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The Role Of Micro Finance In Empowering The Women Of Rural Areas

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ABSTRACT

This is a pragmatic study which aims to find out the role and responsibilities of microfinance in women empowerment and rural development. With a vast section of the world's marginalized population, India is likely to have a large probable requirement for microfinance. Microfinance offers particularly little credits to poor families to draw them into gainful productive activities. Microfinance is well thought-out as a tool for socio-economic development of the Country. National Bank for Agriculture and Rural Development is an Apex Development Financial Institution in India and has played a crucial role in establishing strong and effective SHGs and Bank linkage scheme focusing on developing credit delivery services for the poor, building a mutual trust and confidence between bankers and the poor, encouraging banking activity both on economy as well as credit and formal mechanism of banking with the poor. The present paper discusses conceptual framework of a microfinance institution in India and its role in empowering the rural women. The accomplishments of various microfinance institutions have been incorporated in a model microfinance institutional mechanism for India. An attempt is also made to propose the ways to augment women empowerment. Micro financial schemes plays imperative role in increasing women's participation in economic activities and decision making. This study found that microfinance institutions contribute to rapid socio-economic growth by leveraging neglected sectors of the economy by providing them financial assistance and helping them to finance their own projects and increase their income. It is concluded that poor people in rural areas especially in developing countries, are in immense need of credits so microfinance programs through SHGs must make available this credit needs and inspire the poor people to increase their standard of living.

KEYWORDS: Microfinance, Rural Development, Socio-Economic Development, Financial Services, Women Empowerment etc.

1. INTRODUCTION

Obliteration of paucity remains a foremost challenge of planned economic development. The Government of India has launched several development schemes after independence and all these initiatives focused on enhancement of socio economic conditions of rural masses and improving their standard of living through elimination of poverty. Poverty had declined substantially in 1980s. Women encompass the most neglected and categorized 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. Microfinance is well thought-out as a device for socio-economic growth. Microfinance plans have been initiated with the aim of increasing microenterprises in addition to help existing business to grow by expanding their activities and deal with poverty among the needy people of the developing countries. Microfinance endowswomen with the financial backing they need to start business

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ventures and actively participate in the economy. It gives them certainty, improves their status and settles on them progressively dynamic in basic leadership, in this way reassuring gender equality. Unfortunately, the approaches and

strategies of this plan of action initially did not yield expected results neither in improving socio economic conditions nor eradication of poverty. Any rural development plan is not possible without mainstreaming the disadvantaged category of population. This article has examined the role of Micro finance institutions with respect to economic empowerment and poverty alleviation schemes for rural women.

The reasons for poverty lie in the institutional and social factors that imprint the life of poor people. The poor are denied of quality education and unable to acquire skills which fetch better incomes. Additionally access to medicinal services is denied to poor people. Over the past few years, savings-led Micro-finance has been recognized as an effective way to help very poor families with low-cost financial services. Micro-financing plays an important role in the development of an economy by providing the people the opportunity to establish a sustainable means of income. Ultimately boost in disposable income will lead to economic development and growth. In this way, the motivation behind microfinance is to raise the income of poor people by providing financial services of very small amount. These financial services are not limited to savings and credit but can also embrace other financial services such as insurance and payment services. When poor people are unable to obtain financial services from banks directly then microfinance plays an important role in providing financial services. Micro-financing provides permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers to enable the poor people to come out of poverty. The impact of microfinance on women empowerment especially of rural areas needs to be studied in the light of improvement in the levels of literacy of the women beneficiaries and change in social and cultural belief systems in their household. Further it would be interesting to assess the woman empowerment after receipt of greater quantum of microcredit.

IMPORTANCE OF THE STUDY

There are a lot of studies that focus on the effects of microfinance on various dimensions that use microcredit to empower women. Overall, although most research in this area documents the economic benefits of microfinance, few studies focus upon the benefits experienced by the women beneficiaries themselves. It is found that micro finance improved the literacy levels and also accepted that microfinance has brought economic development directly and indirectly and thus happiness and peace in the family. Women are getting economically and socially empowered after getting aid from micro finance and the poverty level has reduced.

RESEARCH GAP

Though there is large number of studies on microfinance and empowerment, issues of impact assessment and empowerment of women through micro-finance in rural areas has not received much attention so far. Therefore, the present study assumes great importance in micro-finance industry and this particular topic has been taken up for the study to cover the research gap.

2. OBJECTIVES OF THE STUDY

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The major objective of the study is to assess the performance of the microfinance scheme in terms of generation of income and employment of the rural women under SHGs run by Government and Private Institutions.

