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**HINDRANCES TO MICROFINANCE SUSTAINABILITY IN RAJOURI DISTRICT OF JAMMU AND KASHMIR**

**AASIM MIR**  
**ASST. PROFESSOR**  
**SCHOOL OF MANAGEMENT STUDIES**  
**BGSB UNIVERSITY**  
**RAJOURI**

**ABSTRACT**

*Microfinance is a general term used to describe financial services to low income individuals. It also helps low income individuals to lift themselves up out of poverty. That is why Microfinance has become a much favored intervention for poverty alleviation in the developing and least developed countries. Present study seeks to interpret various challenges that as per the perception of respondents affect proper sustainability of Microfinance in Rajouri district of Jammu and Kashmir. The study further analyzes the impact of each individual factor on Microfinance sustainability. The study also documents a field survey of two hundred and fifty people who are primarily or secondarily linked to Microfinance in Rajouri district of Jammu and Kashmir.*

**KEYWORDS**

Microfinance, Microfinance Sustainability, Interventions, Strategic challenges.

**INTRODUCTION**

Microfinance is usually understood to entail the provision of financial services to micro entrepreneurs and small businesses. Microfinance plays a very important role in economic development of many developed and developing countries. They primarily offer loans and other assistance in development of business which is mostly run and managed by low income community. The prime advantage of Microfinance has been seen in case of developing countries. Microfinance provides a large variety of products that include microloans, savings and other deposit products, remittances and transfers, payment services, insurance and other type of products and services that is not mostly offered by other commercial and development banks. Today Microfinance is gaining worldwide support and has become a major poverty alleviating strategy across countries. The United Nations has also regarded the trend by declaring 2005 as International Year of Microcredit, through which an increase has been seen in the global access of microfinance. In India, Microfinance has also been established with the opening of Microfinance Institutions. These institutions include a broad range of sub institutions that offer financial services to low income clients, non-governmental Organizations (NGO'S), non-banking financial institutions, cooperatives, rural banks, financial institutions and other commercial banks. Moreover Microfinance has endeavored to develop sustainable enterprises and its innovations throughout the country with renewed enthusiasm and innovation leading to best practices that will benefit and guide future practices of Microfinance. However the Microfinance industry in most parts of India remained largely underdeveloped through facing of many challenges from time to time. These challenges include lack of Govt. support, lack of well trained staff, Improper/partial utilization of resources, strict norms for granting loans, limited/lesser Microfinance Institutions, Lack of public awareness programs, Borrowers sustainability etc. These all challenges have greatly affected the smooth implementation of Microfinance program at all possible levels whether it is Corporate, Business, Functional or Operational level. Previous researches have also focused on the need for development of a proper mechanism which will make Microfinance strategy more effective and open new dimensions of development.

**OBJECTIVES**

1. To identify various challenges to Microfinance Sustainability in Rajouri district of Jammu and Kashmir.
2. To analyze the nature of impact of each challenge on Microfinance in future.
3. To analyze challenges that has a primary or secondary impact on Microfinance Sustainability in Rajouri district of Jammu and Kashmir.
4. To analyze perception of people regarding various challenges to Microfinance sustainability.
5. To recommend various strategies that will increase Microfinance performance in Rajouri district of Jammu and Kashmir.

**MATERIAL AND METHODS**

Present study has been worked out with the help of primary data. The primary data has been collected with the help of a pretested questionnaire from people who are linked to Microfinance on primary or secondary basis. The data and information so collected has been analyzed statistically to access the nature of challenges being faced by microfinance for its sustainability in Rajouri district of Jammu and Kashmir.

**RESULT AND DISCUSSION**

Microfinance is one of the most important tools in elevating poverty and modifying socio economic conditions of poor today. India along with all the other nations of the world is also implementing Microfinance policies to reduce the ratio of poor people. No doubt Microfinance has given us a technique to reduce poverty but since there are multiple challenges to its proper implementation. The challenges faced now a days for proper implementation of Microfinance schemes as per the perception of people linked to Microfinance are given as follows:

**1. LACK OF GOVERNMENT SUPPORT**

The values for factor "Lack of Govt. Support" has been tabulated in table 1. The analysis of values reveals that 35% of respondents have strong belief that lack of govt. support is one of the biggest challenges to Microfinance while 20% respondents support it up to some extent. Moreover 18% respondents have a neutral opinion. However a total of 27% respondents don't consider this factor as a challenge as Govt. support is on a regular increase to Microfinance institutions.

