

Identifying and Assessing the Critical Challenges Face by Microfinance Institutions in Empowering Muslim Women in Dakshina Kannada: A Challenge Factors Approach

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Abstract – There has been a long-standing interest in the consensus that microfinance programs are an effective initiative offering financial and non-financial services to the poorest segments of the world population and particularly women in developing countries. Propitiations, advocates, and scholars worldwide focused on various indices of women's empowerment through microfinance. However, a very confined amount of research is considering microfinance challenges in Muslim women's communities. The present article aims to evaluate the critical Challenges microfinance institutions face in empowering Muslim women in the Dakshina Kannada district of Karnataka. For this purpose, the study surveyed South Canara District Central Cooperative (SCDCC) bank staff (branch managers). To identify the most significant challenges MFI face, Exploratory factor analysis (EFA) is applied, utilizing SPSS v. 25. EFA diagnosed two components administrative and lending issues of MFI in empowering these women. Moreover, Relative Importance Index (RII) was run variable-wise to rank the extracted components. The administrative issues of microfinance institutions ranked first, with an RII of (.347-.430), which showed the medium and medium-low RI range and unhealthy competition was the first-ranked item by RII. The microfinance institutions' lending issues ranked second, showing a medium-low RI.

Keywords – Dakshina Kannada, Empowerment, Microfinance Institutions Challenges, Muslim Women.

I. INTRODUCTION

Microfinance advocates, development agencies, and researchers worldwide defined microfinance similarly. For instance, Helms (2006) revealed that microfinance has evolved as a method of economic development by providing financial services to low-income customers, such as the unemployed and the self-employed. Besides, it is considered a potential tool in the fight against poverty. Low-income families and households utilize financial services offered by various microfinance institutions (MFIs) to increase their income, build assets, and protect themselves from external shocks. Likewise, Nair (2001) opined that microfinance institutions provide significantly smaller amounts of thrift, loan, and other financial products to the poor in rural, semi-urban, and urban areas to increase their income and enhance living conditions. Moreover, FINCA (Foundation for International Community Assistance) recognized microfinance as the financial services offered to low-income individuals or marginalized groups usually excluded from the conventional banking system, particularly women and the rural poor.

More precisely, Mayoux (2005) proclaimed that microfinance considerably impacts females' lives by empowering them. It improved women borrowers' financial income and consumption, making them financially stable and creating opportunities for the entire local community (Khan et al. 2020). In addition, it allows women to take their stand in society, uplift their standard of living and their families, and create a better position to

participate in their children's education Chhay (2011). Moreover, Tariq and Sangmi (2018) illustrated that women's participation in microfinance programs empowered them considering income, saving, assets acquisition, control over resources, decision-making in the household, contribution to children's education, and psychological empowerment.

In India, microfinance has developed into various operational models with differing degrees of success. The growth of the self-help movement is one form of microfinance. India's Self Help, Bank Linkage Program, has evolved for its significant economic effect and belief that it empowers women. It aims to offer an affordable framework for delivering financial services to the vulnerable segment of society (Sarwari & Srivatsa 2021). Based on the idea of self-help, small groups of women come together in groups of ten to twenty and run businesses that use the member's savings as the primary source of funding for loans (Reddy & Manak, 2005). SHGs are a contemporary innovation in financial intermediation (Manjunatha, 2013). Women's participation in SHGs significantly affected their empowerment in social and economic aspects (Kondal, 2014; Jamal et al., 2016; Sarwari & Srivatsa, 2021). In addition, membership in SHG considerably impacted economic choice-making and stability, legal literacy, mobility, and family decision-making participation (C.H. & P. 2015).

Similarly, Aggarwal et al. (2020) opined that women's participation in SHGs improved their economic development, family decision-making, and political decision-making to utilize public facilities. In the background of the above findings, Arunkumar et al. (2016) concluded that women were significantly empowered after participation in the SHGs. Women contributed to their households' income, decision-making on fundamental and financial issues, improving their living standards, social status, awareness of the social problems and localities, self-confidence, knowledge and skills, and coping with family issues.

This study aims to recognize and evaluate the MFI challenges in serving Muslim women's SHGs in Dakshina Kannada. For this purpose, the research surveyed the South Canara District Central Cooperative (SCDCC) bank branch managers. The paper consists of five sections; the second part covers a brief review of the literature, pursues methodology, and concludes with results and conclusions.

