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### Microfinance and women's empowerment

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#### Abstract

Microfinance is an important provision of financial services releasing to saving no access to low-income poor household having no access to formal financial organisations. It has been instrumental in removing poverty of the society, empowering the socially low-income bracket people, locating gender related issues and for promoting the society. Microfinance has hence developed as an important tool for insuring economic and social upliftment and empowerment to the low-income poor people of the society. In India Microfinance has played a key role in gender and development strategies due to its relationship of both poverty alleviation and empowerment of women. A woman is the most significant element of society and is playing a pivotal role in the socio-economic development of Bihar. Microfinance programs like the SHGs in India have been promoted for positive impact on poverty alleviation and women empowerment.

**Keywords:** Companies, institutions, India empowerment, Microfinance, SHG

#### Introduction

The agriculture of India provides 65 percent population in employment directly or indirectly. But the condition of poor population of rural area is very alarming due to lack of financing. Hence rural part of India needs sources of finance for meeting its different requirements. Women form a major portion of rural population and achieve participants of the business of the family. Microfinance plays a key role in uplifting the life style of women, welfare of women and empowerment of women and reduction of poverty<sup>[1]</sup>. The Microfinance refers to such financial services which is provided to poor people/unemployed/low-income individuals/groups especially for women to become dependent. Microfinance is defined as the provision of financial services to poor people for enabling them to raise their income and improve the standard of life. It is expected from microfinance to play a very vital role in alleviating poverty and creating opportunity for employment. Microfinance includes not only credit but also includes savings, insurance, payment services, fund transfer. The main objective of microfinance is to serve the poor people to reduce poverty and promote women empowerment.

#### Advantages of Microfinance

Following are the main advantages of microfinance—

- To provide collateral-free loans amount.
- To disburse fast loan.
- To help people to meet financial needs.
- To provide extensive portfolio of loans amount
- To develop self-sufficiency.
- Tough repayment criteria regarding loan.
- Small amount of loan
- The high rate of interest.

#### Importance of Microfinance

In India microfinance plays a significant role in the development of the country. It works as an poverty alleviation machinery for the low-income people living in rural India. Its purpose is to assist community of economically excluded people to attain high level of income security of community and household level.

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The most important feature of microfinance in the country is it dispenses the access to the capital to low and small business owners. Women have been in the center of micro financial activities. The main focus of microfinance is on female by granting them loan. Microfinance has been instrumental in empowering the low-income poor women so that they can become independent. By getting advantages of microfinancial activities women can directly contribute for the betterment of their family and can in counts made dominance in the society and can confront the gender inequality. The prime target of microfinance is the low income households of urban and rural area and especially women of the society. It is RBI which is not imposed any calling relating to maximum amount as given for the loan amount. It is clean that for low income people it is important to make a balance between income and expenditure. The reach of formal banking system is not to make in different part of the country. Hence microfinance provides proper opportunities to needy people. The microfinance is supposed to be a tool of financial operation which provides small loan to depressed business men for expansion of their small business. It has been found that microfinance is much more beneficial because it provides financial support to such people having lower socioeconomic backgrounds. It encourage poor people and makes them financially self-dependent to counter unforeseen future. Apart from this microfinance provides financial services to those people living in remote areas where other traditional financial institutions are not in operation or not working properly. Further in poverty-stricken location microfinance can encourage business development. Microfinance services helping poor rural female for becoming financial independence and getting empowerment to take proper decision. For recognized income and to save future requirement of low income strata people. Microfinance helps such poor families in rebuilding their business.

In India microfinance plays significant role in the economic development. It makes foundation for removing poverty form the country and hence as a anti-poverty tool. The philosophy of microfinance has been came in light in 1970 with an objective to promote poor strata of the community by providing economic development. During yester decades the prime role has been played by the microfinance in the country. It is treated as an anti-poverty tool to promote economic development of India.

