Available online at http://www.journalcra.com

International Journal of Current Research
Vol. 5, Issue, 08, pp.2375-2378, August, 2013

INTERNATIONAL JOURNAL OF CURRENT RESEARCH

ISSN: 0975-833X

REVIEW ARTICLE

RURAL WOMEN EMPOWERMENT - ISSUES AND CHALLENGES THROUGH MICRO FINANCE

*Dr. Sekar, P.C. and Subburajan, M.

Management Studies, Madurai Kamaraj University, Madurai, Tamil Nadu

ARTICLE INFO

Article History:
Received 04th May, 2013
Received in revised form
19th June, 2013
Accepted 28th July, 2013
Published online 23rd August, 2013

Key words:
Paramount Chiefs,
Microfinance services,
Considered essential,
Overarching development goal.

ABSTRACT

Poverty reduction is an overarching development goal for Tamil Nadu. Providing rural poor with financial services is considered to be one of the key inputs to achieve this goal of poverty reduction. But looking at the diverse topography, lack of access to financial services has been one of the major obstacles to accelerate the socio-economic, disadvantaged community people living in remote and inaccessible areas of Tamil Nadu. The low level of family incomes have limited the poor families to self finance on farm and off-farm income earning activities. Adequate access to financial services has therefore been considered essential to promote the growth and contribute to reduce the widespread poverty. Over the last four decades there has been several efforts made in the financial sectors in addressing the needs of financial services to support poor and ultra poor for creating self employment opportunities. Accordingly, there has been continued emphasis to expand the financial services to rural and poor through several targeted programmes related to microfinance services. Microfinance service providing organizations mainly target exclusively low income level people especially women living in hard economic conditions. These institutions have been playing significant roles to reduce social and economic poverty in rural and urban areas. Lack of schooling also means that women live in ignorance of their legal rights, including rights over their children and property, and their rights within marriage, and this in turn can lead to neglect, abuse, and too often domestic violence. It should be noted also that very few women in the region are in positions of authority in government, business or the professions, and hence there are few women role models.

INTRODUCTION

Micro Finance

Microfinance sector in Tamil Nadu is seen as a joint effort of Government and private sectors implementing various financial programmes including Grammen replications, savings and credit cooperative activities, number of informal credit groups promoted through different donor supported programmes, such as Poverty Alleviation Programmes and the other activities supported by different donors and INGOs. Issues presented here are from the perspective of microfinance services to expand in the rural and inaccessible areas instead of not being confined to only limited areas as it is currently happening. The issues presented in this paper do not mean to undermine the real authority of regulatory and support organizations. However, as we expect that this would help to ease the process for all involved in this sector. Issues related are presented below for developing and expanding micro finance frontiers in Tamil Nadu

1 Management Challenges
2 Development Challenges
3 Resource Constraints
4 Unhealthy Competition
5 Regulatory Issues
6 Outreach

The existing microfinance institutions however are serving the poor and destitute in a restricted environment and capacity, covering about 500,000 poor women members, generating more than NRs. 2 billion local saving, utilizing about NRs. 2 billion bank loans, and having NRs. 3.50 billion outstanding credit. These institutions have been facing various challenges to fulfill the objective to reach poor households with service related to microfinance services.

Issues and Challenges

Management challenges

There are some critical challenges that FINGOs are facing in the areas as highlighted hereunder:

- Resource and fund management at local branch unit is risky (because of the lack insurance and security measures);
- Efficient and trained staff is deficient.
- Lack of committed staff/ personnel to work in rural and remote areas;
- Lack of institutions doing monitoring and supervision of financial institutions and guide them for appropriate linkages and supports.
- Lack of support for the second tier organization, which can play a greater role for monitoring and supervision of the financial institutions;
- Trade unions are being formed in institutions demanding equal facilities at par with government and banks. To cope up with such issues, financial institutions and regulatory bodies should work together.

Development Challenges

- It is paradoxical that institutions having a decade long experience in rural microfinance are restricted to open banks. It is felt that this must be revised.
- The government should define its role to support micro finance sector, with serious attention.

