, showed 68% of women experienced an increase in their decision making role in the areas of family planning, children's marriage, buying and selling property, and sending their children to school. World Education also found that the combination of education and credit put women in stronger position to ensure more equal access for female children to food, schooling and medical care. Other studies also showed increased ability to make purchasing choices, manage household funds, and manage enterprise funds.

Women clients have also experienced improved status and gender relations in the home. Women's financial contributions helped them earn greater respect from their husbands and childrens, negotiate husband's help with housework, and avoid family quarrels over money. The study also found increased respect from and better relationship within extended family and in-laws. Several studies show that women received more respect from their communities than they did before joining a micro finance programme. They also show women taking greater roles in giving advice within the community, organizing for social chance, and participating in community meeting – in part because they are now able to contribute financially to community need and activities such as funerals. A number of programmes also found increased political participation, including involvement in civic action and women clients being elected to office.

ISSN:2277-2995
Vol-8-Issue-12-December-2019

There are also some negative impacts and limitations to empowerment. A number of studies show an increase in women's workloads. As they expand their businesses and participate in micro finance meeting. Some women have reported ill health and exhaustion. However, the majority of women who experienced increased workloads were happy to make that choice and felt that the benefits out-weighed the costs of participation.

There is also the issue of loans pass-through, in which women receive a loan and hand it over to their husband or another male in the household.

Besides the above, there are other limitation including limits to the level and kinds of change in women's social status, decision-making power limited to making small purchases or other smaller decisions, clients' husbands withdrawing their support from the household, and women hiding their savings or even their businesses from their husbands.

FOR MICRO FINANCE PROGRAMME TO BE COST-EFFECTIVE IN BRINGING ABOUT THE EMPOWERMENT OF WOMEN, IT WOULD REQUIRE

- Providing business training,
- Investing in women's general education and literacy,
- Providing guidance in balancing family and work responsibilities,
- Providing a forum for dialogue on social and political issues, such as, women's rights and community problems,
- Giving women experience in decision – making
- Promoting women's ownership, control and participatory governance in their micro finance programmes.

3. CONCLUSION

Micro finance programmes, thus, has been very successful in reaching women. This gives micro finance institution an extra-ordinary opportunity to act intentionally to empower poor women and to minimize the potentially negative impacts some women experienced.

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