

Empowering Women Through Microfinance: A Journey of Economic Reform

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Abstract:

This study examines how microfinance interventions impact political, social, psychological, and economic empowerment and disempowerment. Disempowerment in the political, social, psychological, and economic spheres sometimes results in prejudice against women in society. As a result, the microfinance scheme for those living in rural areas emerged, concentrating on women as agents of social change. Consequently, several research that used a very broad definition of women empowerment and were published in journals with peer review were left out. To eliminate any uncertainty in the theoretical and empirical foundation, this study's examination of women's empowerment through microfinance is grounded in a comprehensive literature survey. A thorough literature review forms the basis of this study's analysis of women's empowerment via microfinance to ensure completeness in the empirical and theoretical underpinnings. According to the literature, finance as an example has not brought about the necessary socio-economic transformation and has even had negative effects in certain circumstances. However, this study demonstrates that the program for microfinance empowers women and lessens societal inequities to some level.

Keywords: women empowerment, entrepreneurship, social, political, psychological, economic society, microfinance

Introduction:

The advancement of gender equality and the rights of women have become vital issues in the field of international economic growth. Historically, systemic restrictions have prevented women from accessing money and business opportunities, particularly in emerging economies (Aggarwal & Johal, 2021). Nonetheless, the more widespread belief is that both men and women are equally in fact consistently distinct and that these distinctions have social ramifications. There is a claim that although there is no evidence to support the idea of sex differences in scientific observations, there are significant consequences for how men and women relate to power (Ahl, 2006). Their economic advancement has been hampered by deeply ingrained gender conventions, unequal educational opportunities, and restricted credit availability (Tripathi & Singh, 2018), (Leach & Sitaram, 2002a). Established in the 1970s, microfinance emerged as a promising answer to these problems in the financial sector (Field et al., 2013). Microfinance institutions (MFIs) sprang out, catering to the requirements of low-income people, mostly women, by offering microloans and other financial products. MFIs were founded on the idea of offering small-scale banking services to the unbanked (MICROFINANCE IN INDIA STATUS OF, n.d.).

Women's place in society is distinct, particularly in underprivileged and rural areas. In undeveloped nations, women are typically ostracized or classified as members of underprivileged groups. In Indian society, discrimination against women is not uncommon, even if it is unpleasant. ((Newman et al., 2017) (Abebe & Kegne, 2023). Both government and non-governmental organizations provide support to self-help groups (SHGs) in both rural and urban regions so that women can obtain loans and develop a habit of saving more money. Microfinance is a type of financial assistance that combines low-cost credit availability with SHG membership for women in order to support their economic growth and development. In India, microfinance institutions (MFIs) foster self-help groups (SHGs) in both rural and urban regions and demand equitable returns on their investments (Samineni & Ramesh, 2020). In the microfinance industry, there are two types of Grameen copy models that are most common in India. The self-help organization (SHG)–bank linkage program is the first, and the microfinance organizations (MFIs) model is the second. Above the over time, SHGs have evolved into a state-sponsored initiative, and Grameen trials are thought to be more independent programs (Mohapatra & Sahoo, 2016). Governments as well as non-governmental groups (NGOs) in developing nations have launched microfinance initiatives in recent years that provide low-income households with financial services, with a focus on women. Another challenge is quantifying women's empowerment because it has many components and is difficult to examine directly. The treatment of ordinal factors as continuous variables and the latent factor of women's empowerment as observable have both hampered previous research on women's empowerment. (Swain & Wallentin, 2009).

Women entrepreneurs continue to confront tremendous obstacles in obtaining financial resources and ending the cycle of poverty, particularly in emerging nations, even in the face of notable advancements in women's empowerment efforts (Winn, 2005). Their ambitions to become financially independent and entrepreneurs are hampered by a lack of loan availability, a lack of financial awareness, and deeply rooted gender biases (Baral et al., 2023). The general socioeconomic development of communities is hampered by this lack of financial inclusion, which also maintains gender inequities and stunts the growth of women-led companies. Women's unique requirements are frequently disregarded by traditional banking institutions, which keeps them out of official financial channels (Das, 2012). Women's engagement in economic activities is further restricted by cultural and societal conventions. Microfinance shows up as a possible remedy in this situation. Nonetheless, there is ongoing discussion over how well microfinance programs work to solve these issues and support female entrepreneurs (Swapna, 2017). This research attempts to fill in knowledge gaps regarding the intricate relationships between microfinance, women entrepreneurs, and socioeconomic development by critically analyzing the effects of microfinance programs (Leach & Sitaram, 2002).

