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Role Of MFIS In Women Empowerment

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ABSTRACT

Micro Finance is a widely accepted tool for poverty alleviation and socio-economic empowerment especially women of its beneficiaries. Development and growth of our economy is linked to socio-economic empowerment of its population dealt with rural women empowerment. Government of India and Reserve Bank of India has been taken steps to alleviate the poverty and targeting women to achieve inclusive growth as well as individual empowerment. This paper made an attempt to study the facts on role of microfinance in women empowerment. It looks into the positive and negative evidences and the challenges relating to women empowerment.

KEY WORDS: Micro Finance, SHGs, MFIs, Socio-economic Empowerment

1. INTRODUCTION

Microfinance is a form of financial services for women entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1) relationship-based banking for individual women entrepreneurs and small businesses; and (2) group-based models, where several female entrepreneurs come together to apply for loans and other services as a group.
Microfinance is a change agent whose object is a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. Many of those who promote microfinance generally believe that such access will help poor people out of poverty. For others, microfinance provides a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses.

CLASSIFICATIONS OF MICRO FINANCE TO WOMEN ENTREPRENEURS

Microfinance can be broadly classified into three categories: they are Microcredit, Micro savings and Micro Insurance. Their potential limits for increasing economic well-being and female entrepreneurs empowerment.

- The promise of **Microcredit** is to provide small loans to micro entrepreneurs to invest in their businesses, reinvest the returns to allow them to grow out of poverty. This will help them to access the financial resources and personal agency to women micro-entrepreneurs.

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- **Micro Savings** product aim to provide safe and accessible avenues for them to utilize the money for future investments or as a precaution against economic shocks. It can include simple no-frills bank account as well as commitment based products that encourage deposits or limit withdrawal in order to help save them to reach their goals. There is a big challenge is to make products cost effective for MFIs and to understand whether, the given promising evidence.

- **Micro insurance** products are designed to overcome the agricultural or health risks. The provision of insurance is faced with two challenges is an emerging market. First one is to monitor that claims are justified and to avoid selection of particular risky customers into their customer base. Second one, to establish trust among potential customers that their insurance will indeed pay out in the event of a future negative shock.

MICROFINANCE MODELS IN INDIA

In India, the beginning of microfinance movement could be traced to Self Help Group (SHG) Bank Linkage Program (SBLP) started as a pilot project in 1992 by NABARD. This programmed proved to be very successful and has also developed as the most popular model of microfinance in India.

In India, the institutions which provide microfinance services includes, NABARD Commercial Banks, Regional Rural Banks, Cooperative Banks and NonBanking Financial Companies (NBFCs).

CHANNELS OF MICRO FINANCE

- **SHG - Bank Linkage Programme (SBLP)**

A Self Help Group is a small group of 10 to 20 persons of rural poor who come together to jointly contribute to common fund and meeting their emergency requirements. SHG - Bank Linkage Programme was introduced by NABARD in 1992.

Under this programme 3 different models have emerged:-

a) Model I - Banks taken as responsibility to promote and guide SHGs.

b) Model II - SHGs promoted by government agencies and NGOs.

c) Model III - SHGs promoted by NGOs and financed by banks under NGOs / formal agencies as financial intermediaries.

- **Micro Finance Institutions**

MFIs include NGOs, trusts, social and economic entrepreneurs; these lend small, sized loans to individuals or SHGs. They also provide other services like capacity building, training, marketing of products etc.

- **Grameen Bank**

The Grameen model emerged from the poor-focused grassroots institution, Grameen Bank, started by Prof. Mohammed Yunus in Bangladesh. The Grameen Bank Model is focused in providing finance to entrepreneurial women who are already into some small jobs. The grouping, which is made up of about five members to maximum of ten members

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and financing of this model is a substitute collateral tool taking care of default and also possible risks. The guarantee is on one on another in the group.

- **Co-operative Bank**

Cooperatives Bank individual village banks and also credit unions are established. The individual village banks consist of 30 to 50 members. The village banks returns the principal with interest/profits to the implementing agency at the time when individual loans are repaid on weekly basis. Subsequent loans are considered only when repayment is made in full.

PROGRESS OF MICRO FINANCE IN INDIA

Loans to poor people by banks have many limitations including lack of security and high operating cost and so Microfinance was developed as an alternative to provide loans to poor people with the goal of creating financial inclusion and equality.

