



“A STUDY ON MICRO FINANCE IN INDIAN EMPOWERING THE SOCIAL ECONOMIC STATUS OF WOMEN”

Prof. Manjushree G S

Assistant Professor, Department of MBA, CIMS, Bengaluru

Abstract

Microfinance has been found to have a significant positive impact on women's economic empowerment in India. Women's participation in microfinance programs has led to an increase in independent income, asset ownership, and decision-making abilities. Access to microfinance services, including credit and training, leads to women's economic empowerment, and demographic factors such as age, marital status, and education level can influence access to these services. Microfinance has also been found to enhance women's entrepreneurial activities and increase their financial literacy and attitude, leading to financial empowerment. However, the impact of microfinance on women's economic empowerment is conditioned by the existing social and cultural milieu and the available livelihood opportunities.

Our research explored the impact of microfinance on women's social and economic well-being and their participation in social entrepreneurship. We found that microfinance empowers women and helps them start social ventures. We also looked at how self-help groups, microfinance banks, and women entrepreneurs interact, showing how working together helps women improve their economic situation.

Keywords: Microfinance, Economic Empowerment, Women, Financial Literacy

Introduction

Microfinance is outlined as any activity that features the availability of economic services like credit, savings, and insurance to low financial gain people that fall simply on top of the nationwide outlined poverty level, and poor people that fall below that poverty level, with the goal of making social price. The creation of social price includes economic condition alleviation and therefore the broader impact of rising bread and butter opportunities through the availability of capital for small enterprise, and insurance and savings for risk mitigation and consumption smoothing. An outsized style of sectors give microfinance in Asian nation, employing a vary of

microfinance delivery strategies. Since the ICICI Bank in Asian nation, numerous actors have endeavored to produce access to money services to the poor in artistic ways. Governments even have piloted national programs, NGOs have undertaken the activity of raising donor funds for on-lending, and a few banks have partnered with public organizations or created tiny inroads themselves in providing such services. This has resulted in a very rather broad definition of microfinance as any activity that targets poor and low-income people for the availability of monetary services. The vary of activities undertaken in microfinance embrace cluster disposal, individual disposal, the availability of savings and insurance, capability building, and agricultural business development services. regardless of the sort of activity but, the overarching goal that unifies all actors within the provision of microfinance is that the creation of social worth.

Concept of Micro-finance

1. It's a tool for direction of the poorest. (R. Kumar & Bhimrao, n.d.)
2. Delivery is often through Self facilitate teams (SHGs).
3. It's primarily for promoting self-employment, typically used for:
 - a) Direct financial gain generation.
 - b) Rearrangement of assets and liabilities for the family to participate in future opportunities.
 - c) Consumption smoothing.
4. It's not simply a finance system, however a tool for social modification, specially for girls.
5. As a result of small credit is geared toward the poorest, micro-finance loaning technology must mimic the informal lenders instead of the formal sector loaning. It has to:
 - a) Provide for seasonality
 - b) Allow compensation flexibility
 - c) Fix a ceiling on loan sizes.

Micro Finance in India

New micro finance approaches have emerged in India over the past decade, involving the provision of thrift, credit and other financial services and products, with the aim to raise income levels and improve living standards. The most notable among these micro finance approaches is a nationwide attempt, pioneered by Non-Governmental Organizations and now supported by the state, to create links between commercial banks and NGOs and informal local groups. Micro finance through Self Help Groups (SHGs) is propagated as an alternative system of credit delivery for the poorest of the poor groups. Recognizing their importance, both Reserve Bank of India and National Bank for Agriculture and Rural Development (NABARD) have been spreading the promotion and linkage of SHGs to the banking system through refinance support and initiating other proactive policies and systems. This study attempts to give a comprehensive overview of all aspects of micro finance in India, its essence, the different institutions involved in its promotion, the different modes of delivery, its weakness and the

challenges that lie ahead, the programme of micro finance that has made rapid strides in India. Micro finance is a participative model that can address the needs of the poor especially women members. (*"Microfinance"*, 2024.)

