

## **BREAKING BARRIERS: THE IMPACT OF MICROFINANCE ON WOMEN ENTREPRENEURS' SOCIO-ECONOMIC STATUS**

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### **Abstract**

*Microfinance organizations provide loans to low-income clients and assist those living below the poverty line by providing them with funds to improve their quality of life. Additionally, they give borrowers access to basic savings accounts, credit, and education. Muhammad Yunus is credited with founding microfinance while serving as a professor in Bangladesh in 1970. One of the most crucial issues in developing nations is women's empowerment. Even though women make significant contributions to the domestic and national economies, their labor is still unpaid and seen as merely an extension of the home sphere. Women's empowerment gives impoverished and homeless women the knowledge and self-assurance they need to meet their basic needs, such as a stable job, a healthy lifestyle, and the ability to reclaim their homes, family and children. The present paper examines the linkages between micro finance and empowerment of women.*

*Keywords: Micro finance, empowerment, women empowerment*

### **Introduction**

#### **Micro-Finance And Women Empowerment**

Numerous studies conducted globally indicate that financial inclusion and women's empowerment are closely related, and that awareness campaigns alone cannot inspire women to leave their homes if they lack financial independence. The liberalization of the Indian economy in the early 1990s brought about a number of reforms and an upward trajectory in economic growth. The question of whether this growth is affecting all facets of society or just the elite was raised by this, though. According to World Bank estimates from 2018, India's inequality increased at the fastest rate among all major global regions between 1980 and 2016, with the richest 10% of the population holding 55% of the nation's income. Approximately two-thirds of India's population resides in rural areas, according to the 2011 census. The lack of services like banking and healthcare is a persistent problem for them. Because of this, rural India's full potential has not yet been realized, especially for women who have strong leadership and entrepreneurial skills.

Numerous studies conducted globally indicate that financial inclusion and women's empowerment are closely related, and that awareness campaigns alone cannot inspire women to leave their homes if they lack financial independence. In the most remote regions of the nation, where formal banking services and credit facilities are lacking, microfinance institutions have been instrumental in empowering women and giving them easy access to credit in the form of loans, enabling them to pursue their dreams. Because a woman who is

financially independent and empowered can make a big difference in her family's and her community's productivity and well-being.

In light of this, it is important to remember Prime Minister Narendra Modi's remarks, in which he praised the contribution of women to the creation of a healthy society and said that no nation can advance if its women are not treated as equal partners in the process of development. However, it is concerning to note that in the 2017 World Economic Forum (WEF) Global Gender Gap Report, India is ranked 108th out of 144 nations, despite this knowledge and awareness. Along with other factors, the report emphasizes that women continue to face significant obstacles in the area of "economic participation and opportunity," as the country scored 139th on this metric. In India, only 28 percent of women are employed.

Women make up about 14% of all Indian entrepreneurs, according to the Ministry of Statistics and Program Implementation's Sixth Economic Census. Of them, 98% are employed in the unorganized sector. According to the Global Findex Survey, compared to 11% in China, only 5% of Indian women with bank accounts are granted bank loans. As a result, they frequently restrict their operations to the confines of their community or take out loans from unofficial sources at significantly higher interest rates, rendering their goods and services uncompetitive.

Many people believe that microfinance is a useful tool for reaching underbanked but aspirational women who are committed to changing society because of its reach and ability to connect with the rural population. The significance of microfinance institutions (MFIs) in the country can be understood from the recent rise in borrowings by women. As of June 2018, MicroFinance Institutions Network reported that these institutions had over 2.65 crore borrowers and an outstanding gross lending portfolio of Rs. 1,48,097 crore. Women make up the majority of them, and they are not eligible for official credit. The industry has received the boost it needs thanks to the introduction of the MUDRA scheme and institutional measures like updated RBI guidelines for NBFC-MFIs.

Additionally, microfinance organizations use small joint liability groups to link female entrepreneurs. Without the need for collateral or a laborious paperwork process, each group member is given a specific amount of money that can be used for generating revenue through trade, agriculture, handicrafts, animal husbandry, and other business ventures. More significantly, the existence of branches even in the most isolated regions of the nation suggests that loans are easily accessible and that the disbursement procedures are efficient. Women are more financially disciplined than men, according to experience. Therefore, when women obtain formal credit, a significantly greater amount of social value is created. As a result, every microloan given to female entrepreneurs significantly contributes to the creation of a prosperous society, the creation of jobs, and the reduction of poverty.

