

**CHALLENGES FACING BY WOMEN IN ACCESSING CREDIT FROM
MICROFINANCE INSTITUTIONS IN SRI LANKA:**

ABSTRACT

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Women are key instrument in the society and their role is very important in the world because they act dual role both in the family as well as society. The microfinance has an important role in empowering women in developing countries as well as in Sri Lanka by accessing credit facilities for their income generating activities to empower the rural women. With the conflict situation in Northern part of Sri Lanka, most of the men left from that area and they were unable to withstand by political condition. In this situation, many men were killed and women had to take the responsibility of the family as leaders. The Sri Lankan government has a responsibility to rehabilitate and revitalize the situation under post war development. MFIs provide their members with financial and social intermediation services to help improve their income generating activities. The aim of this study is to examine the challenges faced by women when accessing loans for income generating activities. This concept paper focuses on a review of academic literature on Challenges when accessing loans in empowering women through micro finance in Sri Lanka. For this purpose previous studies from developed and developing countries on this regards have been examined and then found out the solutions from the literatures. Finally, the conclusion of their studies has been analyzed and then provided a comprehensive literature by seeing the experiences and usefulness of the activities about the solutions for the challenges in accessing the loan facilities for income generating activities to empower poor women. Therefore it has been strongly feel that a look into empowering women and developing them with the support of the microfinance and the monitoring and creating awareness are important to eliminate the challenges facing by them in accessing credit from Microfinance Institutions.

Key words: Challenges, Women empowerment, Microfinance and financial and social intermediation services.

1 BACKGROUND OF THE STUDY;

Poor people are not able to access for financial services from commercial banks because of lack of guarantee and collateral and distance. There are other reasons such as poor have less education, no proper experience and training, high expenses on transactions of small loans and lower rate of profit also involved for which commercial banks were not willing to finance poor. So, limited option to access loan leads to push poor people in more poverty. This situation resulted in emerging the idea of micro lending and microfinance. Therefore, microfinance is a way to finance people, those who have no collateral or any property for guarantee. Since microfinance organizations have financial focus, they are expected to impact the lives of the poor (Kabeer, 2005). According to Otero (1999), Microfinance is “the provision of financial services to low-income poor and very poor self-employed people”.

Microfinance is now globally recognized as an effective tool for reducing poverty. It has shown positive results in many countries, however, microfinance services have not yet extended to reach the poor. There are still huge lots of people depressed of financial service in the developing countries. At the same time, there are a number of challenges facing by poor in accessing the microfinance in developing countries which is being discussed by reviewing past literatures. From time to time Sri Lanka faced challenges and problems due to war situation and the nature ie, Tsunami, flood etc. In this situation most of the poor people have been affected by loosing their assets and loved ones. Mostly the poor women have been affected by losing their male relatives and forced to take the family responsibility due to the war situation. Sri Lankan Government has the responsibility to prevent the poor women from these struggles and enhance their standard of living condition under the post war development and it has undertaken various activities for rehabilitation and restructuring of Northern Province in Sri Lanka. Micro finance is considered as one of the ways to eliminate these problems; however, poor people face challenges and difficulties when accessing financial services from MFIs. This study focuses on these challenges facing by the poor women in Sri Lanka by referring previous studies on this regards. Further, the suitable recommendations have been found out from these studies which have been suggested by the authors from their findings. Moreover, the given recommendations would be helpful to the practitioners, researchers, planners, policy makers and academicians, who are involved in the development of the services of MFIs.

Further, it is believed that the financial services provided by the MFIs which leads to women empowerment. Moreover it is a way to poverty alleviation, health nutrition, and income generating activities especially for poor women in developing and developed countries. However, a majority of people are benefitted from these services even though they face challenges and issues when they access the micro loans in developed and developing countries and Sri Lanka as well. The research problem is highlighted in this study “What extent the women face challenges and difficulties when they access micro loans from the MFIs?”

The prime objective of this study is to investigate the challenges faced by the women when they access micro loans for their income generating activities. In addition to this the following objectives also have been generated in line with the aim of this study.

- To find out the challenges in relation with the economic impact of credit facilities.
- To find out the challenges connected with the social and political impact of credit facilities.
- To investigate the issues on gender based micro credit delivery and facing challenges by women participants
- To give suggestions for these challenges as remedy actions.

2 RESEARCH METHODS

The secondary data which have been derived from the past studies are used to analyse this study. The data related to challenges and issues when the poor women access to credit has been gathered from the previous studies which focused on MFIs, Government and poor people. In order to meet the objectives of the study, the data has been analysed regarding challenges on economic impact, social and political impact and gender based delivery and later in Sri Lankan context. Finally it has revealed the suggestions and recommendations which to be considered by the MFIs and donors for avoiding these issues.

