

Barriers to Microfinance Access for Women: Evidence from Karnataka

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Abstract

This study investigates the impact of microfinance on women in Bengaluru, with a particular focus on how access to financial services influences their economic independence, healthcare, education, and participation in household decision-making. Drawing on data collected from female beneficiaries across a range of microfinance institutions, the research provides a comprehensive analysis of both the opportunities and challenges associated with microfinance programs. The findings indicate that microfinance has played a significant role in promoting women's financial empowerment and autonomy. However, the study also identifies persistent barriers—including high interest rates, limited financial literacy, and entrenched social and cultural norms—that continue to hinder the full realization of these benefits. The study concludes by emphasizing the importance of more inclusive and context-sensitive strategies to enhance the effectiveness of microfinance as a tool for women's empowerment in India.

Key words: Microfinance, Women Financial Empowerment, lack of financial Literacy

Introduction

Microfinance has emerged as a vital instrument for promoting financial inclusion, economic development, and poverty alleviation, particularly among underserved and low-income populations. By providing small loans, secure savings options, and other essential financial services, microfinance addresses the gap left by conventional banking institutions—especially in developing countries where large segments of the population remain unbanked. In the context of India, where a significant portion of the population lives below the poverty line and lacks access to formal financial systems, microfinance plays a critical role in fostering inclusive growth and development.

While microfinance initially focused on offering basic financial services, it has since evolved into a broader development strategy aimed at improving the socio-economic conditions of marginalized groups, particularly women. In India, women often face considerable challenges in achieving financial independence, including limited access to credit, institutional biases, and deeply entrenched socio-cultural barriers. Microfinance seeks to address these issues by empowering women through financial access, enabling them to establish small enterprises, improve their quality of life, and participate more actively in household and community decision-making.

The global success of microfinance in reducing poverty and stimulating local economies is well-documented. Originating with pioneering institutions such as the Grameen Bank in Bangladesh, the microfinance model has been widely adopted and adapted by numerous organizations worldwide. In India, microfinance is primarily delivered through microfinance institutions (MFIs), non-governmental organizations (NGOs), and self-help groups (SHGs), many of which specifically target women as key beneficiaries of these services.

Women's empowerment through microfinance extends beyond mere financial gains. Economically, access to credit and savings enables women to launch income-generating activities, improve their families' living standards, and invest in their children's education and healthcare. Socially, financial independence often translates into increased respect, greater participation in decision-making processes, and stronger leadership roles within families and communities.

This study aims to explore the role of microfinance in empowering women in India, with a particular focus on the state of Karnataka. It seeks to analyze how access to microfinance services contributes to improvements in women's economic autonomy, access to healthcare and education, and social standing. Furthermore, the study will examine the challenges women face in accessing and effectively utilizing microfinance, as well as the opportunities to enhance the impact of such programs. Through this research, the study endeavors to provide insights into how microfinance can be more effectively leveraged as a tool for women's empowerment in the Indian context.

Review of literature

NavyaShree NS, Suresh Mani (2025) in their study on "Microfinance and women empowerment :A study on self help group with special reference to Ramanagar district,Karnataka" access the functioning of Micro finance through Self Help Groups in Karnataka. The objective of the study is to examine the loan accessibility with indigenous bankers and formal credit bankers for women and also focuses on grant assistance taken from NABARD. The study concludes that micro finance plays a pivotal role in women empowerment through SHG's but the challenge of financial inclusion and economic participation remain unchanged.

LucaAndrilani,Sarika lal and Asif Aftab Kalam(2022) in their study on "Entrepreneurial activities and women empowerment in rural India between microfinance and social capital" in their study revealed that Human development cannot occur without women's empowerment. Particularly in marginalized contexts lacking equal treatment between women and men, women's empowerment is conditioned upon their control of financial resources and activities outside their households' tasks, such as entrepreneurial activities. Such contexts have been experiencing the escalation of microfinance schemes of which women have been the main target group. The study concludes that social capital plays a crucial role for peer-group lending to be successful in accessing financial resources and loan repayment. However, we detect the presence of empowerment only where a woman uses the outcome of these social capital resources to pursue her entrepreneurial activities and self-determined goals.

Girish D.H ,Dr.VeeraBhadrapa B.A(2020) in their study on problems and prospects of microfinance and Women empowerment in Karnataka –An overview examine how microfinance assist low income strata of women and how it helps to bring financial inclusion to rural families. The study concludes the significance of microfinance to promote economic development in the country.

Objectives of the study

1. To examine the socio economic conditions of women obtaining microfinance
2. To Identify and assess the challenges and constraints faced by microfinance in effectively empowering women in India.

Research methodology

Data are collected from primary sources directly from the female participant of obtaining microfinance .Random sampling method is adopted. The study focused on understanding the perspectives and experiences of women who actively use microfinance. A total of 300 women microfinance users were selected as the sample size for the study, which provides a reliable representation of the target population.

To analyze the data, both descriptive and inferential statistical techniques were utilized. The percentage method was applied to summarize and describe socio-economic factors, while the Kruskal-Wallis test, was used to determine statistically significant among the people

Limitations of the Study

- The study may be limited to specific regions of India, which may not fully represent the diverse experiences of women across the country.
- The duration of the study may limit the depth of analysis and the ability to capture long-term impacts.
- Time constraints may restrict the depth of longitudinal analysis, limiting the ability to capture long-term impacts.
- Participants' responses may be influenced by social desirability bias, potentially affecting the accuracy of self-reported data on empowerment and financial outcomes

Finding of the study

The study explores the socio-economic background of female microfinance users and the challenges they face in accessing microfinance services. The socio-economic profile of the participants is assessed based on key indicators such as age, education level, monthly income, monthly expenditure, and monthly savings. The challenges faced in accessing microfinance based on the indicators of high interest rate and repayment pressures, lack of awareness about microfinance programs, social and cultural barriers, collateral requirement, no microfinance institutions in vicinity, lack of awareness about microfinance credit package, limited financial literacy and lack of women friendly loan products and services.

