

# The Beneficial Influence of Micro Financing in Boosting Up the Women's Empowerment and Poverty Alleviation in India: A Conceptual Study

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## Abstract

Women's empowerment is a serious concern in developing nations. Since the empowerment of women is a fundamental factor in attaining the objectives of development and alleviating poverty, numerous initiatives have been undertaken to address this issue. Microfinance institutions (MFIs) have emerged as key tools during the past few decades to combat poverty in general and women's empowerment in particular. As a result, a vast array of studies concentrate on the connections between MFI and women's empowerment. The research is scarce, though, when it comes to India's rural areas. In order to help MFIs and policymakers develop the connection between MFIs and women's entrepreneurship, the goal of this study is to analyse the role of MFI in women's empowerment in India. The empirical findings shed important light on the efforts made by RCDP to promote women's entrepreneurship as a means of empowering women and eradicating poverty. As a result, this article not only analyses the empowerment that women receive from microfinance, but also helps MFIs understand how important they are to the growth of the economy. The study is important for MFI practitioners as they create policies to encourage women's entrepreneurship and support their current female clients with effective training and supervision. This article outlines an NGO project that aims to provide microfinance to scheduled caste women employed in India's silk-reeling industry in order to empower them. It details the long-term effects of the project on their social and economic standing and emphasizes the drawbacks of excluding male relatives from any significant roles. It recommends modifications that may have been made to the initiative to make it more inclusive of males while still benefiting women. At the same time, it admits that the women's microbusinesses were unlikely to have been financially successful even if the men's opposition to the scheme had been overcome. This is because the project required the women to work together in a high-risk economic sector without a clear plan for how their work might be supported.

**Keywords:** Microfinance, Micro credit, Women empowerment, Financial inclusion, Entrepreneurship, Financial Literacy.

**Literature Type:** A Conceptual Study.

## INTRODUCTION

Compared to charity, microfinance has a particular ideological need. It is especially intended to help the underprivileged. The impoverished can, nevertheless, effectively raise their standard of living through a

long-term process. In particular, when discussing microfinance from the viewpoint of women, the role of microfinance donors is vital in making it a reasonably effective tool for eradicating poverty, ensuring the stability of economic growth, and empowering women. The difference between men and women is not considered to be significant. However, in many domains, women are not given as much importance and power as men. Women all over the world have limited control over their wealth and have limited political power. They do not own as many properties as men. Due to the lack of security in the financial system, women faced a lot of challenges during the period of financial crisis that lasted from 2007-08. Similarly, the importance of women in the context of the current crisis cannot be overstated. It is essential to understand the role of women in the recent crisis that affected all businesses and also posed a threat to global health security. But several researchers have challenged this claim. Classification of all expected advantages and disadvantages of Microfinance Institutions (MFI) is still in its early stages. We are yet to discover how to enhance the living standard of poor women & their families. The aim of this study is to expand existing knowledge on the role of microfinance institutions in the empowerment of women in rural India. Million dollar aid (MFA) and women empowerment are seen as one of the key levers for poverty reduction, especially in emerging economies. After all, women are a vital part of society, and without them, society cannot grow. Women empowerment increases the participation of women in the labour force, gives women the power to choose, and reduces poverty. The increased income of women will not only benefit their families, but will have a huge impact on the economy as well. Another study examined the nonlinear impact of education level on ecological footprint by taking into account the variation in population and income structure and recommended key policies for education levels and ecological sustainability. In developing countries, almost all businesses are dominated by men, and women face discrimination in most aspects of their lives, from personal life to professional life. Even in developed countries, financial segregation appears to be complex. Developing and economically challenged countries do not have stable financial environments and well established institutions. Poor health facilities Underdeveloped financial industries Illiteracy Lack of infrastructure in developing countries When it comes to the requirements of women who are financially excluded, Microfinance Institutions (MFI) step forward to support these women in starting new ventures. Non-government organizations (NGOs) and government agencies (Agencies) decided to offer subsidized loans to improve the lives of people and reduce poverty. Previous researchers appreciated this initiative. However, there has been a lot of disparity in such investments from the perspective of the rich landlords/agencies. To address this issue, there are some highly efficient alternative social networks (social collaterals) and credit scoring to reach out to the most deprived women. In addition, women in rigid cultural settings may face a greater risk of being subjected to domestic violence as economic empowerment interferes with patriarchy and accelerates the change in traditional gender roles. Therefore, it is important to address the gender power imbalance as well as existing gender roles before making interventions for women empowerment. The main body of related existing literature mainly focused on those factors that play a crucial role in supply side of agricultural finance and microlending. Women have always been among the most disadvantaged and discriminated groups in society, not only in India but globally. Despite all the efforts of Governments and Non-Governmental Organisations (NGOs), they have always been very unaware of the financial services available to them. In recent times, the use of microfinance as a tool to empower women, especially in rural areas, has become increasingly popular. In addition to the informal financial sector, many formal and semi-formal sectors such as commercial banks, NGOs etc. are interested in providing women with microfinance due to the fact that it is a profitable commercial activity. Furthermore, women are actively participating in