Winner of Nobel Prize Muhammad Yunus, helps the financially marginalized poor people by providing necessary capital to start business and work for financial independence. These loan amount may be necessary because they are provided borrower without any collateral. Further the interest rate of microloans are sometimes high because of risk of default involved in it. The microfinance can benefits poor people residing in developing countries. It can serve as an significant resource for those living developing nations. The microfinance can support poor to break the graph of poverty. These loans can be very low as \$50. The microfinance is a significant model of business for poor people, wants to work for the betterment of the ignored group of the country. There are many issues that has to face in running their business activities. This business model is fit to provide more interest, but it can give more growth because of demand for credit. Therefore it can be concluded that microfinance business is more of an initiative than a company works below the ambit of profit. The microfinance

is a way by which loan, credits, insurance account, and money transfers is provided to small businessmen in the rural areas of India. Further, the beneficiaries of microfinance are those having no access to these formal financial resources. Interest rates of microloans are normally more than personal loan given by financial oorganization. For many experts, microfinance is for providing small amount of loan to very poor families for helping them who are engage in productive activities or managing small business. After full time, microfinance has come to include a wide range of financial services like credit, savings, insurance, etc. So that poor or very poor, who are lacking access to formal financial institutions, need a wide range of financial products. Microcredit came existence in 1980s, however it came in Bangladesh thirty years back and so many countries. The significant difference of microcredit was that it has overlooked the drawbacks or an earlier generation of development by insisting repayment, by charging interest rates, and focusing on borrow groups whose alternative source of credit has been the informal sector. Microfinancing in India work as an anti-poverty tool in rural area. For the developing country like India, it is the fact that most of the population still lives in rural area having lacking facilities and have poor amount of money to full fill basic needs.

As per report of World population (2020) this is fact that most of the Indian population still lives in rural India with lack of facilities and have poor amount of development signals, matched with recognized source is 66.98 percent. India is the second largest populated country, in which 60% of the population engaged in agriculture leads to underemployment and, leads to low per capital income.

### **Microfinance and Women's Empowerment**

Microfinance has played key role in reduction of poverty and enhancement of life of poor people of the nation. Poverty alleviation and generating job option has been in the Centre of goals of socio-economic development of the nation. Microfinance is a tool which provides wide range of services like credit, saving, insurance deposit and payment to low income households, having excluded from conventional financial services with no collateral. Microfinance after financial services to low income and poor clients. Microfinance provides loans and other services is termed as financial institutions. These financial institutions follow methods to deliver small loan amount to low income borrower have very little or having no collateral. These methods may be group lending and liability, increasing loan amount, pre loan saving, it is clear that micro-finance are small scale finance services related to credit and savings provided to such people operate small business of production, repairing, recycling, selling and services of individual and groups of developing countries in both area rural as well as urban.

Financial services is supposed to be driving force of the social and economic development of low-income people for alleviating poverty. The micro-financial services are normally treated as credit, saving, insurance, payment and repayment services. As we know loan are the sole product of micro-financial organisations, which provides small amount of credit to low income poor people at proper rate of interest for increasing income by self employment. The terms and conditions of loan amount are right determinants for the borrower's welfare betterment and household

enhancement of business performance and practices. Services related to saving is the important product of microfinance having two forms namely mandatory savings and voluntary services, Mandatory saving includes value of savings that borrowers of microfinance are needed to save on the other hand voluntary savings is concerned to the amount of saving of MFI borrowers, not required as a point of the loan. Apart from these non-financial services like business development training are significant forces for proper use of financial services for betterment of borrowers and their business set-up. The advancement of business and commercialization of micro financial organisations has led tight competition in the field of micro financial market, which compelled microfinance to promote their product as well as services.

It is true to state that micro-finance is the requirement to promote low income poor people for generating income and for improving their standard of living. In spite of that microfinance organisations regularly counter two types of issues, whenever granting financial help to the low income clients. This types of problem arise by the inability of poor people to place physical collateral. Whenever the microfinance organisations are lacking proper information related to that. The group lending process has been prime social services provided by microfinance organisations. The idea of group lending can be observed as a point to provide solution of the problem.

Women empowerment is most significant issue in developing countries in India. Apart from this women are integral component of society. She have very poor states and participation in economic activities and in decision-making. Keeping this things in view Micro-finance plays significant part in improving female decision making by contributing in economic operation and activities. Microfinance can contribute in eliminating poverty of female. It is treated as financial activities that provides small loan amounts to struggling businessmen for expanding their small enterprises. In true since microfinance provides small loans, microcredit to poor and very poor families for helping them in productive activities and also for nurturing their small business activities. Apart passage of time microfinance has included wide range of financial services such as credit, insurance and savings. As apparent the very poor people and families lacking access to formal traditional financial organization requiring many range of products. Normally microfinance gives focus on low-income poor people, having no access to formal financial organisations. The clients of microfinance are self-employed normally household entrepreneurs of rural areas mainly small farmers and people engaged in small income-generating activities.

