The Role of Microfinance in Integrating Rural Women into Formal Banking System (Some Empirical Evidences from Gadarif State)  

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Abstract  
The inclusion of rural women in the formal banking sector is not considered as a final goal in itself for this study, but it is a necessary condition for the transition of rural women from a state of poverty and destitution to a status of sufficiency. This study aimed to measure the ability of microfinance projects borrowed by rural women from the Gadarif Microfinance institution (GMI) during the study period (2014-2020) with the objective of integrating them into the official banking system. For this purpose, a mixed approach was used in data collection and analysis, including both quantitative and qualitative approaches. The study concluded that aforesaid microfinance projects did not contribute to the integration of rural women into the formal banking sector in Gadarif State - Sudan. This result attributed to many factors namely, the macroeconomic factors related to economic stability and other factors related to banking policies, whether at the level of financial institutions or financial decision-makers, beside other cultural and social factors related to rural women and their local communities.

II. Literature Review  
The basic idea behind microfinance is to provide economic inputs to those in rural areas that are willing to pull themselves out of poverty. This paves the road for the policymakers to think about households to have permanent inclusion.
3 III. A GEOGRAPHICAL BACKGROUND ABOUT THE AREA OF THE STUDY

Gadarif State located in eastern Sudan and falls between longitudes 33° 30’ and 36° 30’ to the East and latitudes 12° 40’ and 15° 46’, with total area of e around 71,000 km². The State is bordered by Ethiopia from the east and south and by the states of (Kassala) and Khartoum from the North, Gezira from the west and (Sinnar) State from the South. Rainfall in the State ranges between 500-900 mm from north to south, falling mainly between July and October. Because of the seasonality and variability of rainfall and the Basement Complex underlying rock, the State suffers acute water deficit. According to the 2008 Population Census, the total population is about 1.4 million and with one of the highest annual growth rates in the country standing at 3.9%. Over two-thirds of the
Based on the foregoing, we come to the following conclusion: The process of financial inclusion is an attempt to bring within the range of the organized financial system the weaker and vulnerable sections of society. In other words, by mobilizing the poor rural women, organizing them into groups, building their capacity for self-management and supply them with a wide range of services including credit, savings, insurance and business development (Microfinance). The inevitable result is the integration of rural women into the banking system, which means realizing the principle of a) The Objectives 1. Attempting to bridge the applied studies gap in the issue of financial inclusion in general and the inclusion of rural women in the formal banking sector in particular. 2. Clarify women’s needs for safe and low-cost banking services. 3. Determining the obstacles that face the integration of rural women in the banking sector and presenting proposals to ensure the inclusion of rural women based on the applied study.

5  b) The Methodology

It is clear that the issue of this study is intertwined by many economic and social factors, thus one analysis method alone cannot capture it. In this regard, the researcher believes that the field of this paper (The role of Microfinance in integrating Rural Women in Gadarif State in to the formal banking system) encourages the use of both qualitative and quantitative approaches, then using the two approaches may help in obtaining data of the highest quality and more reliable results.

6  c) Source of Data

For this and concerning the quantitative method the questionnaire was the main tool, the total number of beneficiaries were Five Hundreds and Seventy Five women (575) spread over Gadarif State localities namely: Eastern Gallabat, Western Gallabat, Alrahad, Allgureisha and Rural Central Gadarif.

7  d) Study Population i. Quantitative Method

The total population of this study amounted to Five hundred and Seventy Five (575) women benefited from microfinance projects that borrowed from Gadarif Microfinance Institution (GMI) through the period (2014-2020) and spread on five localities in Gadarif State, namely: Eastern Gallabat, Western Gallabat, Algureisha, Alrahad and Central rural Gadarif. Simple random sampling method was used to select Two Hundred and Thirty Six (236) women as a sample size of beneficiaries. To collect quantitative data, survey questionnaires were administered to the selected women.

ii. Qualitative Method The sample size was determined intentionally (Purposive sample), as the number of women in each group ranges between 8 and 12 beneficiaries of microfinance. In their selection, the considerations of age, occupational and educational diversity within each group were taken into account. The groups of women were selected from the following localities: Rural Central Gadarif, Western Gallabat, and Alrahad.

8  e) Tools of Data Analysis

Concerning the quantitative data a simple regression method was conducted to test the relationship between microfinance loans (projects) and its impact on integrating rural women into the formal banking system (financial inclusion). On the other hand and to interpret the statistical indicators a qualitative analysis were adopted depending on the Focus Group Discussion (FGD) method was adopted for the groups of women in the various localities of Gadarif State.