Socio -Economic Conditions of Women

An examination in to socio economic conditions of women is highly essential. It is important in determining the living condition and standard of living of women. The variables associated with women are age, education, income saving and expenditure.

Table1
Socio -economic conditions of Women

		No:of respondent
Age(in Years)	18-25	72(24)
	26-35	95(31.7)
	36-45	105(35)
	46&above	28(9.3)
Education	No formal education	29(9.7)
	Primary education	73(24.3)
	Secondary education	14(15)
	Higher Secondary education	103(34.33)
	Under graduate degree	58(19.3)
	Post graduate degree	23(7.6)
Monthly income	Below 15000	100(33.33)
	15000-30000	65(21.67)
	30000-45000	135(45)
Monthly Expenditure	Below 10000	120(40)
	10000-20000	92(30.66)

	20000-30000	54(18)
	Above 30,000	34(11.33)
Monthly Saving	Below 5000	140(46.66)
	5000-10000	85(28.33)
	10000-15000	75(25)

Source:Based on field survey 2025

Note:Figures in parenthesis denote percentage in column total

Table 1 shows the age of women .Most of the women are in the age group of 36-45 years.About 31.7 % of women belonged to age group 26 to 35 years.Around 24% of women belonged to the age group of 18 to 25 years and 9.3%of respondent were above 46 years.

The education level of women shows 34.33% of women have higher education.About 9,7% of women have no formal education.The study revealed that more than 85% of people are having atleastformal education.The family income of women shows that 45% of women had an income of around Rs.30000 to Rs.45000 and 33.33% of women had income of below Rs.15000.The monthly expenditure of women shows that 40% of the respondent in the study a spent an amount of Rs.below 10000.Around 30.66% of women spent up to Rs.10000 to Rs.20000 and 18% of women spend around Rs.20000 to Rs.30000.It has been revealed that majority of women spent an amount of Rs.below 10000.

It provides an insights about monthly savings of the women .Around 46.66% of the women saved to the extent of below Rs.5000.There were variation in savings made by women.Most of the women saved their income for children education,marriage etc.

Problems faced by women in accessing Microfinance

Microfinance is an important input for the women empowerment and has positive impact of increasing the efficiency of women entrepreneur.Microfinance especially institutions finance should improve the weaker section of women to access micro credit

Table :2

Problems faced by women in accessing Microfinance

Problems	Average	Rank
High Interest rate and Repayment pressures	-0.056	8
Lack of awareness about Microfinance programs	-0.05	6
Social and cultural barriers	-0.054	7
Collateral requirement	0.304	2
No microfinance Institutions in vicinity	-0.052	5
Lack of awareness about microfinace credit package	0.50	1
Limited Financial Literacy	0.0218	3
Lack of women friendly loan and Products	0.048	4

Source:Based on field survey 2025

The above table revealed that women faced the problem of lack of awareness about microfinance credit package(Rank1),Collateral requirement(Rank2),Limited financial literacy (Rank 3) and high interest rate and repayment (Rank 8).The study revealed that majority of women have problem about lack of awareness about microfinance credit package.

Kruskal Wallis test

To find whether the problems faced by women in accessing Microfinance,Kruskal Wallis test is applied

The Null hypothesis tested was

H0:There was no significant difference in problems faced by women in accessing microfinance

H1:There was a significant difference

Table 3

Variability in the perception of women regarding Microfinance-Kruskal Wallis test

Problems	Kruskal-Wallis test	Significance level	Inference
High Interest rate and Repayment pressures	10.510	0.015	Significant
Lack of awareness about Microfinance programs	13.793	0.003	Significant
Social and cultural Barriers	12.430	0.006	Significant
Collateral Requirements	10.618	0.014	Significant
No microfinance Institution in Vicinity	0.615	0.89	Insignificant
Lack of awareness about microfinance credit package	0.627	0.86	Insignificant
Limited Financial Literacy	12.322	0.007	Significant
Lack of women friendly loan and Products	11.400	0.010	Significant

Source:Based on Field survey 2025

There was a significant difference in the problems faced by women in accessing microfinance like High Interest rate and Repayment pressures(10.510),Lack of awareness about Microfinance programs(13.793),Social and cultural barriers(12.430),Collateral requirement(10.618),Limited financial Literacy(12.322) and Lack of women friendly loan and products(11.400)Hence null hypothesis rejected.There was no significant difference in Lack of awareness about microfinance credit package(0.627) and No microfinance Institution in Vicinity(0.615).Thus Null hypothesis is accepted.

Conclusion

The analysis brings out the problems faced by women in accessing microfinance. The study revealed that microfinance to women increased rapidly but it could not meet the needs of women in rural area and they may resort to other types of financial institutions to meet their productive activities. The access of finance has been constrained by their inability to offer the collateral, high interest rate and lack of awareness about microfinance program.

Suggestions

- Women should be aware about microfinance credit package
- The procedure for obtaining finance should be liberalised
- The Interest rate charged by microfinance institutions should be normal.

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