# WOMEN EMPOWERMENT THROUGH MICRO FINANCE: A MEANS FOR NATIONAL DEVELOPMENT

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## Abstract

In India, the emergence of liberalization and globalization in early 1990's aggravated the problem of women workers in unorganized sectors from bad to worse as most of the women who were engaged in various self employment activities have lost their livelihood. Despite in tremendous contribution of women to the agriculture sector, their work is considered just an extension of household domain and remains non-monetized. Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, Microfinance scene is dominated by Self Help Group (SHGs)-Bank Linkage Programmers as a cost effective mechanism for providing financial services to the "Unreached Poor" which has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self help capacities of the poor ,leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country. Economic empowerment results in women's ability to influence or make decision, increased self confidence, better status and role in household etc. Micro finance is necessary to overcome exploitation, create confidence for economic self reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure.

**Keywords**; microfinance, women empowerment, micro loan, micro saving.

## INTRODUCTION

The term ‘microfinance’ describes the range of financial products (such as micro-loans, micro-savings, and micro-insurance products) that the microfinance institutions (MFIs) offer to their clients. Micro finance is a financial service of small quantity provided by financial institution to the poor. Microfinance has emerged as a powerful tool for women empowerment in the new economy. Empowering women is a vital tool for alleviating poverty. Empowered women contribute to the health and productivity of whole families and communities and improved prospects for next generation. In India, micro finance distribution is mainly dominated by Self Help Groups (SHGs) – bank linkage programme. It aims at providing a cost effective mechanism for providing financial services to poor section of society. So it is clear that the role of microfinance institutions is very important in rural development and poverty eradication. The main aim of introducing microfinance industry was financial inclusion of poorer and backward section of society. The first official interest in group lending in India took shape during 1986 – 87, when NABARD supported and financed research project on saving and credit management of self help group of Mysore resettlements and development agency.

## METODS AND MATERIALS:

### Methodology

The study is based on information and data accessed from various journals, reputed books, and authentic websites.

### Purpose of the Study

With this backdrop, the main purpose of the study is;

- To study the indicators of women’s empowerment.
- To understand the effectiveness of microfinance on national development.

### Concept and Features of Microfinance

The term microfinance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development etc. Microfinance is a way in which loans, credit, insurance, access to savings accounts, and money transfers are provided to small business owners and entrepreneurs in the underdeveloped part of India. The term micro finance sometimes is used interchangeably with the term micro credit. However while micro credit refers to purveyance of loans in small quantities, the term microfinance has a boarder meaning covering in its ambit other financial services like saving, insurance etc. as well. There is however, no statutory definition of micro finance. The term “micro” literally means “small”. The taskforce on supportive policy and regulatory framework for microfinance has defined microfinance as “provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi – urban. But the task force has and or urban areas for enabling them to raise their income levels and improve living standards”.

**Key features of microfinance**

Some of the significant features of microfinance are as follows

- The borrowers are generally from income backgrounds
- Loans availed under microfinance are usually of small amount, ie., micro loans (up to 1lakh)
- The loan tenure is short
- Microfinance loans do not require any collateral
- These loans are usually repaid at higher frequencies
- The purpose of most microfinance loans is income generation.

**Products of microfinance**

Micro finance includes the following products

- Microloans – microfinance loans are significant as these are provided to borrowers with no collateral. The end result of microloans should be to have its recipients outgrow smaller loans and be ready for traditional bank loans.
- Micro savings - micro savings accounts allow entrepreneurs operate savings accounts with no minimum balance. These accounts help users inculcate financial discipline and develop an interest in saving for the future.
- Micro insurance – micro insurance is a type of coverage provided to borrowers of microloans. These insurance plans have lower premiums than traditional insurance policies.

  Microfinance helps these groups invest wisely in their business, and hence, is in alignment with the government's vision of financial inclusion in the country.

**Microfinance channels**

Microfinance in India operates primarily through two channels:

- SHG-Bank Linkage Programme (SBLP) –

  Self Help Group are generally non profit organisations. The individuals temporarily come together and generate a common fund to meet the emergency need for their business. The groups are assumes the responsibility of debt recovery. The advantage of this micro lending system is that there is no need for collateral. Interest rates are generally low and fixed especially for women. This channel was initiated by NABARD in the year 1992. This model encourage financially backward women to come together to form groups of 10-15 members. They contribute their individual savings to the group at regular intervals. Loans are provided to members of the group from these contributions. This model has achieved a lot of success in the past and it has also gained a lot of popularity for contributing to the empowerment of women in the country. Once these self-sustained groups reach stability, they function almost independently with minimum support from NABARD, SIDBI and NGOs
- Microfinance Institution (MFIs) – these institutions have microfinance as their primary operation. These lend through the concept of Joint Liability Group (JLG) i.e., an informal group that consists of 4-10 members who seek loans either jointly or individually. This category primarily for lending purpose, although they also offer the saving facility. In this type of institution every individual of a borrowing group is equally liable for credit. This type of institution simple in nature and requires little or no financial administration.

