

EMPOWERMENT OF WOMEN THROUGH MICROFINANCE: A CRITICAL STUDY OF POVERTY ALLEVIATION

Dr. Md. Mahtab Alam*

ABSTRACT

Poverty alleviation through women's empowerment has become an important strategy in the last few decades not only in developing countries but also in the underdeveloped countries of the world. The governments of the under-developing and developing countries of the world have been working hard since the 1950s to tackle the problem of poverty in India through various initiatives and policies. Empowering the poor, especially rural poor women along the way with a number of strategies, is an important factor in reducing poverty through empowerment. Signs of women's emancipation are beginning to emerge on issues related to household spending on women. It is believed that it helps reduce poverty in various ways. First, providing savings to members enables them to contribute to small savings on a regular basis, and the amount of savings thus accumulated gives them a sense of security and reduces their risk. Microfinance fits into the group of financial services revolutions under the term microfinance. Additional services under microfinance are micro-savings, money transfer vehicles and micro-insurance. Microfinance is an innovation for developing countries. Microfinance is a service for the poor who are unemployed, business people or farm owners who cannot afford it. Most microfinance companies and agencies around the world focus on women in developing countries. This research paper sheds light on various aspects of microfinance and its impact on women's empowerment and the goal of poverty alleviation.

Keywords: *Microfinance, Women Empowerment, Microcredit, Poverty Alleviation, Per-capita Income.*

Introduction

Microfinance is fully defined to include the provision of financial services such as credit, savings and insurance for low-income people, well above the nationally defined poverty line. Social value with the goal of creating people below the poverty line. Social value formation has broad implications for poverty reduction and broader implications for improving investment opportunities, reducing risks and making them easier to use through insurance and savings. Large scale sectors provide microfinance in India, using different methods of microfinance delivery. Since many banks in India, various performers have made creative efforts to reach out to the poor for financial services. Governments have also run national programs, NGOs have run fundraising activities for lending, and some banks have partnered with public organizations to provide less money to provide such services.

The concept of microfinance was introduced in Bangladesh by Grameen Bank and popularized by **Nobel Laureate Professor Mohammad Yunus** "I surprised a woman in the village to see that she had borrowed less than a dollar from a usurer, on the condition that she would have the exclusive right to pay the purchase price. To me it was a way of recruiting slave laborers. I decided to make a list of people in the village affected by this interest at the front door of my campus. At the end of my list, it includes 42 names of victims who borrowed a total of US 27."

The United Nations - has declared 2005 as the "United Nations Year for Microcredit". In 2006, Mr. Muhammad Yunus and Grameen Bank Bangladesh were awarded the Nobel Peace Prize for their economic and social development efforts. Microfinance is considered a tool of development that can be used to alleviate poverty.

* Faculty Member, Department of BBA, S.M. College, Bhagalpur, T.M. Bhagalpur University, Bhagalpur, Bihar, India.

But nowadays the term microfinance has become a global movement because it was copied in different countries. This unique model of microfinance has been introduced in India in the form of SHGs. As a result, microfinance has been hailed as an activity aimed at providing financial services to poor, low-income people. Innovative microfinance initiatives include group loans, personal loans, savings and insurance supplies, capacity building and agribusiness development services. Whatever the nature of the activity, however, the key to integrating all activities into the provision of microfinance is the creation of social value.

Definition of Microfinance

- **The ADB** describes microfinance as providing a variety of financial services to small businesses and households, such as deposits, loans, money transfers also insurance.
- **NABARD** has well described microfinance as providing utilities, credit then other financial services also small quantities of products to the underprivileged in rural or urban areas so that they can increase their income levels also improve their living standards. *The RBI* uses the same definition.
- **The CGAP** is a well-defined microfinance support a credit method that provides microfinance individuals with short-term business capital financing and operational collateral for their recovery.
- **Robinson** defines microfinance by means of small-scale financial services for both credits also deposits. People who provide farms or fish or herds. Run small or micro businesses where goods are manufactured, repaired, recycled, or traded. Provided that services; working intended for wages or commissions; making very little land, letting vehicles, drafting animals, or machinery also equipment and developing countries in both rural also urban areas, individuals and locals for groups.