Therefore, it can be claimed that financial inclusion is essential to women's empowerment and to preparing them for more significant roles as contributors to the development of their countries. However, the banking industry, microfinance organizations, and the government should all share responsibility for this. Building an empowered and financially inclusive society

is a difficult undertaking, especially in light of India's pronounced educational backwardness and diverse population. Thus, a thorough action plan must be implemented that not only strives for a society that is financially inclusive but also empowers and gives women the fundamental skills they need to work for themselves. Without a doubt, this will set the stage for a new and forward-thinking India that is based on independence and economic resiliency.

## **Breaking Barriers, Building Dreams: How Microfinance Supports Women Entrepreneurs**

### **Microfinance In India**

Women have historically faced significant obstacles to entry in the broad field of global entrepreneurship. The path of a female entrepreneur is paved with obstacles, ranging from the constraints of social norms to the harsh realities of financial marginalization. Microfinance, however, is a ray of hope and change amid these hardships. This article explores the significant effects of microfinance on female entrepreneurs, showing how modest loans can spark ambitious goals.

### **The Genesis of Microfinance: A Brief Overview**

Fundamentally, microfinance is a type of financial service that provides small loans, savings accounts, insurance, and other financial products to people and small businesses that do not have access to traditional banking services. Its origins can be found in the 1970s, when Bangladeshi economist Muhammad Yunus introduced the idea by making modest loans to Bangladeshi women living in poverty. This program established the foundation for microfinance institutions (MFIs) around the world with the goal of empowering the poor.

### **Unlocking Financial Doors for Women**

The lack of financial resources prevents many women from pursuing their dream of becoming entrepreneurs. Due to a lack of collateral or consistent income, traditional banks frequently consider women, particularly those in developing nations, to be high-risk borrowers. This gap is filled by microfinance organizations, which provide loans with low requirements that are customized to the particular needs of women. From weaving baskets to starting a small retail store, these loans—which are frequently as little as a few hundred dollars—are crucial in helping women launch or grow their businesses.

### **More Than Just Money: Education and Empowerment**

The effects of microfinance go beyond just providing money; they also include empowerment and education. Training in financial literacy, business management, and other skills relevant to the borrowers' enterprises is often offered by MFIs. This educational component is essential because it gives women the skills and self-assurance they need to handle the challenges of entrepreneurship. Consider the tale of Sunita, an Indian woman from a small village. She launched a home-based tailoring business with just \$200 in a microloan. Sunita was transformed from an optimistic entrepreneur into a shrewd businesswoman by the loan, which

included weekly meetings on financial management and saving techniques. Her company now employs other women in the village and provides for her family, empowering others in the process.

### **Challenges and Criticisms: Navigating the Path Forward**

Microfinance has its detractors despite its achievements. High interest rates and excessive debt among borrowers are cited by skeptics as major issues. Furthermore, the sociocultural context affects how well microfinance empowers female entrepreneurs; in certain areas, social norms still prevent women from reaping the full benefits of financial independence. To overcome these obstacles, a sophisticated strategy is needed. To make sure that loans result in long-term company growth, MFIs are incorporating support services and embracing ethical lending practices more and more. Additionally, community-based initiatives that create an atmosphere that supports female entrepreneurs are becoming more and more important.

### **The Road Ahead: Sustaining Impact and Scaling Dreams**

With innovation and technology opening the door to a wider audience and more significant impact, microfinance in India that supports female entrepreneurs has a bright future. Microloans are becoming more widely available thanks to digital financial services, and MFIs can now provide individualized financial products thanks to data analytics. The narrative of women's entrepreneurship and microfinance is one of perseverance and optimism. One tiny loan at a time, the goal is to break down barriers and create dreams. Looking ahead, the ongoing development of microfinance has the potential to change entire communities in addition to assisting female entrepreneurs.

