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Microfinance -A Device to Empower Women

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Microfinance –A Device to Empower Women

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Abstract- Microfinance is emerging as a powerful tool in eradicating poverty in India. Microfinance has helped in the upliftment of the poor. Banks are not willing to provide credit assistance directly to the poor since they know that they will not be in a position to repay the loan, however the microfinance institutions have played a pivotal role in providing loans to the poor without any collateral. Microfinance has also helped in the upliftment of women in the society. Economic empowerment helps women by encouraging and enabling them to become entrepreneurs. The status of women in the society is improving and microfinance has helped to evoke confidence among women. Women empowerment helps in reducing the disparity between men and women on economic and social grounds. The present paper focuses on the role of microfinance institutions in empowering women in the society.

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I. Introduction

Women empowerment is very essential to rule out gender discrimination. Empowerment of women not only helps in ruling out gender discrimination but also helps in the overall development of the country. Micro finance as part of financial inclusion has played a vital role in providing financial assistance and various other services such as micro savings, micro insurance, micro remittance etc. Financial inclusion is mainly concerned with including the people who are unable to access financial services to access various financial facilities. Financial inclusion mainly operates with the help of Self-help Groups, through Bank linkage programmes. Self-help groups have helped people particularly the rural women to become members of the group and have inculcated the habit of savings. Micro credit is available to the women for starting up small business. Self-help groups also play a major role in providing skill development programme to women to enable them to become entrepreneurs and hence to earn a decent livelihood. The paper is basically descriptive in nature. It aims to identify the various programmes launched by the self-help groups as an initiative under financial inclusion to ensure empowerment of women.

II. Microcredit

Microcredit is the small amount of loan that is provided for the upliftment of the weaker section in the society. The borrowers of the loan will consider the commitment seriously and will repay the money in order to be eligible for more amount of loans. There is no collateral security that will be demanded for providing the loan amount to the borrower. The concept of Microcredit originated from the Grameen Bank in Bangladesh in the year 1983.Microcredit is an essential component of microfinance. There are many financial services provided to the poor in the form of microcredit. Grameen Bank in Bangladesh was founded by Muhammad Yunnis. He started himself providing loans to the poor people from his own money without asking for any collateral security. Grameen Bank was followed by organizations such as BRAC in 1972 and ASA in 1978.Micro credit has played a vital role in the upliftment of the poor section of the society. Muhammed Yunnis founded the Grameen bank which is popularly known as the first modern microcredit institution and was awarded the Noble peace prize in the year 2006.

III. Objectives of Micro Finance

a) Access to funds

Generally, the poor people approach the money lenders in order to obtain loan from them and money lenders charge an exorbitant rate of interest which the poor find it difficult to repay. Bank do not consider poor people as eligible for providing the loans as they are generally the default customers. Hence, micro finance institutions play a vital role in providing small credit to the poor without accepting any collateral for the loan amount that is provided.

b) Encourages Entrepreneurship

Although the underprivileged people have profitable business ideas, they will not be in a position to start and to run the business successfully due to lack of funds. However, microfinance has proved to be a boon to such underprivileged people as they provide loans. The profits earned by entrepreneurs from their business, can be used by the poor to repay the loan amount borrowed by the microfinance institutions.

c) Manage Risk

Micro financial institutions provide financial assistance to the poor which helps them to manage the risk. Banks do not provide any type of financial assistance to the poor as them are not creditworthy.

d) Empower Women

Micro finance institutions are providing loans to women which has helped them to become self –reliant and to earn a decent living. Women are able to become entrepreneurs of small business and improve their standard of living in the society. Micro credit is playing a

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crucial role in empowering women and making them to stand on par with men.

e) Community-Wide Benefits

Microfinance institutions help in reducing poverty among the poorer section of the society. More job opportunities help individuals to improve their standard of living. As individuals living standards improve, it helps in the overall development of the economy. Microfinance helps in the countries development.

IV. Differences Between Formal Banking and Micro Finance

1. *Form of Organization:* Formal banks are basically commercial forms of organisations whereas micro finance institutions are basically social organisations working for the wellbeing of the society.
2. *Size of the Loan:* Formal banks provide loans on a medium and large scale whereas micro finance institutions provide small amount of loans.
3. *Duration of the Loan:* Formal banks provide medium term and long term loans whereas Micro finance institutions provide short duration loans.
4. *Thrift:* Formal banks only concentrate on the loan whereas microfinance institutions focus on loan and also encourage savings habits among the poor people
5. *Monitoring and Screening:* Formal banking follows formal procedures of monitoring and screening whereas the micro finance institutions follow the informal procedures of monitoring and screening for loans provided.
6. *Repayment:* In case of formal banking, collateral and legal pressures are imposed for repayment of loan whereas in case of microfinance, peer pressure and weekly repayment of loans is imposed
7. *Motivation:* In case of formal banks, they are highly motivated to earn more and more profits whereas micro finance institutions are motivated with the intention of encouraging self-help among people belonging to the self-help groups

V. List of Microfinance Institutions in India

There are several microfinance institutions which have been set up and are playing a vital role in providing small amount of loans to the impoverished and are also providing several other benefits. The following is the list of few popular micro finance institutions in India.