Review of Literature

NABARD (1989), leading research on SHGs in 11 states, along with other APRACA investigations, shows that when SHG was developed by SHPI, it usually consists of weaker-sections. In contrast, whenever an SHG emerges on its own, it usually involves poor people from poor families. The study also found that it was easier for them to slowly form groups of women in the second poll than groups of health care and service providers.

Savitha, V. (2012) analysed the role of SHGs in promoting women entrepreneurs in Mysore district of Karnataka. Basic data from SHG was collected through a survey of 160 respondents, while secondary data was collected from journals, books and annual reports. Percentage technique was used to estimate the data. The criterion adopted here when choosing your self-help groups is that SHG should be linked to banks. Questionnaires were administered in person through direct contact with members. Special care has been taken to avoid prejudice in the answers to their various questions and to encourage the answers to the questions. It was found that SHGs have achieved the goal of empowering women through their business through support.

Maurya, H. (2014) the effects of microfinance on poverty alleviation in Pratapgarh district of U.P. are deliberately used in collaboration with primary and secondary data. It has been found that SHGs are performing better as financial services providers to increase savings, lending and debt recovery. Finally, it can be concluded that microfinance has played a key role in achieving the development goals of Uttar Pradesh, such as increasing savings and credit patterns, improving economic conditions, reducing poverty, and improving educational achievement. Increased employment, and improved social conditions and has played a very important role.

Kumar Vipin et. al. (2015) the study concludes that SHGs and MFIs are playing a key role in providing microfinance services that contribute to the development of poor and low-income people in India. However, the slow progress of completion of SHG members, poor quality of group work, expulsion of members from groups, etc., have also been reported in different parts of the country, which should be taken into consideration while designing the roadmap. Need For the next phase of the SHG programme.

Objectives of the Study

- To study the microfinance and women empowerment in India
- To study the role of microfinance and its development process in India
- To study the current status of microfinance in SHG-BLP
- To study the microfinance on poverty alleviation in India

Research Methodology

This is an explanatory research paper based on primary as well as secondary data. Data has been collected on or after various websites, books, research articles, journals, annual microfinance general reports like NABARD & RBI, and various online sites which provide information related to the studies. Researchers use simple calculations, graphs and tables to explain facts and find conclusions.

Microfinance and Women Empowerment

As a micro business as well as a small business woman, women have become an important target group for microfinance programs. As a result, access to microfinance facilities is seen not only as a condition for poverty alleviation but also as a strategy for women's empowerment which indicates in table: 1.1& 1.2. In developing countries like India, microfinance plays a key role in promoting gender equality and empowering women to lead a leading standard of living.

Table 1: Indicator of Women's Empowerment

<ul style="list-style-type: none"> • Political and legal wakefulness • Participation in political activism and protests • To admittance to markets and information • They become more self-assured • Freedom of movement • Capability to make larger purchases • They get a better control of the funds 	<ul style="list-style-type: none"> • Relative freedom from authority within the family • Participation in major household choices • They can challenge systemic gender inequalities • Economic security- facilitates poor women in making them economic agents of change by increasing their income and efficiency
--	--

Source: Compiled from primary data

The study, conducted by the FINCA Client Poverty Assessment, found that 81% of the clients surveyed were women, and found that food security in their village's banking clients was 15% higher than that of non-clients. The report also states that more than 11% of client's children attend school, which increases healthcare benefits by 18%. Consumer housing security is 18% higher than non-client. The assessment concludes that microfinance has improved the well-being of female customers and their families. Microfinance has made a hopeful impact on women's empowerment by creating an 'empowerment indicator'.

Role of Microfinance

The micro credit of the microfinance program was first launched in 1976 with the promise of providing unsecured loans to the poor in Bangladesh, alleviating poverty and ending human creativity and the efforts of the poor. A study of the impact of microfinance shows that:

- Microfinance assistance also protects poor families from risks to meet basic needs.
- The use of financial services by low-income families contributes to the economic well-being of the household and to better business stability and growth.
- The level of service relates to the time dimension of financial services for customers.
- With the help of women's economic corporations, microfinance empowers women, consequently promoting gender equality and improving domestic well-being.

Table 2: Entities in Microfinance

Self-help Group (SHG)	Microfinance Institutions (MFIs)
<ul style="list-style-type: none"> • Introduced by NABARD through SIIG Bank Linkage Program. 	<ul style="list-style-type: none"> • Emerged in the late 1990s to tie together social and commercial funds.
<ul style="list-style-type: none"> • Largest outreach to microfinance clients in the world. 	<ul style="list-style-type: none"> • Today the number of Indian MFIs has increased and crossed 1000.