**Corresponding author:* Dr. P.C.Sekar
Professor of Management Studies, Madurai Kamaraj University, Madurai, Tamil Nadu

- More than a year ago, a draft provision for National Micro Finance Fund was prepared but it is still to come to enforcement. This shows government authorities/ NRB's less attention to expedite such important issues, which need to come into practice for the growth and development of this sector. Being as network organization, MIFAN can play a vital role if handed over the responsibilities for the supervisory and overall facilitation for finalizing this.
- Information center for the institutions should be developed.
- Human resource development in micro finance is a critical need for which government and Institutions must work jointly.
- The risk fund and insurance funds are necessary to cover natural and physical hazards faced by clients and financial institutions.
- Micro credit insurance is a burning issue and a need to be managed by institutions, the government, support organizations and insurers. Due to lack of credit insurance, clients and institutions face loss of property and loan amounts causing loss of asset and income to the poor households.
- Some funds for developing infrastructure (software, training to staff) of the institutions that serve in rural and hill areas are necessary.
- NRB disseminates circulars and other information to NGOs that are not easily available to the concerned institutions. MIFAN can play an effective role in disseminating such crucial information through its network with members if handed over such assignment by the government authorities.

Resource Constraints

- Out of three per cent of deprived sector credit funds which comes to around NRs. 12 billion, NRs. 4 billion was allocated to youth employment program has that led to make the another limitation to working for MFIs. It is felt that youth employment scheme is an essential, but it needs fonds from different windows rather than the same RSRF with the main concern of not making any distortion in the microfinance sector. One of the concerns is observed that commercial/ development banks seem investing in import-based consumer goods. This should be regulated by government/NRB authority. Such practice never allows rural economy to receive fund for mobilizing local resources and create more self-employment opportunities at local levels.
- Due to changes in cost of raw materials and labor, need of micro credit in this sector is insufficient. At present institutions are getting funds of short term nature from banks. To finance medium term enterprises like- low cost housing, alternative energy equipments, and cottage industries, credit fund of larger loan for scale up and comparatively higher investment is necessary.
- It is felt that micro credit defined by banks and neighboring countries should be included as credit ceilings for the institutions.
- Similarly, the graduated clients who have attained proficiency in managing enterprises of higher scale credit amount should be increased. To meet all these needs, it is strongly felt that there is a need to increase 3 per cent of deprived sector fund to 5%, which will make the commercial and development banks responsible to the rural and poor societies.

Unhealthy Competition

- Healthy competition is necessary for smooth and sound development of micro finance services. It is also felt that because of lack of supporting environment and less of coordination between government agencies and micro finance banks/institutions, number of instances where duplications in the working area and of clients have been noticed. In limited areas where more institutions work with the same clients, efforts still seem to be made from government/ NRB side as well as close coordination between the players of this sector to avoid such unhealthy competition.
- Rural Micro Finance Development Center (RMDC) also provides with credit funds through these financial institutions that serve the same clients, whereas clients who have dire need of microfinance support in the rural areas are still not in the reach of these micro finance banks and institutions.

Regulatory Issues

- The FINGOs are registered at District Development Committee, District Administration Office, and are affiliated to social welfare council as patron organization to these institutions. However, the FINFOs have experienced a huge gap between DDC/ DAO and FINGOs in terms of follow up, monitoring and sharing experiences for the growth of FINGOs.
- Numbers of instances are experienced in microfinance sector when comes to the support from government that reveal pertinent issues such as to evaluate these financial institutions, facilitate for integration with development partners so as to create working environment and contribute more towards reducing poverty and empowering women communities. Even lack of supporting programmes (such as insurances, incentives to work in rural and remote areas, etc.) from Government side hinders the expansion with depth and breadth of microfinance service outreach in inaccessible parts of Nepal.
- The Financial Intermediary Act 2055 was enacted to pave way for creating and developing non government organizations to serve rural and urban poor excluded by formal banks/ finance companies. Pursuing the Act of Nepal Rastra Bank that did take positive step to license some institutions as financial intermediary. After one decade, the environment for institutional growth has been restricted by the Central Bank that enforced to close the door for licensing new prominent NGOs to perform micro financing services and expanding the outreach of microfinance services. FINGOs' practitioners feel that the legal environment is choking and unjustifiable contrary to the liberal environment given to commercial, development banks, and other institutions.
- Moreover, NRB declared policy under pressure of some vested interest group of banking sector for allowing them to open microfinance banks (Class "D" Banks) as subsidiary companies of commercial banks, development banks and finance companies. All the microfinance practitioners working in this field feel that this is an act of diverting microfinance business from local and experienced institutions to commercialized and joint venture sector with the possibility of serving their own interest besides serving the interest of poor and disadvantaged group of community people living in remote and rural areas. There should not be a separate subsidiary microfinance bank for commercial / development banks and finance companies that they have already a comprehensive mandates to serve urban as well as rural poor clientele. It is likely to add oil in water. The licensing authorities seem to be in confusion as this situation may lead shift funds of deprived sector lending (DSL) from one account to another and treat it as the service microfinance. Similarly, many commercial and development banks also do not seem comfortable to this provision, and intend to build relation with local institutions. This leads to more dilemmas for the microfinance players who are working in this field.

