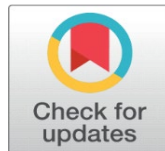


A STUDY ON THE ROLE OF MICROFINANCE TO PROMOTE WOMEN ENTREPRENEURS

Kiran Surywanshi ¹, Dr. Tapesht Dubey ²

¹ Research Scholar, Department of Management, Malwanchlal University, Indore (MP), India

² Head of Institute & Research Supervisor, Department of Management, Malwanchal University, Indore (MP), India



DOI

[10.29121/shodhkosh.v5.i1.2024.5125](https://doi.org/10.29121/shodhkosh.v5.i1.2024.5125)

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Copyright: © 2024 The Author(s). This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

With the license CC-BY, authors retain the copyright, allowing anyone to download, reuse, re-print, modify, distribute, and/or copy their contribution. The work must be properly attributed to its author.



ABSTRACT

Microfinance, particularly in developing nations, has emerged as a powerful tool to promote economic development and empower marginalized populations. Among these populations, women entrepreneurs have gained significant attention as the beneficiaries of microfinance initiatives aimed at fostering gender equity and stimulating economic growth. This paper explores the role of microfinance in supporting women entrepreneurs, focusing on its impact on economic development, poverty alleviation, and gender empowerment. By analyzing various case studies and statistical data, this research aims to evaluate the efficacy of microfinance programs and assess the barriers and challenges that women face when accessing these financial resources.

Keywords: Microfinance, Economic Development, Women Entrepreneurs, Gender Empowerment, Poverty Alleviation, Access to Credit

1. INTRODUCTION

Microfinance refers to the provision of financial services, including small loans, savings, and insurance, to individuals who lack access to traditional banking services. This model primarily targets low-income individuals, particularly women, in developing countries. Microfinance institutions (MFIs) have become pivotal in enhancing financial inclusion and promoting entrepreneurship among marginalized groups, especially women who often face systemic barriers to accessing capital.

The empowerment of women entrepreneurs is a key driver of economic development. As women gain financial independence and autonomy, they contribute to the wider economy through job creation, increased productivity, and improved household income. Microfinance, by providing the necessary financial resources and social support, plays a critical role in promoting women's entrepreneurial activities.

The objective of this paper is to assess the impact of microfinance on the economic development of women entrepreneurs, with a particular focus on its role in poverty alleviation, social empowerment, and sustainable economic growth.

2. LITERATURE REVIEW

2.1. MICROFINANCE AND ECONOMIC DEVELOPMENT

Microfinance has long been considered an important tool for economic development. It provides access to credit, savings, and other financial services to those excluded from the formal financial sector. According to various studies (e.g., Yunus, 2007; Armendáriz & Morduch, 2010), microfinance can contribute to poverty alleviation by enabling small-scale entrepreneurs to start or expand businesses, thus generating income and creating jobs.

However, some scholars (e.g., Rhyne, 2001) argue that microfinance alone cannot be considered a silver bullet for poverty alleviation. They emphasize the need for complementary support structures, such as education, healthcare, and infrastructure, to ensure long-term success.

2.2. THE ROLE OF MICROFINANCE IN EMPOWERING WOMEN

Microfinance has been particularly instrumental in promoting gender equality by supporting women in starting their own businesses. Studies (e.g., Kabeer, 2005; Mayoux, 2001) show that when women have access to financial resources, they are more likely to invest in education, health, and family welfare, which in turn boosts overall community development.

Microfinance institutions also serve as platforms for women to network, gain new skills, and access resources that empower them not only economically but also socially and politically. For instance, microfinance often includes training programs, group-based lending, SHGs and peer support mechanisms that provide women with confidence and leadership skills.

SHGs have played an important role in the lives of distressed members. Given the years of suppression of women in India, it is to be expected that SHGs take up the cause of their members. However, they are also responding from a desire to see justice done. Therefore, if helped to process the pros and cons of various situations and arriving at just and sustainable situations, women could be chosen by local communities as arbitrators. Arbitration in most villages is currently a male domain, but the experiences of women in negotiating for women's rights could be taken to the next logical step of involvement of women in local justice issues, whether or not a member is involved, and whether or not a member is "right" (APMAS, 2005). Similar to the political arena, SHGs need to be able to provide the technical support to help SHGs equip themselves as arbitrators.

