

# Problems faced by rural women in availing Bandhan Microfinance in Tinsukia District of Assam

## ABSTRACT

The present paper is an attempt to identify the problems faced by the rural women in availing Bandhan microfinance. The study was conducted in Margherita sub-division, Tinsukia district of Assam during the period of June 2021 – July 2021 and the study design adopted was exploratory cum descriptive. For the present study thirty percent groups were selected from each selected Bandhan Banking unit. Thus, 108 members of Bandhan groups were selected for the study as respondent. The results indicated that the most common problems faced by the respondents in availing the microfinance services was short period for repayment, not clear about the interest rate and credit expenditure on family crisis. It can be concluded from the study that the respondents faced problems after availing the microfinance services which needs to be addressed.

*Keywords: Microfinance, Empowerment, Rural Women, Bandhan.*

## 1. INTRODUCTION

The importance of women to the economic development of India was first recognized during the country's struggle for independence. Globally, women are poorer and more underprivileged as compared to men. Manjor & Manders (2009) [1] in their study, observed that women composite around 70 per cent of the world's poorest people just because of gender inequality. Traditionally women have been marginalized in male-dominated societies. So, empowerment of women has been a top priority of development agencies and governments around the world.

Borrowing loan from bank is a complex process for the women due to many factors including lack of collateral and formalities of many paper works. Owing to such situations, it is very common for the less privileged families to go to the money-lenders and take high-interest loans for meeting their daily needs. Women in rural India lived in virtual isolation, where they are unable to access even the most basic services. It is observed that microfinance is being referred to as one of the cost-effective and supplementary tools of rural credit delivery system which facilitates prompt and timely availability of institutional credit to the poor (Pandey P. 2009) [2].

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Driven by a deep desire to help the underprivileged people to increase their family income and empower the women, Mr. Chandra Shekhar Ghosh founded a non-profit society named Bandhan financial services limited in the year 2001. The success of Bandhan microfinance initiatives has been often attributed to their particular focus on poverty alleviation and empowering women by encouraging their self-reliance through developing their own means of income.

Bandhan Microfinance provides women with the financial services required for their personal, social and economic development. The services of Bandhan microfinance mainly focused on women because according to them women use their income and saving in a more productive way such as education of children and improving the standard of living by proper management of household expenses. Simply getting cash into the hands of women can improve their self-esteem and help them in achieving greater economic independence and security, which in turn gives them the chance to financially contribute to their household and society. Nowadays many self-help groups are being formed almost every day from where borrowing is relatively easier. Besides SHGs there are sources of microfinance services available across the country. Among all these services of microfinance, women mostly prefer the Bandhan microfinance services. Women make up a large proportion of Bandhan microfinance beneficiaries. With the money loaned to them by Bandhan Bank, many women are able to earn a higher income, provide employment, acquire new skills, promote asset creation and were able to adopt new technologies.

Despite of many positive impacts of Bandhan microfinance services, it is observed that rural women are facing many problems regarding the Bandhan microfinance services provided to them. Identification of problems faced by the respondents related to Bandhan microfinance services will improve the efficiency of the microfinance services and thereby may facilitate the process of empowering the rural women.

Keeping this fact in view a study was conducted to identify the problems of rural women in availing microfinance services.

## 2. REVIEW OF LITERATURE

Addai [3] conducted a study on Women empowerment through microfinance: Empirical evidence from Ghana that women encountered a number of challenges in obtaining microfinance services, the most serious of which was the high rate of interest on loans. Another issue that women faced in microfinance was a lack of business skills and lengthy application processes. Aesyo and Bichanya [4] in their study on Credit utilization pattern of SHGs member. Rural India found that 23.00 per cent of borrowers indicated their loan repayment was in arrears because their business was not lucrative, while 12.00 per cent said they used the credit for household needs and hence were unable to return the loan on time. Furthermore, 18.00 per cent of borrowers sold on credit and were unable to make timely payments, 3.00 per cent lost their assets, and 44 per cent of respondents reported that they were not left to pay any installments. Kapila [5] reported that there were problems such as loan delay, insufficient loan size, lack of skill-based training, and difficulty in marketing the product for effective working and sustainability of SHGs in Punjab. Kaur and Kaur [6] found that the problem faced by the respondents was short period for loans repayment and long procedure for taking loan coupled with delay in procedure completion. Rana [7] reported that the problems faced by rural women in assessing rural credit were the loan amounts that were less than required, non-availability of documentation, bank distance, excessive bank formality, illiteracy, and lack of understanding about the loan process. Samuel [8] in his study found that conflicts among group members, incorrect savings or methods involved, and a lack of training or skill upgradation were identified as moderate difficulties.

