

# Role of microfinance in women empowerment

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## **ABSTRACT**

In the modern economy, microfinance is proving to be a strong tool for poverty reduction. Self Help Groups and Commercial Bank Linkage Programs dominate the Indian microfinance landscape as an efficient method for delivering financial services to the "Un-reached Poor." This has been effective in addressing the financial requirements of rural poor women as well as strengthening their collective self-help capabilities, resulting in their empowerment. Women get the capacity to influence or make decisions as a consequence of economic empowerment, as well as greater self-confidence, a better position and role in the home. This article tries to show how microfinance has gained widespread acceptance as a method for women's economic empowerment. The role of microfinance institutions on rural women's economic empowerment and poverty alleviation was investigated in this study. There is also an attempt to propose methods to improve women's empowerment.

## INTRODUCTION

Micro finance is a relatively new word that is often used to refer to problems such as poverty reduction, financial assistance for micro businesses, and gender development. There is no legislative definition of micro finance, however. 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 or urban areas for enabling them to raise their income levels and improve living standards”. Microfinance Institutions (MFIs) are financial institutions that provide financial and non-financial goods and services to low-income individuals who would not have access to conventional financial institutions' services otherwise. In India, there are many registered financial institutions, of which a few hundred are microfinancial institutions. Women Entrepreneur Program is a microfinance organisation working in the area. It provides financial products and services to the needy especially women.

The Grameen Bank in Bangladesh was founded by the prestigious Nobel peace prize winner Professor Mohammed Yunus, who was celebrated as the founder of the most successful micro-finance microfinance institution in the world with the highest number of registered members and borrowers and the highest effective repayment rate. His outstanding work has been copied and replicated by almost all developing nations, and has extended its wings to even the rich world as the finest instruments to relieve poverty via the provision of modest and cheap loans to the poor active through solidarity and on-lending processes.

## OBJECTIVES

1. To investigate the Role of Women in Indian Economy.
2. Determine the impact of microfinance on women's empowerment.

## METHODOLOGY

It's essential to constantly be sceptical of the information provided in sources, particularly if the information was collected to solve a different issue. Furthermore, many secondary sources do not clearly explain topics such as the aim of a study, how data was collected, analysed, and evaluated,

making it difficult for the researcher to evaluate their use. To solve this issue, I attempted to triangulate secondary data by using several independent sources.

The problem's information is gathered from Research Journals, Trade Magazines, Bank Annual Reports, and the Internet. We focused on as much current information as possible while assessing "the role of Microfinance in Women Empowerment." I utilised a number of papers published in academic publications and commercial periodicals to keep up with the newest advances in this field. We also utilised secondary data from discussion groups on the internet.

## DISCUSSIONS

### **Women's Role in the Indian Economy:**

Over the last three decades, the substantial increase in women entering the workforce has resulted in dramatic changes in the structure of families, society, the economy, and urban life all over the globe. Women's economic activity have been gradually growing since the late 1950s. Women have traditionally played an important role in their communities' economy. Women generate 80 percent of the food in Africa, 60 percent in Asia, and 40 percent in Latin America, for example. In many instances, women not only produce but also sell the food, giving them a thorough understanding of local markets and consumers.

This is only one illustration of how crucial women's labour is in society. It does not reflect the true amount of women's participation to the labour force, particularly in developing countries, nor their position as a major source of revenue for the family. In Africa, for example, women are responsible for all duties linked to a family's support. A woman's presence has been a matter of survival for her family due to cultural and traditional factors.

Women, particularly impoverished moms, must split their time between their "productive role" at work and their "reproductive role" at home, while balancing all demands. These women value their time since their livelihoods are dependent on their ability to meet the various demands of the home and the marketplace. In spite of the extraordinary significance of women's involvement, their professions have been regarded as a "additional income" to family survival or merely to enhance its living circumstances. Furthermore, women-owned microenterprises have been seen as a means to fulfil basic necessities rather than a lucrative source of revenue.

Unfortunately, labour markets have reflected this view and have provided women with less favourable working circumstances. Working women are regularly paid less than their male counterparts. Women have had to battle against a hostile environment that has historically minimised and exploited their abilities. As a result of this reality, some women are only interested in the non-monetary advantages, such as the psychological pleasure of "social interaction."

MFI's should, in general, encourage microenterprise programmes to create particular methods for recruiting women as clients from within their current target categories in order to promote women's empowerment in micro and small business.

Encourage microenterprise programmes to broaden their target audiences to include the sizes and kinds of businesses in which women participate and/or experiment with support methods, as well as the business and technical help requirements of these businesses.

Consider extending your contribution to a wider variety of organisations, particularly those working to alleviate poverty in rural regions. Technical support and training in programme planning, management, and building teams of female employees to assist clients in business planning and management should be provided to these organisations.

**MFI's should do the following to improve women's access to credit:**

- Increase the amount of operating capital available;
- Experiment with lending programmes that don't need the use of traditional types of collateral.
- Replicate and extend effective small working-capital loan delivery methods.
- Introduce savings mobilisation elements into loan or other types of business support programmes;

- Promote financing policies that are accessible to both small-scale business operations and businesses in trade, commerce, and other small business sectors where women make up a larger percentage of the workforce.

