

The Role of Micro Finance in Empowering Women

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Abstract

The paper aims to emphasize the importance of microfinance in empowering women. The research involves a descriptive design. Numerous developmental initiatives and schemes are put into action. There are microfinance programs that are focused on rural areas and women who are economically disadvantaged in society and aimed at those who are on the fringes of society. Microfinance is a potent tool that is efficient and impactful the empowerment of women. Women empowerment faces a significant amount of obstacles financial situation, lack of education, without skills, joblessness, limited availability of land, housing, and transportation electricity and choosing as a family. Microfinance services are seen as a way to start or a means to enable empowerment females. Members of MFIs play a larger role in saving and contributing. According to Chaitanya, ex. Laxmi and her husband were able to start a sweet shop with a 30,000 rupees loan from rural microfinance for women. Ruchi Mittal, who owns Ma Bhagwati Enterprise in Haldwani, Uttarakhand, obtained her first Microfinance loan during the initial Covid pandemic wave and has successfully expanded her business etc. Microfinance is considered as one of the most effective solutions for addressing financial needs promote self-employment, particularly among impoverished women in rural areas. It offers assistance to individuals those without any assets to use as security for the loans. Women who have the ability to access able to foster entrepreneurship among individuals who previously had limited access to traditional financial services empowered economically and socially by earning more money from small projects and overall well-being of individuals in developing countries community initiatives and support groups promoting the empowerment and self-value of women. Microfinance becomes catalyst for societal transformation and the empowerment of women.

Keywords: Micro Finance, Women Empowerment, Self-help Groups

Introduction

Microfinance programs have been considered a crucial tactic in tackling development challenges worldwide for the past thirty years. Microfinance has also become widely recognized globally for its role in improving economic development. The global goal of micro financial systems is to assist the majority of people living in poverty, empower them to escape poverty, and involve them in their nation's social and economic progress. Micro-credit serves as an effective financial tool, enabling government and non-government organizations to achieve their objectives, including those outlined in the Millennium Development Goals (Knight and Hossain). Microfinance involves offering various financial services like deposits, loans, payments, money transfers, and insurance to help low-income households and micro enterprises escape poverty. In India, microfinance has emerged as a crucial tool for economic growth. Women's empowerment is now seen as a vital requirement for the socio-economic progress of all societies.

Microfinance encompasses various financial services such as loans, savings, micro-insurance, and remittance different financial services designed exclusively for individuals living in poverty. It is formed in the field of economics for the purpose of financial advantage for the less fortunate, and helps reduce poverty. Microfinance loans assist individuals in poverty engage in activities that generate income, enabling them to build wealth and enhance their economic status quality of life. Those in poverty remain impoverished due to their lack of financial access. This fact remains valid because numerous impoverished women globally are already reaping the rewards of formal financial services. In the past, microfinance went by the names of microcredit or rural finance, but now it is referred to as financial services.

Yunus a prestigious personality, founder of Grameen Bank Bangladesh, was awarded the Noble Peace prize in 2006 describes the genesis of a pioneering institution that has encouraged the social and political emancipation of needy women. The development of microfinance as a means to empower economically and alleviate poverty started worldwide and has experienced substantial adaptation and expansion specifically in India.

Internationally, the microfinance sector saw a surge in the 1970s due to innovative projects such as the Grameen Bank in Bangladesh, established by Muhammad Yunus. The accomplishments of these initial initiatives showed the possibility of microfinance to change the circumstances of underprivileged individuals, specifically women, by offering them small loans for business ventures. The crucial importance of financial inclusion in economic growth was exemplified by these achievements on a global scale, serving as inspiration for similar approaches around the world.

On the introduction of microfinance to India, it has found itself in a distinct socio-economic environment characterized by prevalent poverty, disparities between rural and urban areas, and a notable discrepancy in financial inclusion based on gender. India started implementing microfinance more actively in the 1980s and 1990s, led by groups like the Self-Employed Women's Association (SEWA) and the creation of the National Bank for

Agriculture and Rural Development (NABARD), which endorsed Self-Help Groups (SHGs) and other microfinance institutions (MFIs).

