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ROLE OF MICROFINANCE IN DEVELOPMENT OF WOMEN ENTREPRENEURS: CHALLENGES AND OPPORTUNITIES

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ABSTRACT :

Microfinance is now widely regarded as one of the most crucial strategies for international development and poverty reduction. Despite several empirical investigations, the true effects of microfinance on economic and gender variables in relation to poverty remain unknown, and a number of critics have questioned microfinance's effectiveness in increasing women's empowerment and reducing poverty. The research seeks to investigate the impact of microfinance on the empowerment of poor, marginalized women. Based on empirical findings from extant relevant literature from around the world, the study concludes that women's participation in microfinance, especially through Self Help Groups (SHGs), empowers them in the economic, social, psychological, and political domains. The specific objectives of the paper are to investigate the financial products made available by microfinance institutions to women entrepreneurs, to identify the problems/ challenges faced by microfinance institution operators in financing women entrepreneurs, and to identify opportunities to improve women entrepreneurs' access to microfinance products/services. As a result, more empirical research is needed to determine if microfinance empowers or disempowers women, to establish a fair link between microfinance and women empowerment and assign appropriate weights to various characteristics of empowerment.

Introduction

Women have been considered the most underprivileged and discriminated strata of society not only in India but all over the world. Instead of all Government and non-Government initiatives they have been the most ignorant clients of society. Along with that, women are considered as weaker of the two genders and are slowly proving this thought wrong. In comparison to men, women are more likely to be poorer, have lower levels of education, be underrepresented in positions of power and decision-making in both the public and private spheres, and even be the target of all forms of violence, including economic, sexual, physical, and psychological violence (United Nations, 2015).In the developing world, women are gradually waking up and showing their potential, accepting the opportunities that come in front of them and efficiently using their knowledge and capabilities in the fulfillment of specific tasks (Zafarullah and Nawaz,2019).

With time women are coming out of their nutshell stepping out of their households, embarking on causes, and undertaking small scale industries. As time passes it is accepted by a society that women are equally involved in development of society and economies of country. This has also been influencing governments and international development agencies in reassessing women's potential in society. Even though India's GDP has been growing at a faster rate, such growth has been neglecting a large section of poor and underprivileged people. Inclusive growth has been much emphasized since the 11th Five Year Plan and so Financial Inclusion has been the policy measure towards it. Increasing income and employment as well as economic empowerment of women are the immediate issues to bring women into the mainstream of economic development. In this direction, an initiative was taken by Self Employed Women's Association (SEWA) in the year 1972 by improving the economic status of women (Pathak, 2008). The National Bank for Agriculture and Rural Development (NABARD) began a pilot program in 1991-92 to link Self Help Groups (SHGs) to banks, and since then, NABARD has propagated, promoted, and funded the SHG-Bank Linkage Program (SHG-BLP) (Vijayalaxmi,2021).

Microfinance is one of the major and effective instruments for Financial Inclusion which provides economic opportunities to weaker strata of society ensuring access to necessary financial services with the purpose to eradicate poverty and raise the standard of living for the poor (Suprabha, 2014). The Microfinance industry is growing year on year at Rupees 3.34 Lakh crore, whereas at the end of December 2022, it has been clocked to 43.4% with the help of NBFC-MFI (Ray, 2023).

Microfinance is defined as the provision of thrift, credit, and other financial services or products of a very small amount to the poor in rural, semi-urban, or urban areas for enabling them to raise their income levels and improve living standards (NABARD,1999). Other than micro-lending for micro-firms, microfinance services include savings, consumer loans, and insurance. In other terms, microfinance refers to a variety of financial services aimed at meeting the requirements of the poor. It shields people against income fluctuations and other shocks, as well as assists in the promotion of their incomes and livelihoods, whereas micro-credit specifically addresses the poor's credit needs for production purposes. While most micro-credit providers promote working or fixed capital investment in micro-businesses, the truth is that many clients use the credit for personal consumption. This paper will help microfinance institutions to develop such a framework that can help women to avail microfinance easily and help them to make their institution strong.

This will help policymakers and the government to make rules and regulations, provide such incentives that can build a strong foundation for a microfinance institution, and make people aware of such facilities.