II. LITERATURE REVIEW

Microfinance has evolved as an innovative financial service that aims to benefit the low-income segment of society, self-employed people who face difficulty accessing financial and banking services (Muhammad, 2010). It impacts problems related to poverty reduction and helps promote "empowerment" among the poorest of the poor, such as women. Depending on the region, females are among 75-100 percent of the people who benefit from microfinance (Tiwari et al., 2007).

In India, microfinance has been assumed to have a profound impact on the social capital of women and normative control, providing unified empowerment of females (Sanyal 2009). However, extant literature from around the world revealed that these institutions experience various challenges in offering their borrowers financial services, as discussed below.

Campion (2002) addressed barriers to microfinance commercialization, including unsuitable donor subsidies, improper regulation and supervision, and limited management capacity.

Thorat (2006) noted India's microfinance institutions' critical issues. Sustainability: the cost of supervision of credit is high, and the loan size and volumes are small. Lack of capacity: Many MFIs are socially oriented instit-

-utions and do not have adequate access to financial resources; therefore, they have high debt-equity ratios.

Muhammad (2010) assessed the challenges and opportunities in Pakistan's microfinance sector. The challenges include improper regulations, increased competition, innovative and diverse products, profitability, stability, and MFIs' limited management skills.

Rai and Rai (2012) recognized factors influencing the financial sustainability of MFIs in India and Bangladesh. Capital/asset ratio, operation cost/loan portfolio, and portfolio at risk for more than 30 days are the critical indices influencing MFIs' sustainability.

Kanayo et al. (2013), by a content analysis of available literature, declared that microfinance institutions in Nigeria have failed due to poor loan quality, loan repayment defaulters, high transaction costs, widespread delinquency, and management deficiencies.

Abdelrahim (2014) addressed the challenges facing Jordan's microfinance sector. The significant difficulties include the misconception that microfinance is a grant, the lack of a credit bureau, borrowers' information confidentiality, default borrowers, low profitability, lack of long-term loans, and the absence of accounting records and guarantees.

Boateng (2015) determined the poor regulatory environment, regular vicissitudes in government policies, lack of capital, inadequate skills and professionalism, lack of infrastructure facilities, socio-cultural misconceptions, corruption, fraud and forgeries, and poor corporate governance are the main constraints faced by MFIs in Ghana.

Dahir (2015) investigated the challenges microfinance institutions face in eradicating poverty in Somalia. According to the study, microfinance institutions' critical obstacles are default risk from borrowers, insufficient donor funding, borrowers' misconception regarding the program's principle, communication barriers and lack of awareness, improper regulations, lack of adequate loan or equity capital to enhance loanable funds, insufficient government support, and limited management capacity.

Khatun and Ahmed (2018) concluded that the challenges microfinance institutions face in India are inadequate bookkeeping skills, the appointment of relatives as MFI staff, lack of capital, and high-interest rates.

Khachatryan and Avetisyan (2017) examined microfinance development and problems in Armenia. Unfair fees, limited annual interest rates, lack of cooperation among credit organizations, and regulated microfinance functions. The research also found that difficult economic status does not always allow microcredit to help poor people in the country alleviate poverty, even dragging them deeper into poverty.

Ussif et al. (2020) evaluated the challenges microfinance institutions face in their operation and regulation in Ghana. The authors proclaimed that MFIs in Ghana face poor management skills, credit defaults from borrowers, high operating costs, poor credit monitoring, and lack of government support.

Objectives

1. To identify and evaluate MFI challenges in providing services to Muslim women SHGs in Dakshina Kannada.
2. To assess the relative importance of microfinance significance indicators in empowering women.

II. THE RESEARCH METHODOLOGY

Data Collection

The current research is empirical research based on primary and secondary data. The primary data was collected from South Canara District Central Cooperative (SCDCC) Bank branch managers utilizing a structured English Google form to examine microfinance challenges in empowering Muslim women’s SHGs. Additionally, the secondary data was gathered from books, journal articles, doctorate dissertations, the SCDCC bank website, and other relevant sources, in addition to the yearly reports of the state and federal governments.

Sample Size

To assess the challenges of SCDCC bank/MFI in empowering Muslim women, the bank’s branch managers were the key source of data collection. There were 60 SCDCC bank branches in Dakshina Kannada as of March 2020. Of these 60 branch managers, 53 replied to the questionnaire. Therefore, the sample size for this study is 53, or (88.33%) of the targeted population. Still, it is above the criteria Baruch & Holtom (2008) suggested for most research studies associated with organizations’ representatives; a sample size of approximately 35-50 percent is appropriate.