Outreach

- To include and serve rural and remote households living in hill and Tarai districts is a great challenge to us.
- Combined with providing comprehensive micro finance services (i.e. saving, credit, insurance, transfer and other support) is not sufficient which appears as half fulfilled task.

- Quality and quantity of service in a cost effective manner that sustain service providers and satisfy service receivers has been remains as a tough task.

Empowerment Indicators

Six indicators of women's empowerment covering a wide range of attributes are presented below.

1. **Contribution to household income** refers to the wife's contribution in terms of per cent involvement in subsistence productive activities that are not rewarded in cash or kind to household income. Fourteen activities were selected in this regard, which are as follows: 1) farm activities - land and seedbed preparation, sowing-planting-transplanting, intercultural activities, harvesting and threshing, winnowing-parboiling-drying-storage, drying and preservation of straws, homestead cultivation, livestock rearing, poultry rearing, fish culture and marketing related to agricultural production; and 2) non-farm activities - service, business and handicraft production.

2. **Access to resources** refers to the right, scope, power or permission to use and/or get benefits from ten selected resources that were divided into mainly two types. These are: 1) household resources - equal consumption of nutritious food, handling and spending of money, selling of minor agricultural products, interpersonal communication, hiring of helping hands and utilisation of credit money if they receive; and 2) social resources - education/training, credit, rural cooperative and bank.

3.**Ownership of assets** refers to the ability of a woman to control her own current assets and enjoy benefits accruing from them. Two categories of assets comprising nine items were selected for the study. They include: 1) productive - land, cattle, goat, poultry and cash savings; and 2) non-productive - jewellery, television, radio and small vehicle.

4.**Participation in household decision-making** (PHDM) refers to the extent of women's ability to participate in formulating and executing decisions regarding domestic, financial, child-welfare, reproductive health, farming and socio-political matters in coordination with other family members.

5.**Perception on gender awareness** refers to a woman's ability to express her opinion with regard to existing gender inequality and discrimination against women in the society. Fifteen crucial gender issues were selected that include: under-value, education, economic opportunity, inheritance property rights, reproductive choice, early marriage, dowry, divorce rights, son preference, attitude towards female child, birth registration, feeding priority, wage differentiation, political awareness and violence against women.

6.**Coping capacity to household shocks** refers to a woman's ability to face sudden risks, crises and periodic stresses (threats to life or happiness) in the household. Nine major risk aspects related to household management including natural calamities, financial constraints due to crop failure, indebtedness, food unavailability, chronic illnesses, conflict, husbands' torture and unexpected death of children as well as husbands were analysed.

Microfinance offers financial services to underprivileged people-with respect to Rural women in Tamilnadu

Traditionally, when a person wants to start a business venture, they go to a bank for a loan. But what should a budding entrepreneur do if he is too poor to obtain financing to start a profitable business? The answer lies in a relatively new branch of financial services called microfinance. Its purpose is to provide basic financial services such as loans, savings and insurance to underprivileged people. A microfinance institution (MFI) is simply one that offers such services to the poor; according to the Consultative Group to Assist the Poor (CGAP), it can be a credit union, commercial bank, financial non-governmental organization, or a credit cooperative. Following is a list of the main purposes of microfinance.

Provide Access to Funds

- Typically, the poor acquire financial services like loans through informal relationships. These loans, however, come at a high cost per dollar loaned and can be unreliable. Furthermore, banks have not traditionally viewed poor people as viable clients and often will reject them due to unstable credit or employment history and lack of collateral. MFIs dismiss such requirements and provide small loans at high interest rates, thus providing MFIs the funds they need to continue operation.

Encourage Entrepreneurship and Self-Sufficiency

- Underprivileged people may have potentially profitable business ideas, but they cannot put them into action because they lack sufficient capital for start-up costs. Microcredit loans give clients just enough money to get their idea off the ground so they can begin turning a profit. They can then pay off their micro-loan and continue to gain income from their venture indefinitely.