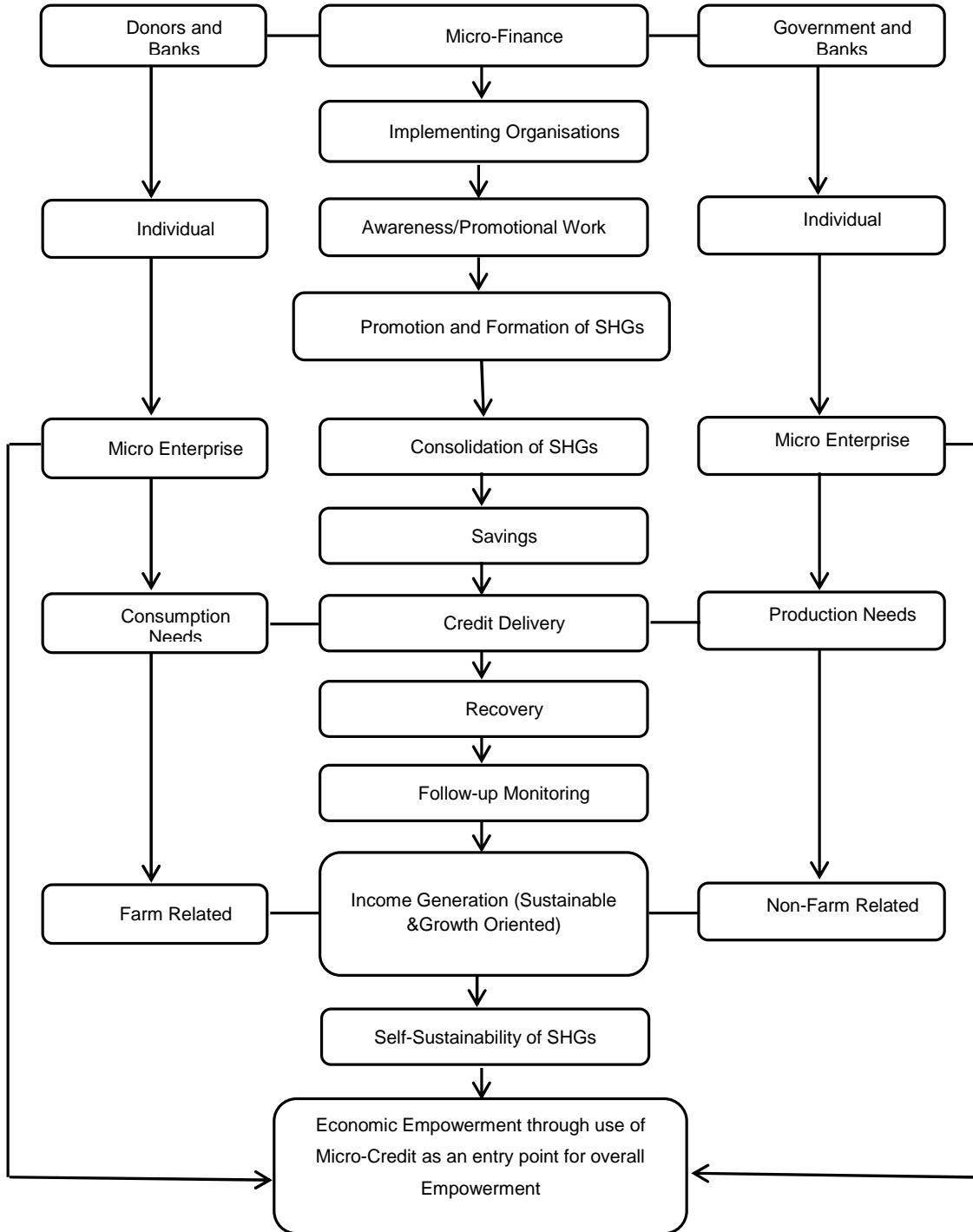
Source: Status of Microfinance in India Report (NABARD) 2020-21

Activities in Microfinance

- **Microcredit:** This is a small amount that a client gives to a bank or other institution. Microcredit can be offered to any individual without collateral or through collective credit (see fig: 1.1).