**Reasons for choosing microfinance by women in developing countries like India**

Microfinance is the practice of extending a small loan to other form of credit, saving, checking, or insurance products to individual who do not have access to this type of capital. . Women face gender specific barriers to access education, health, employment etc. Micro finance deals with women below the poverty line. Micro loans are available to solely and entirely to this target group of women. There are several reason for this: Among the poor, the poor women are most disadvantaged- they are characterized by lack of education and access of resource, both of which is required to help them work their way out of poverty and for upward economic and social mobility. The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economy .This allows individuals who are living in poverty to work on becoming financial independent so they can work their way into better living condition. These are the benefits of microfinance in developing countries and why everyone should consider getting involved in this form of lending.

1. It gives people access to credit

Most of banks will not extend loans to someone without credit or collateral because of the risks involved in doing so, yet those in poverty do not have any credit or collateral. By extending microfinance opportunities, people have access to small amounts of credit, which can then stop poverty at a rapid pace. Yunus has always believed that credit is a fundamental human right. There are certainly some financial institutions which may disagree with his assessment. Yet without credit, it can be difficult, if not impossible for someone in poverty, to pursue an idea that could bring about a giant payday one day. Microfinance makes that pursuit possible.

2. It can create real job

Microfinance is also able to let entrepreneurs in developing countries be able to create new employment opportunities for others. With more people able to work and earn an income, the rest of the local economy also benefits because there are more revenues available to move through local business and service providers. Ten thousand of jobs: that is created by the created by the industry with the sole purpose of being able to drag people up and out of poverty.

3. It encourages saving.

Microloans are an important component of microfinance, but so are saving money. When people have their basic needs met, the natural inclination is for them to save the leftover earning for a future emergency. This creates the potential for more investments and ultimately evens more income for those who are in the developing world. Now saving isn't always seen, especially from borrowers, but this is part of the expected microfinance process that amount takes someone out of extreme poverty.

4. provide an opportunity to education to children

Majority of the families who live in poverty are working in agricultural sector in India. The families need the children to be working in agricultural sector. This is especially important for families with girls. When girls receive just 8 years of a formal education, they become married young. By receiving micro financing products, they makes their girls to finish schooling and then either obtain a fair-paying job or onto further educational opportunity.

5. It offers a better overall loan repayment rate than traditional banking products.

When people are employed, they are more likely to avoid defaulting on a loan. Women are also statistically more likely more repay a loan than men, which is another reason why women are targeted in the microfinance world. There's also the fact that for many who receive a microloan, it is their only real chance to get themselves out of poverty, so they are not going to mess thing up. Many developing countries are taking a new look at what role women should play in society. Instead of treating a women as a second-class citizen, or the "barefoot in the kitchen and pregnant" attitude that has been prevalent in the past, the success of women in bring their households out of poverty is evidence that proves women not only have an initiative to get things done, but they produce consistent results. For these reasons, microfinance institutions see that total repayment rates of higher than 98%, through there can be several accounts It that are overdue at any given time.

6. It creates the possibility of future investments.

When basic needs are met, it also means that there are fewer interruptions to the routine. People can stay more productive. Kids can stay in school more consistently. Better healthcare can be obtained. This creates a lower average family size because there are more guarantees for survival in place. And when that happens, the possibility of future investments will occur because there is more confidence in being able to meet basic needs.

7. It is sustainable process

If there is a default on that money, the interest and high repayment rates of their micro loans will make up for it. Then repayment rates of other microloans will make up for it. Then repayments are reinvestments into communities so that the benefits of microfinance can continually enhance. Each repayment becomes the foundation of another potential loan. This is why many microfinance products have relatively high interest rates. Although interest is high, recipients are invested into making these products work because virtually all institutions put repayments back into new loans that target the most vulnerable households in the developing world.

