

# Microfinance for Women Empowerment through SHGs - A Review

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## ABSTRACT

In India, the emergence of liberalization and globalization in early 1990's aggravated the problem of women workers in unorganized sectors from bad to worse as most of the women who were engaged in various self-employment activities have lost their livelihood. Despite in substantial contribution of women to both household and national economy, their work is considered just an extension of household domain and remains non-monetized. In India, Microfinance scene is dominated by Self Help Group (SHGs) as an effective mechanism for providing financial services to the "Unreached Poor", and also in strengthening their collective self-help capacities leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country. Micro finance is necessary to overcome exploitation, create confidence for economic self-reliance of the rural poor, particularly among rural women. Although no 'magic bullet', they are potentially a very significant contribution to gender equality and women's empowerment. Through their contribution to women's ability to earn an income, these programmes have potential to initiate a series of 'virtuous spirals' of economic empowerment, and wider social and political empowerment. The results from these self-help groups (SHGs) are promising and have become a focus of intense examination as it is proving to be an effective method of poverty reduction and economic empowerment. Mainly on the basis of secondary data analysis, this paper attempts to highlight the role of Microfinance and SHGs in the empowerment of women in India.

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**KEYWORDS:** Microfinance, women empowerment, SHGs

## INTRODUCTION

Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation. Women have been the most underprivileged and discriminated strata of the society not only in India but the world over. In spite of all Government and Non-Governments' efforts, they have been highly ignorant clients of the financial sector. In the recent times, microfinance has been emerging as a powerful instrument for empowering women particularly, the rural women. Apart from the informal sector of finance the formal and semi-formal sectors like commercial banks, NGOs etc. are taking much interest in providing microfinance to women considering it to be a profitable commercial activity. Women are also participating in the microfinance movement by availing the microfinance services

being provided by the various financial channels. The main aim of microfinance is to empower women. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. Microcredit, or microfinance, is banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. Women make up a large proportion of microfinance beneficiaries. Traditionally, women (especially those in underdeveloped countries) have been unable to readily participate in economic activity. Microfinance provides women with the financial backing they need to start business ventures and actively participate in the economy. It gives them confidence, improves their status and makes them more active in decision making, thus encouraging gender equality. According

to CGAP, long-standing MFIs even report a decline in violence towards women since the inception of microfinance. The most of the microcredit institutions and agencies all over the world focuses on women in developing countries. Observations and experience shows that women are a small credit risk, repaying their loans and tend more often to benefit the whole family. In another aspect it's also viewed as a method giving the women more status in a socioeconomic way and changing the current conservative relationship between gender and class. A recent World Bank report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard for all people. At a macro level, it is because 70 percent of the world's poor are women. Women have a higher unemployment rate than men in virtually every country and make up the majority of the informal sector of most economies. They constitute the bulk of those who need microfinance services. Giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution's activities, benefiting multiple generations.

#### Key Intent:

- Microfinance is a banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services.
- Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices.
- The majority of microfinancing operations occur in developing nations, such as Uganda, Indonesia, Serbia, and Honduras.
- Like conventional lenders, microfinanciers charge interest on loans and institute specific repayment plans.
- The World Bank estimates that more than 500 million people have benefited from microfinance-related operations.

#### Review of literature

**S. PORKODI and DR. D. ARAVAZHI (2013)** in their study is to examine the role of micro finance in the empowerment of people and the realisation of financial inclusion in India. While there are reservations about the efficacy of MFIs in handling public money, their growth and achievements demand attention and appreciation. Today the MFIs want the government to empower them for mobilising savings. With increasing demand for rural finance, and the inadequacies of formal sources, the MFIs have immense opportunities in the new avatar of micro

credit in India. However, in the light of recent experiences, and the need for qualitative growth, we suggest that MFIs should be managed with better scrutiny in terms of finance and technology as well as social responsibilities.

**S. C. Vetrivel & S. Chandr. a Kumarmangalam (2010)** in this study evaluate the subsidies poor need access to credit. Absence of formal employment make them non 'bankable'. This forces them to borrow from local moneylenders at exorbitant interest rates. Many innovative institutional mechanisms have been developed across the world to enhance credit to poor even in the absence of formal mortgage. The present paper discusses conceptual framework of a microfinance institution in India. The successes and failures of various microfinance institutions around the world have been evaluated and lessons learnt have been incorporated in a model microfinance institutional mechanism for India.

**Godson Ahiabor (2013)** in their study reveal that significant number of the SMEs has the knowledge of the existence of MFIs and some acknowledge positive contributions of MFIs loans towards promoting their growth. Other than financial support, it is recommended that microfinance institutions should at all-time give professional advices to SMEs since proper professional advice will inform the lending microfinance institutions whether the amount the SME requested for is too much for the project or less. Seminars and workshops should be organized by the microfinance institutions to educate SMEs on their policies and judicious use of funds for SMEs and what it takes to assess loans. Also, the microfinance institutions should initiate more developmental projects in order to win the confidence and trust of the SME's.

**Dr. Swati Sharma (2018)** in their study explain about Indian economy is portrayed by low rate of development, predominance of rural population, overwhelming dependency on horticulture, unfavourable land mass proportion, exceptionally skewed income distribution and wealth beside, high frequency of destitution and joblessness. Microfinance has been viewed as a capable tool to battle poverty through the arrangement of essential financial services including reserve funds, protection, credit and transfer of funds.. The target of microfinance establishments is to serve needy individuals and empower them to get to credit and fight poverty. Against such upgrades, the present investigation has been done to investigation of review of literature in microfinance part with the target of studying development of small scale fund in India throughout the years.