III. ANALYSIS AND RESULT

A total of 68 attributes had been identified based on the literature review, and after consultation with experts and pilot surveys, it was reduced to 33 questions. The questionnaire consists of variables to determine the borrowing behavior of Muslim women's SHGs from the bank’s staff perspective and Likert scale questions on 5 point scale to measure the challenges and role of MFI in empowering Muslim women SHG members. Cronbach’s alpha and the reliability analysis indicated that the variables had an adequate discriminatory strength on the five-point scales. The alpha value was .809, which falls between $0.80 \leq \alpha \leq 0.95$, showing very good reliability (Chawla & Sondhi, 2015).

Descriptive Analysis

As exhibited in the tables below, most respondents (bank branch managers) provided multiple responses. Therefore, instead of describing how many people reacted to each answer, the descriptive frequency for multiple responses is used to analyze these categorical variables that illustrate the number of times a variable is selected.

Table 1. Purpose of Obtaining a Loan by SHG Members.

Purpose of Obtaining a Loan	Number of Times a Response is Selected	Percentage	Percentage of Cases
Personal	37	8.6	69.8
Agriculture	47	10.9	88.7
Business	37	8.6	69.8
Child education	41	9.5	77.4
Medical	42	9.7	79.2
Emergency needs	29	6.7	54.7

Purpose of Obtaining a Loan	Number of Times a Response is Selected	Percentage	Percentage of Cases
Payment of old Loans	18	4.2	34.0
Marriage	41	9.5	77.4
Renovation of House	42	9.7	79.2
Festival	32	7.4	60.4
Income generation	31	7.2	58.5
Animal husbandry	34	7.9	64.2
Total	431	100	813.2

Source: Survey Data.

According to the MFI staff experience and multiple responses, the frequency table 1 displays that agriculture (10.9%) is the most relevant basis for obtaining a loan. In addition, medical and renovation of the house (9.7%) are the second purpose for borrowing a loan. Children’s education and marriage (9.5%) are the following reason, personal and business with (8.6%) response rate, followed by animal husbandry, festival, and income generation with (7.9%), (7.4%), and (7.2%) respectively. Finally, emergency needs (6.7%) and payment of old loans (4.2%) are the other reasons for obtaining a loan by Muslim women SHG members.

Table 2. Purpose of Granting a Loan by the MFI/Bank.

Purpose of Granting a Loan	Number of Times a Response is Selected	Percentage	Percentage of Cases
Access to financial resources	44	24.9	83.0
Poverty alleviation	43	24.3	81.1
Daily family expenditure	31	17.5	58.5
Income generation	34	19.2	64.2
Entrepreneur development	25	14.1	47.2
Total	177	100	334

Source: Survey Data.

Table 2 exhibits that access to financial resources (24.9%) is the most frequent response selected by banks’ staff. Poverty alleviation (24.3%) is the following reason for granting a loan to Muslim women SHGs, followed by income generation (19.2%), daily family expenditure (17.5%), and entrepreneur development (14.1%).

Table 3. Control Over Granted Loan.

Control of Loan	Frequency	Percentage
Themselves	9	17
Themselves with male household members	31	58.5
Have no control	13	24.5

Control of Loan	Frequency	Percentage
Total	53	100

Source: Survey Data.

Table 3 represents that most Muslim women (58.5%) use the obtained loan with the cooperation of a male household member. However, (24.5%) of the beneficiaries have no control over the obtained loan, and only (17%) control their loan on their own.

Table 4. Reasons for non-Repayment of Loan by SHG Members.

Purpose of Granting a Loan	Number of Times a Response is Selected	Percentage	Percentage of Cases
Natural disasters	35	24.0	66.0
Illness	46	31.5	86.8
Lack of cooperation from husbands	11	7.5	20.8
Distance from MFI branch	8	5.5	15.1
Lack of income and savings	46	31.5	86.8
Total	146	100	275.5

Source: Survey Data.

Table 4 exhibits that some SHGs might not repay their loans at a particular time due to the various reasons MFI's staff respondents declared. In (31.5%) of the cases, illness and lack of income and savings are the reasons for non-repayment. Similarly, natural disaster is selected in another (24%) cases. In comparison, (7.5%) and (5.5%) are the following basis for the lack of cooperation from the husband and distance from the MFI branch, respectively.

