



Women's Upliftment Through Micro Finance in India - Some Issues and Challenges

KEYWORDS

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Introduction

For quit sometime, breaking the circle of poverty and attaining sustainable development has eluded developing countries. India, like many other developing countries, has for long been making effort accelerate the pace of her economic development by putting in place programmes to reduce the rate of poverty through empowering people, by increasing their access to factors of production, especially credit. Therefore, to enhance the flow of financial services in the rural areas, Indian government has, in the past initiated a series of micro/rural credit programmes and policies that targeted at the poor. Among these programmes was the rural banking programme, establishment of Indian Agricultural cooperative bank (IACB). National directorate of employment (NDE), peoples bank of India (PBI), community Banks (CBs). Family Advancement Program (FEAP), National Poverty Eradication Programme (NAPEP) etc.

However, these programmes become less or ineffective in comparison with the needs of the country, largely due to the inability to provide services needed by the low-income group and poor at purely grassroots level. Regarding role played by women in the society, as valuable resources for sustainable economic development. Women in are considered to be at the lowest rung of the poverty ladder (poorest of the poor) due to poor access to credit facilities, gender discrimination and other expectations from the society. These pitfalls become impediment in the socio-economic development of women in Indian society.

The need to enhance financial services in the Indian Rural areas and reduce ever-increasing incidence of rural poverty, prompted the CBN to introduce well focused and appropriate policies. The objectives of these policies are to expand financial infrastructure, harmonize operating standards and provide platform for the evolution of microfinance institutions in . Quite true that, the latent capacity of the women for entrepreneurship would be significantly enhanced through the provision of microfinance services.

The introduction of microfinance policy and frame work on the 15th of December 2005, bring all the existing informal institutions that serve 65% of the Indian population under CBN supervision. The policy also transformed community banks (CBs) on meeting the new capital requirement to microfinance banks (MFBs). Microfinance banks were established to promote self reliance, self esteem and make financial services accessible to large segment of the potentially productive Indian population which otherwise would have little or no access to financial services.

Recently, there are many microfinance banks operating

within the state and local government. These operating units aim at enhancing micro small and medium entrepreneurs, eliminating gender disparity and improving women's access to financial services.

In the past, several efforts were made by the indian government to enhance socio-economic development of rural dwellers by initiating policies and programmes such as; rural banking, National Directorate of Employment (NDE) etc. over time, these became ineffective due to poor capitalization and failure to identify with culture and needs of the communities. Subsequently, these generated synergy for especially women folk, to quest for access to financial opportunities such as credit facilities and other economic activities. The development of sound microfinance policies became imperative to contain with these problems, but most importantly, provide effective services with a strong capital base to empower women entrepreneurship. In essence, this research will try to analyse the extent to which microfinance banks impact on women entrepreneur development in Zaria Local Government. This research will focus on selected microfinance banks and women associations within Zaria Local Government from the period of 2008 to 2010. The study intends to evaluate the impact and implication of microfinance banks policies on financial sustainability among women in Zaria Local Government. The choice of stems to the fact that, economic status of women in is low and that the concentration and predominance of women entrepreneurial activities in are easily identifiable. Microfinance bank as vehicle for socio-economic development for women, the study extrapolates the effect of microfinance on reduction of poverty.

Definition of Terms

- Microfinance Bank (MFBs)** mean any company licensed to carry on the business of providing microfinance services such as savings, loans, domestic fund transfers and other financial services that economically active poor, micro-enterprises and small and medium enterprises need to conduct or expend their businesses. (Microfinance Banks regulatory and supervisory framework, December, 2005).
- Micro- credit:** Disbursement of small or soft loans meant for rural development.
- Rural Dwellers:** Are people residing in a country site or an area where there is less or no governmental infrastructures and facilities such as offices, electric power supply, industries and other basic social amenities.
- Microfinance:** Is about providing financial service to poor who are traditionally not served by the conventional financial institutions.
- Informal financial institutions:** They are traditional micro-

finance institutions that provide access to credits for rural and urban low-income earners. Example, rotating savings and credit association, self help groups, co-operative societies.

- **Microfinance policy:** is a regulatory guidelines on micro credits that help to promote monetary stability and sound financial system.
- **Poor-** A poor person shall be defined as one who has magic means of sustenance of livelihood and whose total income during a year is less than the minimum taxable limit set out in the law.

