THE IMPACT OF MICRO FINANCE INSTITUTIONS AMONG THE RURAL WOMEN IN COIMBATORE DISTRICT, TAMILNADU

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ABSTRACT

Micro, Small and Medium Enterprises (MSMEs) have been unable to achieve the competitiveness that would allow them to drive the manufacturing sector and overall economic growth, employment and poverty reduction. This is because of their lack of awareness of the market and resources, as well as the problems that MSMEs face in assessing adequate financing and business development services. Bankers are reluctant to lend to MSME Units because of the high transactions costs and perceived risks of lending in the face of insufficient credit information, inadequate credit appraisal and risk management skills, poor repayment records and low market credibility of MSMEs.

This study uses a descriptive research approach to measure various attributes of the population under study pertaining to women in Coimbatore District, Tamilnadu. It follows survey techniques using a structured questionnaire. The study has used both the primary and secondary data for the article.

KEY WORDS: FINANCE, LITERACY, SKILLS, FACTOTRS

Introduction to MSME

The Micro, Small and Medium Enterprises (MSME) sector is often recognized as the growth engine of an economy across the world. In India, before theenactment of Micro, Small and Medium Enterprise Development (MSMED) Act, 2006, the non-agricultural MSME segment was heterogeneous in nature mainly consisting of traditional industries like coir, khadi and silk, Small Scale Service and Business Enterprises (SSSBEs), Small Scale Industries (SSIs), Cottage and

Village Industries. The Act assimilated all varied industries and also expanded the coverage to include the service sector and medium enterprises. Currently, the MSME sector in India is broadly classified into manufacturing and those engaged in rendering services. These are further classified into macro, small and medium enterprises based on their investments in plant and machinery or equipment as under; The MSME sector, being one of the prominent sectors of the economy, contributes significantly to the country's industrial production, exports, and employment. It also plays an important role in socioeconomic development of the country by supporting industrialization in rural and backward areas with a lower capital base. The MSME sector's progress facilitates entrepreneurship development, which in turn assists in wealth creation and achieving inclusive economic growth. According to estimates, MSMEs contribute over 40% to the total industrial production. In addition, it is estimated to account for 45% of the manufacturing output and 40% of total exports of the country. Further, the sector has outperformed over rest of the industrial sector in terms of growth.

What are the key factors influencing Micro-Enterprise to become small than medium enterprise and hence large enterprises? It is Microfinance. Microfinance is an important tool to promote business development. Researches shows that in Bangladesh more than 15 million families are benefited from small loans and other financial products such as micro-savings and micro-insurance and about 40% of the overall reduction of rural poverty in recent years has been due to microfinance provided to Micro-Enterprises.

Review of literature

1. **Ministry of Micro, Small and Medium enterprises, (2013)** published the Inter-Ministerial Committee for Accelerating Manufacturing in MSMEs' paper reporting slowdown in the overall growth of MSMEs in recent years, especially post 2009. It highlighted the significance of MSMEs, changing trends in employment growth in this sector and addressed concerns regarding establishing an enterprise and running it successfully. It also recommended support systems for encouraging startups, doing and expanding business and ease of closure and exit and also drew light on the need to do so. It has also suggested that the changes in labour laws and gives product specific recommendations.

2. **Godson Ahiabor (2013**) states in his article that the objective of this study is to assess the impact of Microfinance on Small and Medium Enterprises (SMEs) in Ghana, using a case study of the Ledzorkuku-Krowor Municipal Assembly. Simple random sampling technique was employed in selecting the 70 SMEs and 30 MFIs that constituted the sample size of the research. Structured questionnaire was designed to facilitate the acquisition of relevant data which was used for analysis. Descriptive statistics which involves simple percentage graphical charts and illustrations was tactically applied in data presentations and analysis. The findings of the study reveal that significant number of the SMEs has the knowledge of the existence of MFIs and some acknowledge positive contributions of MFIs loans towards promoting their growth. Other than financial support, it is recommended that microfinance institutions should at all-time give professional advices to SMEs since proper professional advice will inform the lending microfinance institutions whether the amount the SME requested for is too much for the project or less. Seminars and workshops should be organized by the microfinance institutions to educate SMEs on their policies and judicious use of funds for SMEs and what it takes to assess loans. Also, the microfinance institutions should initiate more developmental projects in order to win the confidence and trust of the SME's.