3 CHALLENGES IN ACCESSING MICRO CREDIT FROM MFIS

3.1 CHALLENGES ON ECONOMIC IMPACT

The impact of micro credit on income has been observed to be variable and it shows that the majorities of borrowers' income increases are small and in some cases negative due to the fact that most women invest in existing activities which are low profit and insecure. In addition, women's choices and ability to increase income is constrained by gender

inequalities in access to other resources for investment in household responsibility and lack of mobility. (Mayoux, 2002) In addition to this women face inability to access information, productive resources and social networks that hidden their access and control of resources (Mayoux, 2002).

Skarlatos, 2004, stated that micro credit delivery has improved the economic position of households, however, he found out a number of issues in three ways. First the size of the loans is too small which does not enable the women to make long-term income change for the house hold. Secondly, the increased access to credit in the same geographic area could contribute to market dispersion of products provided by the women because poor women usually engage in similar businesses. Thirdly, the women's successful business might have a negative impact on the girl-child who might be required to help her mother leaving the school.

Dejene, (2007) revealed that micro and small enterprises provide employment to the poor who have no other means of income. However women's Micro and Small Enterprises are not reaching their growth potential due to various factors such as labour burden, lack of adequate skill, lack of financial resources, weak infrastructure, limited access to markets, weak business organizations and limited enabling environment.

Fasoranti (2010) concluded from his findings that poverty was high among the economically active age group and it was revealed that all respondents possessed formal education. Further, the micro credit scheme has positive influence on major economic variables of income, savings, consumption expenditures and asset acquisition. However, 75.8% has the opinion that the majority of target population has not actually benefited from the programme due to the major limitation of political influence which over-involved easy access to the scheme.

Arora, 2011, revealed that good saving habit among females as maximum number of the respondents was having savings but still there are so many barriers in the way of financial inclusion of women such as lack of awareness regarding micro financing services being provided by the banks.

3.2 CHALLENGES ON SOCIAL IMPACT

The provision of financial services is related with two specific sets of social aspects. The first relates to interaction with the staff of the organizations which have the potential to

bring change through training and other activities. The second set of social relations is those between members of the groups organized by microfinance organizations. However, these groups do not represent the same principles of organization or the same kind of relationships between members (Mayoux, 2005).

Intra-household decision making is one indicator of women's empowerment. While there is evidence that microfinance can have an impact on women's role in household decision making, it has not occurred evenly in all contexts or in all areas of decision making (Cheston and Kuhn, 2002).

Domestic violence might reveal either a declining or an increasing trend with women's access to micro credit (Goetz and Gupta, 1996). The reason for the decline could be the increase in awareness among family members that provides women a public forum where they discuss matters that were previously kept privately.

3.3 CHALLENGES ON POLITICAL IMPACT:

Micro credit is viewed as an effective tool for overcoming the political exclusion of women (Cheston and Kuhn, 2002). The global average of women's representation in national parliaments remains low at 17 percent as of 31 January 2007 (UN, 2007). Women in government, parliament, the judiciary and other institutions serve as role models and thus as pull factors for other women. Even programs that are not explicitly addressing women's rights and political participation have had some impact on political and legal empowerment (Cheston and Kuhn, 2002).

3.4 GENDER BASED CHALLENGES ON MICRO CREDIT DELIVERY

Women's access to financial resources has been substantially increasing over the years. However, their ability to benefit from the access in micro credit is limited by the gender related disadvantages (Skarlatos, 2004). Further, to women's poverty levels, social discrimination against women results in smaller loan sizes in comparison to men.

There are only a limited number of women in the leadership of microfinance institutions, which might be one reason for the biased loan access. Although microfinance does not address the entire hurdles to women's empowerment, it can contribute to their empowerment if properly implemented (Kabeer, 2005).

Hamida, (2000), study on 'Empowering Women through Micro Credit: A case study from Tunisia' revealed that the women entrepreneurs face several obstacles to their desire for self

employment, including difficult access to capital, low level of knowledge including literacy and numeric skills, lack of training, inadequate market knowledge, for both purchases and sales, conservative traditions in their families and society at large, shyness and lack of public experience.

3.5 CHALLENGES FACING BY WOMEN IN SRI LANKA

Ayadurai, (2004) summarised the constraints that have been found to be similar in the North East of Sri Lanka and the other Asian and African countries have been: i) lack of financing and funding; ii) balancing time between the entrepreneurial venture and family; iii) poor access to education and training programmes to help women improve their entrepreneurship, managerial and technical skills; and iv) inefficient production systems and weak infrastructure. Their biggest constraint was lack of international aid which was however not seen as a major problem in many of the other Asian and African countries.