The prime objective of microfinance is to empower women by providing financial backing for starting their business. Microfinance and women empowerment have been treated as development tool mainly in developing nations, to fight against poverty by supporting among women and in their groups. As we known women has been the integral portion of nation and society and no society can be said to be developed society without proper contribution of women. Keeping these things in with women empowerment can enhance their right participation in the work force and in the process of decision making for negating poverty and for increasing their role in national income and development of the nation. Microfinance fulfill both the unbanked and also underbanked causes for eliminating poverty. It is

microfinance provisions of financial services to low income people through micro credit, micro insurance and services within the ambit of mass, who are treated as poor. Microfinance generally focus on women and known as tools in empowering financially deprived women. Microfinance has got worldwide acceptance by United Nations declaration (2005) for alleviating poverty and development of the societies. It has been found that empowerment of women through microfinance can properly transform women in exact ways. It supports low income, poor women to earn income independently for providing financial support to their families; for boosting self-esteem need and frees women for becoming part of big community.

Microfinance helps the poor people to enhance their income and 190organiza their vulnerability to outside shocks. It is a powerful tool for improving self-empowerment by unlifting poor, mainly women for improving their family status. It is microfinance, plays vital part for fighting against various areas of poverty, mainly women, who in several context are eliminated from the public field can make foundation for building confidence and also empowerment.

During yester decades microfinance programmes are treated as an significant development strategy globally mainly in developing nations Governmental and NGOs of so many nations have been inducting several credits programs in order to focus of poor people and families. Mostly these programmes target women because women are highly credit constrained, have very limited access to the labour market and have very minimum participation in the household decision making, have very good track record of loan repayment then those of men. The inclusion of empowerment of female among several other things in the United Nations Millennium Development Goals evidently demonstrates the significance of empowerment of female in national economic development. It is found that microfinance through microcredit has properly enhanced the wellness of female. Microfinance program is supposed as the key development strategies to allivate poverty in the society and to empower the female in developing countries like India.

As far as empowerment is concerned, it can exist both as individual and collective levels. It is a process of enhancing the capacity of individuals or groups to form choice and also to transform these choice into required action and output. The concept of empowerments have of various facts. Women empowerment is concerned with female wellness and women's family well beings. It is process of increasing the welfare of women mainly related with health, participation, literacy clothing. Women empowerment is viewed as procedure of enhancing the status of female relation to men within the household like decision-making, control over household income, assets and loans'. Empowerment of women starts whenever they become aware of social-cultural-economic injustice that is imposed on them and also to see how injustice, inequality and other socio-economic, cultural and political forces have negatively effected their life style. It begins with the understanding of female's positive self-image, rights and duties.

### Conclusion

In a backward state of Bihar, microfinance has potential to work as changer of saving and allocators of credit for production and investment to the poorest segment of the

society. As per the latest data of Government of Bihar, the state has still 38 percent people living below poverty line. So, this sector can really play a significant role in the state if some of its identified obstacle (Identified by NABARD) such as absence of reputed NGOs, inadequate outreach in many regions, delay in opening SHGs accounts, delay in disbursement of loans, amount multiple interface with borrowers, monitoring and low awareness of the clients about benefits of microcredit could be removed. As a financial intermediary to the poorest people of economy, the microfinance can contribute to the growth of state economy by providing smooth access to financial product and services to these financially excluded people and for making a great contribution in financial inclusion of the state. Women empowerment in India reviews the reasons for subordination of women, analyses the indicators of women development. At present, empowerment of women has become the key of developmental discussion and complementary to this Microfinance through SHGs which is now becomes a vital tool for the empowerment of women. The main focus of the work is to examine the role of microfinance in empowering the women and extent SHGs are an effective instrument in enhancing the economic status of women, and the way in which they are empowered and to identify the challenges which they faces.

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