3. **Abdul Naser.V, (2013)** critically evaluated the contributions made by the micro, small and medium enterprises in the balanced growth of the Indian economy. The study says that since 55% of the total enterprises operate in the rural areasey promote inclusive growth and regional equity. They play a very important role in employment generation and contribute a commendable portion to the GDP, industrial production and export of the country. The paper also highlights the challenges faced by the sector and its need for structural support.

4. **Srinivas K T, (2013)** has studied the performance of micro, small and medium enterprises, and their contribution in India's economic growth and concluded that MSMEs play a significant role in inclusive growth of Indian economy.

5. **Soundarapandian.M (2013)** in the study of "Microfinance for rural entrepreneurs – Issues and Strategies" pragmatic that though there is a optimistic growth rate of SHGs in states but in stipulations of the improvement rate of SHGs there is a wide difference in

the middle of state. Linkages of banks with SHGs are established not possible for this difference.

6. **Srinivas K T, (2013)** studied the performance of micro, small and medium enterprises, their contribution in India's economic growth, identified the number of enterprises, employment in MSMEs and concluded that MSMEs play a significant role in inclusive growth of Indian economy.

7. A study by **Porkodi and Aravind (2013)** reveals that it is to examine the role of micro finance in the empowerment of people and the realization of financial inclusion in India. While there are reservations about the efficacy of MFIs in handling public money, their growth and achievements demand attention and appreciation. Today the MFIs want the government to empower them for mobilizing savings. With increasing demand for rural finance, and the inadequacies of formal sources, the MFIs have immense opportunities in the new avatar of micro credit in India. However, in the light of recent experiences, and the need for qualitative growth, we suggest that MFIs should be managed with better scrutiny in terms of finance and technology as well as social responsibility. This is of utmost importance in order to upgrade MFIs from thrift and credit institutions to capacity building and livelihood- sustaining associations of people. NGOs have played a commendable role in promoting Self Help Groups linking them with banks. There is, therefore, a need to evolve an incentive package which should motivate these NGOs to diversify into other backward areas.

8. **Ambrose (2012)** also identified barriers to effective financial assistance to SMEs, which included absence of collateralized security, and the regulatory framework. In addition, the unavailability of skilled workers, the lack of infrastructure, and an inability to raise capital through the stock market (especially for MSMEs with a net worth of less than Rs100 million (about $1.5 million) are other challenges.

9. **Niels Hermes Robert Lensink (2012)** in the study of "Impact of Microfinance: A Critical Survey" opined that, it is unclear whether microfinance add to a decrease in scarcity or is the most well-organized method to decrease scarcity with no extra measures in area such as education, health and infrastructure. The entry of commercial banks in to

microfinance may supplement the competition for traditional microfinance institutions and decrease lending to the core poor, even if it get better monetary sustainability.

10. **Lahiri (2012)** pointed out that with MSMEs' rising need for short-term and long-term capital, banks should move toward more innovative methods of lending to provide for those firms' financial needs.

11. **Ambrose (2012)** also identified barriers to effective financial assistance to SMEs, which included absence of collateralized security, and the regulatory framework. In addition, the unavailability of skilled workers, the lack of infrastructure, and an inability to raise capital through the stock market (especially for MSMEs with a net worth of less than Rs100 million (about $1.5 million) are other challenges.

12. **Lahiri (2012)** pointed out that with MSMEs' rising need for short-term and long-term capital, banks should move toward more innovative methods of lending to provide for those firms' financial needs.

