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Challenges faced by women in accessing and utilizing services of microfinance institutions

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ABSTRACT

Microfinance institutions (MFIs), largely delivered through Self-Help Groups (SHGs), have been widely promoted in India as instruments for extending credit and fostering socio-economic empowerment among rural women. Evidence, however, suggests that access to and effective utilization of these services continue to be constrained by institutional, financial, economic, and social barriers. This study was undertaken to identify and rank the challenges faced by women in accessing and utilizing microfinance services in Udaipur district of Rajasthan and Dahod district of Gujarat. A sample of 300 respondents was selected through multi-stage sampling, and Garrett's ranking technique was employed to prioritize the challenges under four broad categories. The results showed that lengthy loan processing procedure (Garrett score 68.91) was the most serious institutional challenge, followed by delay in loan sanction and demand for excessive documentation. Among financial challenges, high interest rates on loans (64.95) ranked first, followed by heavy loan instalment amounts. Lack of regular income (68.45) emerged as the foremost economic challenge, while lack of family support for loan repayment (64.78) was identified as the most pressing social challenge. Demand for collateral security and seizure of movable and fixed assets were not perceived as challenges, reflecting the collateral-free character of Self-Help Group based lending. The findings indicate that procedural delays, cost of borrowing, income instability, and household-level unsupportiveness, rather than discriminatory institutional practices, are the principal constraints limiting women's engagement with microfinance. Simplification of loan procedures, transparent communication on interest rates, livelihood and skill-development support, and sensitization of family members are suggested as priority interventions to strengthen women's access to and benefit from microfinance services.

Keywords: Microfinance institutions, Self-Help Groups, Women, Garrett's ranking technique, Rural India, Financial inclusion

Introduction

Microfinance institutions (MFIs) and Self-Help Groups (SHGs) have emerged over the past three decades as a principal instrument of financial inclusion and socio-economic empowerment for rural women in India. By extending small, largely collateral-free loans and encouraging thrift and group-based lending, the Self-Help Group-Bank Linkage Programme and other microfinance channels have sought to draw women into the formal financial system and to expand their role in household and community decision-making. Despite this considerable outreach, a growing body of research suggests that the promise of microfinance as a tool of women's empowerment is not uniformly realized, and that women continue to encounter a range of institutional, financial, economic, and social obstacles in accessing and effectively utilizing these services.

Garikipati (2008) [1] studied loans targeting women in rural Andhra Pradesh and found that credit disbursed to female Self-Help Group members is often diverted into male-controlled productive assets such as agricultural land and livestock. Women frequently function as conduits for credit accessed on behalf of husbands, bearing the financial and social liability of repayment while men retain control over the resulting income, a dynamic reinforced by women's lack of co-ownership of assets under patrilineal inheritance norms.

Brahmachary (2018) [2] examined the structural failure of microfinance to support women-owned small businesses in India's informal economy and identified a substantial demand-supply gap, with credit access remaining geographically concentrated and largely excluding the poorest women. Most women were found to enter business as a distress-driven livelihood strategy rather than out of entrepreneurial aspiration, lacking the technical skills, market knowledge, and risk-bearing capacity needed for success. Loan sizes, typically ranging between ₹10,000 and ₹50,000, were found inadequate for capital investment, pushing many women toward moneylenders charging 36 to 120 per cent interest annually, while the minimalist credit model followed by most MFIs was found to ignore the need for market linkages and business development services.

Sangwan *et al.* (2020) [3] investigated delinquency and financial stress among Indian microfinance clients and identified a high risk of default among households with irregular, seasonal income typical of agricultural

labour and petty trade, sectors in which most women borrowers are concentrated. Pre-existing indebtedness, loan diversion for consumption or debt servicing, and high effective borrowing costs, including undisclosed fees and insurance charges, were found to erode repayment capacity, while low financial literacy was identified as a primary reason for delinquent behaviour among women borrowers.

Tiwari (2023) [4] in a study of women in Lucknow district, Uttar Pradesh, reported that access to microfinance was constrained by short repayment timelines, unclear interest rates, high rates of interest, inadequate documentation, and low financial literacy, and recommended extending repayment periods, simplifying documentation, and regulating interest rate transparency to improve rural women's access to microfinance services.

Kavitha (2023) [5] found that educational barriers among Self-Help Group members, particularly women from rural areas, limit their understanding of microfinance processes, with low literacy and financial knowledge preventing women from effectively using financial services, and highlighted the need for targeted awareness and training programmes.

Sharma *et al.* (2025) [6] in a mixed-methods study of women in Bijnor district, Uttar Pradesh, found that women's participation in microfinance remained constrained by patriarchal norms, limited mobility, low financial literacy, documentation requirements, and complex banking procedures, and concluded that strengthening financial literacy, simplifying institutional procedures, and expanding digital financial inclusion are essential to improving women's access to and utilization of microfinance services.

Kumari *et al.* (2025) [7] studying Self-Help Group members in Gaya district, Bihar, found that the husband or a senior male member frequently exercises principal control over loans disbursed to women, with women functioning largely as repayment agents while men control the productive deployment of capital, a pattern most entrenched in households with larger landholdings. Loans channelled into jointly managed household operations were found to yield no empowerment gains, while women reported control over income only when loans were used for independently managed activities.