Table 5. Loan Defaulters.

Response Regarding Default	Frequency	Percentage
Yes	53	100
No	0	0
Total	53	100

Source: Survey Data.

According to the MFI's staff, the action taken against the loan defaulters is either denial of future loans or imposition of fines on the defaulted groups, as presented below.

Table 6. Action against defaulters.

Actions	Frequency	Percentage
Denial of further loans to the defaulted groups	5	9.4
The imposition of fines on the defaulted groups	7	13.2
Denial of further loans and imposition of fines on defaulters	41	77.4

Actions	Frequency	Percentage
Total	53	100

Source: Survey Data.

Table 6 indicates that (77.4%) of defaulters face denials for other loans and the imposition of fines. However, (13.2%) of the staff reported the imposition of penalties, and another (9.4%) explained the denial of further loans to the defaulted groups only.

Challenges of MFI

Initially examining the MFI's staff perception, using SPSS version 25, the research used exploratory factor analysis (EFA) to identify the factor measuring various dimensions of MFI's challenges. Besides, the RII was employed on the extracted components to determine the relative importance index of challenges of MFI in empowering Muslim women's SHGs in Dakshina Kannada.

Table 7. KMO and Bartlett's Test for MFI Challenges.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.884
Bartlett's Test of Sphericity	Approx. Chi-Square	715.296
	df	55
	Sig.	.000

Source: Survey Data.

Table 7 reports that the KMO measure is (.884), which acknowledges that the data collected is high quality (Fávero & Belfiore., 2019). Afterward, Bartlett's test of Sphericity is statistically significant ($p < .000$), indicating the data meets the underlying assumptions of sampling adequacy and linearity. Therefore, it is appropriate to conduct EFA.

Table 8. Rotated Components Matrix.

Factors	Items	F1	F2
Administrative Issues	Lack of management skills among the office bearers	.958	
	Unhealthy competition among MFIs	.925	
	Lack of high technology system to provide better services	.922	
	Lack of cooperation and teamwork among staff members	.915	
	Absence of the feedback mechanism system	.915	
	lack of staff knowledge of the Bank/MFI financial procedure	.908	
	lack of staff legal awareness	.883	
	Lack of support from the government	.859	
	Low level of staff education	.853	
Lending Issues	The dissatisfaction of groups with loan repayment installment		.903
	The dissatisfaction of groups with the loan interest rate		.944

Factors	Items	F1	F2
	% variance Explained	69.29%	15.80%
	Eigen Values	7.62	1.73
	Cronbach's Alpha	.974	.849
KMO = .884, Bartlett's $\chi^2 = 715.296$, $p < .001$, Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization, Rotation converged in 3 iterations.			

Source: Survey Data.

Considering all the assumptions of EFA, initially, factor analysis is employed on 14 variables to identify and extract the significant variables measuring microfinance challenges in empowering Muslim women without losing important data. Initially, the principal component analysis with orthogonal rotation (Varimax) on 14 variables was employed. In three iterations, factor analysis identified two components consisting of 11 items that account for (85.10%) variance. Besides, the factor loading for this component ranges from (.853-.958) for 53 samples exceeding the criteria of 50 sample size cases recommended by (Sapnas & Zellar 2002). Therefore, the developed factorial model may be granted validity.

The identified two components are administrative and lending issues in empowering Muslim SHGs (Table 8).

1. Administrative Issues of microfinance determine the challenges faced by the bank's staff in empowering Muslim women. This factor explained (69.29%) of the variance and is composed of 9 items, as shown in (Table 8).
2. Lending issues of microfinance describe the problems faced by the bank in financing Muslim women. This factor is detailed (15.80%) of the variance and covers two items, as shown in (Table 8). Three out of 14 variables contained in the questionnaire and explored in the literature could not present adequate communalities, hence omitted from the further analysis.

