



## CHALLENGES AND OPPORTUNITIES OF MICROFINANCE TO EMPOWER RURAL WOMEN ENTREPRENEURS

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### Abstract

Empowerment of rural women has emerged as an important issue in today. The economic empowerment of rural women is being regarded these days as a very popular sign of progress for a country, hence the issue of economic empowerment of women is a paramount importance to the Economists, Political thinkers, Social scientists and economic reformers. Self Help Groups (SHGs) have smoothened the way for economic independence for rural women. The members of Self Help Groups are involved in Micro Entrepreneurship. Women themselves also often value the opportunity to be seen to be making a greater contribution to household well-being giving them greater confidence and sense of self-worth. Even where income impacts have been small, or men have used the loan, the fact that micro-finance programmes have thought women worth targeting and women bring an asset into the household may give some women more negotiating power. The microfinance empowered rural women entrepreneurs in many aspect of their life. Hence, the study was undertaken to assess the challenges and opportunities of microfinance to empower rural women entrepreneurs.

Key words: Microfinance, empowerment, challenges and opportunities.

### Introduction

“You can tell the condition of a nation by looking at the status of its women.”

By. Jawaharlal Nehru.

The empowerment of rural women generally refers to the process of improving the quality of life and the economic wellbeing of women living in relatively isolated and sparsely populated areas. According to the census of India, 2011, the population of India is more than 1.21 billion and out of it 72.20% population belongs to the rural area. Women constitute nearly 50 per cent of population, perform two-thirds of the work and produce 50 per cent of food commodities consumed by the country. They earn one third of remuneration and own 10 per cent of the property or wealth of the country. Women are regarded as the “better half” of the society and at par with the men. But unreality, our society is still male dominated and women are not treated as equal partners both inside and outside the four walls of the house. In fact they are treated as weak and dependent on men. As such Indian women enjoy an unfavorable status in society. Especially Rural Women in India constitute 77.00 per cent of the female population They share abundant responsibility and perform a wide spectrum of duties in running the family, maintaining the house hold activities like rearing, feeding, attending to farm labour, tending domestic animals and the like, even then they suffer from being both economically and socially invisible. Within the framework of democratic policy, our

Microfinance refers offering exceptionally small loans to very poor families with the purpose of engaging them into productive activities. Microfinance bank is an institution that extends small loan or micro finance, to applicant who typically belongs to the lowest group of society. Loans are extended to borrower to allow them to initiate a business, repair their homes and improve the general living condition of their families and the community. Microfinance is considered as a tool for socio-economic development, and can be clearly differentiated from donations.

The term microfinance came into existence in India in the early 1970s when the Self Employed Women’s Association (“SEWA”) of the state of Gujarat formed an urban cooperative bank, called the Shri Mahila SEWA Sahakari Bank, with the objective of providing banking services to poor women employed in the unorganized sector in Ahmadabad City, Gujarat. The microfinance sector went on to evolve in the 1980s around the concept of SHGs, informal bodies that would provide their clients with much-needed savings and credit services.

### Rural Women and Entrepreneurship

The emergence of rural women entrepreneurship and their contribution to the national economy is quit noticeable in India. The numbers of women entrepreneurs have grown over a period of time, especially in late 20th century. Women entrepreneurs need to be lauded for their increased utilization of modern technology, increased investment, finding a niche in the global market, creating an extensive employment for others and setting the trend for other women entrepreneurs in the organized sector. While women entrepreneurs have demonstrated their potential, the fact remains that they are capable of contributing much more than what they already are. Therefore women entrepreneurs are needed to be studied separately for



two more reasons. First, women entrepreneurs have been recognized during the last decade as an important unexploited source of economic growth as they creating new jobs for themselves and others and also by being different. They also provide the society with different solutions to management, organization and business problems as well as to the exploitation of entrepreneurial opportunities. Secondly, women entrepreneurs have been neglected largely both in society in general and in the social sciences as well. Not only have women lower participation rates in entrepreneurship than men but they also generally choose to start and manage firms in different industries than men tend to do. Hence, women can effectively undertake both the production and processing oriented enterprises. Entrepreneurship development among rural women helps to enhance their personal capabilities and increase decision making status in the family and society as a whole.