8. It offers significant economic gain

The gains from participation in a microfinance program including, access to better nutrition, higher levels of consumption and consumption smoothing. There is also an immeasurable effect which occurs when women are empowered to do something in their society when they might not normally be allowed to do so. As spending occurs, these benefits also extend outward to those who may not be participating in the program so that the entire community benefits. Consumption smoothing allows an entire community to realize the benefits that microfinance can provide.

9. Reduce stress

Stress cannot be underestimated when it comes to poverty. Microloans go to cover household expenses instead of business needs. Some are using these loans to pay bills or purchase food. Yet without this product available, there would not be an ability to pay bills or purchase food. So even though it may not always be used for business purpose, it still serves a purpose by reducing stress. By reducing stress makers, households can focus on the job at hand to provide for themselves, even if that means net income levels for that family may not rise in the near future.

10. It serves those who are often overlooked in society.

In many developing nations, the primary recipient of microloans tends to be women. Up to 95% of some loan products are given to women. Those with disabilities, those who are unemployed, and even those who are simply beg to meet their basic needs are also recipients of microfinance products that can help them take control of their own lives. Women are key figures in leadership roles in business, even in developed world. Women also develop others more frequently when it comes to entrepreneurial roles. This comes from coaching, feedback, or investments.

Since women's empowerment is the key to socio economic development of the community, bringing women into the mainstream of national development has been a major concern of government. The ministry of rural development has special components for women in its programmes. Funds are earmarked as "women's component" to ensure flow of adequate resources for the same. Besides 'Swarnagayanthi Grameen Swarazgar Yojana' (SGSY), Ministry of Rural Development is implementing other scheme having women's component. They are the Indira Awas Yojona (IAJ), National Social Assistance Programme (NSAP), Restructured Rural Sanitation Programme, Accelerated Rural Water Supply Programme (ARWSP) the (erstwhile) Integrated

Rural Development Programme (IRDP), the (erstwhile) Development of Women and Children in Rural Areas (DWCRA) and the Jowahar Rozgar Yojana (JRY).

**Schemes for women entrepreneur in India for empowerment**

Women Entrepreneur can be seen everywhere in the start-up ecosystem of India. The major factor to jump start the entrepreneurial journey is capital and various banks offer specialised loans for women entrepreneurs that have slightly different and more flexible set of terms and conditions pertaining to collateral security, interest rate etc. Here are a various schemes and loans exclusively for women.

1. Annapurna scheme

   This scheme is offered by State Bank of Mysore for those women entrepreneurs who are setting up food catering industry in order to sell packed meals, snacks, etc. The amount granted as a loan under this scheme can be used to fulfil the working capital needs of the business. Under this loan, a guarantor is required along with the assets of the business pledged as collateral security. The interest rate is depending on market rate. Further, the maximum amount of money that is granted is Rs. 50000 which has to re-pay in monthly instalments for 36 months.
2. Bharatiya Mahila bank business loan

   This loan is a support system for budding women entrepreneurs looking to start new ventures in the field of the retail sector, loan against property, micro loan, SME loans. The maximum loan amount under this scheme goes up to Rs. 20crores in case of manufacturing industries and also a concession, the interest rate usually range from 10.15% and higher.
3. Dena shakti Scheme

   This scheme is provided by Dena bank to those women entrepreneurs in the field of agriculture, manufacturing, micro-credit, retail stores, or small enterprises; who are in need of financial assistance. The maximum loan amount being Rs. 20 lakhs for retail traders whereas education and housing whereas Rs. 50000 under the microcredit.
4. Udyogini Scheme

   This scheme is offered by Punjab and Sind Bank so as to provide women entrepreneurs involved in Agriculture, retail and small business enterprises to get loans for business at flexible terms and concessional interest rates. The maximum amount of loan under this scheme for women between the ages of 18-45 years is Rs. 1lakhs but your family income is also taken into consideration and is set at Rs. 45000 per annum for SC/ST women.
5. Cent Kalyani Scheme

   This scheme is offered by the Central Bank of India with the aim of supporting women in starting a new venture or expanding or modifying an existing enterprise. This loan can be availed by women who are involved in village and cottage industries, micro, small and medium enterprises, self- employed women, agriculture and allied activities, retail trade, and government-sponsored programs. This scheme requires no collateral security or guarantor and charges no processing fees. And under the scheme is Rs. 100lakhs.
6. Mahila Udyam Nidhi Scheme

   This scheme is launched by Punjab National Bank and aims at supporting the women entrepreneurs involved in the small scale industries by granting them soft loans that can be repaid over a period of 10 years. Under this scheme there are different plans for beauty parlours, day care centres, purchase of auto rickshaws, cars, etc. The maximum amount granted under this scheme is Rs. 10lakhs and the interest depends upon the market rates.