Literature Review

Omotayo et al (2017) conducted a study to investigate the financial products that were available to entrepreneurs. The study also attempted to pinpoint the issue that microfinance institutions confront when it comes to financing women entrepreneurs. Delays in repayment, a lack of strategies, diversion of a loan issued, and a lack of banking culture were all identified as important issues in the study. Savings accounts, current account loans, equipment leasing, and micro- insurance were also identified as key microfinance tools in the study. The study concluded that the only way to improve women's entrepreneurship financing is to lower interest rates, loosen loan conditions, bring MFIs closer to the people, educate more women about MFIs, priorities rural women, assist women entrepreneurs in developing business plans, and extend the payback period.

Tyon (2011) in the paper role of microfinance in the development of microenterprises suggested some of the methods for the development of microfinance institutions. The study recommended that the institutional framework for microfinance be improved, including financial and operational sustainability, transparency, funding, and product development. Enhancement of the industry regulatory framework and supervision mechanisms, such as microfinance institutions reporting and benchmarking, as well as issues of microfinance institutions' funding and interest rates, were also suggested by the author.

Suprabha (2014) done a study on empowerment of SHG towards microenterprise development. The study's goal was to look into the factors that influence self-help group empowerment as microfinance clients, as well as the challenges they encounter in getting microfinance. Diversity in socioeconomic background, backups, capacity building services, and operating models all have a part in the development of SHG, according to the study. Study put forward that capacity building, money availability, lack of marketing arrangements, and non-availability of technical management and marketing help were all identified as issues in the transition of microfinance.

Mahmood (2014) explored the impact of microfinance loans on poverty reduction among women entrepreneurs. The study discovered that microfinance loans help families increase their income, reduce poverty, and educate their children. The study also found that microfinance aids in the successful reduction of poverty and the development of entrepreneurial skills among women. The findings imply that there is a reason for supporting women's businesses, whether they are established or new, so that they can learn from their experiences, network with others, take advantage of training opportunities, and mentor others in similar situations.

Chemin (2008) investigated benefits and costs of microfinance. The study found that microfinance empowers women who are formally prohibited by social traditions for waiting outdoors, promotes self-sufficiency, and enhances education by giving training. The author looked into a problem with clients not paying their bills on time, which costs financial institutions a lot of money. The study's recommendations included providing a selection guide to examine the most suited clients, enhancing repayment rates and/or benefits gained by individuals.

Naser and Crowthen (2016) in this paper microfinance and women empowerment tried to find out constraints in availing microfinance by the women. The author discovered that because women who work in micro-small businesses are mostly from rural areas, they have difficulty evaluating financial services. In addition, illiteracy and societal norms were substantial barriers to obtaining microfinance. The conclusion was reached that, despite the fact that women are essential stakeholders in the industry and society, they should be recognized as equally vital stakeholders as males within the economic community.

Objectives

1.To examine the financial product/services that are available in financial market for microfinance.

2. To investigate the problems faced by microfinance institution operators in financing women entrepreneurs.

3.To identify opportunities to improve women entrepreneurs' access to microfinance.

The study has been done with the help of secondary data that was collected through already published journals, government websites and published sources.

Financial Services that are available in the financial market for microfinance.

Joint Liability Group (JLG)

The Joint Liability Group can be defined as an informal group of four to ten people who try to obtain loans from banks on the basis of mutual guarantee for agricultural and related activities. Tenants, farmers, and other rural workers fall into this category. They are mostly in the lending business, although they also have a savings account. Every member of a borrowing group is equally liable for the credit in this sort of institution. (Singh, 2010) This type of organization is straightforward in nature and requires minimal, if any, financial management. Personal preferences in credit lending are one of the structure's major flaws, which has resulted in the system's partial collapse. It is still remembered as a watershed moment in the fight to defend farmers' land ownership rights.

Self Help Group (SHG)

A self-help group is a type of official or informal organization made up of small business owners from similar socioeconomic backgrounds. Such individuals briefly band together and create a joint fund to satisfy their company's emergency needs. Non-profit organizations make up the majority of these organizations. This micro-lending scheme has the advantage of not requiring collateral. Interest rates are usually generally low and fixed, which benefits women in particular. In addition, a number of bank-SHG collaborations have been launched in the hopes of improving financial inclusion in rural areas (Jayadev and Rao, 2012). One of the most important is the NABARD SHG linkage programme, which allows numerous self-help groups to borrow money from banks if they can show that their borrowers have made regular payments. It was particularly successful in Andhra Pradesh, Tamil Nadu, Kerala, and Karnataka during the 2005-06 fiscal year. SGH linkage credit was given to these states in the amount of 60%. (Taruna and Yadav, 2016).