Public, and private commercial financial institutions, RRBs, and cooperative banks have all carried out the microfinance program. The study employs aggregated data from all banks participating in the NABARD-bank linkage initiative for Self-Help Groups (Chen et al., 2017). Based on a thorough analysis of the literature, this study makes it possible to identify scientific contributions made to research. Women were empowered by a systematic review of microfinance to comprehend the scope of the research, the gaps in microfinance, the empowerment of women as a result, and the identification of future directions for action (Owen et al., 2019). A systematic review, in contrast to a standard narrative review, uses transparent, repeatable, and iterative review techniques to lessen inherent biases. This study combines qualitative as well as quantitative analysis for a deeper understanding (Jaiswal, n.d.). Qualitative research enables comprehension of the fundamental causes of empowerment, whereas quantitative research is

crucial for evaluating statistically supported microfinance-based empowerment. This makes it possible to locate pertinent studies and derive their conclusions. We used this strategy to pinpoint areas of concern in women's empowerment driven by microfinance, drawing on scientific research (Ferdousi, 2015).

Review of papers:

The article of Fiona Leach and Shashikala Sitaram details an NGO initiative that aims to provide microfinance to women from scheduled castes who work in India's silk-reeling industry, thereby empowering them. It exposes the detrimental effects of preventing male relatives from taking on any significant role and tracks the project's long-term effects on their social and economic standing. It offers suggestions for improving the project's male inclusivity without sacrificing its emphasis on female empowerment. However, it also concedes that even if the men's resistance to the notion had been overcome, the women's small enterprises were not expected to have been lucrative. This is because the project required the women to collaborate in a high-risk industry without a clear plan on how their work would be compensated. (Leach & Sitaram, 2002b)). This co-relational study looked at the connections between internal financing sources and women's e-entrepreneurship motivation as well as the interaction between financing from banks and that motivation. The two do not necessarily have a causal connection. The results of this study can only be applied to those who are comparable to the (Swain & Wallentin, 2009) participants (Mand et al., 2018)). A social entrepreneurship intervention called "Pahal Initiative" with the aid of a social entrepreneur, helped the women in the family launch a food delivery service. Consequently, women gained confidence and esteem for themselves (Chen et al., 2017). When the women in the household earned more money, the attitudes of the men in the household altered. Their status and position were affected, which increased their involvement in household decision-making and gave them more economic freedom. In a household with a strong patriarchal structure, the women became more talkative and vocal. The businessman had to halt the Pahal project within a year (Agrawal et al., 2023). Quantitative data indicates that female entrepreneurs are more likely than female non-entrepreneurs to have access to financial, political, social, and psychological indicators of empowerment. It was demonstrated to have less of an impact on women's economic and, to a lesser extent social empowerment. The significance of business ownership as a tool for women's overall empowerment was demonstrated by the study of in-depth interviews that accompanied these results. But even those who are not entrepreneurs engage in social empowerment (Khan et al., 2022). Economic progress cannot occur without the advancement of women. For greater sustainability, women should receive technical training, skill development, and marketing strategies while starting their own businesses (Arul Paramanandam & Packirisamy, 2015).

Many factors, such as market orientation, competition aggression, creativity, incubation, and risk-taking tendency, have a positive impact on the growth and development of businesses in both countries. Business performance was unaffected by training, education, or financial orientation (Rao et al., 2023). There is a causal link between small businesses and empowerment through SHG is supported by empirical research (Chatterjee et al., 2018). The influence of the owner and business traits in the degree of financial limitations faced by MSME owners. Most notably, the study shows a direct relationship between cash flow limitations and owner and firm characteristics. The expansion of an organization is negatively impacted by finance and cash flow issues (Mittal & Raman, 2021).