Empowerment implies expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives (World Bank Resource Book). Empowerment is the process of enabling or authorizing an individual to think, behaves, take action and control work in an autonomous way. It is the state of feelings of self-empowered to take control of one's own destiny.

### **Statement of the Problem**

There have undoubtedly been women whose status in the household has improved, particularly where they have become successful entrepreneurs. Even where income impacts have been small, or men have used the loan, the fact that micro-finance programmes have thought women worth targeting and women bring an asset into the household may give some women more negotiating power. The microfinance empowered rural women entrepreneurs in many aspect of their life. Hence, the study was undertaken to assess the challenges and opportunities of microfinance to empower rural women entrepreneurs.

### **Objectives of the Study**

1. To examine the benefits of microfinance in rural areas.
2. To study the instruments of microfinance in helping the rural women entrepreneurs.
3. To study the challenges of microfinance in empowering the rural women entrepreneurs.
4. To look into the opportunities ahead from microfinance to rural women empowerment.

### **Review of Literature**

Puhazhendhi (1999) analyzed the functioning of SHG's, in performance, sustainability, empowerment of women, economic impact on the members, future, potentials etc. He observed that SHG's in Tamil Nadu are performing well towards social change and transformation. The emerging trends are leading to positive direction of empowerment of members and promotion of micro finance.

Osman (2000) in his article remarked that micro-finance schemes alone cannot alleviate poverty. The battle for total eradication of poverty combining micro-finance schemes with parallel, complementary programmes addressing the social and cultural dimensions of want, privation, impoverishment and dispossession.

Kapur (2001) in her study tried to discuss, analyze and answer the challenging questions as to why despite all the efforts and progress made, still there continues to be so much of gender discrimination and what strategies, actions and measures to the undertaken to achieve the expected goal of empowerment. She opined that women's empowerment is much more likely to be achieved if women have total control over their own organizations, which they can sustain both financially and managerially without direct dependence on other. Similarly,

K.C.Sharma (2001) maintained that through SHG's women empowerment is taking place. Their participation in the economic activities and decision – making at the household and society level is increasing and making the process of rural development participatory, democratic, sustainable and independent of subsidy, thus, macro-financing through SHG's contributing to the development of rural people in a meaningful manner. Interestingly,

D.K.Singh (2001) in his study in Uttar Pradesh highlighted that the SHG's is now functioning in the place of moneylenders because loan could be taken at any time as and when needed for any purpose. There are no formalities involved and the transaction cost is low.

Pattanaik (2003) in her study reveals that SHGs are continuously striving for a better future for tribal women as participants, decision- makers and beneficiaries in the domestic, economic, social and cultural spheres of life. But due to certain constraints like gender inequality, exploitation, women torture for which various self Help Groups are not organized properly and effectively.



### Scope of the Study

The scope of the study is based on the secondary sources of data collected from various data published by various institutions such as Government of India, Reserve Bank of India and the data from journals, magazines for the purpose of the research paper.

### Methodology

The paper is both descriptive and analytical in nature. A sample of 50 women members of SHGs, who are running micro enterprises in Bangalore Rural District of Karnataka were interviewed to collect primary data required for the analysis.

### Discussion and Profile of the Sample

In Bangalore Rural district SHG movement has been quite rapid due to the presence of good physical infrastructure and literacy rate and wide spread banking network in the district. Besides, there are plenty of NGOs in the district who took boldly the steps to promote and nurture SHGs. The role of state government too cannot be ignored. As a result today Bangalore Rural district has more than 80,000 SHGs. About 70.0 per cent are exclusively women SHGs and remaining are men and mixed SHGs.

#### Socio-Economic Profile

**Table-1: Socio-economic profile of the respondents**

Group	No of respondents	Percentage
<b>Age</b>		
25-35	24	48
36-45	11	22
46-55	10	20
Above 56	5	10
Total	50	100
<b>Marital status</b>		
Married	38	76
Single	12	24
Total	50	100
<b>Education</b>		
SSLC	28	56
PUC	16	32
<b>Graduation</b>	6	12
Total	50	100
<b>Annual Family income</b>		
< 25000	22	44
25000-50000	23	46
>50000	5	10
Total	50	100

Source: field study

### Entrepreneurial Training

SHGs are also providing training for self employment in Agriculture, sericulture, fodder making, small scale industries and personality development. But they have not made it compulsory for all members they provide only for the interested members. Table 2 shows that in rural areas 53.0 per cent of the respondents have taken training and around 47.0 per cent of the respondents have not taken any kind of training.