The Grameen Bank Model

Professor Muhammad Yunus, a Nobel Laureate, introduced the Grameen Model to Bangladesh in the 1970s. In India, it is widely used in the form of Regional Rural Banks (RRB). The total growth of the rural economy, which is primarily made up of financially disadvantaged people, has been the purpose of this system. However, in India, this approach has not been fully implemented because rural credit and recovery systems are a major issue. These regional banks also failed due to a large volume of non-performing assets (Shastri, 2009). Self Help Groups have fared better than this approach since they are more suited to India's population density and significantly more sustainable (Dash, 2013).

Rural Cooperatives

The government of India established rural cooperatives during the independence period. They took use of the mechanism to combine the resources of persons with little financial resources and provide financial services. Their success has been limited due to their sophisticated monitoring structure. Furthermore, this system exclusively served credit-worthy persons in rural areas, excluding a substantial portion of the country's financially disadvantaged population (Rajendran, 2012).

Banking sector has been emerging in a big way to participate in the microfinance movement. At present many commercial banks are taking much interest in developing schemes exclusively for women. Various leading public and private sector banks have been providing finance under different schemes to the women entrepreneurs with a relief in interest rate on credit. Some of these schemes are listed in below.

Commercial Banks' Schemes for Women Commercial banks	Name of the scheme
Bank of India	Priyadarshini Yojana
Canara Bank	CAN Mahila
Central Bank of India	Cent Kalyani
Dena Bank	Dena Shakti
Oriental Bank of Commerce	Orient mahila Vikas Yojana
Punjab National Bank	Mahila Udyam Nidhi Scheme
	Mahila Sashaktikaran Abhivan
	PNB Kalyani Card Scheme
Punjab & Sind Bank	Udyogini Scheme
State Bank of India	Stree Shakti Package
State Bank of Mysore	Stree Shakti
SIDBI	Mahila udyam Nidhi
Union Bank of India	Viklang Mahila Vikas yojana
ICICI Bank	Women's account
IDBI Bank	Mahila Udyog Nidhi
	Mahila Vikas Nidhi
Vijaya Bank	Assistance to Rural Women in Non-Farm Development (ARWIND)
	Assistance For Marketing Of Non-Farm Products Of Rural Women (MAHIMA

Source: Ashok Pokhriyal, 2014

To identify the problems faced by microfinance institution operators in financing women entrepreneurs.

Macroeconomic considerations: Micro lenders should index themselves to the correct combination of leading and trailing industry indicators to avoid any negative effects from the global economic situation. They must conduct a detailed pattern analysis of parameters such as outstanding loans per year, waterfall effect from one reporting period to the next, client dropout rates, liquidity ratio, and inflation rate in order to predict future disruptions and take preventative measures such as changing lending or collection mechanisms to avoid business loss.

IT and operational considerations: A large number of technology collaborations have resulted in the development of digital infrastructure, raising technological and operational concerns. With the government's data localization recommendations and the proposed Data Protection Bill, important customer data is intended to be stored in India for protection. Micro lenders should also create fraud mitigation tools to keep fraudulent activity out of the financing process. Such activities should be tracked using demographic data, with measures in place to detect red flags at various points along the lending value chain.

Over-borrowing considerations: The risk of over-borrowing from several lenders becomes unavoidable as borrowers' credit demands expand. Despite the RBI's rules to prevent over borrowing, borrowers may still have to rely on local moneylenders, co-operatives, friends and relatives, and other informal finance channels to fulfil their rising consumption needs. Microfinance players should be able to conduct thorough analyses of borrowers' previous loans in order to strike a balance between providing credit for long-term business growth and reducing the dangers associated with excessive borrowing.

3) Opportunities to improve women entrepreneurs' access to microfinance.

