



# INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

## Microfinance: A Catalyst for Women's Economic Empowerment

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### ABSTRACT:

This research paper explores the transformative role of microfinance in advancing women's economic empowerment in both developing and developed economies. Through a comprehensive review of exiting literature, this paper delves into the mechanism by which microfinance institutions (MFIs) enable women to access financial services, build assets, and enhances their economic participation

Moreover, the paper examines the challenges and opportunities associated with integrating gender-sensitive approaches within microfinance frameworks. It highlights the importance of tailored financial products, capacity-building initiatives and supportive policy environments in fostering women's empowerment through microfinance.

**Keywords:** Economic Empowerment, MFI, Capacity building, financial products.

### INTRODUCTION:

In recent decades, microfinance has emerged as a powerful tool for promoting financial inclusion and poverty alleviation, particularly among marginalized communities worldwide. Among its many beneficiaries, women stand out as a group whose economic empowerment has been significantly bolstered by microfinance initiatives. The intersection of microfinance and women's empowerment has garnered substantial attention from policymakers, practitioners and researchers alike, recognizing the pivotal role, that economic agency plays in advancing gender equality and substantial development.

The empowerment of women has increasingly become a focal point of international development efforts, acknowledged not only as a fundamental human right but also as a catalyst for achieving broader socio-economic progress. Yet, despite significant strides in gender equality over the years, persistent disparities in access to resources, opportunities, and decision making continues to impede women's full participation in economic life. In this context, microfinance has emerged as a promising strategy for addressing these disparities by providing women with access to financial services, fostering entrepreneurial activities, and Helms (2006) states that the concern of welfarists is that when MFIs focus on financial sustainability there is a "mission drift". In an endeavour to become financially sustainable, the MFIs try to change their legal status from an NGO to NBFI and abandoning their poor clients in search of profits, which questions their reason for existence enabling asset accumulation.

Microfinance Institutions ranging from traditional microcredit providers to innovative fintech platforms have played a crucial role in expanding financial access to underserved populations, including women. By offering small loans, savings accounts and other financial products tailored to these needs of women. MFIs have empowered female borrowers to start or expand business, invest in education and healthcare, and build resilience against economic shocks. Moreover, microfinance programs often elements of financial literacy training, skill development, and social support, equipping women with the knowledge and confidence to make informed financial decisions and assert their economic independence.

The empowerment of women through microfinance extends beyond individual economic gains to broader societal impacts, including improvements in household welfare, children's education, and community development. Studies have shown that when women have control over financial resources, they are more likely to prioritize investments in their families' well-being, thus contributing to poverty reduction and intergenerational empowerment. Additionally, women's increased participation in economic activities and challenge traditional gender norms, promote women's leadership, and foster more inclusive and equitable societies.

However, while microfinance holds immense potential as a catalyst for women's economic empowerment, challenges remain in realising its full transformative impact. Gender disparities in access to financial services, limited collateral and credit history, and cultural barriers are among the key obstacles that hinder women's participation in microfinance programs. Moreover, the sustainability and scalability of microfinance interventions require attention to issues of governance, regulation, and market dynamics to ensure that women's empowerment efforts are effectively supported and expanded.

### **Methodology:**

The methodology employed in this research paper involves a comprehensive review and synthesis of existing literature on microfinance and women's economic empowerment. This entails accessing academic journals, reports from international organizations, and relevant publications from reputable sources.

### **Objectives:**

1. Assess the impact of microfinance on women's economic empowerment
2. Examine the mechanisms fostering women's empowerment within microfinance.
3. Analyse socio-economic outcomes of women's participation in microfinance.
4. Identify barriers to women's access and participation in microfinance.
5. Provide recommendation for enhancing microfinance's role in women's empowerment.

### **Need and significance:**

The topic of microfinance as a catalyst for women's economic empowerment is crucial due to the disproportionate barriers women face in accessing financial resources and participating in economic activities. Microfinance offers tailored financial services to women, enabling them to invest in their families' well-being and break the cycle of poverty. Moreover, microfinance interventions have broader societal impacts, promoting gender equality, women's leadership, and community development. Understanding the dynamics of microfinance for women is essential for fostering inclusive development and leveraging women's potential as agents of change.

### **Mechanisms fostering women's empowerment within microfinance.**

1. Access to Financial Resources
2. Entrepreneurship Promotion
3. Skill development and Training
4. Social Capital and networking
5. Agency and decision making power

### **The socio – economic outcomes of women's participation in microfinance programs are**

1. Income Generation and poverty alleviation
2. Asset accumulation and wealth creation
3. Access to education and healthcare
4. Empowerment Agency
5. Community development and social impact

**Literature review:**

**Helms (2006)**, states that concern of welfarist is that when MFIs focus on financial sustainability there is a “mission drift”. In an endeavour to become financially sustainable, the MFIs try to change their legal status from an NGO to NBFIs and abandoning their poor clients in search of profits, which questions their reason for existence.

**Pollinger et al (2007)**, states that organizations that can survive and add to their asset base wholly based on income derived from their lending and related operations are sustainable.

**Bhole B. & Ogden S (2010)**, in their paper titled “Group lending and individual lending with strategic default” had compared the presence of strategic default between group lending and individual lending

**Chawla (2013)**, reviews Indian MFIs literature to see the impact of regulations MFIs in India. This study is done post Andhra crisis where many farmers in the state of Andhra Pradesh had committed suicide due to inability to pay high interest rate charge by unregulated MFIs.

**Zuzana Harmincova & Karel Ja (2014)**, in their paper titled “Microfinance around the world regional SWOT analysis” compared the functioning of microfinance in various developing regions of the world and analysed the overall functioning, effectiveness, strengths and weaknesses, potential threats and opportunities in the microfinance market

**Swain & Wallentin (2017)**, Economic factors have a significant impact in empowering women in the southern states of India. For other states, autonomy in women’s decision-making and network, communication and political participation shows significant correlation with women’s empowerment.

**Mahajan R (2017)**, found in his study, microfinance is critical in India for achieving financial inclusion for the poor in both rural and urban areas. If handled properly, lending to the poor can be a miracle for the country’s development and poverty alleviation.

**Recommendations to enhance microfinance’s role in women empowerment**

1. Tailored financial products, which meet the specific needs and preferences of women borrowers, which includes insurance products, flexible payment schedule.
2. Capacity building and trainings enhances the women’s financial literacy.
3. Gender-sensitive approach that recognizes and addressing the specific challenges and barriers that women face in accessing and benefiting from financial services.
4. Partnerships and Collaboration between MFIs, Government agencies, civil society organizations and other stakeholders to leverage resources, expertise and networks in support of women’s empowerment
5. Set up Monitoring and Evaluation Mechanism

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