During COVID-19, microfinance can encourage female entrepreneurship. Through a variety of services, microfinance institutions can significantly improve the entrepreneurial activity of women, perhaps

reducing the harmful effects of COVID-19. The current study's premise states that by influencing women's decision-making, credit, saving, and safety from microfinance organizations can promote women's entrepreneurship practices. This hypothesis was founded upon “Mayeux’s Feminist Empowerment Theory” (Chandra Akula & Singh, n.d.). Micro entrepreneurship and economic empowerment go hand in hand very well. It implies that the use of loans has a significant impact on the economic and general empowerment of women. The information gathered through study also shows that the percentage of socially disadvantaged women falls much lower in the entrepreneurial category. Second, research demonstrates that the length of engagement with the SHG is favorably correlated with the productive utilization of loans or entrepreneurial activity. The transition from "credit only" to "credit plus" using a holistic strategy will have the desired impact on the growth of entrepreneurship (Basargekar, n.d.) .

Women's entrepreneurial performance is positively correlated with microcredit, micro savings, and microloans, but not with microinsurance. These findings can aid in the development of the microfinance industry and the creation of service offerings by microfinance institutions. The study also indicates several crucial topics for further study (Kingsley Bernard et al., 2017). It seems that four out of five factors—an improvement in socioeconomic level, personal freedom, women's role in the family and society, and a supportive environment for children—have a major impact on rural women's empowerment (Basargekar, n.d.). Investing in women is the most effective approach to raise a family and, consequently, society standards for health, food hygiene, and education. Therefore, it is crucial to give women more support in both financial and non-financial services. Many prestigious banks in both the private and public sectors are providing programmes specifically created for women to launch their own businesses (Tsai, 2004). As obtaining a loan enabled them to launch a new microenterprise and sustain themselves and their families, microfinance assisted in the development of entrepreneurial abilities among the women. Microfinance increased Women's participation in decision-making within the home. Because of this, women were discovered to be more educated and empowered after receiving microfinance (Bansal & Singh, 2020).

Objectives:

- To investigate how microfinance affects women's entrepreneurial endeavors
- To Determine the Obstacles Female Entrepreneurs Face in Microfinance Programs

Methodology:

Research papers used a combination of qualitative and quantitative methodologies for analysis. Quantitative studies make up the majority of many papers, while a sizable portion of research depends on qualitative methodologies. The interpretive paradigm serves as the foundation for qualitative methods. Additionally, 80% or more of research is conducted utilizing a combination of methods and heterogeneous approaches, including surveys, interviews, and case studies. Numerous articles that used quantitative methodologies and a positivist approach may be found. A third of the articles, or about twenty-three percent, also make use of secondary data from publications and databases. Certain papers were grounded in either conceptual research or a review of the literature. Secondary study was conducted on the bases of literature based. In almost 78% of the studies, field data on women's empowerment through microfinance was analyzed theoretically.

Discussion:

Empowerment is the cornerstone of the "alternative development" paradigm. It contends that women are