3. RESEARCH METHODOLOGY

The study is exploratory in nature and is based on secondary data. Secondary data's which are already published; sources are collected from published books, magazines, journals, websites, reports and periodicals etc.

ECONOMIC DEVELOPMENT AND GROWTH

Economic development is the method through which economies are altered from ones in which most people have very inadequate resources and alternatives to ones in which they have much greater resources and preferences. The aim of poverty alleviation plans should improve human lives by growing the scope of things that an individual could be and could do, such as to be healthy and well-nourished, to be knowledgeable and participate in the life of a community. Development is a discontinuous and impulsive change from this point of view, development is about removing the obstacles to the things that a person can do in life, such as illiteracy, ill health, access to resources, or lack of freedoms. Economic development deals with the problem of underdeveloped countries, whereas economic growth deals with the problems of developed countries. Economic growth can be defined as growth of the economy, which can best be captured by a comprehensive measure of performance such as gross domestic product, over a number of years. In spite of the fact that government claims that higher pace of development, increment in agricultural production, providing employment in rural areas and economic reform packages initiated in the 1990s have resulted in a decline in paucity levels, economists raise uncertainties about the government's claim. Economic development in this manner covers practically all zones of economics, though with modifications to reflect the specific circumstances of creating nations.

CONCEPT OF EMPOWERMENT

Empowerment implies contribution in basic leadership and power over assets for having the option to accomplish higher caliber of life, and furthermore improving the capacity for making the most opportunities for development, provided by the system. With a vision of a new society, it involves a conscious and deliberate intervention and efforts to enhance the quality of life. The mid 1980s saw the term Empowerment getting into the mainstream in the field of progression particularly in reference to women. Empowerment of woman, in its simplest form, means the redistribution of power that challenges patriarchal ideology and male dominance. It is both a procedure and a consequence of the procedure. Empowerment basically involves the change of the structure or establishments that fortify and propagate gender discrimination. It is a process that facilitates women to gain access to and control of resources. However, empowerment for women begins in the family with equal opportunity, sovereignty and esteem. The process of women empowerment is both individual and shared. It is through the involvement in groups that people most often begin to develop awareness and the ability to systematize, to take action and bring transformation. Thus, empowerment is a means of awareness and capacity building leading to greater contribution in the decision-making and transformative action. This paper

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attempts furtherto examine how micro finance has accepted widespread recognition as a tool for economic empowerment of women.

SOCIAL EMPOWERMENT AND ECONOMIC EMPOWERMENT

Social Empowerment has been a concept with multiple meanings, at its most basic level emerges from considering as it simply suggests improvement in the conditions and quality of life of the

population. Technological advancement and public policies permit people to live better, to consume more, to feed themselves better, and to fall sick less frequently. This idea of social empowerment is inextricably linked to the idea of economic and material advance of human society. A little higher level it emerges from considering social empowerment in terms of the distribution of the wealth that societies generate. The economic dimension still comprises a powerful factor in determining social empowerment. Finally, a higher level on social empowerment identifies the latter with the processes of social segregation and social intricacy associated with the capitalist and industrial revolutions that gave rise to the modern world. The role of the state and other formal political institutions is significant in the process of empowering women. State can and must create supporting conditions, which help and reinforce the grass-root efforts of women towards empowerment.

Women's organizations have spent many years fighting for just laws and government policies. Obviously, only state has the responsibility to legislate and protect the formal rights of women. It is important that the women's efforts for change do not meet with resistance from laws and policy. This approach believes that women's empowerment cannot be materialized without awareness of the various factors which cause women's subordination. The emphasis is on organizing women into collectives and tackling the very sources of subordination. Education is considered central in developing new consciousness. The long-term goal for these women's groups is to be independent of any external stimuli, and determine their priorities themselves. This approach believes that women can be empowered only if they become aware of their subordination by gender, .caste and class. It places a lot of, stress on changing women's self-image. Unless women are made conscious of their existing perception of themselves no amount of external support will help. Women must be able to recognize their value in society, and acquire a sense of self-esteem and confidence. This approach focuses upon improving women's control over material resources. So the most important thing in this context is for women to recognize their economic role, whether paid or unpaid, and increase their own bargaining power.

In the past two decades, microfinance schemes have been considered by the economists as one of the leading strategies for poverty alleviation.

