

EMPOWERING WOMEN THROUGH MICRO FINANCE

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ABSTRACT:

Micro-finance provides a wide scope of financial services and activities such as borrowings, debts, financial assistance, monetary transfers and insurance to needy and low-income households. Micro finance is a tool for socio-economic advancement of people. This scheme allows the female households to accumulate savings, generate wealth and income and to engage in self-employment in order to departure from poverty. However few believe that investing capital in female organization's helps in generating national income which in turn increases the economic growth of country. But in order to encourage the participation of women's in all sectors there is a need to educate them in some activities such as book keeping, asset and liability management, and guiding how to face risk and generate savings. Helping the low income group women and needy persons about how to access on financial and non-financial services is considered as one of the excellent strategy by these small scale financial institutions.

This article suggests about the major task performed by these institutions by taking three dimensions such as psychological, social and economic. From the last three decades the microfinance institutions are considered as one of the main strategy for presenting incremental issues throughout the global countries. This study examines about how the microfinance institutions play a main role in financial intermediary for empowering women in assisting financial services. Integrating empowerment concerns through microfinance institutions are suggested by this article and it also explains about emerging scenario.

Key words: Accessibility of credit, explicit goal, financial intermediary, microfinance institutions (MFIs).

INTRODUCTION:

Microfinance is well believed as one such tool which takes utmost care of the financial needs of poor and deprived who are excluded in past centuries. The both survival and basic needs of poor are being met by the microfinance institutions in order to have access to credit or loans for both consumption and manufacturing or production activities in order to start their own businesses.

Microfinance was considered as one best tool to empower the needy by extending the opportunities for involvement in wealth accumulation and takeover the social activities which achieves in eradicating social and cultural factors that exist in the path of their empowerment.

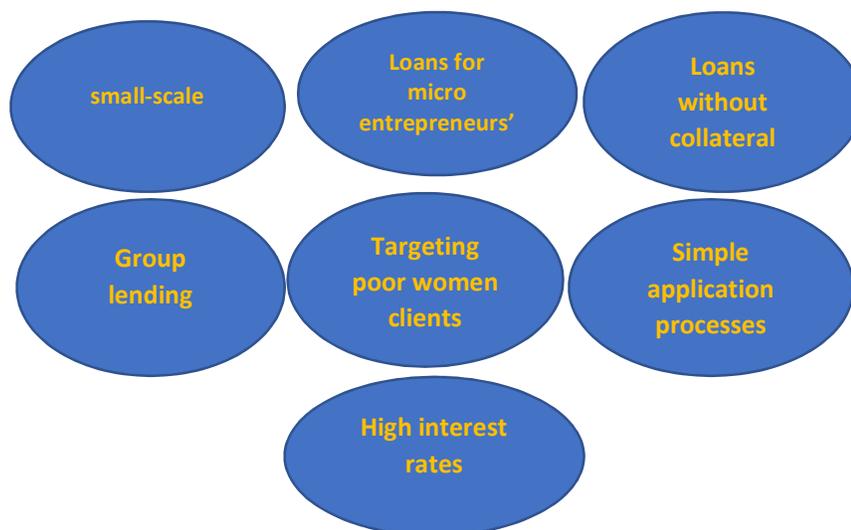
It provides easy, convenient and accurate accessibility of institutional credit to poor in an effective and efficient manner by serving as most cost effective and essential tool of rural credit model. As it has very few legal rules and financial procedures so it is provided in small quantities. By linking with banks, MFI's and self-help groups the credit can be promoted.

The multiplier effect that increases the impact on MFI's can be created by providing the women access to microcredit loans and it also benefits multiple generations. Most of the women in developing countries are being focused by microcredit institutions and agencies.

Observations and experience display that women are less credit risk averter's, clearing their loans and incline more to benefit their entire family. In various scenario it's also explained as a method providing the women great status and respect in a socioeconomic way and modifying the current conservative relationship between gender and class and improving standard of living in the society.