The Emerging Theory of Microfinance

Recent developments in and other developing countries bring argument that microfinance or micro credit structures are essential for development of rural areas that are typified and engulfed by complete absence of basic amenities of life. As has been argued by the United Nations Capital Development Fund (UNCDF) that, "the development of microfinance institutions (MFLs) over the last two decades and a number of success have lent credence to the idea that microfinance is a major stimulus for development in the countries of South, and that is a powerful instrument for combating poverty". This report suggests two assumptions. This first assumption is that, "poor populations possess the capacity to mobilize income generating activities but they lack access to capital". This is as a result of weak financial market capacity and absence of asset based collateral by the poor people to collect loans from the financial institutions. The second assumption is that, availability of establishment of financial institutions will enable poor people to be progressive in their productive entrepreneurial investments.

Microfinance programmes and institutions have gained widespread acceptance across . Research has been conducted on the activities of microfinance institutions in developing countries, especially , and yet a large number of rural farmers, petty trader's peasants as well as urban salaried dwellers patronize these financial institutions. Therefore, microfinance programmes are not only relevant to Africa's socio economic and cultural circumstance but also tend to impact immensely on income generation and broad access to financial resources crucial to the poor comprising large percentage of women for sustainable development. The World Bank, United Nation Development Programme (UNDP), United States Agency for International Development (USAID) have all made fund available to microfinance non-governmental organizations in India with varying levels of success.

Microfinance institutions have rapidly evolved in the last decade and have been able to "create significant income and employment opportunities for the poor in developing countries". Microfinance institutions (MFLs) have reached out to many disadvantaged micro entrepreneurs that enable them to achieve financial self sufficiency. In , Microfinance programmes was founded on sound conception but have failed because of certain limitations as identified by the World Bank and the International Monetary Fund (IMF). "The over investment in this sector by government and the consequent restructuring of the economy embarked by indian government in the mid 1980s, make rural microfinance unsuccessful". It has been noticed that one of the problems that microfinance institutions have faced in was inclusion of social welfare projects which divert attention from financial sustainability to welfare issues. Therefore, micro credit institutions fail to reach their target populations, "the poor".

In order to remain relevant, microfinance institutions must be able to provide development activities necessary to generate financial sustainability. Hence, Establishment of People's Bank (PBN), raise financial sustainability of rural poor for economic growth and development. However, there was argument that, the rate of failure of microfinance programmes is an indication that they are not an appropriate policy tool. Economists also augured that "microfinance is an inappropriate policy intervention, and that it is macroeconomic reform and not micro credit delivery needed for cultivating entrepreneurship". The question in this research however, is to ascertain the fact on whether microfinance banks help in financial sustainability and entrepreneurial development especially in regard to women.

Overview of Microfinance Activity in

Practice of microfinance in is culturally rooted and dates back several centuries. Microfinance institutions have rapidly evolved in the last decade and have been able to create significant income and employment opportunities for the poor in developing countries. (Ihedure, 2002). According to [13], traditional microfinance institutions have great evancy and perhaps the strongest system in , among which the indigenous rotating and non-rotating savings, credit associations and self-help groups. Example of these traditional savings and credit institutions are: Esusu and Ajo among Yoruba, Adashi among Hausa, Isusu among Igbo, Oja and Aterugba among Igala and Bam among TIV etc and a vast array of derivatives [14].

[8] asserts that, rotating drift and credit association is an association of equals who have decided to come together to pool resources for financial structure of formal financial institutions, the informal financial institutions is structured horizontally with powers of members diametrically neutral" More ever, microfinance is about providing financial services to poor who are traditionally not served by the conventional financial institutions. According to Osaze (1999) The advantage of traditional microfinance over formal financial institutions particularly in the rural areas, lies in their ability to give quick credit and to mobilize savings, their proximity and easy access to those in the rural communities who require their services, the freedom they give their debtors to deploy extended credit to whatever use they desire, the repayment flexibility and adaptability to the peculiar needs of borrowers and their low overhead and transaction costs. The informal financial sector served 65% of the Indian population through NGO-Microfinance institutions, money lenders, friends, relatives, credit union and associations. Therefore, the number of NGOs involved in Microfinance activities has increased in recent times due to the inability of the formal financial sector to provide services, needed by the low income groups and the poor (CBN: 2005:7)

The non-regulation of the activities of some of these institutions has serious implications for the CBN ability to promote monetary stability and sound financial system. Therefore, government has in the past attempted to fill a huge untapped gap potential for financial intermediation through establishment of financial institutions and instruments, but have failed due to poor capitalization and restrictive regulatory and supervisory procedures among other factors. Moreover, Community Banks (CBS) were designed to fill the gap, but their low capital base have not enabled them to make meaningful contribution to micro financing (CBN:2005:24) consequently, the CBN has taken activities measures to address the issue of microfinance through the development of appropriate regulatory and supervisory framework which recognizes and bring the ex-

isting informal institutions within its supervision and also transform other financial institutions such as community banks to microfinance banks by increasing the shareholders funds to a minimum of N20m.