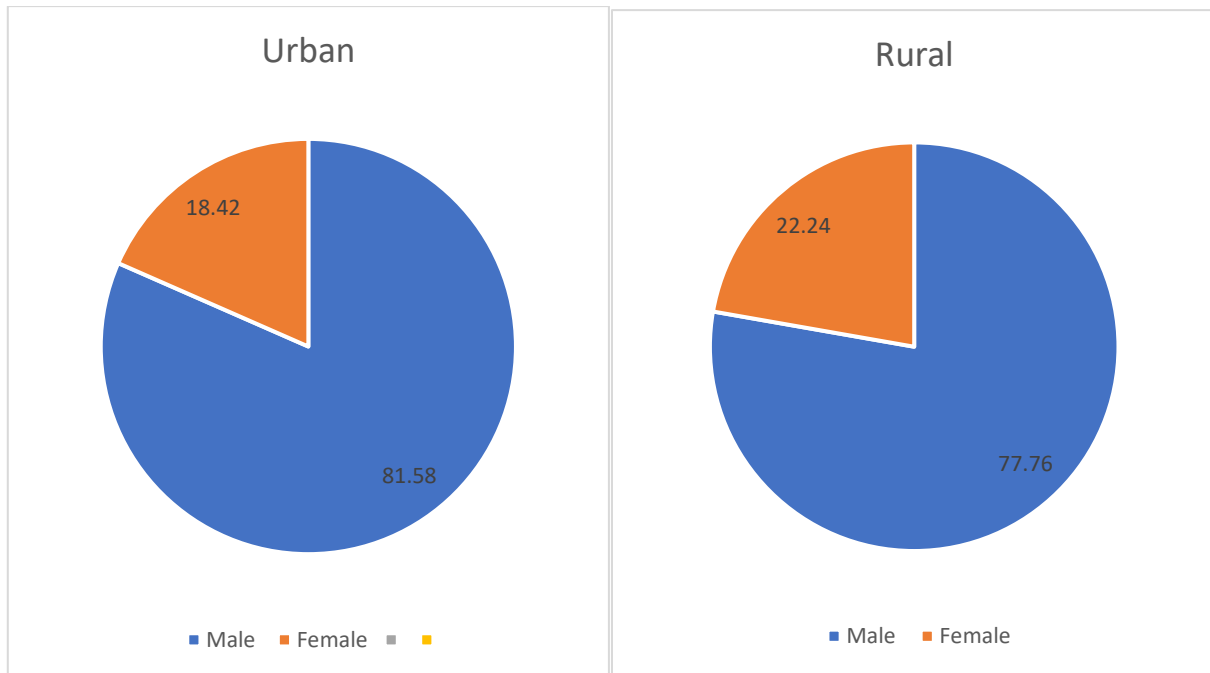
empowered by developmental initiatives in four domains: economic, social, psychological, and political. Interventions in microfinance are essential for the urgently needed social change. Because these projects give people access to and control over capital, it is crucial to the ecosystem as a whole. Additionally, social value—which includes fairness, access to healthcare, and education—is essential for empowerment. The objectives of production and women's status in society are furthered by this.

The influence of psychological power extends to ideas and behaviors. It results in more self-esteem, stronger morals, and confidence. Furthermore, having the freedom to travel, choose, and participate in public life is essential to political empowerment. These promote the concepts of liberation, mobility, and expression. For impoverished women to support their credit, savings, and consumption, microfinance services are crucial. Additionally, it promotes financial literacy, which helps households make better spending decisions. It advances the struggle against extreme poverty and eliminates generational reliance on customary means of subsistence and borrowing practices.

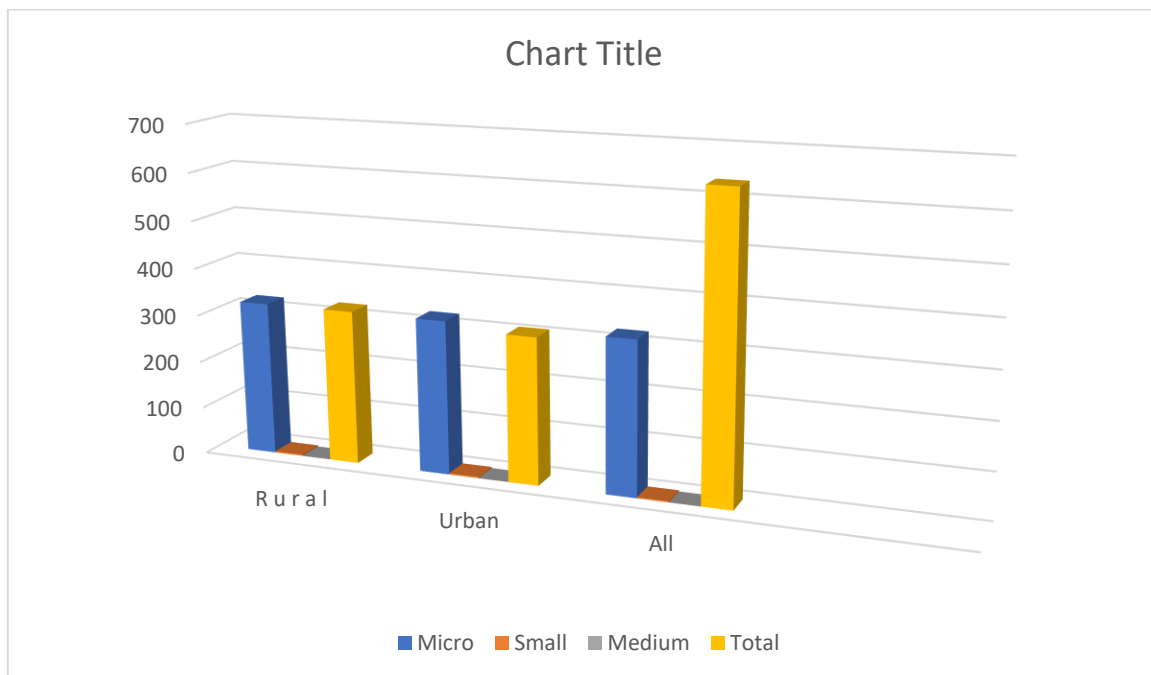
The instruction services offered by MFIs assist women in becoming more capable of starting their own business actions and financial outcomes. Women should be self-assured, and independent, and earn a living for their families. The notion of financial sustainability also promotes women's involvement in wage-producing. expenditure decisions, ownership of assets and access to resources are essential outcomes. Additionally, it is a collaborative credit that increases the non-land assets of women by granting credit to multiple people at once. notes that compared to non-SHG women, SHG members typically engage in greater financial endeavors and earn more money. Additionally, women members exercise greater control over resources in order to raise income, expenditure on consumption, savings, and asset building. An example of economic empowerment is this.

