



The Role Of Microfinance In Women's Empowerment

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INTRODUCTION

Microfinance is a type of banking service that provides financial assistance to low-income individuals and small businesses who lack access to conventional banking services. Microfinance institutions (MFIs) offer a range of financial services, including microloans, savings and checking accounts, microinsurance, and payment systems. Microfinance is not a new concept it has roots in the 18th century, with the Irish Loan Fund system introduced by Jonathan Swift. However, the modern concept of microfinance gained popularity in the 1970s. The Grameen Bank, founded by Muhammad Yunus in Bangladesh in 1983, is often credited with popularizing microfinance. The bank's success led to the establishment of microfinance institutions worldwide.

Need for the study

To understand the impact of microfinance on women's empowerment in rural areas has profound implications for policy formulation, program design, and development strategies. By elucidating the mechanisms through which microfinance empowers women, this study contributes to broader discussions on poverty alleviation, gender equality, and sustainable development goals.

Objectives of the Study

1. To investigate the influence of microfinance on women's income levels, asset accumulation, and economic decision-making.
2. To discuss the social benefits of microfinance.
3. To analyze the challenges faced by microfinance initiatives in rural areas.

Research Methodology

Mainly the study is descriptive in nature. The data is collected from secondary sources like magazines, publications, websites, journals, etc. This study has also cited several other studies on the topic.

Literature Review

Raghavan (2006), opines that with significant growth in microfinance activities, the effective benefit would spread to various, aspects such as literacy, empowerment, entrepreneurship, employment, improvement in living standards, development of rural economy, and finally poverty elimination and would help bring down the members below the poverty line. He points out that cohesive group discipline and peer pressure are the intrinsic strengths of micro-financing activities.

Joanna (2000) is of the view that microfinance has evolved as an economic development approach intended to benefit low-income women (and men). Although clients of microfinance are poor, they are generally not considered to be the poorest of the poor. Evidence suggests that micro-enterprise credit does not result in significant net [31] gains in employment but it can and does lead to increased use of family labour.

Manimekalai and Rajeshwari (2001) in their study highlight the provision of microfinance by the NGOs to women. It has taken into account the nature of economic activities and performance in terms of growth indicators such as investment turnover, employment, capacity utilization, success of finance and marketing.

Thingalaya (2002) through his study reveals that encouragement given to thrift has resulted in the Women members saving some small amounts, which find their way to the banks. He suggests that to obtain better and long-lasting results there is a need to coordinate the efforts of the developmental agencies including the NGOs at the grass root level.

Microfinance-RBI Policy Initiatives

In India, several microfinance programs and initiatives have been introduced by the Reserve Bank of India (RBI) and the Government of India specifically aimed at promoting women's empowerment. Here are some notable programs:

Self-Help Group-Bank Linkage Program (SHG-BLP):

Introduced by the RBI in 1992, this program aims to provide financial services to women from low-income households through self-help groups (SHGs). SHGs are informal associations of 10-20 members who pool savings and collectively borrow from banks. Under this program, SHGs are linked with formal financial institutions (banks, cooperative societies, and microfinance institutions) to access credit, savings facilities, and other financial services. The program not only provides financial support but also empowers women by enhancing their decision-making abilities and socio-economic status.

National Bank for Agriculture and Rural Development (NABARD) Initiatives:

NABARD has been instrumental in supporting microfinance institutions (MFIs) that focus on women's empowerment through microfinance. NABARD provides refinance to banks and financial institutions for lending to SHGs, facilitating credit flow to rural women entrepreneurs. It also supports capacity building and training programs for SHG members to enhance their financial literacy and entrepreneurial skills.

Pradhan Mantri Mudra Yojana (PMMY):

Launched by the Government of India, PMMY aims to provide access to institutional finance for microenterprises in the non-corporate small business sector, including women entrepreneurs. The scheme provides loans up to Rs. 10 lakh to micro and small enterprises (MSEs), including SHGs, women entrepreneurs, and other marginalized groups. PMMY categorizes loans into three categories: Shishu (up to Rs. 50,000), Kishor (Rs. 50,001 to Rs. 5 lakh), and Tarun (Rs. 5,00,001 to Rs. 10 lakh), catering to different stages of business growth.

Mahila Coir Yojana (MCY):

Implemented by the Coir Board under the Ministry of Micro, Small & Medium Enterprises, MCY aims to empower women through self-employment in the coir sector. It provides financial assistance for setting up coir units, training in coir processing, and marketing support. The scheme focuses on enhancing the income and socio-economic status of women engaged in coir-based activities.

Stand-Up India Scheme:

Launched in 2016, this scheme aims to promote entrepreneurship among women, Scheduled Castes (SCs), and Scheduled Tribes (STs) by facilitating bank loans between Rs. 10 lakh and Rs. 1 crore to at least one woman borrower per bank branch. The scheme provides composite loans (including term loans and working capital) for starting new enterprises in the manufacturing, services, and trading sectors.

These programs and schemes reflect the concerted efforts of the RBI and the Government of India in promoting women's empowerment through financial inclusion and entrepreneurship development. They provide critical financial support, capacity building, and market linkages to enable women to participate more actively in economic activities and improve their overall quality of life.

Empowering Women through Microfinance

Microfinance has been shown to have a positive impact on women's empowerment in several ways:

- **Increased Economic Independence:** Microfinance enables women to access financial services, which helps them to start or expand their businesses, increasing their income and economic independence.
- **Improved Decision-Making:** With increased financial independence, women can make decisions that benefit themselves and their families, rather than relying on others.
- **Increased Confidence:** Microfinance has been shown to increase women's confidence and self-esteem, as they become more financially independent and self-sufficient.
- **Reduced Poverty:** Microfinance has been shown to reduce poverty by providing access to financial services, which helps to alleviate poverty and improve living standards.

Conclusion

In conclusion, while microfinance has garnered widespread acclaim for its role in promoting women's empowerment, its impact varies across contexts and hinges on nuanced factors such as program design, socio-cultural norms, and regulatory frameworks. Future research should prioritize longitudinal studies and mixed-method approaches to unravel the complex interplay between microfinance and women's

empowerment, ensuring sustainable development outcomes and inclusive growth for marginalized communities.

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