this movement by availing of the various financial services offered by the different financial channels. Women empowerment has been a major focus of various policies and programs launched by the Government and non-government organizations. While most of the research on microfinance in India has been conducted in the south, very little work has been done in Punjab. The purpose of this study is to fill the gap in the existing literature. This is a small attempt to study the impact of microfinance on women's empowerment and the level of satisfaction of women with microfinance services.

### **OBJECTIVE OF THE STUDY**

The purpose of the study is to:

1. Explore the preferences of the respondents in terms of formal and informal sources of finance.
2. Evaluate the satisfaction level of the respondents with the microfinance services.
3. Analyse the impact of microfinance services on the life of the respondents.
4. Examining the Importance of Microfinance for Women Empowerment.
5. Examine the issues and obstacles women face when applying for microfinance.

### **RESEARCH METHODOLOGY**

In order to meet the objectives, the main data have been collected using a structured questionnaire. A suitable random sample of 110 respondents from the above blocks was chosen. The paper is structured as follows:

Part I: Conceptual Framework.

Part II: Empirical Data Analysis.

#### **Part I: Conceptual Framework**

It is widely accepted that to achieve sustainable development and reduce poverty, inequalities between genders must be eliminated. In fact, the growth of a nation is dependent on women's empowerment. "Women empowerment" refers to women's control over resources and their involvement in decision-making, which can lead to improved socio-economic status. Currently, in many developing countries, such as India, the focus is more on the development of women as entrepreneurs and their involvement in the development process of their nation. Women can become successful and more successful entrepreneurs if they are given the right environment and enough resources, especially capital. Studies have shown that rural women are more successful in business than men. However, due to their limited access to assets, they are often more at risk of poverty than men. Successful women organizations working for the general well-being of rural women can be found in many places, such as Shri Mahila Griha Udyog Aapad (1959), Self employed women association (SEWA) (established in 1972), The working women's forum (1978), Rashtriya Mahila kosh (government organisation for women) (established in 1993), Mann deshi mahila saakari bank Ltd. (1997), etc. While there is no silver bullet that can bring about the radical structural transformation that women need, the successful work of micro funding organizations in building the organizational capacities of poor women gives them the foundation for social mobilization, which many other class-based interventions have failed to achieve. There are different types of support available for women in terms of providing finance, which can be divided into the following categories:

1. Formal sector: This covers the entire banking sector, including all public and private banks, regional and rural banks, National Audit Board of India (NABARD) and Reserve Bank of India (RBI).

2. Semi-formal sector: This includes exclusive Micro Financing Institutions (MFI), Non Governmental Organisations (NGOs) and various Self Help Groups (SIGs).
3. Informal sector: It includes family, friends and relatives. Moneylenders, Pawnbrokers, Traders and Landlords are also part of this sector.

**Types of Micro Finance:** There are three main types of micro finance products: Micro Credit, Micro Savings and Micro Insurance. There are various types of credit products available, ranging from consumption to production, as well as savings products. Micro Insurance is still in the experimental stage.

**Women empowerment and microfinance interventions in the banking sector:** The banking sector is playing a major role in microfinance. At present, most commercial banks are very interested in creating schemes specifically for women. Various leading banks in the public and private sectors are providing finance under various schemes to women entrepreneurs with concessional interest rates on loans.