NABARD AND MICRO FINANCE

Microfinance is relatively a new branch of finance, which aims to promote self-reliance and economic development among people who don't have access to the formal financial sector. Paucity is the main cause of concern in improving the economic status of developing countries. A microfinance establishment is an organization that offers economic services to low income populations. The micro finance development in India was officially propelled on a pilot premise

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by the National Bank for Agriculture and Rural Development (NABARD) in 1992.The formal financial institutions in India had not reached the poor families, particularly the women in the unorganized sector. Microfinance has a noteworthy job in conquering any hindrance between the formal financial institutions and the rural poor. Further, the poor were not looked upon as credit worthy. The idea is to provide particularly poor people with small loans so they can start and control a business and pay back the loan over time. A significant change happened after 1969 when India received social banking and multiagency approach to adequately meet the requirements of rural credit. Afterward, the National Bank for Agriculture and Rural Development (NABARD) was set up in 1982 as a summit body to arrange the exercises of all foundations engaged with the rural

financing system. NABARD is a peak establishment, authorize with all issues concerning approach, arranging and activity in the field of credit for agribusiness and other financial exercises in rural area in India. NABARD was set up in 1982 as a Development Bank, as far as the prelude of the Act, for giving and managing credit and different offices for the promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities with a perspective on advancing incorporated rural advancement and verifying thriving of backward zones. The present article examines the impact of micro finance on rural women and whether the economic empowerment has resulted in the generation of a set of self reliant women in rural areas.

RELEVANCE OF MICRO FINANCE AND WOMEN EMPOWERMENT

Empowerment of women is one of exceptionally important concern in developing countries. As women are central part of society, her position and contribution in decision making as well as economic activities is very low. Microfinance plays very important function in improving women choice making by contributing in economic activities. Over the years various efforts have been made by many Government and Non-Government organizations to promote women empowerment especially in rural areas. Women workers all through contribute to the economic augmentation and sustainable livelihoods of their families and communities. The economic conditions of poor household no more allows woman's role limits to the four walls of the household, which a culturally conservative society used to do in the past. Women are forced to come out and earn money to support their family consumption needs. But vast spread illiteracy and ignorance of technical skill holds the women from entering into the formal employment. Therefore they play little role in the labour market and instead engage in the household and informal sector, labour, or self-employment activities nearby their house. Taking up of self-employment at large scale is out of their focus, because it involves high challenges like investment risk and marketing of goods. As the rate of unemployment is high in women, they constitute the bulk of those who need microfinance services. And women are more likely to invest their loans for the betterment of their entire family or plugging back into the business. So investing in women results in double benefit, betterment of not only of women even of her family. The credit needs of women and on time repayment of the same has become a solid reason for widespread operation of Microfinance Institutions in India. This is the main reason why Microfinance schemes give preferences to women over men.

SHGS

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India has been able to develop its own model of microfinance organizations in the form of savings and credit groups known as the Self Help Group (SHGs), which are bank-linked. These SHGs are mainly formed and managed by women and this has become an instrument, which has led to women's empowerment and social change. Micro finance through Self Help Group has been recognized internationally as the modern tool to combat poverty and for brining rural development. Micro finance and SHGs are effectual in dipping paucity, empowering women and creating responsiveness which finally results in sustainable development of the country. Microfinance, is banking thosewho have no access to banks and helps in bringing credit, savings and other essential financial services within the reach of millions of people who are too poor and live in the remote parts of the country and cannot be served by regular banks, in most cases because they are unable to offer sufficient collateral. Rural women make up a bulky proportion of microfinance recipient.

Since its inception Microfinance has been the fundamental thrust of Kudumbashree to address paucity. It has been proved without doubt that microfinance is the effective tool for development and contributed to the progression of women and economic development of the society to a great extent.

4. CONCLUSION

This study found that microfinance institutions contribute to rapid socio-economic growth by leveraging neglected sectors of the economy by providing them financial assistance and helping them to finance their own projects and increases their income. Micro- finance aims at providing and sustaining financial services such as credit, savings, insurance, and fund transfers to poor or low-income clients, including consumers and the self-employed to enable the poor people to earn their livelihood. Micro Finance has become a vital tool for development initiatives leading to poverty alleviation particularly in the rural areas and among women. Micro finance in India played a noteworthy role of SHGs in the Bank linkage. The primary objective of the SHG - Bank linkage scheme is to integrate informal savings and credit groups with mainstream banking system by providing credit facility to groups. Hence, this link has established between informal groups and formal financial institutions for catering the financial needs of the poor. Microfinance is a way for fighting poverty, particularly in rural areas, where most of the world's poorest people exist. Kudumbashree as a comprehensive schemes aims at the alleviation of poverty. It is participatory poverty reduction plan focusing on women empowerment through convergence of resources and community action. It is concluded that poor people in rural areas especially in developing countries, are in immense need of credits so microfinance programs through SHGs must make available this credit needs and inspire the poor people to increase their standard of living.

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