### **Microfinance's Contribution to Women's Empowerment**

A basic difference between relative and absolute welfare must be stated or clarified while addressing the word empowerment. There are many measures of empowerment for women engaged in microfinance mobility, economic security, social independence, main family decision-making, freedom from male dominance, political and legal knowledge, according to Hashemi et al (1996). Education, health and nutrition, and labour force participation are all absolute indicators. Relative: a procedure in which a woman's position in making choices and managing home resources is contrasted to a man's position. Meetings, talks of linked family problems, and ongoing meetings between group members and credit personnel (Hashemi et al, 1997, Kibas, 2001).

Women's capacity to influence or make decisions is enhanced as a consequence of economic empowerment, as is their self-confidence, status, and position in the family. Microfinance is required to combat exploitation and to instil confidence in the rural poor, especially rural women, who are mostly invisible in the social system.

People's assets and capacities to influence control and hold accountable institutions that impact their lives are expanded via empowerment (World Bank Resource Book).

Empowerment is the process of allowing or permitting a person to think, conduct, act, and direct their job independently. It is a condition of feeling self-assured and capable of controlling one's own fate. It encompasses both physical, human, intellectual, and financial resources, as well as ideological (beliefs, values, and attitudes) restrictions (Batliwala, 1994).

According to Mayoux (2001), women have become economically and socially empowered as a result of the availability of credit and non-credit facilities.

According to the findings, there are a variety of effects on women's access to microfinance institutions. When correctly executed, microfinance programmes not only assist to decrease poverty, but also contribute to women's empowerment. They assist rural women get access to resources that

might otherwise be unavailable to them. This enables women to expand their economic activities and, as a result, improve their quality of life. This study demonstrates the beneficial impacts of money on impoverished women's livelihoods, particularly in India. The following are some of the main advantages of microfinance:

**Empowerment in the Economy** Women's access to savings and credit allows women to have a larger economic role in decision-making via their savings and credit choices. When women make choices about credit and savings, they improve their own and their families' well-being. Investing in women's economic activities will increase their job prospects, resulting in a "trickle down" impact. Women's own income-generating activities are emphasised in the financial sustainability and feminist empowerment paradigms. The focus in the poverty alleviation paradigm is on raising family earnings and the utilisation of loans for spending. Individual economic empowerment is viewed as contingent on social and political empowerment in the feminist empowerment paradigm.

**Making decisions** According to studies, a woman's financial situation has an impact on her participation in decision-making in her household and in the society at large. Because of this interconnection, policymakers working on problems affecting women must be aware of the financial status-women empowerment connections. In this setting, women's empowerment may both influence and be affected by financial position, resulting in multi-directional consequences. Family decisions, company investments, and management strategies (Kibas 2001). Microfinance, according to proponents, may boost women's negotiating power in the home. Women will gain "empowerment," meaning they will have more say over household choices and resources. Microfinance is expected to offer protection to women in their families to the degree that group financing in microfinance involves peer monitoring by other borrowers in the same group. Peer borrowers will want to know why certain women in their group have ceased attending payback meetings, thus violent actions and abuses by males against women may now be investigated by a third party.

**Enhanced well-being** This refers to the increased profits from loans that have been invested. The women are able to re-invest the interest money produced, resulting in the expansion of their businesses and more power. Access to savings and credit facilities, as well as women's choices about what to do with savings and credit, strengthen women's voice in family economic decisions. This

allows women to spend more money on their own and their children's well-being. In the poverty alleviation paradigm, this is the most pressing issue. Men gain from women's decision-making power because it prevents family money from going to useless and destructive activities. Other welfare initiatives, including as nutrition, health, and literacy campaigns, are recommended in addition to microfinance to reduce women's vulnerability and enhance their abilities. Improved well-being is considered as a result of increasing women's economic activities and earnings under the financial self-sustainability and feminist empowerment paradigms. Women's capacity to make economic decisions increases as a result of increased access to credit and increased income, which they would not be able to accomplish if they were dependent on their spouses.

Control and access to financial resources Hashemi et al., Goetzad Gupta, Hashemi et al., Hashemi et al., Hashemi et al., Hashem (1996), Women have more influence over the credit they get and the money they earn as a result of it. Women have considerable control over their lending operations, according to evidence. According to Ackerly (1995); Goetz and Gupta (1995), the impact of microfinance services is greater when women have direct authority over the financial resources obtained in their names. Women's empowerment, entrepreneurship, reproductive duties, and repayment load are all likely to benefit from more control.

Domestic violence and relationships Families with financial independence, according to Kibas (2001), are more stable and have less domestic violence. Women in the Grameenprogramme were significantly less likely than women in non-Grameen bank programmes to be abused by their husbands, according to Schuler, Hashemi, and Akhter (1996).

Education and Health Due to the fact that women bear the majority of the family burden, access to credit has allowed women to enhance the health and education of their children, let alone access to education for girls; access to credit has enabled women to get government-subsidized health insurance. Credit has aided women in preparing nutritious meals for their families (Kabeer, 2001; Rwabangira, 1996).

## Conclusion

Micro finance, as an essential component of poverty reduction programmes for women, may help to solve the issues of insufficient housing and urban services, according to the findings of this research.

Multipurpose lone or composite credit for income creation, home improvement, and consumption assistance is a potential option. The consumption loan is shown to be particularly significant during the time between starting a new economic activity and earning a profit. In order for the idea to function, thorough research into prospective borrowers' desire for finance and savings behaviour, as well as their involvement in choosing the mix of multi-purpose loans, is required. We may deduce from this that microfinance can help women not just economically but also socially.

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