CONCEPT OF SHG

Self help groups involves a small group of women working together to improve their financial status. It is generally a saving and credit-organization, composed of 10-15 farm women belonging to same area, religion or class.

Self help groups are voluntary gathering of persons, who share needs or problems that are not being addressed by the existing organization, institutions or other types of groups.

Self help groups are voluntarily formed informal registered or unregistered groups of micro entrepreneurs having homogenous social and economic backgrounds, voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and meet their emergency needs on the basis of mutual help.

State	Distri ct	Block	No. of SHGs (Activ e)	No. of Membe rs	No. of SHG s in SC	No. of Membe rs in SC	No. of SHG s in ST	No. of Membe rs in ST	No. of SHG s in OBC	No. of Membe rs in OBC	No. of Membe rs in General	No. of SHGs in Other s	No. of Membe rs in Others
Total			4544	50647	1954	20951	870	10194	1443	16836	1055	208	1611
MADHY A PRADES H	INDOR E	DEPALP UR	977	10801	523	5645	77	881	339	3905	111	31	259
MADHY A PRADES H	INDOR E	INDORE	1203	12882	479	4929	133	1671	474	5182	453	85	647

MADHY A PRADES H	INDOR E	MHOW	1361	16085	240	3040	634	7306	410	5113	299	58	327
MADHY A PRADES H	INDOR E	SAWER	1003	10879	712	7337	26	336	220	2636	192	34	378

Today the SHG's are the largest Micro-finance programme in the world which empowers rural women and reduce poverty and ensures sustainable and holistic limited credit, non-loan.

This paper has outlined several areas of working with SHGs to further their impact on civil society. It should be noted though that the sustainability of SHGs to effect such change is directly linked to their financial sustainability. While this latter issue was not the intended focus on the report, any external intervention to SHGs should bear this issue in mind.

Research has shown that SHGs financial management is average or weak (APMAS, 2005). Thus, it is vitally important that both government and NGOs work to bear all the costs in mind of interventions to make them sustainable otherwise the SHGs will be overburdened and destined to failure.

2.3. CHALLENGES FACED BY WOMEN ENTREPRENEURS

Despite the benefits, women entrepreneurs face several challenges in accessing and utilizing microfinance services. These challenges include:

- **Cultural and Social Norms:** In many societies, women are often excluded from decision-making processes, including those related to financial matters.
- **Collateral Requirements:** Many MFIs require collateral, which women may not have, given their limited access to assets.
- **Limited Financial Literacy:** Women's lack of financial education can hinder their ability to effectively manage loans and business operations.
- **High Interest Rates:** Although microfinance loans are typically smaller than traditional loans, interest rates can be high, which may make repayment difficult for women entrepreneurs.

3. METHODOLOGY

This study employs a mixed-methods approach, combining both qualitative and quantitative data to assess the impact of microfinance on women entrepreneurs. The primary data collection involves surveys and interviews with women who have accessed microfinance services in selected regions Indore(MP). Secondary data includes existing case studies, reports from MFIs, and academic literature.

- **Surveys:** A sample of women entrepreneurs who have benefited from microfinance will be surveyed to assess their business growth, economic well-being, and social empowerment.
- **Interviews:** In-depth interviews will be conducted with microfinance officers, women entrepreneurs, and community leaders to gather qualitative insights into the challenges and opportunities faced by women in accessing microfinance.
- **Data Analysis:** Statistical analysis will be used to quantify the impact of microfinance on women entrepreneurs' income levels, business expansion, and social empowerment. Qualitative data will be coded and analyzed thematically. During the field study, sincere effort has been made to analyse the impact of the additional services provided by the MFI. The following table provides a comparative analysis of the impact of the services through a With and Without service availing situation.

