Micro Finance Instrument For Women’s Empowerment

I. INTRODUCTION

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost effective mechanism for providing financial instruments to the poor.

Abstract

Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor. The purpose of this paper is to clarify the limitation of microfinance programmes as the tool for women’s empowerment and the type of support service necessary to maximize the contribution of microfinance service. This paper also highlights the potential hurdles in the development of women entrepreneurship.

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Keywords

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services to the “unreached poor”. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment. Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor. Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women’s capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions.

Before 1990’s, credit schemes for rural women were almost negligible. The concept of women’s credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having the access of credit. However, there is a perceptible gap in financing genuine credit needs of the poor especially women in the rural sector. There are certain misconception about the poor people that they need loan at subsidized rate of interest on soft terms, they lack education, skill, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experience of several SHGs reveals that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy. The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Since most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self-help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women’s empowerment.

II. OBJECTIVES OF THE STUDY:
- To clarify the limitation of microfinance programmes as the tool for women’s empowerment and the type of support service necessary to maximize the contribution of microfinance service.
- To study potential hurdles in the development of women entrepreneurship.
III. METHOD OF DATA COLLECTION

In this study data have been taken from various secondary sources like:

- Internet
- Books
- Magazines
- Newspapers
- Journals

IV. ANALYSIS AND INTERPRETATION

4.1 (Objective 1): To clarify the limitation of microfinance programmes as the tool for women’s empowerment and the type of support service necessary to maximize the contribution of microfinance service.

![Perceptions of Areas of Difficulties in Business as a Woman](image)

Figure 1: Areas of Difficulties in business as a woman

4.1.1 Challenges faced by the women entrepreneurs

Challenges are faced by the women entrepreneurs due to many reasons. Some of the challenges faced by the women entrepreneurs include-

- Intense competition from similar products, limited knowledge, production and quality standards as well as low confidence and morale.
- Many women started their own business due to the adverse circumstances, such as loss of spouses, divorce or financial hardship.
- Lack of follow up and holding support (i.e. Capital, market linkages, technical information and marketing techniques) after receiving Entrepreneurship development training.
- A risk averse mindset.
• Inadequate capital.
• Networking problem (i.e. with raw supplier to buyer of products)
• Insufficient management and marketing skills.
• Low level of motivation and courage.
• Lack of support from male members (of the families) as well as banks
• Large magnitude of the target group of poor people.
• Attitudinal rigidities.
• Difficulty in creating awareness among people.
• Limited resources with the NGOs.
• Large requirements of training and sensitization of issues.
• Limited number of experienced intervention agencies.
• Diversities of situations due to wide coverage.

4.1.2 Overcoming the challenges
The challenges faced by the women entrepreneurs can be overcome with the help of the following measures-
• Creating the Importance of Entrepreneurship program and skills training, and MF and support under single roof.
• Training programme operating in several states helped NGOS-MFIs provide their microfinance clients different set of skills for successfully running enterprises.
• Provide micro credit for livelihood support and to micro enterprises development.
• Encouraging women entrepreneur to utilize the loans for productive purposes and have the potential to become entrepreneur.
• Establishing a network of SHG to serve as a “self-help community” for micro enterprises development activities.
• Social recognition of women leading an enterprise.
• Developing female mentors, trainers and advisors.
• Establishing sources of credit.

4.2 (Objective 2): To study potential hurdles in the developing of women entrepreneurship.

4.2.1 Role of Microfinance Services:-
1. Do not restrict loan use: - Access to financial services provides the poor with the opportunity to accumulate assets, to reduce their vulnerability to shocks (such as illness or death in the household, crop failure, theft, dramatic price fluctuations, the payment of dowries) and to invest in income-generation activities. It also enables them to improve the quality of their lives through better education, health and housing. One of the most important roles of access to credit is that it enables the poor to diversify their incomes. Most poor households do not have one source of income or livelihood. Instead they pursue a mix of activities, depending on the season, prices, their health and other contingencies. This may
include growing their own food, working for others, running small production or trading businesses, hunting and gathering, and accessing loans.

What to do?

Microfinance organizations should allow for the fact that microentrepreneurs have a variety of uses for funds, not only for the activity for which a loan is formally given but also for household operations and other family enterprises. It would be too risky for the poor, particularly the poorest of the poor, to invest all their income in a single activity. If the single activity or enterprise failed, the consequences of this would be much greater than if they had several sources of income. Providers of quality financial services recognize this and place relatively few restrictions on loan use. Most microfinance organizations do not monitor client loans to ensure that the loan is being used for its stated purpose because they recognize that it is part of the survival strategy of poor clients to make an on-going stream of economic choices and decisions. The clients themselves know how best to manage their funds.