Members of these SHGs control their income, use loans responsibly, and make wiser purchases. Women who participate in certain economic endeavors are viewed as empowered. The results of random evaluations point to a skewed long-term influence on income and consumption, which results in an inadequate return on borrowing. Still, it did help women become more adept at handling their money. Higher interest rates and lending for consumption can partly account for the limited effect of microfinance on income.

Furthermore, women are not always positively impacted by microfinance initiatives. Due to instances of disempowerment, women simply serve as mediators for the mobilization of credit, while men retain authority over loans in some situations. Women who take out a loan may find themselves under more pressure to repay it. Men use the loans that SHG members take out, and women do not repay them. Men may also become less involved in-home expenses and obligations as a result of it. Microfinance helps women become more effective in their conventional roles while also addressing their immediate needs. Women's confidence and self-esteem also rise as a result.



Source: “Annual Report 2022-2023 of Ministry of MSME(Bhavan, n.d.)”.



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Conclusion:

The result of these factors collaborating is women's empowerment driven by microfinance. These constituents facilitate the achievement of empowerment in the domains of economics, society, psychology, and politics. Many variables affect these empowering factors. Decision-making inside the household is influenced by a number of factors, including "access to credit, income opportunities, and consequent confidence," according to the analysis. This makes it possible for a woman to have an impact on household decision-making. Additionally, microfinance services help with "control and access to capital." In

addition, it promotes women's access to productive employment. The agenda of empowering is advanced as a result of women being more self-assured and independent. Women's involvement in public life stems from their involvement in groups, conversations, economic ventures, and decision-making at different levels. Services for microfinance generate "knowledge and awareness." This helps women develop their abilities, talents, and confidence. "Freedom and mobility for women" is the most significant political effect of microfinance. It has made it possible for women to voice their opinions in homes, groups, and society. Although credit support initiates the process of empowerment, it does not always result in an increase in empowerment. Still, the shift is slow and becomes apparent only once women join SHGs for a longer amount of time.

The high percentage (about 90%) of microfinancing interventions is another factor contributing to their relevance. Thus, microfinance is becoming more widely acknowledged as a vital tool for gender justice and women's empowerment. Microfinance services like training, savings accounts, and lending improve women's capacity and give them more possibilities and choices. Social wealth in networks, norms, and trust comes after empowerment. It is the result of the interconnected dimensions of achievement (well-being), agency (decision-making, negotiation, deception, and manipulation), and resources (having access and claims on material and social capital). As a result, this lessens vulnerability and promotes household spending and entrepreneurship.

Women's empowerment has been linked to microfinance, according to research and literature, albeit the outcomes are uneven and unsatisfactory. Because there is uncertainty in the development process, the results of microfinance interventions are not consistent. The meager indicators of women's empowerment might be improved by promoting and including women in organizing concerning social, political, and economic issues. This could lead to more notable manifestations of women's empowerment.

Based on the review, this paper recommends a method to enhance the situations of women. A shift in the institutional frameworks surrounding women's empowerment promotes the credibility of MFIs' initiatives. The objective of the strategy should be to reduce poverty through empowering women and promoting stronger gender roles.

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