India's microfinance industry developed by adopting global best practices and tackling local obstacles. The SHG-Bank Linkage Program, started by NABARD, became a foundation of India's microfinance system. This initiative centered on creating women's groups that pooled savings and obtained credit from traditional banks as a group. The significant growth of microfinance services nationwide was a direct result of the success of this strategy.

Objective of the Study

1. To analyse the role of micro financing in empowering women.
2. To find out the schemes provided by banks in India for empowering women.

Research Questions

1. What are the roles played by micro financing in empowering women?
2. What are the schemes provided by banks in India for women empowerment?

Methodology

For the purpose descriptive study of the study secondary data is been employed from various sources such as published journals, articles, magazines, books, reports etc. The purpose of this theoretical framework is to clarify the overall concept connection between microfinance and the empowerment of women by conducting this research, the researcher emphasizes the connection between microfinance and women empowerment through past literature and previous experiences. In this model, the researcher has also highlighted the schemes provided by banks in India that are offered to women in order to empower them.

Role Played by Micro Finance in Empowering Women

Economic Empowerment

Access to Capital: Microfinance provides women with access to financial resources that they might not otherwise obtain from traditional banking

institutions. This access enables women to start or expand small businesses, leading to increased income and economic independence.

Increased Savings: Microfinance programs often include savings components, encouraging women to save money regularly. This builds financial security and enables them to handle unexpected expenses or invest in future opportunities.

Financial Independence: With access to microfinance, women can generate their own income, reducing their dependence on male family members. This financial independence allows them to make autonomous decisions regarding their personal and household finances.

Social Empowerment

Enhanced Social Status: Women who participate in microfinance programs often gain respect and recognition in their communities. Successful entrepreneurs are viewed as contributors to the local economy, enhancing their social standing.

Networking and Support: Many microfinance initiatives use group lending models, which foster social networks among women. These networks provide mutual support, share knowledge and skills, and create a sense of solidarity and collective empowerment.

Improved Confidence and Skills: Through microfinance programs, women receive training in financial literacy, business management, and other skills. This education boosts their confidence in managing businesses and finances, leading to greater self-esteem and personal growth.

Political Empowerment

Increased Participation: Economic empowerment often leads to greater participation in community and political activities. Women with financial independence are more likely to engage in local governance, attend community meetings, and voice their opinions on matters affecting their lives.

Leadership Development: Microfinance programs often encourage leadership development by promoting women to take on roles such as group leaders or community organizers. These roles provide women with opportunities to develop leadership skills and influence decision-making processes.

Household Empowerment

Decision-Making Power: Financially independent women have a stronger voice in household decision-making. They can influence how household income is spent, including on education, healthcare, and other essential needs, leading to improved family welfare.

Investment in Education and Health: With increased income and savings, women are more likely to invest in their children's education and family healthcare. This not only benefits their families but also contributes to the long-term development of their communities.

Psychological Empowerment

Self-Esteem and Autonomy: Participation in microfinance programs enhances women's self-esteem and sense of autonomy. Knowing they can contribute financially to their households and communities fosters a sense of pride and accomplishment.

Reduced Vulnerability: Economic security provided by microfinance reduces women's vulnerability to economic shocks and crises. This stability enhances their overall well-being and allows them to plan for the future with greater confidence.

Schemes Provided by Banks in India for Empowerment of Women State Bank of India (SBI)

SHG-Bank Linkage Program: This program provides credit to Self-Help Groups (SHGs) of women, allowing them to take collective loans for income-generating activities. Loan Amount Varies based on the group's requirements and repayment capacity. Interest Rates Competitive rates as per SBI's lending policies. Eligibility Women's SHGs with a minimum of six months of active existence.

Features: Offers both term loans and revolving credit. Provides capacity-building support and financial literacy programs.