Ranking of the Variable Extracted by Factor Analysis using (RII)

To rank the challenges faced by MFI/bank in empowering Muslim women's SHGs, the authors have applied the Relative Importance Index (RII) after running an (EFA). This tool has been used to rank the bank's issues according to their relative importance. The RII technique is widely used and highly reliable when ranking variables in a structured questionnaire survey (Dixit & Sharma 2019). Because using the Mean and Standard Deviation of each component are not appropriate to assess the overall ranking as they do not show any relationship between the element (Chan & Kumaraswamy 1997). Instead, the weighted average for each component has been calculated, and the outcome has been divided into the most significant scale of the measurement (Shash, 1993). This technique has been used in many studies such as (Chan & Kumaraswamy 1997; Olomolaiye et al. 1987; Aghili et al. 2019; Dixit & Sharma 2019) research with the following formula.

$$RII = \frac{\sum W}{A * N}$$

Where W is the value respondents give to each variable (from strongly disagree to agree for the positive statement strongly and vice versa for the negative statements). A is the highest value, and N is the sample size for the bank staff. The RII values range from 0-1 ($0 \leq RII \leq 1$) (Kometa et al. 1994; Özdemir 2010; Waris et al. 2014).

Moreover, Akadiri (2011) suggested five importance levels ($0.8 \leq RI \leq 1$) or high, ($0.6 \leq RI \leq 0.8$) or high-medium, ($0.4 \leq RI \leq 0.6$) or medium, ($0.2 \leq RI \leq 0.4$) or medium-low and ($0 \leq RI \leq 0.2$) or low.

1. Administrative Issues. The RII of this factor range from (.347-.430), showing the medium and medium-low RI range according to Akadiri (2011). Unhealthy competition has the highest RI index (.430) table below.
2. Lending Issues. The RII indices ranges of (.316) and (.320) ranked seventh and eighth, respectively, which shows a medium-low RI, according to Akadiri (2011).

Table 9. Relative Importance Index and Rankings of MFI Challenges.

Factors	Components	RII	Rank
Administrative Issues	Unhealthy competition among MFIs	0.430189	1
	Lack of management skills among the office bearers	0.422642	2
	lack of staff legal awareness	0.422642	2
	Lack of high technology system providing better services	0.418868	3
	Low level of staff education	0.418868	3
	lack of staff knowledge of the Bank/MFI financial procedure	0.418868	3
	Lack of cooperation and teamwork among staff members	0.415094	4
	Absence of feedback mechanism system	0.403774	5
	Lack of support from the government	0.34717	6
Lending Issues	The dissatisfaction of groups with an interest rate	0.320755	7
	The dissatisfaction of groups with loan repayment installment	0.316981	8

Source: Survey Data.

The following studies also confirm the administrative and lending issues of MFIs worldwide in empowering women.

Unhealthy Competition

RI ranked the unhealthy competition first as a significant challenge facing this institution in empowering Muslim women SHGs with an RI index of (.430) and factor loading (.925). MFIs have recently been confronted with various issues that have impacted their operations. Competition among MFIs has risen quickly in numerous nations (Rhyne & Otero, 2006). Lower interest rates, lower expenses, better efficiency, and the introduction of additional financial services, such as savings accounts and insurance services, are all possible outcomes of increased competition for MFIs. For instance, in Bolivia, the competition started in the late 1990s. Since then, interest rates have decreased from (30%) in 1998 to (21%) in 2005 (Hermes et al. 2011). In another similar article, Kono and Takahashi (2010) asserted that expanding MFIs would increase the number of financial services available to the poor, thus enhancing their well-being. However, borrowers who have not completed repayments to one MFI might receive loans from other MFIs if too many MFIs compete in the same area. Finally, the market becomes more competitive, and repayment rates may fall. Moreover, in Pakistan, Muhammad (2010) declared the increasing competition as one of the significant challenges for MFIs. Consequently, (McIntosh & Wydick 2005; Ussif & Ertuğrul, 2020) concluded that competition is a considerable

challenge that affects MFIs' profitability.

Low Level of Management Skill/Awareness

The low level of management skill and awareness are ranked second by RI as a significant challenge facing this institution in empowering Muslim women SHGs with an RI index of (.422) and factor loading (.958) and (.883), respectively. Researchers worldwide consider management skills one of the significant challenges microfinance institutions face. For instance, (Campion 2002; Muhammad, 2010; Dahir 2015) quoted it as the limited management capacity of MFIs. In another similar study, Irobi (2008) in Nigeria examined it as little support for human and institutional capacity building. Ahmed (2009) recognized it as weak governance and management. Kanayo et al. (2013), in their article in Nigeria, observed it as management deficiencies, and Abdelrahim (2014) noted it as poor management. Moreover, finally, (Irobi 2008 & Dahir 2015) demonstrated the lack of staff awareness as another significant obstacle to MFIs' operation.