The origin of SHGs is from the product of Grameen Bank of East Pakistan, that was based by Mohammad Yunus. SHG was started and fashioned in 1975. Today micro finance programs and institutions have become increasingly important components of strategies to reduce poverty or promote micro and small enterprise development. (*A Comparative Study of Opportunities, Growth and Problems of Women Entrepreneurs (n.d.)*)

It has been approximately 25 years since the birth of micro finance with the founding of the Grameen Bank in Bangladesh by Professor Mohammed Yunus. The UN Year of Micro Credit in 2005 indicated a turning point for micro finance as the private sector began to take a more serious interest in what has been considered domain of NGOs. The year has seen the launch of a wide array of programs throughout the UN system to raise public awareness about micro credit and micro finance. Micro credit is a powerful economic tool, expected to transform the socio-economic life of the poor. The primary differentiator between micro finance and the conventional credit disbursement mechanism lies in the "joint liability" concept. A group of individuals, (in most instances, all women) get together to form an association. These groups in India, are called "Self Help Group" (SHGs), all the members of which undergo a training programme on the basic procedures and system requirements. (*Microfinance Master Circular, 2009*)

Microfinance prioritizes entrepreneurship as a pillar of economic progress and financial inclusion. It grants financial services to marginalized populations, often found in rural areas. This fuels small business development, boosts savings, and lessens poverty and unemployment. In India, the paradox of "over-banked but under-serviced" persists, despite ample banking options, many lack accesses to proper services. Microfinance organizations bridge this divide by customizing financial products for those in need, thereby extending financial inclusion and fostering economic empowerment. (*hcl, n.d.*)

A study was made which had focused on the impact of microcredit services on individuals' livelihoods, focusing on the areas of job creation and empowerment. It presents evidence of the importance of microfinance in facilitating personal growth and transitions. The outcomes have the potential to reshape policymakers' perspectives, underscoring the crucial part that microfinance institutions play in promoting socio-economic development and enabling impoverished and marginalized women in rural areas. (*Datta & Sahu, 2021*)

A study revealed that after participating in capacity-building programs that connected them with banking services, members of a self-help group (SHG) saw significant improvements. These improvements included higher personal incomes, increased literacy rates, and better health and sanitation conditions. (*D. Kumar, n.d.*)

Profile of Micro Finance in India

In terms of Poverty it is estimated that 350 million people live Below Poverty Line. The key components of micro finance are:

- a) Micro Financing translates to approximately 75 million households.
 - b) Annual credit demand by the poor in the country is estimated to be about Rs 60,000 crores.
 - c) A cumulative disbursement under all micro finance programs is only about Rs. 5000 crores.
 - d) Total outstanding of all micro finance initiative in India estimated to be Rs.1600 crores.
 - e) Only about 5% of rural poor have access to micro finance.
 - f) Though a cumulative of about 20 million families have accepted access.
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- g) While 10% lending to weaker sections is required for commercial banks, they neither have the network for lending and supervision on a larger scale or the confidence to offer term loan to big micro finance institutions.

Need for Micro Finance

Micro finance aims at assisting economically excluded communities, to achieve greater levels of asset creation and income security at the household and community level. Access to credit has long been considered a major poverty alleviation strategy in India. Micro credit has given women in India an opportunity to become agents of change. Poor women, who are in the forefront micro credit movement in the country use small loans to jump, start a long chain of economic activity.

Micro finance is accessing financial services in an informally formal route, in a flexible, responsive and sensitive manner which otherwise would not have been possible for the formal system for providing such services because of factors like high transaction cost emanating from the low scale of operation, high turnover of clients, frequency of transaction etc. (*Vijay Mahajan and G. Nagasri, 1999*). Micro finance and Self-Help Group (SHG) must be evolved to see that SHGs don't charge high rates of interest from their clients and improve access to those who cannot sign by making their use through thumb impression.