- **Micro Savings:** These are depository services that help one save a small amount for future use. Often without minimum balance requirements, these savings allow households to plan for unforeseen expenses and future expenses.
- **Micro Enterprises:** These are small business owners called micro enterprises. These businesses typically employ less than 5 people and can move out of the house. They can provide a source of family income or increase other types of income.

Figure 1: Development Process through Microfinance



- **Micro insurance:** It is a system through which people, businesses and other entities pay for risk sharing. Access to insurance enables businesses to focus more on their business growth while minimizing further risks affecting assets, health or their ability to operate.
- **Remittances:** This is money transfer from one place to another, usually along the border and between family and friends. Compared to other capital resources that can fluctuate depending on the political or economic environment, transfers are a relatively stable source of funds.

Current Status of Microfinance in SHG - Bank Linkage Programme

Financial inclusion is a means of empowering people to deliver social and economic justice. Midst the various models, the SHG-Bank Linkage Program (see table: 1.3&1.4) provided a wide range of facilities to empower poor, especially rural women, by providing additional credit windows to banks. The program is being extended to cover all eligible poor rural households, focusing on resource deprived states, providing livelihood opportunities to SHG members and covering areas that are not yet accessible and efforts are being made to restore inactive SHGs and prevent workers from breaking down, such as capacity building and hand-holding support. In close coordination with NRLM, efforts are being made to create and nurture groups by involving NGOs, and community support systems are being appropriately encouraged to promote and nurture SHGs.

**Table 3: Overall Progress under SHG-Bank Linkage Programme
(Number in lakh/Amount ₹crore)**

Financial Year	SHGs Saving with Banks as 31 st March		Loan-Disbursed to SHGs-during the year		Loan-outstanding against-SHG as on 31 st March	
	Total SHGs No.		No. of SHGs-extending Loans		Total No. SHGs-Linked	
	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
2006-07	41.60	3512.71	11.05	6570.39	28.94	12366.49
2007-08	50.09	3785.39	12.27	8849.26	36.25	16999.91
2008-09	61.21	5545.62	16.10	12253.51	42.24	22679.84
2009-10	69.53	6198.71	15.87	14453.03	48.51	28038.38
2010-11	74.62	7016.30	11.96	14547.03	47.87	31221.17
2011-12	79.60	6551.41	11.48	16534.77	43.54	36340.00
2012-13	73.18	8217.25	12.20	20585.36	44.51	39375.30
2013-14	74.30	9987.42	13.66	24017.36	41.47	42927.52
2014-15	76.97	11059.84	16.26	22782.31	44.68	51545.46
2015-16	79.03	13631.39	18.32	37286.90	46.73	57119.23
2016-17	85.77	16114.23	18.98	38781.16	48.48	61581.30
2017-18	87.44	19592.12	22.61	47185.88	50.20	75598.45
2018-19	100.14	23324.48	26.98	58317.63	50.77	87098.15
2019-20	102.43	26152.05	31.46	77659.35	56.77	108075.07
2020-21	112.23	37477.61	28.87	58070.68	57.80	103289.71

Source: Status of Microfinance in India Report (NABARD) 2020-21

In the above table: 1.3 shows the SHGs saving in Banks in from 2006-07 to 2020-21 shows a tremendous growth. The SHG saving at bank in the year 2006-07 was ₹3512.71 crore raised to ₹37477.61 crores in 2020-21. Similarly, loan disbursed by SHG in year 2006-07 was ₹6570.39 crores which raised to ₹58070.68 crore in 2020-21, which shows almost nine times increase in loan disbursed. The loan outstanding in 2006-07 was ₹12366.49 crore raised to ₹103289.71 crore in 2020-21.

Also, shows the SHGs saving with banks, in year 2006-07 the saving deposited in bank was ₹3512.71crore, the deposits increased by 7.8% in 2007-08 and reached to ₹3785.39crore. In successive years there was increasing trend and the amount in saving account was ₹23324.48 crore with the growth rate of 43.31% during 2020-2021 respectively. Loan disbursed to SHGs in 2006-07 was ₹6570.39crore, the amount increases by 34.68% in 2007-08 and reached to ₹8849.26crore. In 2020-21 amount was ₹58070.68 crore with the decreased growth rate of 25.22% due to Covid-19 pandemic. Table also showing data about loan outstanding against SHGs in 2006-07 was ₹12366.49 crore, the amount increases by 37.47% in 2007-08 and reached to ₹16999.91 crore. In 2020-21 amount was ₹103289.71 crore with the decreased growth rate of -4.4% due to Covid-19 pandemic. During 2020-21, banks have reported an addition of 9.8 lakh savings linked SHGs at all India level registering a growth of 9.5 per cent compared to 2.3 in 2019-20. Region-wise comparative data reveals that in terms of number of SHGs savings linked with banks, positive growth was registered across all regions during 2020-21.

