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RESEARCH ARTICLE

WOMEN EMPOWERMENT THROUGH MICROFINANCE

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ABSTRACT

Microfinance is a banking service for unemployed or low-income people who have no other financial options. Internationally, SHG microfinance is the modern weapon for poverty reduction and rural development. Microfinance and SHGs reduce poverty, empower women, and raise awareness, resulting in sustained national development. This research examines microfinance's psychological, social, and economic effects on women's empowerment.

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INTRODUCTION

Microfinance is a process that offers financial services to those with low incomes and those who are self-employed but do not have access to banking services. Credit, savings, and other financial services are made available to millions of unbankable individuals who are unable to offer adequate collateral to conventional banks through the use of microcredit, which is also commonly referred to as microfinance. Banks are typically reserved for those who are wealthy. "presumes that those who are poor have skills that are not being utilised. The microcredit system is particularly beneficial to people who are entrepreneurial. Microfinance is a form of financial assistance that provides low-income individuals with opportunities to save money, borrow money, and obtain insurance. Making women more self-sufficient is the purpose of microfinance. The majority of people who get microfinance are women. Throughout history, women have had a restricted ability to participate in the economic sphere, particularly in poor countries. Women are able to participate in the economy and build enterprises with the assistance of microcredit. As a result, it promotes gender equality by enhancing self-confidence, status, and decision-making abilities. Since the beginning of microfinance, local microfinance institutions (MFIs) have reported a reduction in the amount of violence committed against women. Women in developing countries are the primary beneficiaries of the majority of microcredit institutions and non-governmental organisations (NGOs) around the world.

According to a recent study conducted by the World Bank, discrimination based on gender leads to an increase in poverty, a slowdown in economic growth, a weakening of governance, and a decrease in living standards for everyone. Around the world, women make up seventy percent of the poor. Women, who have higher rates of unemployment than men, make up the majority of workers in the informal sectors of the majority of countries. These individuals make up the vast bulk of microfinance clients. The microfinance institution's influence is multiplied as a result of the provision of microcredit loans to women, which benefits many generations. The self-help group is described by NABARD (2005) as having "an average size of approximately 15 members from a homogenous class." In order to overcome obstacles, they work together. Encouragement is given to regular, voluntary thrift. Small loans with interest are provided to their members from the pooled capital that they have assembled. As part of their education in financial intermediation, they study the fundamentals of prioritising needs, establishing terms, and maintaining accounts. In this way, everyone develops financial discipline. Additionally, they acquire the ability to handle resources that are significantly larger than their own capabilities. The members of the SHG are aware that resources are scarce and exorbitant. As soon as the groups exhibit mature financial behaviour, banks are strongly encouraged to lend the SHG multiples of the funds that they have available. Non-collateralized bank loans are offered at market interest rates. The terms of borrowing for members are still being determined by groups. Because the money of the groups is included in the aggregate loans that they provide to their members, the pressure from peers encourages early returns. The purpose of this study is to investigate the psychological, social, and economic implications that microfinance has for the empowerment of women.

Microfinance: In the realm of financial development, microfinance is a type of development that focuses largely on relieving poverty by providing financial services to those who are economically disadvantaged. When most people think of microfinance, if they think of it at all, they think of microcredit, which is the practise of lending small sums of money to people who are economically disadvantaged. This is what microfinance is, but it also encompasses a wider range of services, such as insurance, transactional services, and, most significantly, savings. At this point in time, there is a substantial body of literature that presents an explanation of why and under what circumstances microfinance is successful. 4 There has been a lot of discussion recently over whether or not microfinance can become self-sustaining by charging higher interest rates and being more efficient, or whether or not it can and should extend further into the ranks of the poor. There are frequently significant limits in terms of cost, risk, and convenience that are associated with the financial services that are typically accessible to the poor in developing nations. 4'8 By providing credit to borrowers that banks consider to be either too expensive or too dangerous to reach, microfinance firms carry out a function that is complementary to that of the global banking system. When confronted with urgent credit demands, poor households frequently turn to pricey informal moneylenders since they do not have collateral and because they frequently live a significant distance away from banks. If these moneylenders are repaid, it could put some families in a worse financial position. 4 and 9 An effort is made by microfinance organisations to compete with moneylenders by providing credit to a wider variety of households that are located outside of the country under more favourable conditions. The following are some of the measures that microcredit institutions employ in order to mitigate their own risks, many of which have been extensively covered in other publications: superior information about borrowers to reduce risks given low or nonexistent collateral; peer lending circles to serve as pre-screening devices to reduce information asymmetry; joint liability contracts among borrowers to enforce payment despite weak legal institutions; short-term loan contracts with regular repayments to substitute for information; loan ladders that permit successful borrowers to take out increasingly larger loans as incentives for repayment; social networks and shaming to increase repayment rates; and a variety of other substitutes for information, collateral, and legal enforcement to extend credit to low-income borrowers without collateral assets. Over the course of the past thirty years, microfinance institutions have established a solid track record of success in reducing poverty and furthering the economic requirements of households with low incomes. In the face of fluctuations in income, it has been discovered that microfinance programmes can enhance and diversify household income, encourage household savings, and make it possible to "consumption smooth." According to the findings of other studies, clients of microfinance institutions also had superior educational and health outcomes. 3 The findings of other researchers indicate that microfinance has the potential to empower women in their households as well as in society as a whole, if certain conditions are met.