A different study which was made, indicates that a large number of low-income rural residents and households still do not have access to banking or other financial services. Thus, the RBI and the Indian government have put in place a number of measures, microfinance included, to enable individuals to have access to these services. Through all of these initiatives, the microfinance sector is effectively trying to help the economically and socially disadvantaged people by offering financial services. The microfinance sector identified a few issues and challenges. Several obstacles and difficulties stand in the way of encouraging and realizing financial activity. Instead of seeing it as a duty, these organizations and banks should see it as an opportunity for expansion and a means of eventually reaching an unorganized, underserved market. (*Abu Saleh & Ahmad, 2023*)

Objectives of the Study

The study has been undertaken with the following objectives:

1. To study the impact of micro finance in empowering the social economic status of women and developing of social entrepreneurship.
2. To know about relationship between SHG's members, micro finance banks and women entrepreneurs.

Scope of the study

Micro Finance has become very popular now-a-days in rural areas. It consists of several schemes of financial support to the various rural areas situated in different states of our country.

This study is undertaken with view to understand the increase in number of percentages of rural income in various states. A comparative study between the PRE and POST liberation period is done. It also shows how microfinance has affected the national economy of India and its supported institution.

This study covers the analysis of previous 6 to 7 years data related to state wise report of Micro Finance.

Objective 1: - To study the impact of micro finance in empowering the social economic status of women and developing of social entrepreneurship.

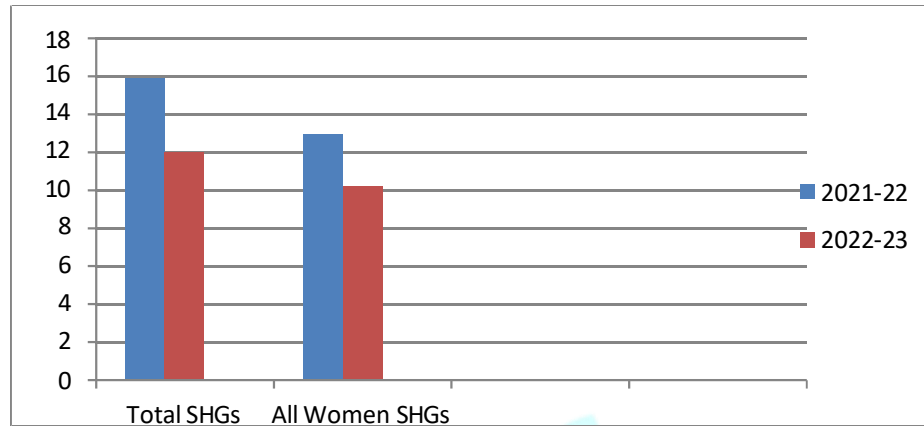
Amount in Crore / No. in Lakhs

Particulars	Year	Total SHGs		All Women SHGs		% of women Groups	
		No	Amount	No	Amount	No	Amount
SHG savings with banks as on 31st March	2021-22	69.53	6198.71	53.1	4498.66	76.4	72.6
	2022-23	64.62	7016.3	60.98	5298.65	81.7	75.5
Loan disbursed to SHGs during the year	2021-22	15.87	14453.3	12.94	12429.37	81.6	86
	2022-23	11.96	14547.73	10.17	12622.33	85	86.8
Loan outstanding against SHGs as on 31st March	2021-22	48.51	28038.28	38.98	23030.36	80.3	82.1
	2022-23	47.87	31221.17	39.84	26123.75	83.2	83.7