Commercial banks	Name of the scheme
Bank of India	Priyadarshini Yojana
Canara Bank	CAN Mahila
Central Bank of India	Cent Kalyani
Dena Bank	Dena Shakti
Oriental Bank of Commerce	Orient mahila Vikas Yojana
Punjab National Bank	Mahila Udyam Nidhi Scheme Mahila Sashaktikaran Abhivan PNB Kalyani Card Scheme
Punjab & Sind Bank	Udyogini Scheme
State Bank of India	Stree Shakti Package
State Bank of Mysore	Stree Shakti
SIDBI	Mahila udyam Nidhi
Union Bank of India	Viklang Mahila Vikas yojana
ICICI Bank	Women’s account
IDBI Bank	Mahila Udyog Nidhi Mahila Vikas Nidhi
Vijaya Bank	Assistance to Rural Women in Non-Farm Development (ARWIND) Assistance For Marketing Of Non Farm Products Of Rural Women (MAHIMA

**Table 1:** Commercial banks’ Schemes for women (Sources: Various web sites of the commercial banks)

In addition, these banks also offer microcredit to Self Help Groups, especially in rural areas. In fact, in India, 90% of Self Help Groups are women and 80% of them are in rural areas.

**Types of Economic Activities Women Pursuing with Microfinance:** Millions of women around the world are becoming self-sufficient by pursuing different economic activities with financial and non-financial support from microfinance providers located in rural areas. These include:

- (i) Dress designing
- (xi) Garment making

- (ii) Embroidery
- (iii) Knitting
- (iv) Making of stuffed toys
- (v) Selling vegetables and fruits
- (vi) Dairy farming
- (vii) Poultry
- (viii) Agriculture
- (ix) Running tea shops, Grocery shops
- (x) Manufacturing of wood and cane products
- (xi) Food processing
- (xii) Bee keeping
- (xiii) Basketry
- (xiv) Gem cutting
- (xv) Weaving and spinning
- (xvi) Glass and emboss paintings
- (xvii) Vegetable gardening
- (xviii) Cattle rearing
- (xix) Floriculture products

**Part II: Empirical Data Analysis**

The empirical part of the study addresses the preferences of the women respondents for the different sources of finance they have access to. The qualitative part of the study discusses the perception of the microfinance clients in terms of satisfaction and the impact of the services they receive.

Age	Frequency	Percentage
less than 20	20	18.2
20-40	76	69.1
40 & above	14	12.7
Total	110	100
Marital status	Frequency	Percentage
Single	45	40.9
Married	53	48.2
Widow	8	7.3
Divorcee	4	3.6
Total	110	100
Type of family	Frequency	Percentage
Joint	68	61.8
Nuclear	38	34.6
Extended	4	3.6
Total	110	100
Education	Frequency	Percentage
Illiterate	28	25.5
Matric	44	40
Higher education	26	23.6
Graduation	12	10.9
Post graduation	0	0
Vocational	0	0
Other	0	0
Total	110	100

Occupation	Frequency	Percentage
Self Employed	29	26.4
Labor	57	51.8
Housewife	24	21.8
Professional	0	0
Family owned business	0	0
Retired	0	0
Total	110	100
Income (Monthly)	Frequency	Percentage
0-2000	19	17.3
2000-4000	39	35.5
4000-6000	25	22.7
6000 & above	27	24.5
Total	110	100

Table 2: Demographic Profile of the respondents.

Table 2 shows that the majority (69.1%) of respondents were between the ages of 20 and 40. The majority (40.9%) were single, and the majority (61.8%) lived in joint families. The majority (74.5%) were literate, but the majority (40%) were educated only up to matriculation, and only one respondent had a postgraduate degree. The majority of respondents (51.8%) were employed as labor, and the majority of respondents (26.4%) were self-employed. The majority (21.8%) were either housewives, or not involved in any profession or family business. This suggests that there is a low level of entrepreneurship among women, which may be due to the additional burden of family responsibilities, the lack of adequate resources such as finance due to the absence of collaterals, and the fact that the finance providers may question their business skills and ability to manage the finance. When it comes to income, maximum responses (35.5%) were in the Rs. 2,000-4,000 per month range, which is very low.

Savings			Credit		
Type	Frequency	Percentage	Type	Frequency	Percentage
<b>Formal Sources</b>			<b>Formal Sources</b>		
Bank A/C	46	46.9	Banks	12	22.2
Post Office Saving A/C	18	18.4	Co-operatives	2	3.7
<b>Semi-formal Sources</b>			<b>Semiformal Sources</b>		
MFIs/SHGs savings	2	2.1	MFIs/NGOs /SHGs	-	-



Informal Sources			Informal Sources		
Neighborhood Group savings	4	4.1	Relative/Friends	24	44.5
Gold/Silver	7	7.1	Employer	10	18.5
Cash at home	21	21.4	Colleagues	6	11.1
<b>Total</b>	<b>98</b>	<b>100</b>	<b>Total</b>	<b>54</b>	<b>100</b>

**Table 3:** Use of Financial Sources (Formal & Informal Sources)

The results of Table 3 demonstrate that the majority of respondents prefer formal and informal sources of finance to store their money. As indicated in the table, the majority of respondents (46.9%) have bank accounts, although a significant proportion (21.4%) still prefer to keep their cash at home. Post office savings are the most common informal form of finance, followed by relatives/friends (44.4%), employer and colleagues (45.4%), and credit from the banks (22.2%). The use of semi-formal sources such as Microfinance Institutions (MFI), Small and Medium Enterprises (SMEs), and Non-Governmental Organisations (NGOs) was found to be minimal, which may be due to a lack of awareness among rural respondents.