Table 1 Effect of appropriate systems of Microfinance on Promotion of women empowerment

	APPROPRIATE SYSTEMS OF MICROFINANCE
--	--

AREA (% difference)	WITHOUT	WITH
	(Control Group)	(Test Group)
Household Dependency on business	5%	52%
Member contributor to household work	3%	69%
Use of loan for members business	-7%	59%
New startups	5%	65%
Loan application for Handloom/Handicraft	3%	54%
Loan utilization for Handloom/Handicraft	12%	57%
Other than category utilization	1%	32%

Source Field Study Data Analysis

The Table.1, presents the difference in percentage of members who have been affected with and without the additional MFI services. The control group members are represented in the Without column, and Test group members are represented in the With Column. As evident from the table, there is very high increase in percentages where the additional services were provided. 52% test group members showed increase in household dependency on business as against only 5% of control group members who have not received any such service and got only loan amount. Similarly, member's contribution to household business increased by 69% in test group and a mere 3% in control group. Use of loans for members' own business decreased by 7% in control group and increased by 59% in test group. New start-ups were taken up by an increased 65% of test group members as against only 5% of control group members. As high as an increase of 54% members took up handloom and handicraft in the test group while only 3% increased members took it up in control group. Moreover, there was a drop of 32% test group members who did not utilize the loan amount for the said category, whereas this drop on percentage was a negligible 1% for the control group members. From the earlier analysis of data and also from this table, it can be inferred that Additional MFI services i.e. Appropriate microfinance systems do have significant evidential impact on promotion of rural entrepreneurship. Hence, the null hypothesis can be rejected and the alternate hypothesis can be accepted.

4. FINDINGS AND DISCUSSION

4.1. IMPACT ON ECONOMIC DEVELOPMENT

Microfinance has had a significant impact on women entrepreneurs' economic development. The majority of respondents reported an increase in household income and business growth after accessing microfinance services. This economic upliftment is particularly evident in rural areas where traditional employment opportunities are limited. Women entrepreneurs use loans to expand their businesses, invest in education for their children, and improve the overall welfare of their families.

4.2. SOCIAL EMPOWERMENT

Access to microfinance has also contributed to social empowerment. Many women reported gaining confidence and decision-making power within their households and communities. They are seen as role models for other women, challenging traditional gender norms and encouraging other women to pursue entrepreneurship.

4.3. BARRIERS TO SUCCESS

Despite the positive impacts, several barriers hinder the full potential of microfinance. These include:

- **Cultural Barriers:** In some regions, women entrepreneurs are still subject to societal norms that limit their mobility and decision-making autonomy.
- **Access to Larger Loans:** Many women entrepreneurs remain confined to microloans that are too small to scale their businesses significantly.
- **Financial Literacy Programs:** While some MFIs provide training, financial literacy programs remain inadequate for many women, limiting their ability to effectively manage finances.

4.4. CASE STUDIES

Several case studies highlight the transformative impact of microfinance on women entrepreneurs. For example, the Grameen Bank model in Bangladesh has been a notable success, providing small loans to women and enabling them to engage in profitable ventures, ranging from livestock farming to textile production. Similarly, the Self-Help Group (SHG) model in India has successfully facilitated women's entrepreneurship, with groups pooling resources to access credit and support each other's businesses.

5. POLICY IMPLICATIONS

Based on the findings, several policy recommendations are made to enhance the effectiveness of microfinance in promoting women entrepreneurs:

- **Improved Financial Literacy Programs:** Microfinance institutions should expand their financial literacy programs to include business management skills, marketing strategies, and financial planning.
- **Gender-Sensitive Loan Products:** MFIs should design loan products that are specifically tailored to the needs of women entrepreneurs, such as lower interest rates and flexible repayment terms.
- **Supportive Infrastructure:** Governments and international organizations should invest in infrastructure, education, and healthcare to complement microfinance initiatives and ensure sustainable economic development.
- **Social Change Initiatives:** There should be greater emphasis on challenging gender norms and promoting women's rights in communities, alongside microfinance services.

6. CONCLUSION

Microfinance plays a critical role in promoting economic development and empowering women entrepreneurs. While it has demonstrated significant positive impacts, such as increased income, business growth, and social empowerment, challenges remain in ensuring equitable access and maximizing the potential of microfinance. By addressing these challenges through targeted interventions, improved financial products, and supportive policies, microfinance can become an even more powerful tool for fostering economic growth and gender equity in developing countries.

CONFLICT OF INTERESTS

None.

ACKNOWLEDGMENTS

None.

REFERENCES

- Armendáriz, B., & Morduch, J. (2010). *The Economics of Microfinance* (2nd ed.). MIT Press.
- Kabeer, N. (2005). *Gender and Social Protection in the Informal Economy*. IDS Working Paper 8.