Table 5.1

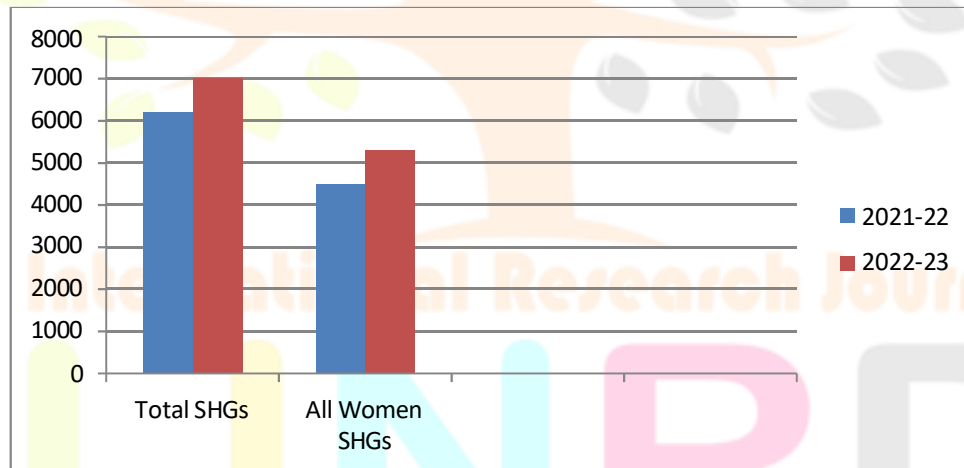
Total No. of Loan disbursed: -

Particulars	2021-22	2022-23
Total SHGs	15.87	11.96
All Women SHGs	12.94	10.17

Table 5.2**Figure 5.1**

Total Amount of loan disbursed:-

Particulars	2021-22	2022-23
Total SHGs	6198.7	7016.3
All Women SHGs	4498.66	5298.65

Table 5.3**Figure 5.2**

Interpretation:

According to main objective to know the economic and social development of women entrepreneurship. Above table show the economic development of women. In 2021-22 loans disbursed amount to women is 12429.37 crore and 2022-23 is 12622.33 crore. In 2021-22 SHG Savings amount to women is 4498.66 crore and 2022-23 is 5298.65 crore and in 2021-22 loan outstanding amounts to women is 23030.36 crore and 2022-23 is 26123.75 crore. That shows the economic development of women.

Objective 2: -To know about relationship between SHG's members, micro finance banks and entrepreneur's women. Savings of SHGs with public sector commercial banks as on 31st March 2022

Amount Rs. Lakhs

Sr no	Name of the bank	Details of SHGS saving linked with banks			Out of total SHGs-Exclusive for women SHGs		
		No of SHGs	No of Members	No of saving amount	No of SHGs	No of Members	No of saving amount
Delhi							
1	Allahabad Bank	30	320	14.00	30	320	14.00
2	Bank of Baroda	383	3775	62.83	377	3685	60.96
3	Bank of India	35	552	6.73	35	552	6.73
4	Indian Bank	815	8956	43.59	789	8675	38.39
5	Central Bank of India	8	80	0.3	8	80	0.3
6	Syndicate Bank	19	173	2.58	16	165	2.54
7	Punjab National Bank	760	7600	108.42	705	7050	103.99
8	State Bank of India	751	9012	31	751	9012	31.00

Table 5.4

Sr no	Name of the bank	Details of SHGS saving linked with banks			Out of total SHGs-Exclusive for women SHGs		
		No of SHGs	No of Members	No of saving amount	No of SHGs	No of Members	No of saving amount
Punjab							
1	Allahabad Bank	304	3040	9.4	95	2.94	
2	Bank of Baroda	150	1200	50.3	142	24.5	
3	Bank of India	374	4452	25.43	271	18.76	
4	Canara Bank	159	1936	9.53	137	7.28	
5	Central Bank of India	540	6022	64.42	354	42.06	
6	Punjab & Sind Bank	1113	11744	50.89	745	31.08	
7	Punjab National Bank	4315	46575	2041.77	2105	183.38	
8	State Bank of India	3944	47328	89	3156	71	