7. Mudra Yojana Scheme for Women

   This scheme has been launched by the government of India for Individual women wanting to start small new enterprises and business like beauty, tailoring units, tuition centres, etc. as well as a group of women waiting to start a venture together. The loan does not require any collateral security.

8. Orient Mahila Vikas Yojana Scheme

   This scheme is provided by Oriental Bank of Commerce to those women who hold a 51% share capital individually or jointly in a proprietary concern. No collateral security is required for loans of Rs 10lakhs up to Rs.25lakhs in case of small-scale industries and the period of repayment is 7 years. A concession on the interest rate of up to 2% is given.

9. Stree Shakti Package for Women Entrepreneur

   This scheme is offered by most of the SBI branches to women who have 50% share in the ownership of a firm or business and have taken part in the state agencies run Entrepreneurship Development Programmes (EDP).

## Major challenges faced by Indian microfinance industry

The growth of microfinance industry has been remarkable. However, when compared to commercial bank, micro finance institutions have a long way to go. Various challenges faced by Indian microfinance industry which restrain it from achieving their full benefits, are reviewed.

- High rates of interest as compared to mainstream banks

  MFIs' when compared to commercial banks do not enjoy the same rate of financial success. MFI charge a very high rate of interest (12-30%) as compared to commercial bank (8-12%). Recently, the RBI announced the removal of upper limit of 26% interest on MFI loans (ET @)!$). Due to the issues by the charging of high interest rate, rate of suicide of farmers increased in states like Andhra Pradesh and Maharashra.

- Over-dependence on banking system for funding

  Majority of the MFIs' in India are registered as NGOs. they are dependent on financial institutions such as commercial banks for stabilised funding for their own lending activities. Around 80% of their fund comes from banks. Most of these are private banks with charge high rate of interest and also the term shorter period. The over dependence industry on banks make them incompetent and less reactive towards dealing with default and delinquencies.

- Lack of awareness of financial services

  The literacy rate in India is very low and the rate is much lower in the rural areas. Lack of a awareness of financial services provided by the Indian microfinance industry is challenge for both, customers and MFIs'. This factor not only causes hindrance for villages to join hands but also makes them financially excluded. MFIs' are faced with the task of educating the people and establish trust before selling their product.

- Lack of Information technology for financial inclusion

  Information and technology can induce massive impact on the state of credit market accessibility which remains the most significant issue when it comes to availability of formal loans at market price. The Introduction of mobile bank and growing telecommunication connectivity provides not only convenience but also reduction in cost. This makes it feasible for different banking entities to provide special services keeping the target market in mind.

- Role of Government

  Government has to involve in the course of the action in order to make this industry thrive. Smooth functioning of Indian microfinance industry can be enabled through setting up of a separate regulatory authority to discourage malpractice and political influence. Strengthening the credit check and debt collection process and educating the villagers about the products and educating the villagers about products and consequence are important. Specific representative of the legal system should be appointed who will visit the villages a regular basis.

- Problem in identification of appropriate model

In India, most of the MFIs' follow Self Help Group (SHG model) or Joint Liability Group (JLG model). The problem is that most of the time, selection of model are not scientific in nature. The models are selected randomly, not according to the situation and also the decision of selection is irreversible in nature. So, it affects the sustainability of the organisation in the long-run and also increases the risk of borrowings for the poorer section beyond they can bear.

## CONCLUSIONS AND SUGGESTIONS

Microfinance evolutionary growth has given a great opportunity to the rural poor to attain economic, social and cultural empowerment, leading to better living standard and quality of life for participating households. Microfinance has been a panacea for poverty reduction in Indian and thus it is profoundly promoted by our financial system throughout the economy. Financial constraints need to be removed by make favorable microfinance policy which can lead to entrepreneurial development in India. The potential for growing micro finance in India is very high. Smooth functioning of Indian microfinance industry can be enabled through setting up of a separate regulatory authority to discourage malpractice and political influence. Microfinance institution need to educate villagers on the ease of producers for availing loans and access to microfinance improved their living standard. A conclusion that emerges from this account is that micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation program which create developed India. Moreover the focus should be on developing a diversified micro finance sector where different type of organizations, NGO, MFIs and formal sector banks all should have gender policies adapted to the needs of their particular target groups/institutional roles and capacities and collaborate and work together to make a significant contribution to gender equality and pro-poor development.

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