**TABLE 1: LACK OF GOVT. SUPPORT**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
88	51	44	38	29
35%	20%	18%	15%	12%

**2. LACK OF WELL TRAINED STAFF**

The values for factor "Lack of Well Trained Staff" has been tabulated in table 2. The analysis of values reveal that a total of 33% respondents consider this factor as a biggest challenge in Microfinance Sustainability in Rajouri district while 37% respondents have a neutral opinion. Moreover 16% respondents don't consider this factor as a challenge while 14% consider this factor as irrelevant to be considered as a challenge.

**TABLE 2: LACK OF WELL TRAINED STAFF**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
53	30	93	41	33
21%	12%	37%	16%	14%

**3. PARTIAL/IMPROPER UTILIZATION OF RESOURCES**

The values for factor "Partial/Improper Utilization of Resources" have been tabulated in table 3. The analysis of values reveals that 26% respondents consider this factor as a biggest challenge while 37% consider its impact up to certain level only. 20% respondents have a neutral opinion regarding this factor. Moreover a total of 17% respondents don't consider this factor as a challenge to microfinance sustainability in Rajouri district of Jammu and Kashmir.

**TABLE 3: PARTIAL/IMPROPER UTILIZATION OF RESOURCES**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
65	92	49	26	18
26%	37%	20%	10%	7%

**4. STRICT NORMS FOR GRANTING LOANS**

The values for factor "Strict Norms for Granting Loans" has been tabulated in table 4. The analysis of values reveals that a total of 32% respondents consider this factor as a major challenge to Microfinance sustainability while 40% respondents have a neutral opinion. Moreover a total of 28% respondents don't consider this factor as a challenge to Microfinance sustainability in Rajouri district of Jammu and Kashmir.

**TABLE 4: STRICT NORMS FOR GRANTING LOANS**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
50	29	101	38	32
20%	12%	40%	15%	13%

**5. LIMITED MICROFINANCE INSTITUTIONS**

The values for factor "Limited Microfinance Institutions" has been given in table 5. The analysis of values shows that a total of 23% respondents consider this factor as a challenge to Microfinance Sustainability while only 14% respondents have no decided opinion. Moreover a greater percentage of respondents i.e. 63%, consider that this factor could not be considered as a challenge for Microfinance Sustainability.

**TABLE 5: LIMITED MICROFINANCE INSTITUTIONS**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
17	41	35	94	63
7%	16%	14%	38%	25%

**6. LIMITED AWARENESS PROGRAMS**

The values for above factor are given in table 6. The analysis of table values reveals that a total of 64% respondents consider that this factor could greatly affect Microfinance Sustainability while 17% respondents have no decided opinion. Moreover a total of 19% respondents don't consider this factor as a challenge to Microfinance in Rajouri district of Jammu and Kashmir.

**TABLE 6: LIMITED AWARENESS PROGRAMS**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
75	86	43	27	19
30%	34%	17%	11%	8%

**7. EDUCATION LEVEL**

The values for factor "Education Level" have been tabulated in table 7. The analysis of values reveals that only 17% respondents consider this factor as a challenge to Microfinance Sustainability while 13% respondents have a neutral opinion. Moreover a total of 70% respondents consider that this factor could not be considered as a challenge to Microfinance Sustainability in Rajouri district of Jammu and Kashmir.

**TABLE 7: EDUCATION LEVEL**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
25	18	32	86	89
10%	7%	13%	34%	36%

**8. SERVICE CHARGE OF MICROFINANCE INSTITUTIONS**

The data for factor "Service Charge of Microfinance Institutions" have been given in table 8. The analysis of values reveals that a total of 34% respondents consider this factor as a challenge for Microfinance Sustainability while a greater percentage of respondents i.e., 40% have no decided opinion. Moreover about 26% respondents are of the opinion that this factor could not be considered as a challenge to Microfinance Sustainability in Rajouri district.