2. Provide access to financial services, not subsidies:-

For microenterprises, the most common constraint is the lack of access to working capital to grow their business. Low-income entrepreneurs want rapid and continued access to financial services rather than subsidies, and they are able – and willing – to pay for these services from their profits. Most micro entrepreneurs borrow small amounts for short-term working capital needs. The returns from their economic activities are normally sufficient to pay high interest rates for loans and still make a profit.

Micro entrepreneurs value the opportunity to borrow and save with MFIs since they provide services that are cheaper than those that would normally be available to poor clients or that would be entirely unavailable to them. Moneylenders charge very high interest rates, often many times the rate charged by MFIs, and the moneylenders' terms may not be suited to the borrower. Micro entrepreneurs have consistently demonstrated that they will pay the full interest cost to have continued access to financial services from MFIs.

What to do?

MFIs cannot afford to subsidize loans. If the organization is to provide loans on an on-going basis, it must charge interest rates that allow it to cover its costs. These costs tend to be high because providing unsecured, small loans costs significantly more than loans in traditional banking. The costs to the institution include operating costs, the cost of obtaining the funds for loans, and the cost of inflation. MFIs cannot rely on governments and donors as long-term sources of funding. They must be able to generate their own income from revenues, including interest and other fees. Since the poor seek continued and reliable access to financial services and are able and willing to pay for it, it is advantageous to both the institution and the clients to charge interest rates that cover the cost of the services.

3. Financial services contribute to women’s empowerment:-

Women entrepreneurs have attracted special interest from MFIs because they almost always make up the poorest segments of society, they have fewer economic opportunities, and they are generally responsible for child-rearing, including education, health and
nutrition. Given their particularly vulnerable position, many MFIs seek to empower women by increasing their economic position in society. Experience shows that providing financial services directly to women aids in this process. Women clients are also seen as beneficial to the institution because they are seen as creditworthy. Women have generally demonstrated high repayment and savings rates.

What to do?

MFIs interested in serving women should understand the specific needs of women clients and attract women as customers. Women often have fewer economic opportunities than men. Women also face cultural barriers that often restrict them to the home (for example, the institution of the veil, or purdah), making it difficult for them to access finance services. Women have more traditional roles in the economy and may be less able to operate a business outside of their homes. Women also tend to have disproportionately large household obligations. Loan sizes may need to be smaller, given that women’s businesses tend to be smaller than men’s. They tend to focus on trade, services and light manufacturing. Women’s businesses are often based in the home and frequently use family labour. Loans to women should allow women to balance their household and business activities, for example, by not requiring that too much time be spent in meetings and holding meetings in convenient locations. The gender of loan officers may also affect the level of female participation in financial services, depending on the social context.

- Enhancing perceptions of women's contribution to household income and family welfare, increasing women's participation in household decisions about expenditure and other issues and leading to greater expenditure on women's welfare
- More general improvements in attitudes to women's role in the household and community
- Many programmes have had negative as well as positive impacts on women. Where women have set up enterprises this has often led to small increases in access to income at the cost of heavier workloads and repayment pressures.
- Within schemes, impacts often vary significantly between women. There are differences between women in different productive activities and between women from different backgrounds.
- Positive impact on non-participants cannot be assumed, even where women participants are able to benefit. Women micro-entrepreneurs are frequently in competition with each other and the poorest micro-entrepreneurs may be disadvantaged if programmes do not include them.

V. FINDINGS

- Micro financial institutions play a very important role today to provide the micro finance to the women entrepreneur. Mostly MFI provide the assistance to the women entrepreneur through MFI- bank linkage programme.
- 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.
From the total SHG more SHG are coming in which only women are member because women can better run a business and his family.

There are many challenges face by women to doing the business as entrepreneur like lack of capital, networking problems etc. But these challenges can be overcoming with the help of Provide micro credit for livelihood support and to micro enterprises development, establishing sources of credit.

With the help of relationship data we can see that there are more percentage of women SHGs out of total SHGs. So that is good indicator for women entrepreneur.

The loan distributed data show increase the % of loan amount to women as compare to last year. This show the economic development of women entrepreneur.

VI. SUGGESTIONS

- Credit is important for development but cannot by itself enable very poor women to overcome their poverty.
- Making credit available to women does not automatically mean they have control over its use and over any income they might generate from micro enterprises.

VII. 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.

It is clear that gender strategies in micro finance need to look beyond just increasing women’s access to savings and credit and organizing self-help groups to look strategically at how programmes can actively promote gender equality and women’s empowerment. On the other hand, thank to women's capabilities to combine productive and reproductive roles in microfinance activities and society has enabled them to produce a greater impact as they will increase at the same time the quality of life of the women micro-entrepreneur and also of her family.

VIII. REFERENCES


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