9   IV. Finding and Discussion

10 a) Quantitative Analysis: The Model

To achieve the objective of the study, which is to answer the question: Did microfinance projects borrowed by rural women from Gadarif Microfinance Institution (GMI) contribute in integration rural women into the formal banking sector? A simple linear regression model was selected and applied to crosssectional data collected by questionnaire from rural women in the aforementioned localities of the state who received microfinance projects from (GMI) in the period covered by this study (2014-2020). To test this model, the study followed steps:

i. First Basically, the Ordinary Least Squares (OLS) method and the simple linear regression method were used, to identify the impact of Microfinance on the Integrating Rural Women in the formal banking sector for this some statistical indicators were relied on as follows: 1. (Beta) coefficient to find out the direction of the relationship between the dependent variable (Integration of Rural Women into the formal banking system) and the independent variable (Microfinance). 2. The Coefficient of Determination (R²) to identify the percentage by
which the explanatory variable (Microfinance) explains changes in the dependent variable (Integration of Rural
Women into the formal banking system in Gadarif State). 3. (F) Test to identify the significance of the regression
model, and the significance level (0.05) was relied upon to judge the significance of the effect, where the calculated
level of significance was compared with the value of the adopted significance level (0.05), in theory it is expected
to increase the significance of the model whenever the significance index was less than (0.05) and vice versa.
Based on the results of the statistical analysis in Table 3, it related to measuring the impact of microfinance (the
independent variable) on the integration of rural women into the formal banking sector (the dependent variable),
we can refer to the following:
1. There is a relationship between the independent variable and the dependent variable, but it is not consistent
with the hypothesis of the study, as a result of the negative sign of the coefficient of the independent variable
(-0.13), in addition to that, this relationship is not statistically significant.
2. The low significance of the model and this is evident through the relatively weak calculated (t) value, where
the calculated significance level (0.177) was greater than the approved significance level (0.05).
ii. Second From Table (2) below which represent the One-way analysis of variance of the model, it can be
clarified that microfinance has no effect on the integration of rural women into the formal banking sector: Based
on the results of tables (??) and (2), we conclude the following: 1. The (F) ratio value amounted to (1.84) where
its level of significance is (0.177), which is greater than the level adopted in this study 0.05. Therefore, this results
indicate that there is no statistically significant relationship between the independent variable (Microfinance) and
the dependent variable (Inclusion of Rural Women in the Official Banking Sector). 2. The value of the correlation
coefficient (R) reached (0.127), meaning that the correlation of Microfinance with the variable (Inclusion of Rural
Women in the Official Banking Sector) is very weak because it is closer to zero. 3. The value of the coefficient of
determination (R 2 ), which amounted to (0.016), and this means that the total of what Microfinance explains of
changes in the dependent variable (the inclusion of rural women in the formal banking sector) does not exceed
(1.6%), and this percentage is so low that it confirms weak explanatory power of the independent variable on the
dependent variable. 4. The statistical indicator (F) ratio showed a result indicating the weakness of the overall
significance of the model and the inability of its independent variable to explain the change in the dependent
variable. Since the value of the statistical significance level of (0.177) is greater than (0.05), and therefore the
result is not significant, that is, the independent variable does not explain the variance in the dependent variable,
so according to the data on the study sample and taking into account the time period covered by the study that
relied on it in the study, we come to the following conclusion: Microfinance cannot be relied upon as the only tool
for integrating rural women in Gadarif State into the formal banking sector. This conclusion can be supported by
relying on the results of the descriptive analysis in the table (3) that derived from the study questionnaire: The
result presented in table ??(3) supports the findings of the simple linear regression model that the microfinance
projects that were borrowed by rural women in Gadarif State from (GMI) did not succeed in integrating women
into the official banking system. Basing on the descriptive data mentioned in the above table, we find that the
overwhelming majority of rural women, with a rate ranging between 70%-85%, agreed that they live in areas
where commercial banks are not available, do not have bank accounts and do not find any cooperation from the
financiers, whether they are banks or microfinance institutions Including (GMI).
On the other hand, the poor results of the model mentioned above can be attributed to number of reasons
among them:
1. The specificity of social phenomena, which are characterized by their data as being of a nonexperimental
nature, so the possibility of the emergence of standard problems in the mathematical models is very much, some
errors may appear during monitoring and other problems related to approximation. Moreover data collection
through the questionnaire is encountered by the non-response of some respondents, and in the end some standard
problems appear in particular the problem of variance, which results in weakness in some indicators of the model,
for example, a weakness appears in the significance test because it depends in its calculation on the variance. 2.
An additional reasons that weakened the indicators of the model is the absence of economic and social variables
that were not included in the model, perhaps due to the inability to express them quantitatively, not being aware
of them or the lack of data of special quality about them. This leads us to the conclusion that microfinance is
not the only factor in integrating rural women into the official banking system in Gadarif State, where we must
take into account cultural, social and other variables related to economic performance at the national level.
b) The Qualitative Analysis