CBN regulatory and supervisory framework CBN (2005) reported that, microfinance banks being established in line with this policy framework shall be adequately capitalized, appropriately regulated and supervised to address the need of financing at the micro levels of the economy. Ehigiamusoe (2005) define microfinance as the supply of loans, savings and other basic finance services to poor.

Objectives and Goals of Microfinance Banks

The primary objectives of setting up microfinance banks is to make financial services accessible to a large segment of the Indian population including rural poor and women which otherwise would have little or no access to financial services. As stipulated by the CBN (2005), microfinance bank policies are set up to achieve the following objectives:

- i. Enhance services delivery to micro, small and medium entrepreneurs
- ii. Contribute to socio-economic development of rural communities
- iii. To improve women's access to financial services by eliminating gender disparity.
- iv. Enhancement of the productive activities in both urban and rural areas, thereby creating job opportunities and reducing poverty.
- v. To create opportunities for self employment and self-reliance to low-income group in the community.
- vi. Mobilize domestic savings and promote the banking culture among low-income groups.
- vii. To strengthen the capital base and broaden the scope of activities of microfinance institutions.

According to CBN (2005) the establishment of microfinance banks has become imperative to serve the following purposes:

- i. To provide diversified affordable and dependable financial services to the active poor in a timely and competitive manner that would enable them to undertake and develop long-term sustainable entrepreneurial activities.
- ii. Create employment opportunities and increase the productivity of the active poor in the country, thereby increasing their individual household income and uplifting their standard of living.
- iii. Enhance organized systematic and focused participation of the poor in the socio-economic development and resources allocation process.
- iv. To mobilize savings for intermediation
- v. Provide veritable avenues for the administration of the micro-credit programmes of government and high net worth individuals on a non-recourse case basis. This policy ensures that state governments shall dedicate an amount of not less than 1% of their annual budgets for the on-lending activities of microfinance banks in favour of their residents.
- vi. Render payment services such as salaries gratuities and pensions for various tiers of government.

According to CBN report (2005), Microfinance banks can be established by individuals, groups of individuals, Community Development Associations, Private Corporate entities or foreign investors.

- i. MFBs owned by Individuals or group of Individuals;

Individuals or group of individuals within the community come together to promote establishment of microfinance bank within their locality or to operate within the state.

- ii. Community Development Associations (CDA):

These are voluntary or Community based self-help groups that involve people from the same community with the aims of carrying out developmental activities to promote development in their communities. Example, Community Association. This group of people can come together to promote establishment of MFB in their locality or within the state.

- iii. Foreign and International Investors can expressed interest in investing in Microfinance sector in . The microfinance framework would provide an opportunity for them to finance in the economic activities of low income groups and poor.

Therefore, no individuals or group or individuals corporate entities or their subsidiaries, shall allow establishing more than one MFB under a different or disguised name (CBN 2005).

Women Entrepreneurship Development in India

is a country with numerous businesses and investment potentials due to the abundant, vibrant and dynamic human and natural resources it possesses. Tapping these abundant and valuable resources require the ability to identify potentially useful and economically viable fields of endeavour. Onwubiko Entrepreneurship play significant role in the process of any country's economic development. Therefore, Indian business environment offers many entrepreneurial opportunities to both public and private sector of the economy including the involvement of every sector of the society for industrial development process of the country. However, participation of women in economic activities is rated low. The low participation is blame for poor access to credit facilities, gender discrimination and perception of people about women in indan. Until recently, women in grew to accept that their rightful place was in the home and women lives were comparatively idle for they were not involved in anything other than in the home[15]. There is another perception that women is taken to be that of child bearing and rearing and also regarded as an economic tool. According to[1], the role of child bearing and rearing occupies important place in the cultural perception of women in . These perceptions and discrimination against women relegate them to be at the lowest rung of poverty (poorest of the poor) in the society (Iheaduru 2002). According to micro-credit summit campaign (2001) report defines "poorest" as the bottom half of those living below their nation's poverty line". Regarding role played by women in the society as valuable resources for sustainable economic development, women are typified and engulfed by poverty unemployment, illiteracy and large responsibilities. These maladies reduce women participation in entrepreneurial development and thus, affect human existence and the nation's economy.