13. **AbiolaBabajide (2012)** this paper investigates the effects of microfinance on micro and small business growth in Nigeria. The objectives are: one, to examine the effects of different loan administration practices (in terms of loan size and tenor) on small business growth criteria. Second, to examine the ability of Microfinance-Banks (MFBs) given its loan-size and rates of interest charged) towards transforming micro-businesses to formal small-scale enterprises. The paper employed panel data and multiple regression analysis to analyze a survey of 502 randomly selected enterprises finance by microfinance banks in Nigeria. We find strong evidence that access to microfinance does not enhance growth of micro and small enterprises in Nigeria. However, other firm level characteristics such as business size and business location, are found to have positive effect on enterprise growth. The paper recommends a recapitalization of the Microfinance banks to enhance their capacity to support small business growth and expansion.

Objectives of the study

1. To find whether there is an association between theViews on role of microfinanceof the respondents to choose microfinance to borrow for credit andall groups of demographics of the respondents.

2. To find whether there is an association between theexpected service from microfinanceof the respondents to choose microfinance to borrow for credit andall groups of demographics of the respondents.

3. To find whether there is an association between themicro enterprises started by the respondents from the micro loan borrowed from microfinance andall groups of demographics of the respondents.

Research methodology

This study uses a descriptive research approach to measure various attributes of the population under study pertaining to women in Coimbatore District, Tamilnadu. It follows survey techniques using a structured questionnaire. The study has used both the primary and secondary data for the article. A sample of 160 respondents is chosen to collect primary data. But out of 160 respondents only 132 respondents were completely filled in the questioner and the balance 18 questioners were rejected as incomplete ones. The study has used various tests and analysis for which it will be a supportive form of result which demands for the study.

Analysis and interpretation

TABLE 6: Marital Status of the respondents

Marital status	Frequency	Percentage (in %)
Married	101	77
Unmarried	31	24
Total	132	100

Inference: It is noticed that 77 percent (101) of the respondents are 'married' and 24 percent (31) of the respondents are 'unmarried'.

TABLE 7: Family Size of the respondents

Family size	Frequency	Percentage (in %)
2	43	33
2 to 5	74	56
Above 5	15	11
Total	132	100

Inference: It is notices that 33 percent (43) of the respondents are having their number of family member to 'two', 56 percent (74) are having '2 to 5' and 11 percent (15) are having 'above 5'.

TABLE 8: No. of earning members of the respondent's family

Earning members	Frequency	Percentage (in %)
One	46	35
Two	68	52
Above 2	18	14
Total	132	100

Inference: It is noticed that 35 percent (46) of the respondent's family earning members are 'one', 52 percent (68) are 'two' and 14 percent (18) of them are 'above 2'.

TABLE 9: Family income of the respondents

Income per member of the family	Frequency	Percentage (in %)
Below 10000	32	24
10000 to 20000	60	46
20000 to 30000	34	26
Above 30000	6	5
Total	132	100

Inference: It is noticed that 24 percent (32) of the respondent's family income are 'below 10000', 46 percent (60) are from '10000 to 20000', 26 percent (34) are from '20000 to 30000' and 5 percent (6) of them are from 'Above 30000'.

ANOVA:

One Way Analysis of Variance is performed to identify the significant difference in the

perception of respondents of varied demographic profile with regard to the factors considered for the study.

TABLE 10: Analysis of Variance between group of age of the respondents and other aspects of the study

Age		Sum of Squares	df	Mean Square	F	Sig.
Reasons to choose Micro Finance	Between Groups	0.009	1	0.009	0.034	**0.855**
	Within Groups	32.870	130	0.253		
	Total	32.879	131			
View about Micro Finance	Between Groups	0.388	1	0.388	1.582	**0.211**
	Within Groups	31.855	130	0.245		
	Total	32.242	131			
View on role of Micro Finance	Between Groups	0.012	1	0.012	0.052	**0.820**
	Within Groups	30.533	130	0.235		
	Total	30.545	131			
Expected service from Micro Finance	Between Groups	1.488	1	1.488	6.142	0.014
	Within Groups	31.504	130	0.242		
	Total	32.992	131			

Interpretation:

The above table displays the results of the overall analysis of variance, including the between groups, within groups, and total; The F ratio for the analysis 'Reasons to choose Micro Finance' is 0.034 with the probability of 0.855 which is greater than the level of significance 0.05. And it is concluded that respondents in the three groups of age groups does not have similar mean Reasons to choose Micro Finance scores.