11 i. Financial Inclusion of Rural Women

The rural women who were surveyed gathered that the idea of opening bank accounts was a desire that always
haunts them, but this desire increased after the experience of microfinance, because banks and institutions always
urge their clients to open bank accounts to facilitate loan repayments and projects financing. There is a consensus
among rural women that the issue of integration into the activities of the official banking system is a necessary
issue and dictated by the urgent need for the normal development of their commercial and financial activities.
Most of the women who were surveyed were not able to open bank accounts. According to the questionnaire,
the women who were unable to open bank accounts reached a rate of 79% from the total surveyed women. One
of them said that even the accounts that we were able to open are accounts for agricultural associations. Also,
the Focus Discussion Group (FGD) sessions proved that few rural women have bank accounts. However, there are a number of obstacles that limit rural women financial inclusion let us summarize them as follows:

1. The interest on loans in (GMI) for example is very high as it amounts 24% per annum, basing on this facts the losers will be the poor rural women who pay excessive interest rates with all its imaginable impacts such as: business failure, over indebtedness and worsened poverty. In the early years of microfinance, rural women did not take this into consideration for two reasons:
   a. The economic conditions were favorable as a result of economic stability, which led to the boom in commercial activities.
   b. The finance that women receive as microfinance is very small (small amounts given for short time at very high interest rate), and therefore even if it is operated, its returns will be so low that it is not possible to open bank accounts.
2. Economic instability (inflation) erodes the savings of rural women (even though they are modest) as money loses its value and the erosion will increase as it deposited in bank accounts (some women managed to open savings accounts, but due to considerations of economic instability they think that the experience was not helpful).
3. Commercial banks are concentrated in urban areas and this is a fact supported by (Ghosh J. 2013) as he stated: "MFIs did not spread their lending out, but rather tended to concentrate in certain geographical areas, thereby generating saturation and excess competition in the local market. Partly, this was because the microloans that were used by borrowers to engage in small productive activities resulted in too many competing producers for relatively limited markets for local goods and services" Concerning our case study (GMI) the geographical concentration of microfinance activities in Alqadarif the capital city of the state is not just an accident: it is also because the institution focuses on the easiest targets by prioritizing of urban areas because of its higher population density and more economic activity this beside the cheap cost of loans management.
4. Account opening procedures are complex.
5. The inappropriate treatment that rural women find from the employees of commercial banks.
6. The customs and traditions (especially of rural communities) sometimes do not accept women’s frequent visits to commercial banks.
7. There are severe restrictions on families because banks are associated in the minds of the public with imprisonment for the inability to fulfill financial obligations.

12 V. Concluding Remark

There are a number of difficulties facing the integration of rural women into the formal banking system, and they are divided into two types: The first relates to the demand side that concern with rural communities in general and urban areas because of its higher population density and more economic activity this beside the cheap cost of loans management. Rather, the prevailing belief is that their investments are risky. In the following, we will briefly review these factors:

1. Limited access to finance due to weak capabilities and lack of financial awareness and culture.
2. In many rural societies in Gadarif State especially in the area covered by the study, women are not financially independent, in addition to their lack of sufficient information about available official products and services. It is noted that there are many social obstacles in the culture of some societies covered by the study, which are still regressive, where these societies have more educational opportunities for males than females, moreover women are also deprived from working outside home or owning a small business or even a mobile phone.
3. Financial institutions and banks do not consider women, especially rural women, as an opportunity to obtain a greater market share. Moreover illiteracy and ignorance in dealing with modern banking techniques among rural women Increases underutilization of rural women and consequently their financial inclusion. Poverty, lack of income, low banking culture and incomplete supporting documents, the spread of the culture of late payments all these cause the deterioration of rural people’s relations with banks.
4. One the most important observation is that rural women although they are poor and marginalized, but they have an economic awareness (their firm belief that economic instability is one of the most important barriers in integration into the banking system).
5. There is a general shortcoming on the supply side of microfinance, which is represented in the failure to involve rural women in choosing projects that are in line with their physical and mental capabilities, in addition to the lack of follow-up, lack of training and even the feasibility study that is demanded by the finance Institutions, including of course (GMI) mostly unreal (fictitious). For these reasons some projects often fail and deviate, and these are the first indicators of the failure of banking integration (Inclusion of rural women in the formal banking system). Finally, one of the most important missing links with regard to integrating rural women into the banking system is how to bridge the gap between rural women and banks, and the solution is in their assessment of the presence of (Mobile Banks) that roam remote villages and localities and carry out all banking operations such as: Withdrawing, depositing, delivering loans, projects, and receiving
installments...etc. This is in addition to follow-up the existing projects and introducing advices to the rural beneficiaries, and thus the problem of slow microfinance procedures will be solved automatically.