Empowerment: The meaning of the term "empowerment" When does the well-being of an individual improve? The flexibility to live multiple lives is reflected in a person's capability set, according to Amartaya Sen, who was awarded the Nobel Peace Prize in 1993. Both personal characteristics and social situations can influence one's ability. Malhotra (2002) identified the most prevalent components of women's empowerment by drawing on frameworks from the field of social science. These conceptual frameworks suggest that women's empowerment should be based on economic, socio-cultural, familial/interpersonal, legal, political, and psychological factors, with some overlap within these categories. In accordance with the World Bank, empowerment can be defined as "the process of strengthening the capacity of people or groups to make choices and turn those choices into desired behaviours." The term "empowerment" was coined by Sri Krishna in 2003, and it refers to the process of enabling individuals to make positive choices regarding their advancement and life—a natural process and/or result in that case.

Microfinance and Women Empowerment: The bulk of microfinance programmes are directed toward women, with the intention of empowering them as their primary target audience. When it comes to women's empowerment, there are many different underlying objectives that people pursue. Women are among the most vulnerable and impoverished members of the underprivileged population, according to some people, and as a result, providing assistance to them ought to be a top concern. Others, on the other hand, are of the opinion that investing in women's capacities not only gives them the ability to make decisions, which is a useful objective in and of itself, but also contributes to the expansion and development of the economy. It has been demonstrated beyond a reasonable doubt that an increase in the resources available to women leads to an improvement in the lives of the family, particularly the children (Mayoux, 1997; Kabeer, 2001; Hulme and Mosley, 1997). Increasing access to financial services is seen as an opening or chance for greater empowerment, according to a perspective that is more feminist in nature. In the context of the fight for women's rights and independence, these groups expressly view microfinance as a tool that can be utilised. In conclusion, in order to maintain the purpose of achieving financial viability, an increasing number of microfinance institutions favour female members because they believe that women lenders are superior and more dependable than male borrowers. Ranjula Bali Swain (2007) suggests that microfinance may be able to empower women. NGOs that offer assistance in the form of financial services and specialised training have a greater capacity to have a positive impact on women's empowerment. The report "Self-Help Groups in India" came to the conclusion that many steps have been taken in the right direction and that women are currently in the process of empowering themselves. Susy Cheston and Lisa Kuhn came to the conclusion that microfinance has the potential to have a significant impact on the empowerment of women in their article titled "Empowering Women through Microfinance." The article "Does microfinance empower women?" was written by Ranjula Bali Swaina and Fan Yang Wallentin in September 2009. Evidence from self-help groups in India came to the conclusion that their study strongly indicates that members of SHGs are empowered by participating in microfinance programmes. As a result, they have a greater tendency to resist existing gender norms and culture that restrict their ability to develop and make choices by participating in the programme.

Statement of the Problem: Women were not allowed to participate in any social events or be given roles in the decision-making process within their families in the days gone by. Rural and outlying areas were experiencing an even more severe deterioration of the situation. Recently, there has been a shift in the circumstances. The freedom to act in any manner she chooses is granted to her. An increasing number of women are participating in activities that generate revenue in the current context. This is due to the fact that non-governmental organisations (NGOs) and other financial institutions have come forward to offer microfinance to low-income women. In their opinion, a woman poses a relatively low danger to the family's finances and frequently provides advantages to the entire household. Women's empowerment is the primary objective of the microfinance industry. Because of this, the researcher decided to emphasise the empowerment of rural women who take part in microfinance programmes more than before. to conduct an analysis of the economic benefits that the members achieve as a result of joining the SHGs, with the purpose of analysing the social advantages that the members receive. The purpose of this proposal is to provide appropriate policy interventions for the efficient operation of SHGs and to investigate the challenges that women, as members of SHGs, confront. The purpose of this study is to investigate the psychological, economic, and sociological aspects of women seeking empowerment. The research is of an exploratory nature and is founded on secondary sources of information. Various journals, publications, working papers, and reports from non-governmental organisations were used to acquire secondary data.