**Table- 2: Training given by SHGs**

Sl. No	Rural	Percentage
Yes	26	52.0
No	24	48.0
Total	50	100.0

Source: field study



SHGs in urban areas are not providing regularly as in rural areas, in urban areas 80.0 of the respondents have not under gone any training, only 20.0 per cent of the respondents have taken some kind of training.

### Major Entrepreneurial Activities

**Table-3: Major entrepreneurial activities engaged by respondents**

Activities	Rural	Percentage
Agarbati	20	40.0
Agro based product	10	20.0
Detergent cake and phenols	6	12.0
Beauty parlor	10	20.0
Tailoring /petty shops	4	8.0
total	50	100

Source: field study

Table-3 shows that in rural areas 20.0 per cent of the respondents have making agarbati and 20.0 per cent are engaged producing agro based products such as papad, pickle, fruit jam and another 20.0 running beauty parlor around 12.0 per cent are making detergents and phenols and some 8.0 per cent are owning tailoring, petty shops after joining SHGs training.

### Loan Aailed

**Central** to all micro credit programmes is savings. SHG is a small voluntary association of poor people, with the purpose of solving their common problems through self help and mutual help. The SHGs promotes small savings among its members, members of SHGs save equal amounts as decided in their group. The meager savings of an individual may not be sufficient to meet their needs, but all savings of the group's members put to gather can be of great help to one or two members of the group. They act as the forum to provide space and support to each other.

### Loan Aailed From SHGS

Access to easy credit enables women to make investments. Table -4 brings out the fact that 100 per cent of the respondents have borrowed either from group or bank. In this way they have gained .Here it should not be concluded that they have become indebted now, rather they are happy that they have an alternative easy way that is because they are member of group

**Table – 4: Loan availed from SHGs**

Amount of loan availed	Rural	Percentage
Up to 50000	10	20.0
Up to lakh	14	28.0
Up to 5 lakh	20	40.0
Above 5lakh	06	12.0
Total	50	100

Source: field study

With regard to the availability of credit there are different sources, 80 per cent have taken loan from the internal savings and remaining have taken loan from the group. Most of those who have loan have used the group or the bank as the source of loan. From the very first month, a member becomes eligible to take a loan from the internal savings of the members. However to get access to the bank loan the group should have completed six months. The bank loans are not given to the individual members, but to the group as whole later on the amount will be shared among the member. Access to the credit enables women to make a contribution to household finance and use loan for more.

### Major Problems Faced by the Women Entrepreneurs

Rural women are usually not exposed to entrepreneurial activities; hence, their risk taking capacities, marketing skill would be poor. However, in the recent years, due to the training and other encouragement provided by government and Non government agencies they are coming forward to engage with small enterprise activities. Micro finance and self help group movement gave them special support to start entrepreneurial activities on self employed or group employment basis. However, they face several problems in running the ventures profitably, which again varies from region to region. In the study region the major problems faced by rural women entrepreneurs are:



1. Socio-personal problems like resistances from family at the time of starting enterprise, dual duties (stress), indifferent attitude of society, non cooperation of family members etc.
2. Problems relating to the government assistance like Harassment in the government departments, large amount of paper formalities, ignorance of law and procedures and discriminations with women entrepreneurs.
3. Financial problems like Insufficient financial assistance, problem of security and margin money, tight repayment schedule and lack of traditional financial assistance.
4. Production problems like non availability of raw materials, lack of technical assistance, inadequate machine tools, power problems and other infrastructural problems.
  - Marketing problems like competition, availability of substitute goods, long distance of market, lack of information on changing markets, delay payments and in adequate publicity.
  - Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.
  - Inadequate book-keeping.
  - Employment of too many relatives which increases social pressure to share benefits.
  - Setting prices arbitrarily.
  - Lack of capital.
  - High interest rates.
  - Inventory and inflation accounting is never undertaken.
  - Credit policies that can gradually ruin their business (many customers cannot pay cash; on the other hand, suppliers are veryharsh towards women).
  - Credit (i.e. debt) may lead to severe impoverishment, abandonment and put serious strains on networks with other women.
  - Pressure to save may mean women forgoing their own necessary consumption.
  - The contribution of micro-finance alone appears to be most limited for the poorest and most disadvantaged women.