### **Data Analysis**

#### **Respondents Background Details And Data**

	<b>Govt Support</b>	<b>Non-Government Support</b>	<b>Total Respondents</b>
<b>Age</b>			
21–30	22	36	58
31–40	42	52	94
41–50	24	14	38
51–60	8	2	10
<b>Education</b>			
Read and write	50	84	134
Primary	8	12	20
Junior high school	8	6	14
High school	14	2	16

Intermediate	16	0	16
<b>Category</b>			
General	28	18	46
OBC	36	38	74
SC/ST	32	48	80
<b>Family type</b>			
Single	58	70	128
Joint	22	14	36
Extended	16	20	36
<b>Categories of family size</b>			
5 or Less than members	36	30	66
6–10 members	54	66	120
11 and above members	6	8	14
<b>Annual income categories (in Rs.)</b>			0
Up to 30,000	6	12	18
30,000–60,000	36	28	64
60,000–90,000	44	52	96
90,000 and above	10	12	22

The age groups of the respondents are shown in Table 1. The majority of respondents (48%) are between the ages of 31 and 40, with 26% (52 respondents) belonging to SHGs that are not supported by the government and 21% (42 respondents) to those that are. According to the respondents' educational backgrounds, 67% of them are only able to read and write. Of these, 42%, or 84 respondents, were from SHGs that were not supported by the government, while only 25%, or 50 respondents, were from SHGs that were. According to data on respondents' caste categories, the majority of respondents—40%, or 80 respondents—belong to the scheduled caste (SC), where more respondents are 48 respondents, or 24% of the sample, weremembers of SHGs supported by the non-government, compared to just 16% who were. Data shows that non-governmental organizations support SC at a higher rate than do government organizations. Other Backward Castes (OBC) came in second with 37% of the respondents, of whom 19% belonged to SHGs supported by the non-government and 18% to SHGs supported by the government. According to the study's family type data, the majority of respondents (64%) had a single family, with 35% of them belonging to SHGs that were not supported by the government and 29% to one. Additionally, according to the respondents' data, 60% of them have a family of six to ten people. According to Table 2, roughly 48% of respondents have an annual income betweenRs. 60,000 and Rs. 90,000 (USD 1,000 and 1,500), and 32% have an annual income between.

The goal of the current study is to comprehend how the use of microcredit facilities affects the role of the microcredit recipient and the family's decision-making process. And it is clear from

the results (Table 3) that the majority of respondents (83%) take part in family decision-making. While 39% of 83% of respondents were members of government-supported SHGs, a larger percentage (44%) were members of non-government-supported SHGs. Just 17% of respondents did not take part in family decision-making, with 9% of respondents belonging to government-supported SHGs and 8% of 17% to non-government-supported SHGs. Therefore, the majority of SHG members are seen to participate in family decision-making.

**Table 2 - Decision maker in family (N=200)**

Decision maker	Govt. support (%)	Non-govt. support(%)	Total respondents (%)
Husband	18	16	34
Both	78	88	166

**Table 3 - Decision taken by husband and wife jointly in the family for different decision areas**

Decision area	Govt. support (%)	Non-govt. support (%)	Total respondents (%)
Enhancement of family income	78	56	134
Self-employment activity to be pursued by beneficiary	78	80	158
Children's education	78	92	170
Children's marriage	72	80	152
Family budget	54	22	76

According to table 2, self-employed women and their husbands collaborate to decide on various family matters. The various family decision-making areas where the husband and wife collaborate are shown in Table 3. It suggests that women actively participated in these areas' decision-making processes. The majority of respondents (85%) participated in choosing their children's schooling, with 46% belonging to SHGs that were not supported by the government and 39% to those that were. 79% of respondents participated in self-employment activities overall, with 40% belonging to non-government-supported SHGs and 39% to government-supported SHGs. Then, 77% of respondents participated in decisions regarding family income enhancement, with 39% belonging to government-supported SHGs and 38% to non-government-supported SHGs. 76% of respondents said they were involved in choosing whether or not to marry their children, with 40% belonging to SHGs that were not supported by the government and 36% to those that were. Only 38% of respondents participated in family budget



decision-making, with 27% of respondents belonging to government-supported SHGs and only 11% to non-government-supported SHGs. Therefore, it is evident that women are more involved in family matters than in economic ones. Understanding how women's socioeconomic status changes when they use microcredit facilities is one of the study's other goals. Table 4 shows the striking shifts in respondents' socioeconomic status following their participation in Self-Help Groups and their use of any form of microcredit assistance. According to the study, some of the advantages that women micropreneurs enjoy are as follows:

