



## Constraints Faced by Rural Women while Taking Microfinance Services in South Gujarat

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### ABSTRACT

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Microfinance refers to the small amount of fund which is provided to the needy people or low income group especially for women to increase their earning and also become economically independent. It is assumed that microfinance program plays a very important role to empower rural women. The present study attempts to know the socio-economic condition of rural women and also to examine the constraints faced by rural women while taking microfinance services in south Gujarat. The required data have been collected from 300 rural women of the south Gujarat region by multi-stage sampling technique. The result found that rural women face problems like short repayment periods, high interest rates, requirements of many documents, language issues, misuse of taken credit, complex procedures, no family support for repayment of loan and actions taken for non-repayment or delayed repayment etc. Based on the study, it was suggested that microfinance institutions have to focus on preparing appropriate policy to minimize the problems faced by rural woman while taking microfinance services.

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### 1. INTRODUCTION

Microfinance is defined as a financial activity that involves lending, saving and insurance to poor groups just above the poverty line and poor people below the poverty line. According to the International Labor

Organization (ILO), "microfinance is an economic development approach that involves the provision of financial services through institutions to low-income clients." In other words, microcredit refers to small savings, loans, insurance and other financial services provided to the poor who do not have access to formal financial institutions to start a new small business to increase their income and improve their standard of living. With microfinance, it should eradicate poverty, empower rural women and create job opportunities through various schemes. There is no consensus on the concept of authorization, because different specialists and different professions explain this concept in their own way. Authorization is an inherent human quality that cannot be transferred by a third party. Empowered women promote the health and productivity of healthy families and societies, and improve the prospects of the next generation. Empowerment means making someone strong, strengthening the weak and helping someone fight for their rights. According to Nobel laureate Amartya Sen (1993), "vitality is the freedom to live different kinds of lives, which is reflected in human capacities. A person's capacity depends on many factors, including personal characteristics and social organization." The empowerment of women was originally used to empower women to fight for social justice, transforming economic, social, cultural and political independence. In the first five years of India (1951-1956), the main focus is on empowering women so that they can function legally in society and in the family. Efforts are still being made to develop some kind of special organization that the state and central government should promote for rural women.

## 2. LITERATURE REVIEW

Completion of previous studies; found that there are several literatures that highlight the challenges that rural women face in accessing financial services. Some of the most important major studies are summarized here. Baruah et. to (2022) found that the most common problems faced by rural women in using microcredit services were short repayment period, unclear family crisis interest rates and credit costs. Nair (2022) argued that microfinance has positively impacted the lives of women by raising their overall socio-economic status and making them future decision makers. Patel et al. (2018) recognized that the successful implementation of microfinance can lead to social change in rural areas. It was suggested that the government and non-governmental organizations should engage in microcredit services to empower women. Sultana1 et al. to (2017) argued that microfinance brought women knowledge and social empowerment rather than financial impact. The impact of microfinance can be felt in women's confidence, courage, skill development and empowerment. Kapila et al. al (2016) found that microcredit significantly improved the income of female respondents, which in turn increased their

participation in household decision-making. Gangadhar and Malyadri (2015) showed that microfinance is an effective tool for the empowerment of women in all indicators such as household financial decision-making, legal awareness, mobility, financial security and family decision-making.

### 3. RESEARCH METHODOLOGY

#### 3.1 Research Problem Statement & Operational Definitions:

The present study attempts to identify the constraints faced by rural women while taking micro-financial services in the South Gujarat region.

Here, the Operational Definitions of various constructs are as follows:

- **Microfinance:** Microfinance refers to the small amount of funds that is provided to the needy people or low-income groups.
- **Rural women:** This refers to the women who are living in rural areas and depends on activities like agriculture and labor work.
- **Constraints:** This refers to the obstacles/problems/blockages faced by rural women while taking microfinance services.

#### 3.2 Research Objectives:

- To study the socio-economic characteristics of rural women.
- To investigate the constraints faced by rural women while taking microfinance services.

#### 3.3 Research Design:

Descriptive Research Design was used in this study as it attempts to identify the constraints faced by rural women while taking microfinance services.

#### Data Collection:

**(i) Primary Data:** The study is mainly based on Primary Data collected from the rural woman of randomly selected districts of South Gujarat using the structured questionnaire.

**(ii) Secondary Data:** Secondary data have been collected from books, reports, journals, periodicals etc.

**Sampling Design:** A multistage sampling technique was used. In the first stage, three districts of Gujarat were selected randomly. In the second stage, two talukas from each district were selected randomly. At the third stage, ten villages from each taluka were selected randomly and at the last stage,

5 rural women from each village were selected purposively who are taking microfinance services.