The study of Premaratne, 2011 found that impact of micro finance on women is substantial in building confidence, courage, skill development and empowerment but there is no positive in sustainable rural development especially reduction of poverty, creation of employment opportunities and creation of assets in rural areas. According to his study on Accessibility and Affordability of Rural Microfinance Services in Sri Lanka revealed that the accessibility of Microfinance depends on factors such as the level of household income, distance to MFI, availability of information technology, interest rate, level of education, vocational training, and collateral availability.

Arulrajah & Philip, (2011) concluded that the role of INGOs and NGOs has the moderate level contribution on the respondents' perception even though they have played a considerable role in improving equality and personality development of Women Headed Households in Sri Lanka. Further they highlighted that there are considerable gaps still exist in the area of equality and personality developments of Women headed households.

Tilakaratna, Galappattige and Perera (2005), revealed in their study on Promoting Empowerment through Microfinance in Sri Lanka that microfinance is an important component of the lives of the poor especially among poor who are keen on being entrepreneurs. From their study, about 45 percent of the clients claimed that they were satisfied with the business development services provided by their organization though a majority did not comment.

Chulangani and Ariyawardana (2010) revealed that the transaction cost of borrowing declines as the size of loan increases. Transaction cost of borrowing increases due to high travel cost and opportunity cost of borrowing. Closer proximity to the borrower, regular inspection of micro enterprises by the lending staff, timeliness in loan approval and disbursement have built a strong relationship with the Ceylinco Grameen Credit Company Limited.

Maheswaranathan and Kennedy (2010) revealed that the micro credit led to the elimination of the economic hardship of women. Even though the micro credit was meant for the livelihood activities of women yet, it helped the beneficiaries' family to eliminate the poverty by providing a support in fulfilling the need.

4 CONCLUSIONS

The following problems and challenges have been derived briefly from the study.

1. Women face inability to access information, productive resources and social networks that hinder their access and control of resources. Further, labour burden, weak infrastructure, and limited access to markets, weak business organizations and limited enabling environment and the political influence to easily access the loan and lack of awareness regarding micro finance facilities are the issues for accessing loan facilities.
2. No relationship between staff members of the organizations and the people and among the group members. Further women face domestic violence and have poor decision making power at household level.
3. Low level of political participation which affects their lives. Further, there are some issues regarding women's poverty levels, social discrimination against women results in smaller loan sizes in comparison to men, limited number of women in the micro finance leadership, low level of knowledge including literacy and numeric skills, lack of training, inadequate market knowledge for both purchases and sales, conservative traditions in their families and society, shyness and lack of public experience etc.
4. Poor rural women have lack of financing and funding facilities, balancing time between the entrepreneurial venture and family, managerial and technical skills and inefficient production systems in their micro enterprises.
5. Further the accessibility of Microfinance depends on factors such as the level of household income, distance to MFI, availability of information technology, interest rate, level of education, vocational training, and collateral availability.

6. Inequality and impersonality of women headed households is one of the issues. Further, increasing transaction cost, no proximity to the borrower, irregular inspection of clients, timeliness in loan approval and disbursement are the major issues in accessing credit facilities from MFIs.

5 RECOMMENDATIONS

In order to lessen the problems and overcome the challenges, the study makes the following recommendations for the consideration of the policy makers, the practitioners and the other stakeholders.

1. For reaching the poor women it is necessary to expand services to remote areas and deepen the services down to them.
2. Appropriate technologies should be introduced to get advantage of the local potential such that the poor women can get sizable profits and return out of their loan proceeds.
3. With the growth of MFIs, it is needed to have matching number of institutions that can provide capacity building training to the MFIs. The government should come up with programs providing capacity building of the new MFIs such that they could develop professionalism and provide quality microfinance services to the poor.
4. The staffs must have professional knowledge and skills to provide quality services to the poor.
5. MFIs should be given legal authority to collect savings deposits from the clients as well as non clients in the remote districts to cultivate savings habits among the local people and also to raise financial resources generated by MFIs.
6. In order to avoid staff corruption and racketing, MFI top management should be vigilant and watchful of staff behavior and relationships with clients and other vested interest groups.
7. If awareness will be created to enlighten the poor on the activities of microfinance, it has been identified as the best option for reduction of poverty, and a strategy for helping the poor and women entrepreneurs to access financial services which leads to save and to have better access to credit will enable them manage risk, build assets, increase income, enjoy a better life and also help to reduce gender inequality among women entrepreneurs.

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