



(MUDIMA)



Analysing Challenges Faced by Micro Finance Institutions and Exploring Linkages on Rural Development and Quality of Life

Monish P

Department of Commerce, Bharathiar University, Coimbatore

Corresponding Author: Monish P monishunni352@gmail.com

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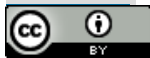
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ABSTRACT

Micro finance institutions play a significant role in economic development of India. Such institutions provide financial access to lower income people. These institutions are very helpful for poor people who lack access of banking services. Micro finance institutions provide a large variety of financial and non-financial services to people including credit, counseling, and training. Such institutions are necessary to achieve rural development, financial inclusion and women empowerment. Today micro finance institutions are faced many problems. Problems of non-performing assets are considered as a big challenge for micro finance institutions. Financial illiteracy, lack of speedy generation of funds, lack of proper infrastructure, political interference and competition are the other challenges faced by micro finance institutions. This chapter made an attempt to analyze the problems faced by micro finance institutions and understand the role of micro finance in rural development

INTRODUCTION

Finance is essential for every economic activities and generation of income. Micro finance institutions are very popular in rural India. A large number of micro finance institutions are operates in India, which offered various services to rural people. Rural development is always depends on growth and accessibility of micro finance. Rural peoples are demand loans for a shorter period. Such institutions offered longer period for repayment of such loans. The transaction cost is comparatively high for micro finance institutions. Most of its customers are rural people who depends agriculture for living. Micro finance institutions promote micro credit, micro savings and micro insurance. These three elements are considered as the major pillars of micro finance institutions.

Micro credit mainly focused on providing short term loans to rural people without any collateral. Micro insurance offered insurance service to rural people with lower premium. Micro savings promotes saving habit of rural people. Micro finance institutions faced many challenges in their growth path. Most of the rural people are illiterate in terms of financial aspects they lacks awareness about various services provided by financial institutions in the country. Most of the times, these institution fails to maintain a balance between business and social goals. Micro finance institutions are depending banks for raising their capital. This dependence leads

to exploitation from banks. Furthermore micro finance institutions face a tight completion from commercial banks. Another problem is related with lack of proper infrastructural facilities and good governance. Government provide many support activities for promote micro finance in India. But its fair disbursement is under questioned. Lack of proper reporting and performance monitoring leads to many micro finance institutions become inefficient one. Hence the policy makers should revising existing standards and policies regarding the accelerated growth of micro finance institutions.

METHODS

This study is considered as both descriptive and analytical in nature. Here the researcher tries to analyze the working of micro finance institutions in Kozhikode district, Kerala and measure the cause and effect relationship between dependent and independent variables. The primary data was collected from 130 employees of selected micro finance institutions in Kozhikode district. Stratified sampling is used as sampling technique and primary data was collected with the help of a structured questionnaire.

RESULTS AND DISCUSSION

Chi-Square Test

H01: There is no association between gender of the respondents and perception towards challenges faced by employees in micro finance institutions.

Table 1. Showing the Association Between Gender of the Respondents and Challenges Faced in Their Organization

Gender	Challenges faced by employees in micro finance institutions	
	Chi-square	Significance (p)
	21.743.	.001

Source: Primary Data

Above table shows the chi-square relation between the gender of the respondents and their perception towards challenges faced by them in their organization. Result shows that there is a significant association between gender and challenges faced by the employees in selected micro finance institutions. Further phi and crammer's value proves that the

associations between these two categorical variables are strong.

One Way Anova

H02: There is no significant difference in the perception of employees on challenges faced in their organization based on age.

Table 2. Showing the Significant Difference Between Age and Perception on Challenges Faced in Their Organization

No	Particulars	Significance
1	Poor Working conditions	0.183
2	Lower salary	0.005
3	Lack of efficient governance	0.061
4	Lack of adequate training	0.601
5	Lack of performance oriented feedback	0.181

Source: Primary Data

Above table states the significant difference on the perception of employees towards various challenges faced by them in their organization based on the age of the respondents. The P value for all aspects except lack of adequate training is greater than 0.05 which states that there is a significant difference in the opinion of employees towards these

challenges except lack of adequate training based on their age.

Correlation Analysis

H03: There is no significant relationship between performance of micro finance institutions and rural development.

Table 3. Showing Significant Relationship Between Performance of Micro Finance Institutions and Rural Development

Dependent variable	Independent variable	Pearson correlation	Significance
Rural development	Funding source	.654	.000
	Borrowing and overhead cost	.458	.000
	Depth of outreach	.664	.000

Source: (Primary Data)

Above table revealed the correlation between dependent variable rural development and independent variables of performance of micro finance institutions. The result depicts that depth of outreach shows highest correlation with a significant correlation value .664. Hence null hypothesis is

rejected and concludes that there is a significant relationship between performance of micro finance institutions and rural development.

Multiple Regression Analysis

H04: There is no significant role of micro finance institutions on quality of life of rural people

Table 4. Significant Role of Micro Finance Institutions on Quality of Life of Rural People

Model	R square	Adjusted R square
Significant role of micro finance institutions on quality of life of rural people	0.749	0.752
Predictors: Infrastructure, Savings promotion, Training activities, Green farming, Financial inclusion, Women empowerment Dependent Variable: Quality of life of rural people		

Source: (Primary Data)

The above table reveals the role of micro finance institutions on quality of life of rural people. R square value indicates that micro finance institutions made a significant 74.9% impact on quality of life of rural people. Hence the researcher rejected null hypothesis and concludes that there is a significant impact made by micro finance institution on quality of life of rural people.

CONCLUSION

This study tries to explore various problems faced by employees in micro finance institutions, challenges for the existence and growth of micro finance institutions and measuring the role of micro finance institutions in rural development and quality of life of people. The result revealed that employees have different perception on problems faced by them in micro finance institutions and micro finance institutions plays a significant role in rural development and quality of life of people. Hence the management and government should be implementing some strategies for improving performance of micro finance institutions. A grievance management system should be implemented to solve the grievances faced by micro finance institutions and employees. Such system should ensure that those grievances are redressed within a time span. Problems associated with NPA and poor governance is founded as major challenges faced by micro finance institutions in selected locality.

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