1. Annapurna Microfinance Pvt Ltd
2. Arohan Financial Services Pvt Ltd
3. Asirvad Microfinance Pvt Ltd
4. Bandhan Financial Services Pvt Ltd
5. BSS Microfinance Pvt Ltd
6. Cashpor Micro Credit
7. Disha Micro fin Pvt Ltd
8. Equitas Microfinance Pvt Ltd
9. ESAF Microfinance and Investments Pvt Ltd
10. Fusion Microfinance Pvt Ltd
11. Grama Vidiyal Micro Finance Ltd
12. Grameen Financial Services Pvt Ltd
13. Jana Lakshmi Financial Services Pvt Ltd
14. Madura Micro Finance Ltd
15. RGVN (North East) Microfinance Limited
16. Satin Credit Care Network Ltd
17. Shree Kshetra Dharmasthala Rural Development Project
18. SKS Microfinance Ltd.
19. S.M.I.L.E Microfinance Ltd
20. Sonata Finance Pvt Ltd
21. Suryoday Micro Finance Pvt Ltd
22. SV Creditline Pvt Ltd
23. Swadhaar Fin Serve Pvt Ltd
24. Ujjivan Financial Services Pvt Ltd
25. Utkarsh Micro Finance Pvt Ltd

VI. Self Help Group

A self-help group is a voluntary association of people with similar economic background to enable mutual help to all the members of the Self –Help group. Self Help Groups basically act as the intermediaries and mainly consist of 10-20 members who work for the mutual benefit of all the members in the group. The members of the group bring in a small amount of money in the form of regular savings and contribute to a fund and this fund can be used to meet the emergency needs of the group members. The concept of collateral lending is absent and hence ensures peace of mind to the borrowing members of the group. Basically the Self-help groups are started by Government organisations. Self-help groups have been playing a vital role in ensuring the upliftment of poor and needy people, SHG's are empowering women through skill development activities. Women empowerment through SHG's will help in overcoming poverty and will ensure the economic development of the country.

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The progress of SHG bank linkage program from 1992-03 to 2009-10
(Amount in Rupees Crores)

Year	No. of Shg	Increase	Percentage	Loan Amount	Increase	Percentage
1992-93	255	-	-	0.29	-	-
1993-94	620	365	143.14	0.65	0.36	124.14
1994-95	2122	1502	242.26	2.44	1.79	275.38
1995-96	4757	2635	124.18	6.06	3.62	148.36
1996-97	8598	3841	80.744	11.84	5.78	95.38
1997-98	14317	5719	66.515	23.76	11.92	100.67
1998-99	32995	18678	130.46	57.07	33.31	140.19
1999-2000	114778	81783	247.86	192.98	135.90	238.15
2000-01	263825	149047	129.86	480.87	287.89	149.18
2001-02	461478	197653	74.918	102634	545.47	113.43
2002-03	717360	255882	55.448	2048.67	1022.33	99.609
2003-04	1079091	361731	50.425	3904.2	1855.53	90.572
2004-05	1618456	539365	49.98	6898.46	2994.26	76.693
2005-06	22,38,565	620109	38.31	31975.43	7076.97	102.59
2006-07	29,24,973	686408	30.66	18040.74	4065.31	29.09
2007-08	50,09,794	2085027	71.28	22268.32	4227.58	23.43
2008-09	61,21,147	1114000	22.23	22679.84	411.54	1.848
2009-10	69,59,250	829000	13.54	28038.28	5358.44	23.63

Source: SHG Statistics of NABARD

VII. Role of self Help Groups in Microfinance in India

NABARD has launched the Self Help Groups (SHG) and Commercial Bank Linkage Programmes in 1992.Empowerment of women is very essential for the economic development of the country. Rural women should be provided financial assistance to instil confidence among them and to enable them to have a better standard of living in the society. Microcredit has helped in empowerment of women in India. SHG's have helped women by providing employment opportunities. Income and savings of women has increased hence empowering them economically and socially.

1. Encourages savings habits among women: Self Help Groups have played a pivotal role in encouraging rural women to save a small amount of money from their earnings. This has enabled women to become empowered in the society.
2. Self Help Groups extend credit facilities to the rural women: Self Help Groups have been extending credit facilities to the rural women without obtaining any type of collateral security. The group guarantee scheme is a boon to the rural women embedded by individual responsibility. Rural women are in a position to avail loan from SHG's without much of formalities.
3. Choice of appropriate activities: The rural poor who borrow money from the SHG's are given the freedom to choose any productive activities according to their will and wish, this encourages them to be happy and enthusiastic with their activities and hence improves their living standards in the society.
4. Encourages Commercialisations: The productive activities that are undertaken by the members of the Self Help Group has encouraged them to take up activities for commercial purpose as they have a commitment of repayment of loan that they have borrowed. Initially the activities were mainly undertaken for domestic consumption but now they have commercialised their productive activities.
5. Change in the lifestyle of women: Initially women's role was restricted to only household activities, Self Help Groups have encouraged commercial activities however, now women have empowered socially, culturally and politically.