Stree Shakti Package: Tailored specifically for women entrepreneurs, offering concessions in loan processing fees and interest rates.

Loan Amount: Up to INR 50 lakh.

Interest Rates: Concession of 0.5% on applicable interest rates.

Eligibility: Women entrepreneurs owning at least 50% of the business.

Features: Offers collateral-free loans up to a certain limit and provides support for business expansion.

Canara Bank

Udyogini Scheme: Provides financial assistance to women entrepreneurs for starting or expanding micro-enterprises.

Loan Amount: Varies, with a maximum limit usually up to INR 1 lakh without collateral.

Interest Rates: Preferential rates for women borrowers.

Eligibility: Women aged between 18 to 55 years.

Features: Simplified documentation process, includes training and skill development programs.

Canara Vikas Kalyan Scheme: Targets SHGs and Joint Liability Groups (JLGs) for agricultural and allied activities.

Loan Amount: Based on the group's needs and project viability.

Interest Rates: Subsidized rates under government schemes.

Eligibility: Women SHGs and JLGs involved in income-generating activities.

Features: Includes technical support and financial literacy programs.

HDFC Bank

Sustainable Livelihood Initiative (SLI): Focuses on providing microloans and other financial services to women in rural and semi-urban areas.

Loan Amount: Ranges from INR 10,000 to INR 50,000 for individual women and up to INR 1 lakh for SHGs.

Interest Rates: Competitive rates with flexible repayment options.

Eligibility: Women aged 18 to 60 years engaged in micro-enterprises.

Features: Provides training in financial literacy, business management, and access to market linkages.

Mahila Udhyaami Loan: Specifically designed for women entrepreneurs to start or expand businesses.

Loan Amount: Up to INR 50 lakh.

Interest Rates: Reduced rates for women borrowers.

Eligibility: Women entrepreneurs with at least 51% ownership in the business.

Features: Quick processing, flexible collateral requirements, and advisory services.

ICICI Bank

Self-Help Group (SHG) Loans: Loans for women SHGs engaged in various economic activities.

Loan Amount: Varies based on group size and activity.

Interest Rates: Competitive and subsidized rates.

Eligibility: Registered SHGs with a track record of savings and internal lending.

Features: Includes financial literacy programs and business development support.

ICICI Bank Women Business Loans: Tailored loans for women entrepreneurs to start or expand their businesses.

Loan Amount: Up to INR 50 lakh.

Interest Rates: Concessional rates for women.

Eligibility: Women-owned businesses with at least 51% ownership.

Features: Minimal documentation, flexible collateral options, and advisory services.

Axis Bank

Axis Bank Microfinance Program: Offers microloans to women in rural and semi-urban areas for income-generating activities.

Loan Amount: Small loans ranging from INR 15,000 to INR 50,000.

Interest Rates: Competitive rates based on market conditions.

Eligibility: Women engaged in or planning to start small businesses.

Features: Financial literacy training and group-based lending models.

Shakti Loan: Focuses on empowering women entrepreneurs with easy access to credit.

Loan Amount: Up to INR 25 lakh.

Interest Rates: Preferential rates for women borrowers.

Eligibility: Women entrepreneurs with a viable business plan.

Features: Collateral-free loans up to a certain limit, quick processing, and business support services.

Conclusion

Microfinance is crucial in enabling women to gain economic independence and improve their social status by offering them the financial means needed to do so. Having access to microloans allows women to commence or grow businesses, create earnings, and accumulate assets, ultimately leading to increased independence and decision-making authority in their households and communities. Furthermore, microfinance also brings about positive impacts on education and healthcare within families, boosts involvement in community governance, and challenges traditional gender roles. Despite obstacles, especially in terms of sustainability and comprehensive support, the undeniable positive effects of microfinance on women's empowerment underscore the importance of on-going innovation and supportive policies to enhance its reach and effectiveness. As the study uses secondary data future studies may focus on primary data collection in a particular area and it can be analysed by using statistical tools this may be considered as scope of future studies and limitations to this study.

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