Low Level of Staff Education, Lack of Knowledge of Financial procedures, and Lack of High Technology Systems

Lack of staff education knowledge and lack of high technology system is ranked third by RI with (.418) indices and factor loadings of (.853, .908, and .922), respectively. The low staff knowledge and education level are the other crucial factor affecting MFIs in empowering women. The findings of Muhammad (2010) declared that the absence of educated human resources capital unable MFIs to operate their services smoothly.

Ussif and Ertuğrul (2020) evaluated the monitoring and supervision factors as external indicators in Ghana. Irobi (2008), in a survey in Nigeria, proclaimed the lack of standardized reporting and monitoring mechanisms as a factor that adversely affects the productivity of MFIs. Further, Dahir (2015), in a study in Mogadishu, indicated the absence of a standardized reporting and monitoring system as another challenge for MFIs.

Lack of Government Support

Lack of government support is ranked sixth by RI with an index of (.347) and factor loading (.859) as a significant challenge for MFIs. Irobi (2008) studied insufficient government support in Nigeria. In a similar study, Dahir (2015) evaluated Mogadishu's lack of government support.

High-Interest Rate

Steel and Andah (2008) from Ghana reported microfinance's high transaction cost, which prevents the sector's growth. Ogujiuba et al. (2013), in their study in Nigeria, proclaimed that high transaction costs cause high-interest charges. Ussif and Ertugrul (2020) in Ghana also validated the high-interest rate. Besides, Muhammad (2010), in his article in Pakistan, claimed that high transaction cost is an adverse factor that prevents loan repayment and decreases the demand for microfinance services. Finally, Abdelrahim (2014) studied the high lending cost of MFIs in Jordan.

IV. FINDINGS

Descriptive Analysis

- The study found that according to the MFI's staff, agriculture was the most (10.9 %) frequent purpose for obtaining a loan by Muslim women SHGs.

- According to the MFI's staff, the most frequent purpose for MFI grant loans to the women beneficiaries was access to financial resources (24.9%).
- It was found that most Muslim women (58.5%) used the obtained loan with the cooperation of a male household member.
- According to the MFI's staff most cases (31.5%), the non-repayment reasons were illness and lack of income and savings.
- When it comes to loan repayment, there were always defaulters, and in most cases (77.4%), the defaulted groups were to face denials for other loans and the imposition of fines.

EFA Analysis

EFA was initially conducted using principal component analysis. The EFA identified two components: administrative and lending issues of microfinance in empowering Muslim women SHGs.

Relative Importance Index (RII)

On the extracted component by EFA, the RII was employed to explore the relative importance index of challenges of MFI in empowering Muslim women's SHGs in Dakshina Kannada.

- The administrative issues of microfinance institutions ranked first, and among all the nine variables, the unhealthy competition was the first-ranked item by RII (Table 9).
- The lending issues of microfinance institutions, ranked second, consists of two items (Table 9).

V. CONCLUSION

The study aimed to evaluate the challenges MFI experiences in empowering Muslim women communities. The study considered South Canara District Central Cooperative (SCDCC) bank's staff (manager) working with the Muslim women communities. Using SPSS version 25, (EFA) found, two factors, administrative and lending, as the institution's principal obstacles in empowering these women. Administrative challenges included lack of management skills, unhealthy competition, lack of technology system, lack of cooperation among staff, absence of feedback mechanism system, lack of staff's knowledge of the procedure, lack of staff legal awareness, lack of support from the government, and low level of staff education. Moreover, women's dissatisfaction with the interest rate and the dissatisfaction with loan repayment instalments were the lending issues found to be the significant challenges that MFI faces in empowering these women.

Further, the (RII) was used to rank the identified components variable-wise after EFA retrieved them. The administrative issues of microfinance institutions ranked first, with the RIIs of (.347-.430), which showed the medium and medium-low RI range. Among all the nine variables, unhealthy competition was the first-ranked item by RII. The lending issues of microfinance institutions ranked second, with the RII of (.316) and (.328), which showed a medium-low RI.

VI. LIMITATIONS OF THE STUDY

The announcement of the National Register of Citizens (NRC) Act was the study's primary and most significant constraint. Due to this Act, the research's target population was unwilling to participate and

contribute to the survey. As a result, the researcher could not obtain the assistance of other MFIs and had to rely solely on SCDCC bank to gather the required data. The second restriction was the Covid-19 pandemic's occurrence, which prolonged the data collection process.

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