**Degree of Satisfaction:** In this section of the article, we will look at the satisfaction level of respondents with respect to microfinance services accessed from various sources of finance. A questionnaire containing 20 variables related to microcredit was sent to 110 respondents. The Only 54 respondents reported taking credit from one or another source of finance. Respondents were asked to rank each variable on a 5 point likert scale (Savings) according to the satisfaction level derived from it. For the purpose of calculating the satisfaction level, we used a weighted average score (WAS) for each variable. The variables were classified as high satisfaction, medium satisfaction and slight satisfaction depending on their WAS as shown in Table 4

Activities	HS	S	N	D	HD	WAS
<b>Activities of High Satisfaction</b>						
1 Amount of loan availed	38	2	6	8	0	4.3
2 Loan Duration	32	4	10	6	2	4.07
<b>Activities of moderate Satisfaction</b>						
3 Recognition and respect from the provider	28	4	12	8	2	3.89
4 Timings to access credit	30	0	12	8	4	3.81
5 Transportation cost to visit a bank branch	26	6	4	16	2	3.7
6 Enough information is provided by the provider	20	6	8	14	6	3.37
7 Rate of interest	22	0	12	16	4	3.37
8 Time taken to get the loan sanctioned	20	2	12	16	4	3.33
9 Suitable products are available as per needs	14	8	14	16	2	3.29

10	Compulsory saving requirement	18	2	14	16	4	3.26
11	Requirement of guarantee	20	2	8	16	8	3.19
12	Behaviour of bank staff	16	6	8	18	6	3.15
13	Complaints/problems are well entertained	18	2	10	18	6	3.15
14	Consequences of non-repayments	14	6	10	18	6	3.07
	<b>Activities of Slight Satisfaction</b>						
15	Convenient procedure	10	4	12	20	8	2.78
16	Terms and conditions	12	2	10	22	8	2.78
17	Demand for collaterals	14	0	8	20	12	2.7
18	Loan utilization check	10	0	14	24	6	2.7
19	File charges	10	2	12	16	14	2.59
20	Repayment policy	10	0	10	22	12	2.52

**Table 4: Perceived satisfaction level of the women microfinance borrowers**

Out of the twenty variables, only two have been ranked as high satisfaction variables, 12 as moderate satisfaction variables and the remaining six as slight satisfaction variables. Most respondents ( 70.3 %) saw the 'Amount of loan availed' as yielding the highest level of satisfaction with a WAS of '4.30' and 'Repayment Policy' as the lowest of the activities with a 'Slight Satisfaction' score of '2.52'. According to the study, women are not happy with bank formalities such as 'requiring collaterals', 'loan utilization checks', and 'reimbursement policy'. They also face 'procedural difficulties' in getting the loan approved, especially when going for formal funding sources such as banks.

**Suggestive Measures:** We need to give women entrepreneurs access to various infrastructures. We need to provide them with proper education classes. We need to help them feel comfortable and confident. We need to give them economic, political and social empowerment. We need to empower them by improving their skills, knowledge and IT access. We need to get government support for women entrepreneurs and provide them with proper guidance and programs. We need to work together with all the institutions involved in training, finance and marketing to make women entrepreneurship a success. We need to set up promotional counters to offer a range of services to the women entrepreneurs in the given locality.

**CONCLUSION**

In order to empower women and achieve economic independence, the development of women’s entrepreneurship has been seen as a crucial entry point. Women’s participation in income generating activities is believed to improve their status and decision-making power. With employment, women don’t just remain objects of social change; they become agents. They go from being ‘consumers’ of economic goods and services to ‘producers.’ They play an important role in social reproduction and the re-production of labour for future generations. Microfinance plays an important role in women’s social, psychological and economic empowerment in India. It is an essential component of sustainable human development. The availability of microfinance loans and their productive use are found to play an important role and influence women’s empowerment.



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