New investment channels: For debt and equity financing, micro lenders rely heavily on commercial banks. Through corporate social responsibility (CSR) funds, global trust funds, and other financial sources, the sector must create collaborations with private donors such as foundations, NGOs, development agencies, venture capital, and social impact investing. To aid the microfinance business, funds from the retail bond market can be used to establish financial training institutes and create kiosks for women's development.

New business models: New business models for smaller MFIs have emerged as a result of the need to conserve capital and reduce reliance on external funding. While lending on their own books, these smaller MFIs are aggressively investigating business correspondent (BC) strategies to source on behalf of larger banks and NBFCs, reducing the risks of capital raising for them. Fee-based revenue is generated by these organizations by seeking loans for larger banks. In exchange, they forego interest-based revenue that could have been obtained by obtaining their own loan, which comes with its own risks of over-borrowing and non-performing assets (NPAs). Micro lenders must assess their risk appetite and funding requirements before selecting a business plan that will ensure long-term viability.

Customer-focused product and service offerings: Individuals with bank accounts are not the only ones who can benefit from financial inclusion. It's their capacity to gain access to a wide range of relevant financial products and services that are tailored to the target market's changing dynamics. Crop insurance and equipment leasing facilities with payback terms tailored to specific agricultural growth and production cycles are examples of curated financial products that microfinance players could strive to supply.

Last-mile access: Multiple government schemes, private and trust fund initiatives have been promoted to provide and measure the access of financial services to needy individuals.

Knowledge sharing : Field agents that have been taught to improve their analytical abilities, technical expertise, and understanding of regulatory regulations and new product offerings can help to increase knowledge sharing among borrowers. To advise borrowers on the best-suited financial products and any credit-related challenges they encounter, field agents should have access to sophisticated technology and substantial data.

Customer-centric digital intervention: Client-centric digital development, backed by data, can help to improve the entire loan process from acquisition to servicing by enabling customer profile-based solutions and a move away from paper-based lending procedures. Micro-lenders can use a mobility-based method for regular interactions, monitoring repayments, and providing value-added services to individual consumers, particularly those with lower literacy rates, given the high penetration of mobile phones and the low cost of internet connections. Key design factors, on the other hand, should be taken into account in order to make technology accessible to all microfinance consumer segments.

Fintech innovation: Aside from credit assessment-related rules, innovative fintech solutions must be developed in a controlled and well-regulated environment to enable large-scale microfinance adoption. In this vein, the RBI suggested a regulatory sandbox framework in 2019, 36 with the goal of providing a regulated environment for fintech firms and financial institutions to develop new data-driven solutions. Such innovation should focus on building reliable credit assessment models, tailoring services to the needs of customers, and devising solutions to help families escape poverty.

Women-specific credit assessment mechanisms: Women entrepreneurs lack traditional collateral and information about the financial viability of a business, putting them at a disadvantage and increasing their reliance on male family members. Furthermore, women's access to financial services is also hampered by unintentional socio-cultural bias. This can be overcome by disaggregating women's data for efficient analysis, resulting in improved loan evaluation and disbursement processes.

Skill development and business enablement: To assist women in properly accessing credit, new collaborations with government or private organizations might be formed to give instructional sessions on enterprise, personal finance, and company management. Micro lenders should also develop relationships with ecommerce startups and handicrafts associations to provide a marketplace for rural businesses to sell their wares.

Conclusions

Micro finance, as an integral aspect of poverty reduction programmes for women, can help to solve the problems of insufficient housing and urban services. The goal is to develop a level of flexibility in the credit instrument that allows it to meet the diverse credit needs of low-income borrowers without incurring an unacceptably high monitoring cost on lenders. While dismantling the centuries-old patriarchal system will be challenging, a reasonable approach to parity, equity, and equality through gender-related legislation may have a substantial impact on reducing male hegemony in society. Women can have better access to productive sectors if their social lives and economic arrangements are more inclusive, allowing them to develop their latent potential and apply their learned abilities to improve their economic status in society. The government can create more gender-sensitive and gender-responsive public policies and programs by taking into account gender differences, allowing women to gain agency and access resources aimed at their well-being and advancement.

Based on empirical findings from extant relevant literature from around the world, the study concludes that women's participation in microfinance, especially through Self Help Groups (SHGs), empowers them in the economic, social, psychological, and political domains

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