- Mayoux, L. (2001). Tackling the Downside: Social Capital, Women's Empowerment, and Microfinance in Cameroon. *Development and Change*, 32(3), 431-457.
- Rhyne, E. (2001). *The Microfinance Revolution: Sustainable Finance for the Poor*. World Bank.
- Yunus, M. (2007). *Creating a World Without Poverty: Social Business and the Future of Capitalism*. PublicAffairs.
- Zafar, M., Ahmad, S. (2023). Digital Empowerment: Advancing Women's Economic Status in Developing Countries. *Journal of Global Peace and Security Studies*, 4(2), 50-64.
- Borah, S., & Kalita, H. C. (2019). Information communication technology and women empowerment. *Journal of Pharmacognosy and Phytochemistry*, SP5(Special Issue-5), 365-368.
- Manoj, P. K., Lakshmi, S., Krishna, S., & Sebastian, R. (2023). Women Empowerment In Digital India and the Kerala Knowledge Economy. *Academy of Marketing Studies Journal*, 27(1), 1-11.
- Bimal, A., & Tiwari, R. (2012). Role of information technology in women empowerment. *EXCEL International Journal of Multidisciplinary Management Studies*, 2(1), 226-233.
- Podile, V. (2018). Digital India Initiatives for Social and Economic Emancipation of Indian Women. *International Journal of Research in Engineering, IT and Social Sciences*, 8(2), 59-61.
- Dhanamalar, M., Preethi, S., & Yuvashree, S. (2020). Impact of Digitization on Women's Empowerment: A Study of Rural and Urban Regions in India. *Journal of International Women's Studies*, 21(5), 107-112.
- Angadi, D. A., & Goud, A. (2018). Implications of Digital Economy on Women Empowerment. *International Journal of Research in Management & Social Science*, 6(1), Part-2, IX.
- Singh, R., & Kumar Dubey, D. (2023). Empowering Women Entrepreneurs Through Digital Startups in India: An Analysis of Government Schemes, Challenges, and Opportunities. *Vision Research*, 12(2), 134-139.
- G. Sagar (2018). Women empowerment in the digital economy – A historical perspective. *International Journal of Research in Management & Social Science*, 6(1), IX, 1-9.
- Dr. M. Chandra (2023). Analysis of women's economic empowerment in Tamilnadu's Tiruchirappalli district through a self-help group. *Research Explorer - A Blind Review & Refereed Quarterly International Journal*, XI(37), 22-30.
- Dr. K.S. Chandarsekar & C.S. Siva Prakash (2010). The role of information communication technology in women empowerment and poverty eradication in Kerala. *APJRB*, 1(2), 1-16.
- Manisha Tharu & Ram Ganesh Yadav (2018). Effects of technological development through electronic communication in women empowerment. *International Journal of Humanities and Social Sciences (IJHSS)*, 7(5), 93-100.
- Mr. R. Janakiraman et al. (2014). Role of self-help group and microfinance in women empowerment. *IRJMSSH*, 5(10), 161-166.
- Dr. Badiuddin Ahmed & S. Nayamath Basha (2014). *International Journal of Research in Management & Social Science*, 2(3), 40-45.
- R. Vishnuvarthini & A.M. Ayyothi. (2016). Title of the article. *IOSR Journal of Economics and Finance (IOSR-JEF)*, 7(3), 33-39.
- Ranjula Bali Swain & Fan Yang Wallentin. (2007). Does microfinance empower women? Evidence from self-help groups in India (Working Paper No. 2007:24). 541-556.
- Dave, V. Y., Vasavada, M., "Socio-economic empowerment of self-help group women in India with special reference to Gujarat: an overview." *International Journal of Innovations & Research Analysis (IJIRA)*, 101(2), pp 101-108.
- Namboodiri, N. V., Shiyani, R. L.(2001). "Potential role of self-help groups in rural financial deepening." *Indian Journal of Agricultural Economics*, 56(3), 401-409.
- Momin, A.,(2018). "A situation analysis of the role of microfinance in women empowerment." *International Journal of Research in Engineering, Science and Management*, 1(9).
- Karimzadeh, M., Nematnia, G. (2011) "Role of self-help groups through micro-finance for poverty alleviation and microentrepreneurship of women." *Conference on Inclusive Growth and Microfinance Access*, Banaras Hindu University, 1-11.
- Khatun, R., Ahmed, N.(2018). "Rural women empowerment and microfinance." *National Journal of Multidisciplinary Research and Development*, 3(1), pp. 1368-1372.