**Table 4: Overall Progress under SHG-BLP in Women SHGs
(Number in lakh/Amount ₹crore)**

Financial Year	SHGs-Saving with Banks as 31 st March		Loan-Disbursed to SHGs during the year		Loan-outstanding against-SHG as on 31 st March	
	Total SHGs No.		No. of SHGs-extending Loans		Total No. SHGs-Linked	
	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
2016-17	73.22	14283.42	17.16	36103.16	42.84	56444.24
2017-18	73.90	17497.86	20.75	44558.74	45.49	70401.73
2018-19	85.31	20473.55	23.65	53254.04	44.61	79231.98
2019-20	88.32	23320.55	28.84	73297.56	51.12	100620.71
2020-21	97.25	32686.08	25.90	54423.13	53.11	96596.60

Source: Status of Microfinance Report (NABARD) 2020-21

In the above table: 1.4 shows the SHG saving of women in Banks in from 2016-17 to 2018-19 shows a tremendous growth. The SHG saving at bank in the year 2016-17 was ₹14283.42 crore raised to ₹32686.08 crores in 2020-21. Similarly, loan disbursed by SHG in year 2016-17 was ₹36103.16 crores which raised to ₹54423.13 crore in 2020-21, which shows almost 1.5 times increase in loan disbursed. The loan outstanding in 2016-17 was ₹56444.24 crore raised to ₹96596.60 crore in 2020-21.

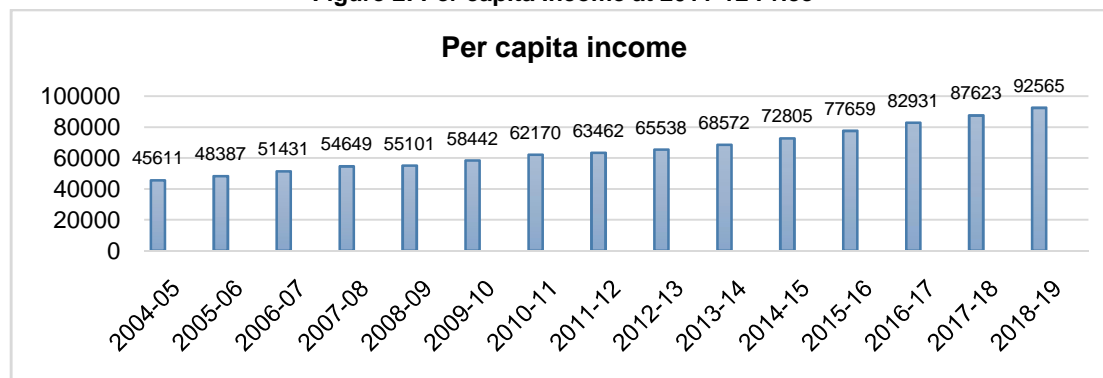
Microfinance Impact on Poverty Alleviation in India

Microfinance is a powerful tool for poverty alleviation and women's empowerment in the new economy. The effects of microfinance are twofold. First, it generally facilitates the members of SHGs and increases their income, thereby strengthening their livelihoods, confidence in the management of microfinance programs in India. Increasingly, microfinance is dominated by the SHGs and MFI bank linkage program, which aims to provide. An effective tool used to provide financial services to the poor. Secondly, for Poverty and Women, microfinance is known as a strategy for poverty alleviation and economic empowerment. However, there is a big difference between empowerment and poverty alleviation, meeting the real credit needs of the poor, especially women. Rural poverty can be reduced by launching an income generating program focusing on microcredit as a key input for economic growth. Microfinance is an authoritative tool for innovative and hardworking micro-entrepreneurs to start any small business. With the proceeds from these small businesses, microcredit borrowers hope for a better quality of life, health care, education, nutrition and a better future for their families.