MANAGERIAL IMPLICATIONS

They gained bravery and self-confidence, as well as increased their skills and sense of self-worthiness, through the use of microfinance. Through the use of microfinance, rural women were able to enhance their literacy levels, and a high level of respondents gained awareness about the need for children's education. Happiness and tranquilly within the family have been brought about by microfinance, which has brought about economic progress both directly and indirectly. Participation in the SHG programme, which is a form of microfinance, has been shown to cause a discernible improvement in the psychological well-being and social empowerment of rural women.

Policy and Microfinance: After discussing the targeting of clients in the section that came before this one, we will now discuss the most important policy concerns that pertain to microfinance. When referring to microfinance as a technique for alleviating poverty, we use the term "policy" to refer to both the regulatory conditions in which microfinance institutions (MFIs) operate.

Microfinance as a Poverty Alleviation Policy: Regarding the motivational basis of microfinance, perhaps the most fundamental question is whether or not it is a feasible approach for alleviating poverty in comparison to other programmes that are designed to alleviate poverty. By drawing parallels between modern microfinance institutions (MFIs) of the 1990s and the failed rural credit agencies established by LDC governments in the 1960s and 1970s, Adams and von Pischke (1992) attempt to provide a direct response to this question. These agencies not only failed to make any progress in alleviating poverty, but they also squandered significant amounts of public funding. When the authors examine the operational framework of modern microfinance institutions (MFIs) and rural credit agencies, they come to the conclusion that the modern MFI business is doomed to fail due to the similarities that exist between the two. Buckley (1997) "sometimes seeks to inspire critical reflection on the naïve enthusiasm that lies behind much evangelising of microfinance." This is in partial support of Adams and von Pischke's argument. While Buckley reviews field summary data from Kenya, Malawi, and Ghana, he comes to the conclusion that in order for microfinance to be successful, fundamental structural changes in socioeconomic conditions and a deeper understanding of the behaviour of the informal sector are required.

Regulatory and Macroeconomic Policy Impacts on MFIs: One of the topics that Franks (2000) explores is the impact that macroeconomic stabilisation has on microenterprises. In the end, he comes to the conclusion that macroeconomic stability can be of great benefit to the microfinance industry, despite the fact that it might be expensive in the near term. In their study from 2000, Quinones and Seibel investigated the process of social capital building in the microfinance industry of the Philippines. They demonstrate how the regulatory and supervisory framework, as well as the financial innovations that have been implemented in MFIs, have impacted the cooperation and support of low-income households. In particular, they concentrate on the ways in which the Small Business Service might enhance its policies in order to better assist the provision of services to rural microbusinesses. In addition to this, Copisarow (2000) examines the most important policy concerns that are affecting microfinance in the United Kingdom and highlights the most significant obstacles that microfinance institutions (MFIs) in the country confront. In the next section, she makes suggestions for funding and operational strategies for microfinance programmes that are working within the existing legal and regulatory framework in the United Kingdom. The usefulness of microfinance as a policy instrument for alleviating poverty and the ideal regulatory setting for the development of microfinance institutions (MFIs) are both still unresolved problems, as is the case with the majority of issues pertaining to microfinance. It is possible that conducting research on these challenges will lead to the discovery of a wealth of topics.

CONCLUSION

Self-Help Groups in rural areas are doing quite well in their operations. Rather than bringing about economic empowerment, the study concluded that microfinance brought about psychological and social empowerment. The impact of microfinance is very significant in terms of fostering self-assurance, bravery, the development of skills, and empowerment. The members of the SHG are at liberty to relocate with their respective groups and leaders. Because of this, they are more likely to cooperate with one another and participate in a variety of social welfare activities. During the interaction with the respondents, it was observed that a few of the members were anticipating that the non-governmental organization would provide further training sessions on activities that generate money. All that is required of them is a means by which they can cultivate their abilities and skills through participation in a variety of training programmes. Microfinance is a more hopeful approach to development than many others that we have had for some time. However, it is not a panacea by any stretch of the imagination. I propose that if we consider financial development from the perspective of microfinance, we might be able to raise the possibility that financial development in a broader sense can help reduce poverty. This preliminary article is more of an inspirational one than an empirical one, and a significant amount of more study is required to test out how well these propositions hold up.

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