Manage Risk

- Microcredit can give impoverished people enough financial stability to cross from simply surviving to accruing savings. This gives them protection from sudden financial problems that could have been devastating. Savings also allow for educational investment, improved nutrition, better living conditions and reduced illness. Microinsurance provides people the ability to pay for health care when needed, so they can receive treatment for health conditions before they become grave and more costly to treat.

Empower Women

- Women make up a large proportion of microfinance beneficiaries. Traditionally, women (especially those in underdeveloped countries) have been unable to readily participate in economic activity. Microfinance provides women with the financial backing they need to start business ventures and actively participate in the economy. It gives them confidence, improves their status and makes them more active in decision-making, thus encouraging gender equality. According to CGAP, long-standing MFIs even report a decline in violence towards women since the inception of microfinance.

Community-Wide Benefits

- Generally speaking, microfinance institutions seek to reduce poverty worldwide. As they obtain funds and services from MFIs, recipients gain enormous financial benefits which trickle down to others in their families and communities. New business ventures can provide jobs, thereby increasing income among community members and improving their overall well-being. Microfinance services gives hope to people who previously had little or no opportunity to be self-sufficient.

Suggestions and Recommendations

The poor are not bankable. When they approach for a credit facility to the bank, normally it has been turned down. The successful experience of 'Grameen Bank' at Bangladesh has proved that the poor are also bankable. In India also the SHG movement has got momentum the credit flow to the poor has been increased. The requirement of the SHG has become beyond the linkage loan. A separate institutional mechanism has been evolved to solve this problem. This is called 'Micro finance' – finance for small borrowers. Micro finance has been defined by the task force set up by the

NABARD as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve their living standards" Though the essential features of credit delivery through micro finance may remain the same as the traditional method, the fundamental distinction lies in the involvement of the recipient of the credit in the entire process. Rural banking and financial development were traditionally considered the domain of the Government. Government sponsored poverty alleviation programmes, such as the Integrated Rural Development Programme (IRDP), have always over shadowed the micro finance activities in India, despite their failure to deliver what they set out to.

But today micro finance is growing and is acknowledged as important for a number of reasons –

- Support to income generation for enterprises operated from low-income households
- Help in building self sufficient, subsidy free, locally managed institutions
- Building up on old foundations i.e. micro finance provides services similar to those used traditionally in the rural sector but with greater flexibility and on a more sustainable basis
- Development of micro finance strengthens not only the rural sector but also the financial system of the country as a whole. There is increased potentiality for profitability in the rural areas for banks and financial institutions (FIs) through higher deposit mobilization and credit off take.
- Experimentation and innovation allow use of new financial products that are best suited for the local conditions and environment.

In addition to financial intermediation, many micro finance institutions provide social intermediation such as group formation, training in financial literacy and management capabilities. Micro finance is therefore not just a banking tool but also a development tool. Along with benefits to the rural population, the financial institutions advancing the credit also enjoy better recovery rates. Micro finance is thus a potent method of rural credit delivery with tremendous potential for serving the rural masses. The most prevalent method of providing micro finance in Tamil Nadu is through Self-Help Groups (SHGs). It is now considered as bank at the door step.

REFERENCES

Microfinance in India: A State of the Sector Report, 2007

An overview of recent developments in the microfinance literature - VM Hartarska, M Holtmann - Agricultural Finance Review

http://www.opportunity.org/what-is-microfinance/#.UUREOhenDbs

http://www.microfinancegateway.org/gm/document 1.9.26838/26325_file_MicNFernando.pdf

Highlights of recent trends in global infrastructure:RJ Orr, JR Kennedy - Transnational Corporations, 2008

Microfinance in India: Empirical evidence, alternative models and policy imperatives: R Dasgupta - Economic and Political Weekly, 2005

CECI, 2001. An Overview on the Microfinance Sector in Nepal, CECI, Kathmandu, 2001.

NHDR, 2009, UNDP. “Nepal Human Development Report 2009, UNDB”

ADB.2000. Rural Finance Development in Nepal, ADB, 2000

RMDC, 2008. RMDC Annual Report, Kathmandu, Nepal, 2008.

LSS.2004. "Living Standard Survey, 2004", Nepal

****