Table 5.5

Sr no	Name of the bank	Details of SHGS saving linked with banks			Out of total SHGS-Exclusive for women SHGs		
		No of SHGs	No of Members	No of saving amount	No of SHGs	No of Members	No of saving amount
Himachal Pradesh							
1	Bank of India	46	465	11.5	0	0	0
2	Canara Bank	118	1440	4.65	118	1440	4.65
3	Central Bank of India	412	4244	48.21	324	3382	33.68
4	Indian Bank	39	585	2.37	39	585	2.37
5	Punjab & Sind Bank	92	920	11.62	53	530	6.73
6	Punjab National Bank	18049	182407	1127.8	12301	123010	946.24
7	State Bank of India	6794	81528	126	5436	65232	100
8	UCO Bank	993	11432	333.19	760	8680	259.91

Table 5.6

Sr no	Name of the bank	Details of SHGS saving linked with banks			Out of total SHGS-Exclusive for women SHGs		
		No of SHGs	No of Members	No of saving amount	No of SHGs	No of Members	No of saving amount
Haryana							
1	Bank of Baroda	152	725	16	129	350	2.6
2	Bank of India	139	1398	42.15	31	290	2.2
3	Canara Bank	453	4925	52.25	390	4052	37.59
4	Central Bank of India	482	5296	28.72	350	3844	19.14
5	Indian Bank	114	1710	3.63	114	1710	3.63
6	Punjab & Sind Bank	704	7040	49.76	411	4110	28.57
7	Punjab National Bank	10703	109260	7002.82	8037	84148	4264.17
8	State Bank of India	4984	59808	207	4190	50280	170

Table 5.7**Interpretation**

There are four states which show the relationship between Banks SHGs and women SHGs. According to above table it show the total saving of women SHGs with total SHGs and total saving of SHGs with banks. There are more % of women SHGs saving out of total SHGs saving. In Delhi region 2022-23 highest SHG Savings amount to women in Punjab national bank is 103.99 lakh and lowest in Central Bank of India is 0.30 lakh. In Punjab region 2022-23 highest SHG Savings amount to women in Punjab National Bank is 183.38 lakh and Lowest in Allahabad Bank is 2.94 lakh. In Haryana region 2022-23

highest SHG Savings amount to women in Punjab National Bank is 4264.17 lakh and Lowest in Bank of India is 2.20 lakh. In Himachal Pradesh region 2022-23 highest SHG Savings amount to women in Punjab National Bank is 946.24 lakh and Lowest in Bank of India is 0.00 Lakh. It shows the good relationship of women SHGs with SHGs group and banks.

Findings

1. Micro finance is providing financial support to those rural people who are unaware of the banking schemes.
2. Large number of small business have been set up which was possible just because of micro finance.
3. Institutes like NABARD, SIDBI etc are the main source for micro finance in INDIA.
4. From the current situation we can understand that today the main focus of micro finance industry is to empower the woman that's why more loans are provided to woman and on easy terms.
5. From the total SHG more SHG are coming in which only women are member because women can better run a business and his family.
6. Narega and SGSY Swaranjanti Gram SwarojgarYojna are one of the schemes which are introduced by the government to help the poor people Schemes are provided by the government to poor people but there is less people who avail the benefit from these schemes.

Conclusion

Traditionally women have been marginalized. A high percentage of women are among the poorest of the poor. Microfinance activities can give them a means to climb out of poverty. Microfinance could be a solution to help them to extend their horizon and offer them social recognition and empowerment. Numerous traditional and informal system of credit that was already in existence before micro finance came into vogue. Viability of micro finance needs to be understood from a dimension that is far broader- in looking at its long-term aspects too.

A conclusion that emerges from this account is that micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programs. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrower without imposing unbearably high cost of monitoring its end use upon the lenders. A promising solution is to provide multipurpose lone or composite credit for income generation, housing improvement and consumption support. Consumption

loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income.

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