Women entrepreneurship therefore, needs to be encouraged to reduce poverty level and enhance self-reliance. CBN report maintain that, "the latent capacity of women for entrepreneurship would be significantly enhance through the provision of microfinance service to enable them engage in economic activities and to be more self-

reliant, increase employment opportunities and create wealth". Iheaduru pointed out that, women in general are naturally endowed with some exceptional abilities, which if properly harnessed for entrepreneurship purpose, could result in positive and enviable result. Women however can device, design, invent and sustain innovations and techniques. Their technological foresight and creativity usher in Cottage industries, home Management, personal and community health and through this, they keep the family, community and the nation going even with babies on their back[16]. In the economic sphere, women in India are naturally creative and have abilities to persist and pursue their desires, innovate and develop passion for what they believe in. With this, women possess most of the qualities that are essential and can be enhanced for entrepreneurial success.

According to Agbonifoh entrepreneurship refers to the ability to establish and run a business enterprise successfully. In another view, entrepreneurship is the capacity and attitude of a person or group of persons to undertake ventures with the probability of success or failure Onwubiko. Entrepreneurship is perceived as a major avenue to increase the rate of economic growth and create job opportunities. The perception encourages government to see the need for entrepreneurial development among rural and urban poor. According to UNDP report (2001) entrepreneurship development should be about helping people start and grow dynamic businesses that provide high value added. For this, various programmes and policies were being put in place by both the federal and state governments to encourage entrepreneurial activities especially among women in .

A paper presented at the 8th international interdisciplinary congress on women (2002) stated that "the declaration on participatory development noted that, sustainable development only can be achieved with the full participation of women who constitute approximately 50% of the population". The declaration also noted that "women lacked access to resources including credit and technology. This declaration urged most governments including government in to initiate priority actions that would substantially increase women participation in entrepreneurial activities. Among these programmes were the rural banking programmes, establishment of National Directorate of Employment (NDE), Peoples Banks of India(PBI), Family Economic Advancement Programme (FEAP), Community Banks (CBs), National Poverty Eradication Programme (NAPEP), Family Support Programme (FSP) etc. These programmes were initiated with the aim of stimulating appropriate economic activities at the grassroots level and creating avenues for the people to earn higher incomes and thus raise their standard of living. Under 2003 view, National Directorate for Employment (NDE) and Small-Medium Enterprises (SMEDAN), are some of the means through which Indian

government aims at encouraging entrepreneurial spirits in the country. Therefore, these initiated government programmes make great impact on women entrepreneurial activities especially women traders, peasant farmers, tailors and artisans. The UNDP report on women's entrepreneurship development project in Nepal, found that "women who cannot meet the basic needs of themselves and their families, are often keen to undertake entrepreneurial activities, but they face many constraints". Admittedly, it has been observed that for an entrepreneur in to start a business he/she must have adequate funds and in a situation where the working capital is inadequate, there is also a problem.

Conclusion

Women capital capacity for entrepreneurship is very low therefore; women need to be provided with assistance in entrepreneurship training, confidence building and provision of microfinance facilities. Quite true that, access of loan and other financial services from commercial banks to start up small or medium scale enterprises is difficult. Difficult access to loan from conventional Banks constitute great setback to development in India (Parker, 2006) However, the establishment of micro credit programmes, encourage entrepreneurs including women to have close access to financial services, but unfortunately, some of these micro credit programmes have not been made with respect to the general welfare of women. It has been far removed from the culture and operational framework of the rural financial intermediation process (Osage, 1999). Consequently, women's access to credit, loan packages, programmes and services are limited because women are considered to have lower capital capacity than men, thereby limiting the range of their economic activities and returns. Perhaps a solution lies in the micro finance Banks' concept- a concept that depend largely on productive Indian population for its proper functioning, a concept that reduce poverty, create opportunities for self-employment and self-reliance and also eliminate gender disparity for women entrepreneurial development in the country.

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