Siji *et al.* (2025) [8] in a survey of female microfinance beneficiaries in Karnataka, reported high interest rates, poor financial literacy, and lack of family support as major barriers to access, and advocated gender-sensitive loan products, interest rate caps, and mobile-based training to improve inclusive access for rural women.

Parwez (2026) [9] studying tribal women's participation in Self-Help Groups in Dahod, Gujarat, found that Self-Help Group participation fails to dismantle deep structural barriers to capability expansion among tribal women, whose disadvantage is compounded by caste-based discrimination and geographic isolation. While Self-Help Groups generated modest gains in self-confidence, patriarchal norms within households remained highly resistant to change, and agricultural shocks linked to climate variability frequently eroded the modest income generated by microloans.

The literature reviewed above indicates that women's engagement with microfinance is shaped simultaneously by the design and delivery of institutional services, the cost and adequacy of credit, the stability of household income, and the social and familial environment within which loans are used and repaid. However, few studies have systematically ranked the relative severity of these institutional, financial, economic, and social challenges as perceived by women beneficiaries themselves. Against this background, the present study was undertaken to identify and rank, through Garrett's ranking technique, the challenges faced by women in accessing and utilizing microfinance services in two tribal-dominated districts of western India.

Materials and methods

The present study was conducted in Udaipur district of Rajasthan and Dahod district of Gujarat, both of which have a substantial presence of Self-Help Group based microfinance activity among rural and tribal women. A multi-stage sampling procedure was adopted to select

the respondents, and a total sample of 300 women beneficiaries of microfinance institutions and Self-Help Groups was drawn from the two districts for detailed investigation.

The challenges faced by women in accessing and utilizing microfinance services were elicited through a structured schedule and analysed using Garrett's ranking technique.

Results

Garrett's ranking technique was used to identify and analyse the different types of challenges faced by women in accessing and utilizing services of microfinance institutions. The challenges were categorized into institutional, financial, economic, and social challenges, and the ranking provided insights into the challenges perceived by women as most severe in each category.

Institutional challenges

The results indicate that lengthy loan processing procedure emerged as the most serious institutional challenge, securing the first rank with the highest Garrett score of 68.91. This was followed by delay in loan sanction (66.45), demand for too many documents (64.18), and lack of transparency from the authority (59.66), which ranked second, third, and fourth, respectively. Other important constraints included lack of information about interest rates (60.83), lack of awareness regarding procedures followed (58.72), middlemen problems (57.53), lack of information about the loan amount sanctioned (56.84), and lack of cooperation in availing the loan (54.27). These findings indicate that procedural delays, inadequate information, and administrative inefficiencies continue to hinder beneficiaries' access to microfinance services.

The comparatively less severe challenges were lack of opportunity to meet bank officials (52.31), transparency not maintained in insurance-related issues (50.76), discriminatory attitude by bank officials (47.95), actions taken for non-repayment or delayed repayment (46.82), and other challenges (44.16). Notably, demand for collateral security recorded a Garrett score of 0.00 and was ranked not applicable, indicating that respondents did not perceive collateral requirements as a challenge, reflecting the collateral-free nature of most Self-Help Group based microfinance programmes.

Table 1. Institutional challenges faced by respondents (*n* = 300)

S. No.	Institutional Challenges	Garrett's Score	Rank
1	Lack of awareness regarding procedures followed	58.72	VI
2	Lack of information about the loan amount sanctioned	56.84	VIII
3	Lengthy loan processing procedure	68.91	I
4	Lack of cooperation in availing the loan	54.27	IX
5	Delay in loan sanction	66.45	II
6	Lack of information about interest rate	60.83	V
7	Transparency is not maintained in insurance issues	50.76	XI
8	Demand for too many documents	64.18	III
9	Actions taken for non-repayment or delayed repayment	46.82	XIII
10	Lack of opportunity to meet the bank officials	52.31	X
11	Lack of transparency from the authority	59.66	IV
12	Discriminatory attitude by bank officials	47.95	XII

(continued on next page)

S. No.	Institutional Challenges	Garrett's Score	Rank
13	Middle-man problem	57.53	VII
14	Demand for collateral security	0.00	N.A.
15	Other challenges	44.16	XIV

Financial challenges

The findings reveal that high interest rates on loans emerged as the most serious financial challenge, securing the first rank with the highest Garrett score of 64.95. This was followed by heavy loan instalment amounts (61.82), sanction of loan amounts lower than required (58.76), and additional fine charges on delayed payment (55.41), which ranked second, third, and fourth, respectively. These findings indicate that the cost of borrowing and inadequate credit availability are the major financial constraints affecting respondents' ability to fully benefit from microfinance services.

The comparatively less severe challenges included lack of clarity regarding interest rates (48.37), which secured the fifth rank, followed by other financial challenges (26.83), ranked seventh. Notably, movable and fixed assets taken away recorded a Garrett score of 0.00 and was ranked not applicable, indicating that respondents did not experience asset seizure as a financial challenge.