Data Analysis and Interpretation

Previous studies have shown that microfinance helps the poor by providing loans to lift them out of poverty. This increases the per capita income there and reduces the poverty rate. The study focused on data per capita income and poverty alleviation through the microfinance activities. Based on this, the results of the study are described in detail.

Figure 2: Per capita Income at 2011-12 Price



Source: Central Statistics Office (CSO) Report 2018-19

In the above data, fig: 1.2 shows that India's per capita income is growing uninterruptedly, but the rate of per capita income has increased sharply since 1990 as SHG lends money to poor people for self-employment. provides. It provides employment to the poor, increases per capita income and lifts them out of poverty. Based on this observation, it can be said that microfinance may be one of the factors in increasing the per capita income and the negative correlation between per capita income and the population below the poverty line.

Table 5: Percentage of Poor in India

Year	Poverty Ratio in Percentage (%)		
	Rural	Urban	Total
1993-94	50.1	31.8	45.3
2004-05	41.8	25.7	37.2
2009-10	33.8	20.9	29.8
2011-12	25.7	13.7	21.9
2017-18	29.6	9.2	22.8

Source: Planning Commission, NSO

In the above table: 1.5 shows, it is observed that percentage of poverty in India is continuously reduced. In 1993-94 poverty percentage in India is 45.3%. In rural area the poverty is 50.1% and in urban area the poverty is 31.8%, it shows that rural area is more affected by poverty. But the rate of poverty in India is decline because SHGs provide money as a loan to the poor people for self-employment which shows in table: 1.3 & 1.4. Impact of microfinance proceeding poverty line is showing in above table: 1.5 in 1993-94 poverty percentage in India is 45.3% according Tendulkar committee method, the percentage of poverty decline by 8.1% and reached to 37.2% in 2004-05. In 2009-10 poverty percentage is 29.8%; 2011-12 is 21.9% and 2017-18 is 22.8%. On the source of data, we found that the providing of microfinance by SHGs and MFIs helps to reduce the poverty population in India.

Conclusion

Many poverty alleviation programs have been implemented in India, but the desired results have not yet been achieved. The findings of this research paper will help to understand the relationship between poverty alleviation and microfinance on the one hand, and the impact of this poverty alleviation program on poverty reduction through microfinance in India on the other hand. Microfinance has become more widespread in the last three decades, as it has been linked to poverty alleviation. Generating self-employment opportunities is one way to tackle poverty and unemployment. There are many BPL people in our country and microfinance activities can help lift them out of poverty. Microfinance can be a solution to broaden their horizons and empower them as well as help them gain social identity. The microfinance scheme has been found to be an effective means of lifting the poor out of poverty, increasing their employment opportunities and enabling them to lend. COVID-19 has made its impact in every sector, in this context, microfinance has not been untouched by it, the number of beneficiaries of microfinance has decreased in 2020-21, which is now moving towards improvement. Therefore, present research has shown that microfinance is an essential factor in increasing per capita income and reducing the population below the poverty line.

References

1. Sharif Mohd (2018), *A Study on the Performance of Microfinance Institutions in India*, International Academic Institute for Science and Technology
2. Sandhya Prakash & Amarjeet Kaur Malhotra (2017), *Microfinance – A Comparative Review of Literature*, Indian Journal Economics & Business
3. Priyanka Ramath & Preethi (2014), *Micro Finance in India- for Poverty alleviation*, International Journal of Research and Development - A Management Review (IJRDMR)
4. Bharti Saini, Mukesh Kumar, Renu Singh and S.D. Singh (2013), *Empowerment of Rural Women by Microfinance & Microcredit Scheme*
5. Dr. Ajit Kumar Bansal, Ms. Anu Bansal (2012), *Microfinance and Poverty Reduction in India*, Integral Review - A Journal of Management
6. Munian, A (2009), "Micro Finance and Poverty Reduction" Analytical Issues", *Economic & Political Weekly*
7. Yunus, Muhammad; *Banker to the Poor: Micro-lending and the Battle against World Poverty*, Public Affairs, New York
8. *Annual Report 2019-20 Govt. of India Ministry of Statistics and Programme*
9. *Status of Microfinance Report (NABARD) 2020-21*
10. *Central Statistics Office (CSO) Report 2018-19*
11. *Planning Commission (2015), Perspective Planning Division, Government of India.*
12. <http://www.nabard.org>
13. <http://www.indiamicrofinance.com>.