The above table displays the results of the overall analysis of variance, including the between groups, within groups, and total; The F ratio for the analysis 'View about Micro Finance' is 1.582 with the probability of 0.211 which is greater than the level of significance 0.05. And it is concluded that respondents in the three groups of age groups does not have similar mean View about Micro Finance scores.

The above table displays the results of the overall analysis of variance, including the between groups, within groups, and total; The F ratio for the analysis 'View on role of Micro Finance' is 0.052 with the probability of 0.82 which is greater than the level of significance 0.05. And it is concluded that respondents in the three groups of age groups does not have similar

mean View on role of Micro Finance scores.

The above table displays the results of the overall analysis of variance, including the between groups, within groups, and total; The F ratio for the analysis 'Expected service from Micro Finance' is 6.142 with the probability of 0.014 which is lesser than the level of significance 0.05. And it is concluded that respondents in the three groups of age groups does have similar mean Expected service from Micro Finance scores.

TABLE 11: Analysis of Variance between group of Education of the respondents and other aspects of the study

	Education	Sum of Squares	df	Mean Square	F	Sig.
Reasons to choose Micro Finance	Between Groups	1.155	3	0.385	1.554	**0.204**
	Within Groups	31.724	128	0.248		
	Total	32.879	131			
View about Micro Finance	Between Groups	4.018	3	1.339	6.074	0.001
	Within Groups	28.225	128	0.221		
	Total	32.242	131			
View on role of Micro Finance	Between Groups	2.552	3	0.851	3.89	0.011
	Within Groups	27.993	128	0.219		
	Total	30.545	131			
Expected service from Micro Finance	Between Groups	2.270	3	0.757	3.152	0.027
	Within Groups	30.723	128	0.240		
	Total	32.992	131			

Interpretation:

The above table displays the results of the overall analysis of variance, including the between groups, within groups, and total; The F ratio for the analysis 'Reasons to choose Micro Finance' is 1.554 with the probability of 0.204 which is greater than the level of significance 0.05. And it is concluded that respondents in the three groups of education does not have similar mean Reasons to choose Micro Finance scores.

The above table displays the results of the overall analysis of variance, including the between groups, within groups, and total; The F ratio for the analysis 'View about Micro Finance' is 6.074 with the probability of 0.001 which is lesser than the level of significance 0.05. And it is concluded that respondents in the three groups of education does have similar mean View about Micro Finance scores.

The above table displays the results of the overall analysis of variance, including the between groups, within groups, and total; The F ratio for the analysis 'View on role of Micro Finance' is 3.890 with the probability of 0.011 which is lesser than the level of significance 0.05. And it is concluded that respondents in the three groups of education does have similar mean View on role of Micro Finance scores.

The above table displays the results of the overall analysis of variance, including the between groups, within groups, and total; The F ratio for the analysis 'Expected service from Micro Finance' is 3.152 with the probability of 0.000 which is lesser than the level of significance 0.027. And it is concluded that respondents in the three groups of education does have similar mean Expected service from Micro Finance scores.

Findings and conclusion

FREQUENCY DISTRIBUTION

> It is noticed that 77 percent (101) of the respondents are 'married' and 24 percent (31) of the respondents are 'unmarried'.

> It is notices that 33 percent (43) of the respondents are having their number of family member to 'two', 56 percent (74) are having '2 to 5' and 11 percent (15) are having 'above 5'.

> It is noticed that 35 percent (46) of the respondent's family earning members are 'one', 52 percent (68) are 'two' and 14 percent (18) of them are 'above 2'.

> It is noticed that 24 percent (32) of the respondent's family income are 'below 10000', 46 percent (60) are from '10000 to 20000', 26 percent (34) are from '20000 to 30000' and 5 percent (6) of them are from 'Above 30000'.