**3.4 Sample Size:** 300 Rural women from randomly selected three districts of Gujarat have been surveyed in this study.

#### 4. RESULTS & DISCUSSION:

##### 4.1: Socio-economic characteristics of respondents

**Table 1: Socio-economic characteristics of respondents**

Variables	Categories	No. of Respondents	Percentage
Age	31- 40 years	61	20.33
	41-50 years	138	46
	51- 60 years	82	27.33
	Above 60 years	19	6.33
Education	Illiterate	23	7.67
	Below SSC	95	31.67
	SSC/Diploma	108	36
	HSC	63	21
	Graduate	11	3.67
Occupation	Household Only	20	6.67
	Farming	121	40.33
	Animal husbandry	108	36
	Service	41	13.67
	Self employed	10	3.33
	Below 1 lakh	22	7.33
	1-3 lakh	143	47.67

Annual Income	3-5 lakh	97	32.33
	5-7 lakh	31	10.33
	Above 7 lakh	7	2.33

Based on the frequency analysis of the responses of 300 rural women, as shown in Table 1, socio-economic characteristics of rural women were classified according to their age, education, occupation and annual income. Out of 300 respondents, the highest number of respondents belonged to age group of 41-50years (46%) followed by 51-60 years (27.33%) age group.

Majority of the respondents have education up to SSC/Diploma that is 36% followed by 21% having education up to HSC and 3.67% were having education up to graduates. 31.67% of them have studied less than SSC, while 7.67% were found illiterate.

In term of occupation, 6.67% of them were house hold only , while majority that is 40.33% rural women were involved in farming. 36% of these rural women have been involved in animal husbandry, and only 13.67% of them were doing services, only 3.33% rural women were found self employed.

Annual income is very important indicator to identify someone’s economic condition. In this study, we have collected the data related to income of rural women. Only 2.33% rural women have annual income of more than 7 lakhs, 10.33% have annual income between 5-7 lakhs, while 32.33% of them have annual income of 3 to 5 lakhs. Majority of the rural women that 47.67% have annual income between 1 to 3 lakhs and 7.33% even have annual income of less than 1 lakh. This means income level of rural women is yet too low.

### 4.3 Constraints Faced by rural women while taking microfinance services.

**Table 3: Constraints Faced by rural women while taking microfinance services.**

Sr.No.	Constraints	SA (5)	A (4)	N (3)	DA (2)	SDA (1)	CS	MEAN	Rank
1.	No family support for repayment of loan	47(235)	90(360)	94(282)	45(90)	24(24)	991	3.30	5
2.	Misuse of the credit	24(120)	132(528)	95(285)	35(70)	14(14)	1017	3.39	4

3.	Requirements of too many documents	35(175)	125(500)	110(330)	25(50)	15(15)	1070	3.57	3
4.	High Interest Rate	112(560)	72(288)	35(105)	43(86)	38(38)	1077	3.59	2
5.	Lack of transparency	68(340)	44(176)	102(306)	38(76)	48(48)	946	3.15	8
6.	Discriminatory attitude by bank officials towards rural women	76(380)	42(168)	95(285)	49(98)	38(38)	969	3.23	7
7.	Get repayment period too short	98(490)	81(324)	66(198)	42(84)	13(13)	1109	3.69	1
8.	Harassment from the sanctioning authority	24(120)	48(192)	100(300)	78(156)	50(50)	818	2.73	12
9.	Language barrier	34(170)	53(212)	109(327)	76(152)	28(28)	889	2.96	10
10.	Actions taken for non-repayment or delayed repayment	39(195)	59(236)	98(294)	89(178)	15(15)	918	3.06	9
11.	Lack of opportunity to meet the bank officers	24(120)	50(200)	108(324)	71(142)	47(47)	833	2.78	11
12.	Too complex procedure	53(265)	72(288)	89(267)	69(138)	17(17)	975	3.25	6

Rural women were asked to rate various constraints that they were facing while taking microfinance service. Based on the given rating by rural women, various constraints were ranked by using the weighted mean method. Table 3 shows that the major three constraints faced by rural women while taking get repayment period too short, high interest rate and requirements of too many documents. Other constraints faced by rural women are found to be the complex procedure, misuse of the credit, no family support for repayment of loan and Discriminatory attitude by bank officials towards rural women.

## 5. CONCLUSION

Rural women take microfinance services for various purposes. They take micro-credit and utilize it for various economic activities for their financial inclusion. Rural women face many constraints while taking micro-financial services. They face constraints like get repayment period too short, high interest

rate, requirements of too many documents, too complex procedure, misuse of the credit, no family support for repayment of loan and Discriminatory attitude by bank officials towards rural women. Micro finance institutions need to focus on minimize such constraints by preparing proper strategy.

## 6. RECOMMENDATIONS

This study proves that rural women yet facing many constraints while taking micro-financial services. It indicates that microfinance institutions need to overcome these constraints to make micro-financial services more simple and easier. Some specific recommendations in this concern are given below:

- 1) Micro-finance institutions need to focus on reducing interest rates for micro-credit and the proper repayment period should be provided to the rural women.
- 2) Microfinance institutions should try to minimize the number of documents required for taking micro-financial services.
- 3) Micro-finance institutions try to make simple and transparent procedures for taking microfinance services in rural areas.
- 4) Micro-finance institutions should provide training to their employees to make them more helpful, sophisticated and customer-friendly in rural areas.

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