The micro finance services in India are amongst the largest in the world with 75 million poor households basically requiring the financial services. Estimate of household credit demand tends from a minimum range of Rs. 2000 to Rs. 6000 in remote areas and Rs. 9000 in urban settings, assuming that across 80%of people living in remote areas.

Traditional characteristics of micro finance



OBJECTIVES:

- ❖ Analyzing how micro finance helps very poor households in meeting their basic needs.
- ❖ To study about the active participation micro finance institutions in women empowerment.
- ❖ Knowing how microfinance promotes gender equality through various schemes.

REVIEW OF LITERATURE:**Concept of empowerment:**

For transforming the choices into esteemed actions and outcomes, the process of increasing the capacity of individuals or groups is used is referred as empowerment according to Malhorta.

For making effective development and life choices and there is a need to transform the choices into desired actions is defined as empowerment according to Krishna.

Microfinance and Women Empowerment:

Most of these programs aim at women with the estimated goal of empowering them. This refers to different ways of motivations for succeeding in empowerment of female gender. Some disagree that most women are the poorest of the poor and deprived and thus serving the rural poor should be the first priority. While others disagree that investing in women's capabilities gives them the right to make choices which in themselves are a valuable goal, but also contribute to greater economic growth and development.

Finally, in keeping with the objective of financial viability, a growing number of microfinance institutions prefer female members because they believe they are better and more reliable borrowers.

MICROFINANCE SERVING THE NEEDS OF WOMEN ENTREPRENEURS:

Women entrepreneurship and empowerment are technically correlated. This article aims to study Women Entrepreneurship and Empowerment Strategy at micro financing level.

Entrepreneurship is generally known as a developmental & progressive idea for business world. Thus, women entrepreneurial activities are essential for rural economic transmission and poverty alleviation mission in less developed economy at similar time for creating wide variety opportunities for young entrepreneurs in developing and developed countries. Efficient and moderate utilization of human resources to their equated potential level is one of the very essential challenges faced by invaluable private organizations in the present industrialized world, in which women entrepreneurs are depended on the micro business growth and improvement in rural economy.

India is a home for millions of female entrepreneurs, it includes owners of several small-scale financial institutions. Women in our nation own over 3 million small scale businesses all over the sides of the India. According to IFC reports, these entrepreneurs also employ more than 8 million people to serve them to maintain their businesses profitable position without any obstacles or disputes.

Microfinance also includes microcredit, a mechanism of providing small business loans to unprivileged and poor entrepreneurs. It also involves providing savings, micro insurance and payment systems for the businesses which are under the microfinance institutions.

Female industrialists in developing countries such as India requires twice the debts that they are actually provided by normal financial institutions and money lenders. Only 27% of their financial requirements are achieved through small lending institutions such as financial institutions, cooperative banks, money lenders and non-financial companies.

Government microfinance schemes for women

- ❖ Rastriya Mahila Kosh Stand Up India Scheme
- ❖ Mudra Yojana Scheme for Women
- ❖ Bharatiya Mahila Bank Business Loan



INTEREST RATES IN MICRO FINANCE:

The interest rates are tremendously high because microfinance institutions borrow from banks with interest rates that varies from 12 percent to 15 percent, then spend about 10 percent on high costs, 5 percent to protect over the high risk of default, 2 percent to 5 percent for supplemental support to products such as insurance and 5 percent to 10 percent for returns on securities for investors.