**Table 4 - Changes in socio-economic status after joining SHG**

Sl. no.	Changes in socio-economic status after joining SHG			
	Aspects of socio-economic status	Degree of impact	Govt. support (%)	Non-govt. support (%)
1	Mobility	Same	26	26
		Increased	30	50
		Decreased	40	28
2	Recognition in family	Same	0	14
		Increased	96	90
		Decreased	0	0
3	Recognition in community	Same	8	12
		Increased	88	92
		Decreased	0	0
4	Interaction with outsiders	Same	58	46
		Increased	38	58
		Decreased	0	0
5	Literacy/education	Same	18	14
		Increased	78	90
		Decreased	0	0
6	Access to credit sources	Same	20	24
		Increased	76	80
		Decreased	0	0
7	Family income	Same	6	4
		Increased	90	100
		Decreased	0	0
8	Asset building	Same	16	4
		Increased	80	100

		Decreased	0	0
9	Skill development	Same	6	4
		Increased	90	100
		Decreased	0	0
10	Voicing your concern	Same	46	32
		Increased	50	70
		Decreased	0	2
11	Decision-making related to money centred	Same	24	42
		Increased	72	62
		Decreased	0	0
12	Participation in development programs	Same	62	60
		Increased	34	44
		Decreased	0	0

In the context of microfinance and micro-enterprises, we examined in this paper the ways in which economic and social factors impact the respondents, who are women micropreneurs. The degree of empowerment of the chosen female respondents is evaluated using these social and economic study factors. Increasing self-reliance, taking part in decision-making, making decisions on one's own to take control of material and non-material resources, cultivating a positive attitude, fostering development, influencing others' attitudes or viewpoints, learning a new skill, overcoming stigma, etc. are all examples of empowerment. The influence of microcredit on the respondents' socioeconomic standing is utilized as a means of researching the empowerment of the chosen female respondents. Microcredit is a tiny amount of money granted for setting up or running of a small business unit. By international standards, this sum is typically less than \$100, while by Indian standards, it is hundreds of rupees. Microfinance benefits both urban and rural households, particularly women. Activities that generate income, like building assets and raising living standards, are credited. Microfinance institutions and non-governmental organizations independently identify the beneficiaries. Typically, the repayment period is brief. This is a novel approach to banking with the community's economically disadvantaged class.

Low transaction costs and a high loan repayment rate are the two main benefits. Microcredit is now a well-known organization that offers financial services to help people, particularly the impoverished. Despite not being a "magic bullet," microcredit is regarded as a tool for economic advancement and a supporter of women's empowerment and gender equality. In addition to empowering women, it improves her families' quality of life. The study's main conclusions are:



- 1 It can be said that women's socioeconomic standing in society and within their families has significantly improved since they gained economic empowerment.
- 2 Positive changes have also been noted in the personalities of the respondents.
- 3 For women who have historically been confined to socially and economically precarious situations, microcredit appears to be an empowering tool. Women are given microcredit, which makes them accountable for loan repayments and savings account upkeep.
- 4 It places her in the mainstream of her community and provides her with an economic identity.
- 5 It sends a powerful message to the society in which she lives.
- 6 6 Women acquire the self-assurance to take control of their lives and the lives of those around them after assuming these responsibilities.
- 7 Enabling and empowering her to assert her right to the shared economic resources and take her fair share guarantees that our constitution's tenets of democracy and equality are upheld.

### **conclusion**

More than just a financial model, microfinance promotes economic empowerment and gender equality. Microfinance is fostering the seeds of social change by giving women the resources they need to thrive, not just financing businesses. As more women, like Sunita, defy expectations and enter the business world, it is evident that microfinance has a profound effect that goes well beyond the individual and ushers in a new era of inclusive economic growth and empowerment. Therefore, it can be inferred from the study that microcredit facilities have a significant impact on people's lives and can have a significant impact if they are properly supported and intervened in. This tool affects women's and their families' living conditions directly as well as indirectly, for example, by lowering unrest.

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