## 3. MATERIALS AND METHODS

### 3.1 Sampling procedure and Population

The study was conducted in Margherita Sub-division, Tinsukia district of Assam. From Margherita Sub-division both the Bandhan banking units were included i.e., Banking Unit, Digboi and Banking Unit, Margherita. Total

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120 numbers of active Bandhan groups were registered in banking unit, Digboi and 60 such units were registered in banking unit, Margherita. From these groups 30 percent groups were randomly selected from each banking unit making it 54 groups. One executive and one general member was randomly selected from each Bandhan group as respondents to carry out the present study, thus making it 108 respondents.

### 3.2 Research instruments

An interview schedule was prepared comprising statements regarding problems faced by the rural women in availing the Bandhan microfinance services. Suggestions from experts were incorporated in the interview schedule. The interview schedule was pretested with a group of twenty (20) respondents. Based on the experience gained and information collected, necessary modifications were made before finalization of schedule.

### 3.3 Statistical Analysis

To interpret the data effectively the following statistical techniques and test were used for analysing the data.

- a) Frequency
- b) Percentage
- c) Mean
- d) Ranking technique

$$\text{Percentage} = \frac{\text{Number of scores obtained}}{\text{Total number of respondents}} \times 100$$

$$\text{Mean } \bar{X} = \frac{\sum fx}{N} \quad \left( \frac{\text{Total number of scores obtained}}{\text{Total number of respondents}} \right)$$

## 4. RESULTS AND DISCUSSION

### 4.1 Socio-economic status

The distribution of respondents according to their level of socio-economic status is presented in Table 4.1 It is evident from the table that large percentage (71%) of the respondents were from

medium socio-economic level, followed by high socio-economic level (17%) and low socio- economic level (12%.)

It is observed that a large percentage respondents belonged to medium socio-economic category and hence, were interested to take credit for improving their income which might be the reason they joined the Bandhan group and availed the microfinance services.

**Table 4.1 Distribution of respondents according to their level of Socio-economic status**

Category	Percentage	Score range	Mean	SD
Low	12%	<44.29 (Mean -SD)	49.88	5.59
Medium	71%	44.29 – 55.48 (Mean – SD to Mean +SD)		
High	17%	>55.48 (Mean + SD)		

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#### 4.2 Background profile of the respondents

Regarding their frequency of taking loan and repayment behavior the data presented in Table 4.2 reflects that (42.59%) respondents had availed loan from the Bandhan microfinance for more than 3 times and (57.51%) respondents repaid the loan only after the due date. Highest percentage of respondents (78.70%) had taken loan for starting new business. Similar findings on using the loan for starting a new business or repaying an existing loan was reported by Loomba (2014) [9]. Also 78.70 per cent of the respondents utilized their loan in business purpose as well. Highest percentage respondents (76.85%) had knowledge about the maximum and minimum amount of loan provided by Bandhan microfinance and a small percentage of (20.30%) respondents had knowledge about the interest rate on the loan amount.

**Table 4.2. Background profile of the respondents, N=108**

Variables	Category	Frequency	Percentage
Number of times loan availed	1 time	25	23.15
	2 time	8	7.40
	3 time	29	26.86
	More than 3 times	46	42.59
Repayment of loan	On due date	46	42.49
	After due date	62	57.51
Reasons	Starting business	85	78.70
For availing loan	Maintaining household expenditure	76	70.37
	Borrowing loans in low interest rate	23	21.29
	Supporting family and promote savings	12	11.11
	Repaying old debts	23	21.29
	Having financial independence	35	32.40
Multiple response			
Utilization of the loan	Household expenses	81	75.00
	Business or trade	85	78.70
	Education	45	41.66
Multiple response			
Knowledge on	Type of loan product	61	56.48
Bandhan microfinance	Terms of giving loan	77	71.29
	Terms of repayment	34	31.48
	Maximum loan amount	83	76.85
	Minimum loan amount	83	76.85
	Interest rate	22	20.30
	Action taken for failure in repayment	80	74.07
Multiple response			

#### 4.3 Problems faced by the respondents in availing Bandhan microfinance services

From the data presented in the Table 4.3 it is evident that the most common problem faced by the respondent after availing the microfinance services is 'short period for repayment' with mean score 0.68 hence ranked I. It was followed by 'not clear about the interest rate' ranked II with mean score 0.66.

The findings also explored other problems such as 'credit expenditure on family crisis ranked as III, 'high rate of interest' (IV).