VIII. Programmes Initiated by Government of India for Women Empowerment

a) Swa-Shakthi

The Swa-Shakthi programme was initiated in India in the year 1988.This programme mainly aims at the empowerment of rural women in India. The programmes worked through the support of Self-Help Groups. The Swa- Shakthi programme is funded by the World Bank and the International Fund for Agricultural Development. The programme mainly aimed at enabling

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women to access financial assistance for their overall wellbeing. The scheme aimed at skill development and income generating activities amongst rural women which helped in women empowerment. During the year 2004-05, out of the total expenditure of 2600 crores, the Government had allotted almost 1.54% towards the Swa-Shakthi Scheme which shows the Governments interest in upliftment of poor and to ensure women empowerment.

b) Swayamsiddha

Swayamsiddha is a popular scheme introduced by the Government of India with the intension of empowering women socially and economically. The name Swayamsiddha clearly indicates the concept of being self-reliant. Women empowerment will help in eroding gender inequality in the society. The scheme provides access to credit to rural women, it also encourages panchayat level participation among the rural women. The scheme works through the Self-help groups which persuades women to work for the overall benefit of the members in the group. Swayamsiddha yogna is a recast of the Indira Mahila Yojana.

- The scheme mainly aimed at encouraging savings habit among women through the small savings scheme.
- The scheme has a unique feature of having association with the government and panchayat officials.
- The scheme works though Self-help Groups wherein homogeneous groups of women who have the same socio-economic status will be formed and the SHG's will be linked with government institutions.
- Continuous monitoring and co-ordinating mechanism is enforced by the Government from time to time

c) Swawlamban Programme

Swawlamban Scheme was introduced by the Department of Women and Child Development, with the partial assistance from Norway from the year 1982.The scheme also aims at making women self –dependent. The scheme aims at providing skill development for women to enable them to take up employment opportunities to lead a dignified living. The poor and underprivileged women are covered under this scheme and women from the weaker section of the society are empowered through financial assistance.

d) Support to Training and Employment Programme

The Government have given importance to Support to Training and Employment Programme for Women (STEP) scheme since 1986. The Government has revised the guidelines of STEP in the year 2016. The STEP Scheme aims to cover the scheme to around 500 million women by the end of the year 2022. The scheme aims at providing skill enhancement programme to the rural women to enable them to become self –reliant and to take up various employment opportunities. The Government gave liberal grants to the organisations including the NGO's who are providing any type of employability and entrepreneurship to women including various sectors such as Agriculture, Horticulture, Handlooms, Food processing, Embroidery, Zari works, Travel, Hospitality etc.

e) Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (SABLA)

This Scheme was launched to empower adolescent girls. The scheme is managed by the Department of Women and Child Development. Initially the Government had included 200 districts which was extended to 300 districts. Now the Government aims to cover the scheme to many more districts in the country.

The various objectives of the SABLA scheme are as follows:

1. To facilitate the empowerment of young girls.
2. To enhance vocational skills, life skills and home skills among young girls.
3. To spread awareness among young girls about health, education, and nutrition.
4. To provide information to the adolescent girls about various public services such as Banks, Police station and Post offices.

Strict monitoring and control mechanism is being adopted to check the functioning of this scheme to ensure better utilisation of resources for the benefit of Adolescent Girls.

f) Women empowerment and Lively hood programme

Out of the estimated number of people who are poor across the world, it is estimated that around 70% are women. In India it is estimated that only 55% of the women population are literates whereas almost 78% of the male population are literate. Gender inequality has to be eliminated and women should be empowered. The Sabuj Jeevan Deep Prakalpa Programme has been initiated which has formed approximately 655 Self Help Groups wherein more than 10,000 women have been empowered. Women are in a position to access credit provided by these Self Help Groups, women are trained to enable them to become entrepreneurs of small business to lead a dignified life. Sukarya's flagship program has also been initiated with the aim of empowering rural women with the help of Self-Help groups and through livelihood initiatives. The Sukarya's program has helped women to learn skills relating to cereal processing, liquid soap making, paper bag manufacturing etc. The scheme aims to inculcate savings habit among women and to enforce credit discipline. Training for skill development has been initiated to ensure income generating activities for rural women. Women are able to earn a decent living with the help of Self Help Groups.

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IX. Conclusion

Although Self-help groups have played a vital role in empowering women, there are several loopholes such as low education level of the members of the Self-help group, lack of co-operation between members, non-availability of bank linkage programs, extreme work burden on part of women etc. Efforts should be made to increase the number of Self-help groups, education should be given priority in order to empower women, banks should set up more number of branches in villages and other unconnected parts of the country and measures should be taken for rural infrastructural development.

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