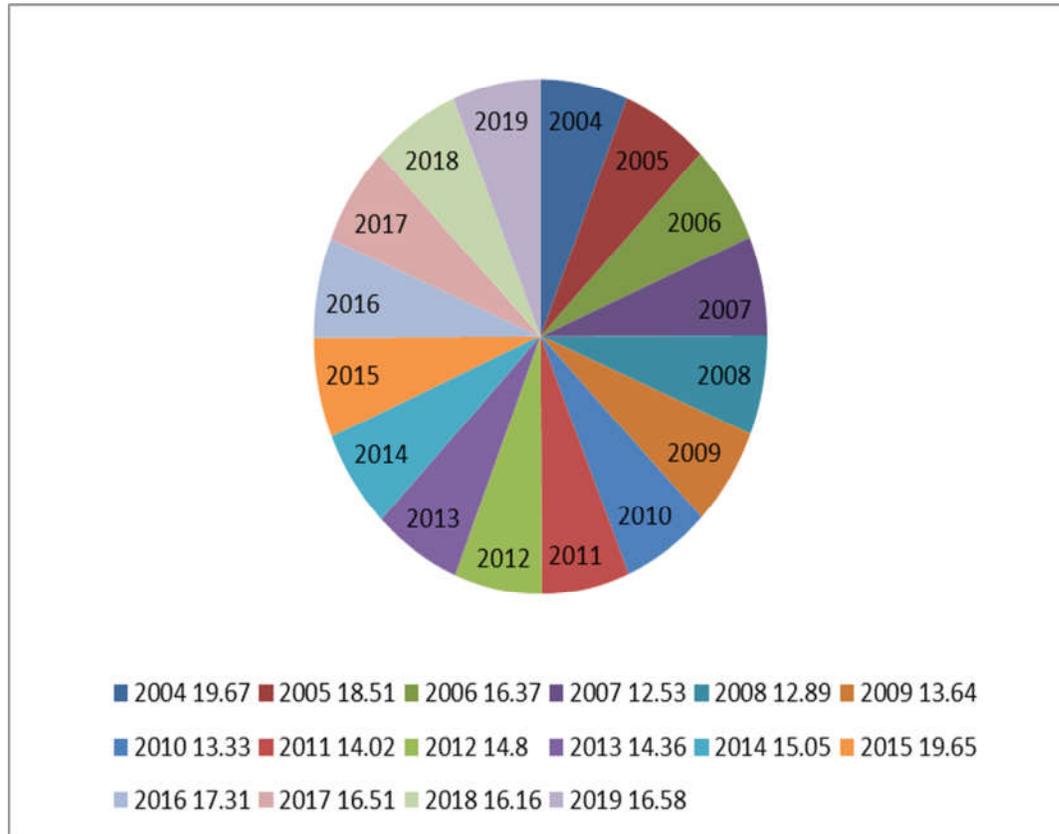
It was 12% over the past quarter reports, as per Microfinance Institutions Network, an industrial guide. The MFI's rates should not be more than 10% on their cost of fund or it should be 2.75 times of the moderate base rate of five large banks according to RBI and in this whichever the rate is lower that rate is considered.

•**Loan range in developing and emerging market economies:** Microfinance loans range from \$50 to \$500 in many developing countries in Asia and Africa, \$1,000–\$3,000 in Latin America, and up to \$10,000 in Eastern Europe. More importantly, such loans are assumed to be for the purpose of investment in economic enterprises of some channels (e.g., trading, production, services).

•**Loan range in developed economies:** Small loans outside the banking system are assumed to be for consumer finance and can ranges from \$500 to amounts of \$10,000 and more. An essential proportion of such loans are “payday” loans---credit provided towards a promise to pay on the date when salaries or wages are paid to the borrower by his employer.

years	Interest rates
2004	19.67
2005	18.51
2006	16.37
2007	12.53
2008	12.89
2009	13.64
2010	13.33
2011	14.02
2012	14.8
2013	14.36
2014	15.05
2015	19.65
2016	17.31

2017	16.51
2018	16.16
2019	16.58



COMPARISON OF RURAL AND URBAN MICRO FINANCE INSTITUTIONS:

In addition, the proportional amount of participating household's with current account saving was raised so that Semi-urban Microenterprise Finance Project aimed to decrease the availability of functioning household's amounts in those savings accounts. All these developed the consumption smoothing opportunities and capabilities of functioning households.