> It is noticed that most of the respondents' 19 percent (25) have started 'Idly/Dosa Dough' business with the microfinance, 16 percent (21) have started 'petty shop' and 'flower/fruit shop', 15 percent (20) of the respondents have started 'Tailoring', 10 percent (13) of the respondents have started 'Garments' and 'craft works', 9 percent (12) of the respondents have started 'detergent soap/powder' and 5 percent (7) of the respondents have started 'other' business.

ANOVA

➤ It is clear that the Chi-square value for 'Reasons to choose Micro Finance' (0.226), 'View on role of Micro Finance' (0.895) and 'Expected service from Micro Finance '(0.484) with respect to the nativity of the respondents is observed from the table that the p values are greater than the level of significance of 0.05. Hence the Null hypothesis is accepted. And it is clear that the Chi-square value for 'View about Micro Finance' (0.021) with respect to the nativity of the respondents is observed from the table that the p values are lesser than the level of significance of 0.05. Hence the Null hypothesis is rejected.

➤ It is clear that the Chi-square value for 'Reasons to choose Micro Finance' (0.042), 'View about Micro Finance' (0.000), 'View on role of Micro Finance' (0.000) and 'Expected service from Micro Finance '(0.000) with respect to the Social Status of the respondents is observed from the table that the p values are lesser than the level of significance of 0.05. Hence the Null hypothesis is rejected.

➤ It is clear that the Chi-square value for 'Reasons to choose Micro Finance' (0.853), 'View on role of Micro Finance' (0.208) and 'View about Micro Finance' (0.818) with respect to the age of the respondents is observed from the table that the p values are greater than the level of significance of 0.05. Hence the Null hypothesis is accepted. And it is clear that the Chi-square value for 'Expected service from Micro Finance '(0.015) with respect to the age of the respondents is observed from the table that the p values are lesser than the level of significance of 0.05. Hence the Null hypothesis is rejected.

➤ It is clear that the Chi-square value for 'Reasons to choose Micro Finance' (0.200) with respect to the Education of the respondents is observed from the table that the p values are greater than the level of significance of 0.05. Hence the Null hypothesis is accepted. And it is clear that the Chi-square value for 'View on role of Micro Finance' (0.012) and 'View about Micro Finance' (0.001) 'Expected service from Micro Finance '(0.028) with respect to the Education of the respondents is observed from the table that the p values are lesser than the level of significance of 0.05. Hence the Null hypothesis is rejected.

Conclusion

Microfinance can change the living style of women and quality of life of her family in rural areas for a long-term growth. To encourage the rural women entrepreneurship and support their business, facilities like good roads, electricity facility, transportation facility, etc. Training and development programs can be conducted periodically to the rural women in doing their micro business in a more better and profitable way.

The MSME sector of India is considered as the backbone of economy contributing to industrial output, exports and produces quality products for the Indian and international markets. Apart from this, it also caters to the job market by creating millions of jobs every year and its contribution to employment is second highest, next to agriculture. SMEs contribute to economic development in various ways such as creating employment opportunities for rural and urban population, providing goods & services at affordable costs by offering innovative solutions and sustainable development to the economy as a whole. The performance of SMEs in India though impressive comes next to China where this sector provides employment to 94 million people with a network of 37 million units. For the same growth continuity, there should be a need of proper techniques to evaluate the factors which are going to affect the business of ESMEs.

MSMEs over the years have assumed greater significance in our burgeoning national economy by contributing to employment generation and rural industrialization. This sector possesses enough potential and possibilities to pushbutton accelerated industrial growth in our developing economy and well poised to support national programme like 'Make in India'. This sector has exhibited enough resilience to sustain itself on the strength of our traditional skills and expertise and by infusion of new technologies, capital and innovative marketing strategies. Appropriate strategies should be evolved for creation of an enabling ecosystem where these enterprises are able to access the benefits meant for themselves under a formal and friendly ecosystem and are further capable of meeting the emerging challenges of a globally competitive order.

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