**ZEB, Naveeda, JALAL, Raja Nabeel-Ud-Din and ZAHEER, Muhammad Asif (2021)** in their research explain about the Microfinance focuses on economic development at a minute level. Microfinance is adopted to reduce the poverty level in the economic system. This study is conducted to investigate the microfinance institutions' outreach, its growth, and challenges faced by the Microfinance Banks (MFBs) and Microfinance Institutions (MFIs). In addition to this, the challenges associated with microfinance outreach have been highlighted during analysis and guidelines have been provided to the MFBs and MFIs to increase their outreach. The sector is financially unstable which is attributable to its reliance on conventional sources of funding.

### Research Objectives

The major objectives of the study are:

1. To study the role of micro finance in women empowerment through SHGs.
2. To study the importance and their performance of microfinance for empowerment.
3. To analyze the empowerment which women members get in SHGs.

### Microfinance and Women Empowerment

Micro-finance programmes not only give women and men access to savings and credit, but reach millions of people worldwide bringing them together regularly in organised groups. Although no 'magic bullet', they are potentially a very significant contribution to gender equality and women's empowerment, as well as pro-poor development and civil society strengthening. Through their contribution to women's ability to earn an income these programmes have potential to initiate a series of 'virtuous spirals' of economic empowerment, increased well-being for women and their families and wider social and political empowerment. Micro finance services and groups involving men also have potential to question and significantly change men's attitudes and behaviours as an essential component of achieving gender equality. Majority of microfinance programmes focus women with a view to empower them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. A more feminist point of view stresses that an increased access to financial services represent an opening/opportunity for greater empowerment. Such organizations explicitly perceive microfinance as a tool in the fight for the women's rights and independence. Finally, keeping up with the objective of financial viability, an increasing number of microfinance institutions prefer women members

as they believe that they are better and more reliable borrowers.

### Importance of Microfinance

Microfinance, also called microcredit, is a type of banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services.

While institutions participating in the area of microfinance most often provide lending—microloans can range from as small as \$100 to as large as \$25,000—many banks offer additional services such as checking and savings accounts as well as micro-insurance products, and some even provide financial and business education. The goal of microfinance is to ultimately give impoverished people an opportunity to become self-sufficient.

- To many people, microfinance means providing small loans (microcredit) to very poor families to help them engage in productive activities or nurture their tiny businesses. Over time, microfinance has come to include a broader range of financial services (credit, savings, insurance, etc.), as we have come to realise that the poor and the very poor, who lack access to traditional formal financial institutions, require a variety of financial products.
- Microcredit came to prominence in the 1980s, although early experiments date back 30 years in Bangladesh, Brazil and a few other countries. The important difference of microcredit was that it avoided the pitfalls of an earlier generation of targeted development lending, by insisting on repayment, by charging interest rates that could cover the costs of credit delivery, and by focusing on client groups whose alternative source of credit was the informal sector. Emphasis shifted from rapid disbursement of subsidized loans to prop up targeted sectors towards the building up of local, sustainable institutions to serve the poor. Microcredit has largely been a private (non-profit) sector initiative that avoided becoming overtly political, and as a consequence, has outperformed virtually all other forms of development lending.
- Traditionally, microfinance has focused on providing a very standardized credit product. The poor, just like anyone else, need a diverse range of financial instruments to be able to build assets, stabilize consumption and protect themselves against risks. Thus, we see a broadening of the concept of microfinance--our current challenge is to find efficient and reliable ways of providing a richer menu of microfinance products.
- Microfinance services are provided to unemployed or low-income individuals because most of those trapped in poverty, or who have



limited financial resources, do not have enough income to do business with traditional financial institutions.

- Despite being excluded from banking services, however, those who live on as little as \$2 a day *do* attempt to save, borrow, acquire credit or insurance, and they do make payments on their debt. Thus, many poor people typically look to family, friends, and even loan sharks (who often charge exorbitant interest rates) for help.
- Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices. Although they exist all around the world, the majority of microfinancing operations occur in developing nations, such as Uganda, Indonesia, Serbia, and Honduras. Many microfinance institutions focus on helping women in particular.
- Microfinancing organizations support a large number of activities that range from providing the basics—like bank checking and savings accounts—to startup capital for small business entrepreneurs and educational programs that teach the principles of investing. These programs can focus on such skills as bookkeeping, cash-flow management, and technical or professional skills, like accounting.
- Unlike typical financing situations, in which the lender is primarily concerned with the borrower having enough collateral to cover the loan, many microfinance organizations focus on helping entrepreneurs succeed.
- In many instances, people seeking help from microfinance organizations are first required to take a basic money-management class. Lessons cover understanding interest rates, the concept of cash flow, how financing agreements and savings accounts work, how to budget, and how to manage debt.
- Once educated, customers may apply for loans. Just as one would find at a traditional bank, a loan officer helps borrowers with applications, oversees the lending process, and approves loans. The typical loan, sometimes as little as \$100, may not seem like much to some people in the developed world, but for many impoverished people, this figure often is enough to start a business or engage in other profitable activities.

### Conclusion

Thus it can be concluded from the above study that microfinance is playing a vital role in the social, psychological as well as economic empowerment of women in India. Microfinance loan and its productive utilization found to be having a profound role and

impact on women empowerment. Microfinance is accepted as a key mantra for attaining and maintaining the sustained and long-term economic growth in all over the world. Reaching poor people on massive scale with popular products on a continuous basis involves rethinking the basic assumptions and making the changes. Today microfinance is striving to match the convenience and flexibility of informal sector while adding flexibility and continuity. Though different studies conducted at various levels show different conclusions, it can be acknowledged from the present study that despite of bottlenecks, microfinance is capable of helping the poor to upscale themselves to a better living and playing a significantly positive role in upgrading women empowerment.

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