Micro Finance is defined as, financial services such as Saving A/c, Insurance Fund & credit provided to poor & low income clients so as to help them to raise their income & there by improve their standard of living. From this definition it is clear that main features of Micro Financing:

- Loan are given without security
- Loans to those people who live BPL (Below Poverty Line)
- Even members of SHG enjoy Micro Finance
- Maximum limit of loan under micro finance 25,000/-
- The terms and conditions given to poor people are decided by NGOs
- Micro Finance is different from Micro Credit- under Micro Credit, small amount of loans given to the borrower but under Micro Finance besides loans many other financial services are provided such as Savings A/c, Insurance etc. Therefore Micro Finance has wider concept as compared to Micro Credit.

PROGRESS UNDER MFI THROUGH SHGS LINKAGE PROGRAMME FOR RURAL WOMEN EMPOWERMENT

The Progress under MFI-Bank linkage programme for Rural Women Empowerment during the last 3 years is shown in Table 1

PROGRESS UNDER MFI/ MFO-BANK LINKAGE (AMOUNT IN CRORE)

Particulars	2015-2016		2016-2017		2017-2018		2018-19	
	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
Loans disbursed by banks/FIs to MFIs/ MFOs	647	20795.57	2314	19304.38	1922	25515.23	1855	38457.65
Loans outstanding against MFIs/ MFOs as on 31	2020	25580.84	5357	29225.45	5073	32305.92	6531	42589.65

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Source: NABARD Annual report 2017-2018

TABLE NO 1

It is inferred from the table, it reveals that loan amount disbursed by banks to MFIs are increased by the last three years and at the same time more risky challenges seen that loan outstanding against MFIs also increased as on 31st March 2019.

THE AGENCY WISE DETAILS OF LOANS EXTENDED TO MFIS ARE SHOWN IN

LOANS TO MFIS / MFOS BY BANKS / FINANCIAL INSTITUTIONS

FINANCING AGENCY	PERIOD	LOANS DISBURSED TO MFIS DURING THE YEAR		LOAN OUTSTANDING AGAINST MFIS AS ON 31 MARCH	
		NO. OF ACCOUNTS	AMOUNT (IN RS. CRORE)	NO. OF ACCOUNTS	AMOUNT (IN RS. CRORE)
Commercial Banks	2015-16	564	19324.14	1561	22652.85
	2016-17	1430	17091.33	3328	25089.18
	2017-18	641	22133.60	1962	26039.52
	2018-19	340	1364523.20	1287	1589647.20
Regional Rural Banks	2015-16	31	52.42	344	210.23
	2016-17	13	37.83	250	78.75
	2017-18	13	55.93	358	64.16
	2018-19	6	516.42	37	1450.03
Cooperative Banks	2015-16	3	6.00	17	11.76
	2016-17	834	207.33	1682	261.54
	2017-18	1248	38.70	2653	68.51
	2018-19	1567	7055.71	4080	13383.94
SIDBI	2015-16	49	1413.01	98	2676.00
	2016-17	37	1967.90	97	3795.98
	2017-18	20	3287.00	100	6133.74
	2018-19	20	90500.00	84	171586.59

Source: NABARD Annual Report 2017 -18 & 2018-19

TABLE NO 2

It has been stated from the above table 3.2 shows that the agency wise details of loans extended to MFIs over the four years of records of 2015-16 the number of accounts decreased and when compared to 2018-19 for loans disbursed to MFIs and Loans outstanding against MFIs of over the four years of records of 2015-16 the number of accounts increased and when compared to 2018-19.

2. CONCLUSION

Microfinance is multi dimensional works in an integrated system. There are many stake holders and each one has a definite role and goals to play in an emerging market. There is a second level called micro level where MFIs, NGOs, SHGs and Grameen work to provide financial support to individual rural women entrepreneurs. Lending to the poor or rural women

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entrepreneurs through microcredit is not the end of the problem but beginning of a new span of time. If effectively handled, it can create miracle in the field of poverty alleviation. But it must be tie up with capacity building programs like handicraft, weaving, carpentry, poultry, goat rearing, mushroom cultivation, bees farming, vegetable farming and many other agricultural and non agricultural training. Government has been to playing proactive role in this case. People with some special skills have to be given priority in lending microcredit. These clients should also be provided with post loan technical and professional aid for success of their microenterprises.

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