13 VI. Recommendations

1. Encourage the horizontal expansion of the branches of commercial banks and microfinance institutions in rural areas. 2. Expanding the spread of mobile banking services. 3. Simplify the procedures for opening bank accounts for rural residents in general and women in particular. 4. Establishing mobile banking branches that are supposed to carry out all operations: depositing, receiving installments, providing advice, evaluating the productive and financial position of the financed projects and writing periodic reports about them.

14 Exempting banks and Microfinance institutions

operating in rural areas from fees and taxes. 6. Raising awareness and banking culture among the inhabitants of rural areas in general and rural women in particular, in order to counter the false belief prevailing among them that commercial banks were created to meet the needs of the wealthy classes. 7. Paying the salaries of employees in official and private institutions in rural/urban areas through bank accounts and encouraging them to pay bills for water, electricity, any other goods and services through smart banking services. 8. Overcoming the problem of rural women’s lack of documents by assisting the official authorities to expedite the procedures for obtaining them.

15 VII. Conclusion

Attempting to integrate rural women into the formal banking sector is not a goal in itself, but it seems to be a necessary condition for achieving economic and social development that leads to improve the conditions of rural women and their ability to be independent by increasing their self-confidence to bear the consequences of the development process at the family and community levels.

This study tried to investigate the ability of microfinance projects borrowed by rural women in Gadarif state to integrate them into the formal banking sector. The study assumed that rural women, by virtue of their interactions with the (GMI), and their access to loans in the form of projects, may be able to achieve the principle of financial inclusion. To realize the objectives of the study, a combination of quantitative and qualitative approaches was used to collect and analyze data.

The study concluded that microfinance projects did not contribute to the integration of rural women into the formal banking sector in Gadarif State. This was clearly shown in the results of the simple linear regression model, which showed weakness in its indicators and inconsistency with the study’s assumption. This result is conclusively supported by the result of the analysis of the questions about the integration of rural women in the banking sector in the questionnaire, which confirmed the wide gap between rural women and financial inclusion. On the other hand, the results of the qualitative analysis confirmed the lack of financial inclusion among rural women for many reasons related to the economic instability at the macroeconomic level, the lack of banking awareness, the crowdedness of banking institutions in the state capital (Algadarif city) away from the rural areas, along with other cultural and social factors.
Dependent Variable: Regression Coefficient

Microfinance: -0.13 (??) 0.177

Statistical Indicators
- Constant: 1.79
- Correlation Coefficient (R): 0.127
- Determinant Coefficient (R^2): 0.016
- Error of the Estimate: 0.165
- Adjusted R: 0.007
- Calculated (F) Value: 1.84
- Calculated significance level of (F): 0.177

Source: The Researcher Basing on the Study Questionnaire 2021

Figure 1: Table (1)

Independent Variable: Source
- Sum of Squares
- Degree of Freedom
- Mean of Squares
- Calculated (F) Value
- Level of Significance

Regression: 0.05 1 0.05 1.84 0.177
Microfinance Residuals: 3.063 112 0.027
The Sum: 3.113 113

Source: The Researcher Basing the Study Questionnaire 2021

Figure 2: Table (2)

The phrase Yes The Percentage No The Percentage

Do you live in an area where there are commercial banks 16 13.2 105 85.8
Do you have a bank account 25 20.8 95 79.2
If you are unable to pay the installments of the microfinance, do you find support from the financing institution? 34 28.3 86 71.7
If the funding commensurate with the size of the activity you practice? 67 55.4 54 44.6

Source: The Researcher Basing on the Study Questionnaire 2021

Figure 3: Table (3)