Table 2. Financial challenges faced by respondents ($n = 300$)

S. No.	Financial Challenges	Garrett's Score	Rank
1	Loan instalment amount is heavy	61.82	II
2	High interest rates on loan taken	64.95	I
3	Additional fine charges on delayed payment	55.41	IV
4	Required amount of loan is not sanctioned	58.76	III
5	Movable and fixed assets taken away	0.00	N.A.
6	Not clear about the interest rate	48.37	V
7	Others	26.83	VII

Economic challenges

The findings indicate that lack of regular income emerged as the most serious economic challenge, securing the first rank with the highest Garrett score of 68.45. This was followed by challenges in income-generating activities (64.83), short repayment period (58.74), and improper utilization of credit (48.92), which ranked second, third, and fourth, respectively. These findings suggest that unstable income and limited opportunities for sustainable livelihood activities remain the major economic constraints affecting the effective utilization of microfinance services.

The comparatively less severe challenges included credit expenditure on family crises (42.37), which ranked fifth, and other economic challenges (28.64), which secured the sixth rank.

Table 3. Economic challenges faced by respondents ($n = 300$)

S. No.	Economic Challenges	Garrett's Score	Rank
1	Challenges in income generating activity	64.83	II
2	Lack of regular income	68.45	I
3	Repayment period is very short	58.74	III
4	Improper utilization of the credit	48.92	IV
5	Credit expenditure on family crisis	42.37	V
6	Others	28.64	VI

Social challenges

The findings reveal that lack of family support for loan repayment emerged as the most significant social challenge, securing the first rank with the highest Garrett score of 64.78. This was followed by demand for money by family members, husband and other family members (61.54), lack of cooperation in availing the loan (58.46), and harassment from the sanctioning authority (50.87), which ranked second, third, and fourth, respectively. These findings indicate that family-related issues and limited social support constitute the major social barriers affecting women's effective utilization of microfinance services.

The comparatively less severe challenges included abusive language used by the authority (46.35), which secured the fifth rank, followed by other social challenges (29.62), ranked sixth.

Table 4. Social challenges faced by respondents ($n = 300$)

S. No.	Social Challenges	Garrett's Score	Rank
1	Lack of cooperation in availing the loan	58.46	III
2	Lack of family support for repayment of loan	64.78	I
3	Abusive language used by the authority	46.35	V
4	Demand of money by family members (husband and other family members)	61.54	II
5	Harassment from the sanctioning authority	50.87	IV
6	Others	29.62	VI

Discussion

Across all four categories, the findings point to a consistent pattern: respondents were more concerned with procedural, cost-related, and household-level constraints than with overt discrimination or coercive recovery practices. The primacy of lengthy loan processing and delayed sanction as institutional challenges corroborates the findings of Tiwari (2023) [4] and Sharma *et al.* (2025) [6] both of whom identified cumbersome procedures and documentation requirements as major deterrents to women's access to microfinance in Uttar Pradesh.

The dominance of high interest rates and heavy instalment burdens among financial challenges echoes the concerns raised by Brahmachary (2018) [2] regarding the inadequacy of loan sizes and the high cost of borrowing faced by women in the informal economy, as well as the findings of Siji *et al.* (2025) [8] in Karnataka, where high interest rates were similarly identified as a leading barrier. The comparatively low concern regarding asset seizure and collateral, in the present study, is consistent with the collateral-free design of Self-Help Group lending emphasized in the literature.

The identification of irregular income and limited income-generating opportunities as the foremost economic challenge aligns with the findings of Sangwan *et al.* (2020) [3] who linked default risk directly to the seasonal and irregular income of agricultural and petty-trade households, and with Brahmachary (2018) [2] who noted that microfinance loans frequently fail to generate returns sufficient to cover repayment among women lacking market linkages and business development support.

Finally, the prominence of lack of family support and demand for money by family members among social challenges reinforces the findings of Garikipati (2008) [1] and Kumari *et al.* (2025) [7], both of whom documented the diversion of women's loans toward male-controlled household use and the resulting erosion of women's control over credit. Taken together, the results suggest that improving women's access to and benefit from microfinance requires interventions that extend beyond credit delivery alone, encompassing simpli

fied institutional procedures, transparent and affordable pricing of loans, complementary livelihood support, and sustained engagement with household members to secure genuine family support for women's borrowing and repayment decisions.

Conclusion

The study concludes that women's access to and utilization of microfinance services in the study area is constrained primarily by lengthy and non-transparent institutional procedures, the high cost of borrowing, instability of household income, and inadequate family support, rather than by discriminatory institutional practices or demand for collateral. Lengthy loan processing procedures, high interest rates, lack of regular income, and lack of family support for repayment were identified as the foremost challenges within the institutional, financial, economic, and social categories, respectively. Simplification of loan sanctioning procedures, greater transparency in communicating interest rates and charges, provision of livelihood and skill-development support to stabilize household income, and sensitization of family members regarding the benefits of women's participation in Self-Help Groups are suggested as priority measures to strengthen the effectiveness of microfinance programmes for rural and tribal women beneficiaries.

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