Microfinance institutions provide short term credit and loans to entrepreneurs with an income limit of Rs1, 00,000 and Rs 1, 60,000 respectively in rural and urban areas with an objective of the indebtedness at Rs 100,000.

It was noticed that major portion of semi-urban women those are associated with self-help group activity have positively succeeded in gaining them empowered.

Women in semi-urban India lived in incapable isolation and low standard of living and therefore unable to receive the most of the basic necessities. Further with the advancement in establishment of Women's Self-Help Groups, these people are now gaining the social and physical availability and can easily access to credit within a

very less period of time. The empowerment will not be happen in very less period and quickly it requires a large period. Self Help Groups are the best available sources for providing the financial services.

The availability and necessity for microfinance loans in urban areas of India has developed more than that of rural areas.

The share income of semi-urban borrowers in the year 2014-15 has fell down to 33% of the total industry loan in 2014-15, in comparison with 56% in 2013-14, with the remaining portion of the borrowed demand coming from most profitable village borrowers .

The demand for availability of microfinance loans in urban areas was raised up in the last one year because many corporate houses and banks are operating in these areas under their private social responsibility activity, by increasing financial literacy and making credit available whenever required. In urban areas there is a vast development in microfinance institutions due to advancement in latest technology.

All over 97% of the MFI borrowers are women and 46% of the borrowers belong to scheduled caste or scheduled tribe communities or other minority groups.

ADVANTAGES OF MICROFINANCE:

- ❖ Microfinance increases the self-confidence among the women.
- ❖ Microfinance guides the women entrepreneurs in starting the small-scale businesses
- ❖ Microfinance programs strengthen women's economic status and give them the means to pursue non-traditional activities.
- ❖ Microfinance mainly aims in discrimination of gender inequality.
- ❖ Microfinance encourages women to participate in all type of income generating activities.
- ❖ Microfinance provides confidence and encouragement for economic self-reliance of the semi-urban poor and village people particularly among the rural women who are mostly not considered in the sociological structure and environment.

DISADVANTAGES OF MICROFINANCE:

- ❖ Microfinance provides high interest rates.
- ❖ Microfinance never considers the inventory and inflation accounting issues.
- ❖ In case of microfinance institutions there is insufficient knowledge of market and potential ability.
- ❖ Microfinance services cannot reach the illiterate women, for reaching them it involves huge cost in promotional activities.

CONCLUSION:

Therefore, it can be known from the above study that microfinance is performs a major role in the sociological, psychological dimensions and also in wide empowerment of women entrepreneurs in India. Microfinance loan availability and its effective utilization proposed to be having an essential role and effect on female empowerment. This suggests that these institutions has a great impact on the economic status, decision making power, knowledge and self-credit availability facilities for women participants of self-help groups. Microfinance is accepted as a key success mantra for attaining and maintaining the sustained and long-term economic

development throughout the world. Reaching poor people on higher scale with branded and famous products on a regular basis involves time consuming in rethinking the basic assumptions and making the changes in implementing the policies in reaching the rural women quickly for avaiement of credit facilities. Today microfinance is striving hard to fit the availability and regularity of informal sector while adding flexibility and continuity regarding the loans and interest rates.

This sector is being witnessing tremendous record in the upcoming years. There has been continuous growth in the number and volumes of MFIs. The sector has encouraged and witnessed many new elements such as participation from private and multinational banks, private equity capital investments and venture capital decisions funds, wholesale fund providers, rating agencies etc. The concept of microfinance seems to have earned an almost good reputation and problems of under developed areas have been solved effectively. Microfinance is assumed to play an essential role in development by helping the poor in meeting the basic needs improvement in economic welfare as well as women empowerment. Microfinance puts a step ahead in serving the needs of rural women by facilitating them by providing short term credit. Microfinance aims that empowering women can help in building a great nation which in turn develops the economy to a greater extent by serving the needs of every needy entrepreneurs and individuals.

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