Similar problems of short repayment period were reported by Kaur and Kaur (2017) [10] and high interest rate problem was reported by Addai (2017) [11].

From the data presented in Table 4.1 it can be interpreted that the small percentage of respondents had knowledge on interest rate, so the problem of high interest rate was raised. 'Improper utilization of the credit' was ranked V. 'Demand for too many documents' was ranked VI. 'Lack of opportunity to meet the bank officials' was ranked VII, 'lack of family support for repayment of loan' (VIII).

Similar findings were reported by Sharma *et al.* (2017) [12] where low educational qualification was the reason for improper utilization of microfinance in areas that does not produce quick income and problems of bank formalities and too many documents required for applying loans were reported by Rana (2015) [13]. Problems of facing backlash from their husband and families were reported by Kotahwala (2012) [14]. Such type of problems raised the matter of including the husbands in the microfinance projects so that they also get the knowledge about the operations and microfinance institutions.

Moreover, other problems such as 'lack of transparency from the authority' was ranked IX. Similar findings on lack of knowledge on the services due to lack of transparency from the authority was reported by Devi and Jain (2012) [15]. 'Actions taken for non-repayment or delayed repayment' (X), 'harassment from the sanctioning authority' ranked XII, 'discriminatory attitude of bank officials towards them' (XII), movable and fixed assets taken away ranked as XIII.

From the Table 4.2 we can interpret that as they utilized their loan mostly in household needs and expenses, they were not able to repay loan installments on time so, assets were taken away from the respondents.

The least important problem reported by respondents was demand of money by family members (husband or other family members), middle-man problem, demand for collateral security, abusive language used by the authority ranked XIV, XV, XVI, XVII respectively.

Even though the loan products, interest rates, services and functioning of Bandhan microfinance is clearly explained in the manual available in the website but may be due to language problem and problem in using ICT devices, the rural women did not have adequate access to information. In spite of possessing smart phones by almost everyone they may have limited knowledge in browsing the websites

**Table 4.3. Problems faced by the respondents after availing the microfinance services N=108**

Sl. No.	Problems	Score	Mean Score	Rank
1.	Short period for repayment	73	0.68	I
2.	Not clear about the interest rate	71	0.66	II
3.	Credit expenditure on family crisis	56	0.52	III
4.	High rate of interest	52	0.48	IV
5.	Improper utilization of the credit	52	0.48	V
6.	Demand for too many documents	51	0.47	VI
7.	Lack of opportunity to meet the bank officials	44	0.41	VII
8.	Lack of family support for repayment of loan	35	0.32	VIII
9.	Lack of transparency from the authority	29	0.27	IX
10.	Actions taken for non-repayment or delayed repayment	29	0.27	X
11.	Harassment from the sanctioning	27	0.25	XI



	authority			
12.	Discriminatory attitude by bank officials towards them	13	0.12	XII
13.	Movable and fixed assets taken away	13	0.12	XIII
14.	Demand of money by family members (husband and other family members)	10	0.09	XIV
15.	Middle-man problem	3	0.03	XV
16.	Demand for collateral security	0	0	XVI
17.	Abusive language used by the authority	0	0	XVII

## CONCLUSION

The present study investigated the various problems faced by the rural women in availing the Bandhan microfinance services. The results indicated that the most common problem faced by the respondents in availing the microfinance services was short period for repayment, followed by not clear about the interest rate and credit expenditure on family crisis. Most of the members are not well educated and they are not familiar with the rules and regulations for availing the microfinance services. The research finding showed that the respondents are facing problems before and after availing the microfinance services which needs to be addressed.

## RECOMMENDATIONS

- There is a need to enhance the knowledge of the borrowers on the terms and conditions of availing the loan for that more awareness programmes should be conducted by the Bandhan microfinance authority

- Proper awareness should be given by the relationship officer to the rural people using a video or different print material in vernacular language regarding different loan products, terms and conditions of Bandhan Microfinance, loan facilities, interest rate and the bank loan formalities.
- The interest charged on the loans should be reduced to encourage and attract new customers since the ultimate goal of most of the women clientele is to have access to loans.
- Bandhan microfinance should also provide basic business education to train these rural women so that they can learn how to run a business.
- Inclusion of family members specially husband is recommended for trouble free use and loan repayment.

#### **SCOPE FOR FURTHER STUDIES**

As the sample for the study is confined to particular area so the results gained from this cannot be applied to the entire state of country. But it can throw light on the problems to some extent. The study can be further elaborated and conducted in other areas too so that it can be made more appropriate and useful.

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#### **COMPETING INTERESTS**

The study was conducted for academic interest. Hence authors have declared that no competing interests exists.

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