**TABLE 8: SERVICE CHARGE OF MICROFINANCE INSTITUTIONS**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
47	38	99	40	26
19%	15%	40%	16%	10%

**9. REGULATORY FRAMEWORK**

The data collected for factor "Regulatory Framework" has been tabulated in table 9. The analysis of values reveals that about 78% of the total respondents consider this factor as a major challenge to Microfinance Sustainability while only 11% have no decided opinion. Moreover a total of 11% respondents don't think this factor could affect the working of Microfinance as Govt. is keen in proper implementation of Microfinance policies.

**TABLE 9: REGULATORY FRAMEWORK**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
104	90	27	18	11
42%	36%	11%	7%	4%

**10. BORROWER'S SUSTAINABILITY**

The values collected for factor "Borrower's Sustainability" has been given in table 10. The analysis of values reveals that majority of respondents i.e. 67% consider this factor as a factor that could greatly affect the proper functioning of Microfinance while only 18% respondents have no decided opinion. Moreover about 15% respondents don't consider the above factor as a challenge to Microfinance.

**TABLE 10: BORROWER'S SUSTAINABILITY**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
93	74	46	22	15
37%	30%	18%	9%	6%



**11. HIGH COST INVOLVED IN ENTREPRENEURSHIP BUSINESS**

The data collected for factor "High Cost involved in Entrepreneurship Business" have been given in table 11. The analysis of values shows that 19% respondents are in favor of considering this factor as a challenge to Microfinance while 21% respondents have no decided opinion. However majority of respondents i.e. 60% don't consider this factor as a challenge to Microfinance.

**TABLE 11: HIGH COST INVOLVED IN ENTREPRENEURSHIP BUSINESS**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
25	22	52	78	73
10%	9%	21%	31%	29%

**12. DIFFICULTY IN MEASURING PERFORMANCE**

The data collected for factor "Difficulty in Measuring Performance" have been tabulated in table 12. The analysis of values reveals that 70% of the respondents find that measuring performance for Microfinance is very difficult thus acts as a major challenge to its sustainability while 19% respondents have no decided opinion. Moreover a total of 11% respondents believe that if proper control measures and evaluation techniques are employed this problem could be completely solved, so they don't consider it as a challenge to Microfinance in Rajouri district of Jammu and Kashmir.

**TABLE 12: DIFFICULTY IN MEASURING PERFORMANCE**

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
69	106	47	17	11
28%	42%	19%	7%	4%

**CONCLUSION**

Microfinance, no doubt plays a very important role in modifying the socio economic condition of poor people but it also has to face multiple challenges and in different areas for its sustainability. A number of challenges have been identified from current study and impact of each factor has also determined keeping in view the response of people directly linked to Microfinance. It has been assessed that there are factors that have a great effect on Microfinance sustainability and also there are other factors that have very negligible or no effect. The factors that greatly affect Microfinance sustainability are Lack of govt. support, Partial utilization of resources, Limited awareness programs, Regulatory framework, Sustainability of buyer and Difficulty in measuring performance. The other identified factors who have no or negligible impact are Limited Microfinance institutions, Education level and High cost involved in Entrepreneurship business.

**RECOMMENDATIONS**

1. There is a need to develop a mechanism by which financial resources could be properly distributed among beneficiaries.
2. An advisory service mechanism should be developed which could determine the feasibility of projects being run under Microfinance.
3. The Microfinance institutions should also the service for extending loans depending on the credibility of borrower.
4. There is also a need to categorize the beneficiaries on the basis of geographical segments such as Urban, Semi-urban, Rural etc.
5. Efforts should be made to improve the quality of products and services being offered by people who start their businesses under Microfinance Scheme.
6. Multiple training programs must be organized with greater frequency to train people about multiple innovative and entrepreneurship issues.
7. More financial institutions must be started to make funds reach to maximum potential customers.
8. There is also a need to make people familiar about modern technologies from time to time so that they could be able to reduce operating costs.
9. Certain regulatory norms must be reformed from time to tie for effective development of Microfinance Sector.
10. Special packages and other assistance must be provided to women through microfinance so that women entrepreneurship could be boosted at a greater pace.
11. Training and other developmental schemes must be implemented for staff working in Microfinance Institutions to enhance their productivity and performance.
12. External as well as internal audits must be done at regular intervals to keep surveillance on activities and practices.
13. Dynamic thinkers and other leading economists must be assigned the responsibility of devising and implementing effective strategies for better future growth of Microfinance.

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