The saying; entrepreneurs are born and not made has little sense today considering the entrepreneurial environment, women's activities are very interesting as they offer a great source of knowledge and innovation. For example: there is no single type of female micro-entrepreneur, they differ in social background, educational level, experience and age. Another interesting factor is their strong social coherence that allows them to maintain strong communications-channels at all levels.

One important element, and perhaps the only characteristic that men will never have, is the possibility to transfer "motherhood skills" to job. These include fostering of other people's development through guiding, monitoring, and sharing information. Women are experienced in balancing claims, in organizing and pacing, and in handling difficulties.

In general terms, female-led micro-enterprises tend to be associated with activities that provide part-time employment. They are small in size and have loose informal structures, require very little start-up capital and little or no formal education. On the other hand, many women entrepreneurs in the developing world remain illiterate and live in poor rural communities. Women start their enterprises with less professional work experience and knowledge of their sector than their male counterparts.

### **Opportunities**

- Savings provide women with a means of building up an asset base. Women themselves also often value the opportunity to be seen to be making a greater contribution to household well-being giving them greater confidence and sense of self-worth.
- Many MF institutions tried to bring cost of microloans below 10% for borrowers by facilitating direct interaction between individual lenders and borrowers via an internet community rather than physical offices.
- Financial services on a continued basis for establishing their identity and self-image. It constantly endeavors to deliver efficient services to its clients and remunerative returns to its investors by adopting cost-effective methods by creating a culture of competence and excellence.
- Many Self Help Group have come into existence with the help of Banks and grants from Government and they are helping others to build their own status.
- Increase competition among the microfinance institutions and indigenous money lenders & this expanded the option available to poor people with less interest rate.

### **Suggestions**

- Learning to manage money and rotate funds builds women's capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit.



- People need not just take loans but also savings, insurance and money transfer services.
- Governments should provide an enabling legal and regulatory framework which encourages the development of a range of institutions and allows them to operate as recognized financial intermediaries subject to simple supervisory and reporting requirements. Usury laws should be repelled or relaxed and microfinance institutions should be given freedom of setting interest rates and fees in order to cover operating and finance costs from interest revenues within a reasonable amount of time.
- Convenience of location, positive real rate of return, liquidity, and security of savings are essential ingredients of successful savings mobilization.
- One way of expanding the successful operation of microfinance institutions in the informal sector is through strengthened linkages with their formal sector counterparts. Mutually beneficial partnership should be based on comparative strengths of each sector.
- Informal sector microfinance institutions have comparative advantage in terms of small transaction costs achieved through adaptability and flexibility of operations. They are better equipped to deal with credit assessment of the urban poor and hence to absorb the transaction costs associated with loan processing. On the other hand, formal sector institutions have access to broader resource-base and high leverage through deposit mobilization.
- High transaction and service cost should be reduced so that the cost of finance can be minimized.
- Irregular flow of income due to seasonality is another problem for the borrowers, to overcome this problem some time should be given after borrowing the funds to set up the business so that income can be generated to repay the loan.

### **Conclusions**

A conclusion that emerges from this account is that micro finance can contribute to solving the problems of inadequate services as an integral part of programmes.

Various strategies have been adopted to empower rural women with mixed result. One of the viable strategy often talked about, is the role of enterprise to empower rural women. For example, promotion of rural enterprise makes full use of family labour requires less capital in production and uses locally available raw material. In addition, family ties and kinship linkages may help in promoting rural enterprise. Thus enterprise development has been considered, among other factors, a powerful tool to eradicate poverty especially among rural women as they are at the receiving end in almost all less develop countries.

For women to become a successful entrepreneur, she needs access to capital, technical and managerial know how and market conditions. The essence to empower rural women lies in catalyzing appropriate economic activities at the grass root level and creating new opportunities for them to earn higher income in order to improve their standard of living. This objective could be accomplished by establishing enterprises that are based on the locally available resources and preferably indigenous knowledge.

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