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RESEARCH ARTICLE

ROLE OF MICROFINANCE IN THE DEVELOPMENT OF WOMEN ENTREPRENEURS

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ABSTRACT

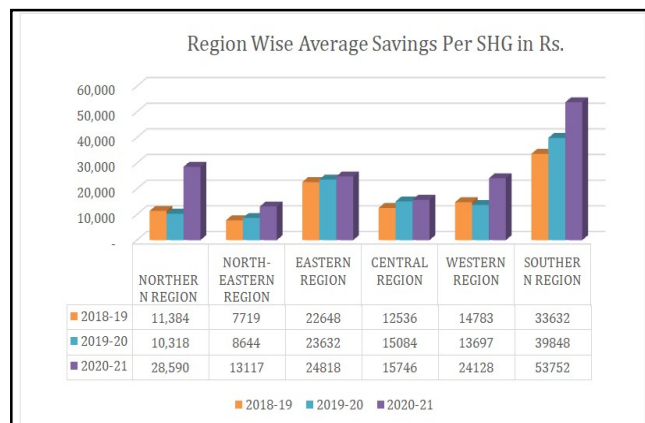
Women always lack financial independence and also the resources that can help them take an accelerating path towards their goals. Financial security has always been a bigger concern for women in society. Especially rural women face much more difficulty in creating good income factors for their families in the absence of financial management. Women entrepreneurs faced much more challenges than any other small-scale industry or service industry ever faced yet. Is it because people question their potential of repaying their debts? Or does patriarchal society dominate the financial structure in most countries, especially in India? Or People don't see the vision of female entrepreneurs as much as they want to invest in the male part of society? Multiple questions and reasons can be seen in the scenario but we need to look over the aspects that have truly helped women in achieving their goals in the hard and cruel conditions of financial security. The role of microfinance has been seen as a Revolutionary idea on the grounds of women's entrepreneurship. Females are seeking this option to support their social and economical development. Is this contribution helping women or is it just an illusion to exhibit?

INTRODUCTION

Banking has always been a safe option for people who want to seek loans for their general, business or visionary purposes. Reasonable interest rates in flexible repayment marked this option safer in every aspect. However, people from marginalized communities or Poor communities still can't afford to submit their collateral to the bank for sanctioning of loans. Or one can say that they do not have many assets to give to the bank to get the money on the desired amount they want for their fresh start. Many people, especially women, stated that they are willing to give everything to the organization to get the money for a fresh start but they cannot give any guarantee that this world will get them a way to earn their assets back by achieving their goals and growth. The market has tough competition and women face it in a much more crucial way as in a patriarchal society they always trust the male instincts. After facing all these problems the solution of not getting these Bank services and applying for loans safely by a new term known as microfinance. Microfinance is a provider service that is linked to a bank which specially provides a sum of money in the form of a loan, especially to the poor, unoccupied or lower-income people and community. The idea behind this Microfinance Service is to avail loans to the people to whom the bank is inaccessible and to whom these normal services are high profile. Lending a loan through microfinance seems the same as the normal loan practice is, however, it has a much more flexible and reasonable rate of interest that can be repaid accordingly. According to data revealed by the World Bank, nearly 500 million people got this microfinance loan service

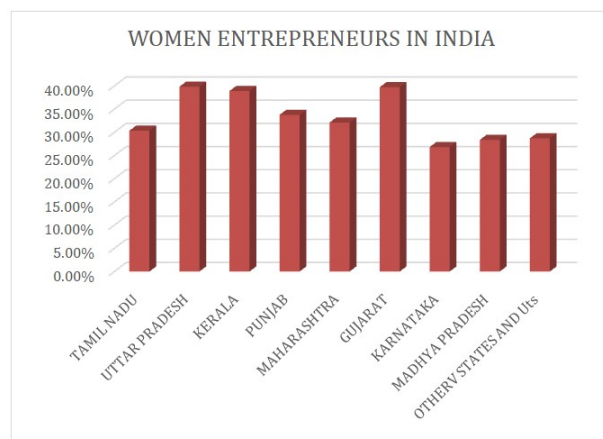
successfully. The majority of them were female entrepreneurs with low-income family backgrounds. The idea of Microfinance loan system is to help women in specific by giving them small business loans as they have the potential that needs financial support. Question is that if a person is uneducated about the banking system, how come it is safe to give them an amount in the form of a loan? And the answer is, under the microfinance loan terms and services a person who wants to seek a loan from the microfinance organization first needs to take lessons in classes about interest, knowledge of cash progression, agreements, budgets and how to repay debts even if you do not have a lot of income. Once a person gets this education they can apply for a loan successfully. Just like a traditional loan process, everything will be approved and then sanctioned. However, the best part of this loan is that the amount is so low that a normal Bank would not recommend or even think about giving this to a person. When the process is started a savings account is opened by banks in the name of the borrowers. An interval should be decided by both the borrower and the bank in which a person should deposit an amount in the savings account. An applicant of microfinance generally does not have collateral to submit. This savings account will work as both Collateral and a future savings option for a person. This small amount can create a big difference in a person's life. Women needed Micro Finance more than any other service in this developed crucial world. The starting journey of microfinance was in the 18th century when Jonathan Swift started to take responsibility for improving the conditions of Irish society by giving them a loan funding system.

After that, the traces can be seen in the Grameen Bank started by Muhammad Yunus in 1983, in Bangladesh. Many other places have these microfinance banks officially and unofficially. Most of these banks target women to go through the journey of development and self-reliance through the activities they are well-versed.



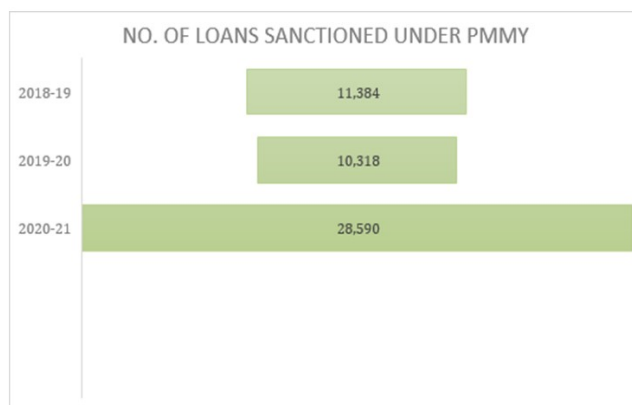
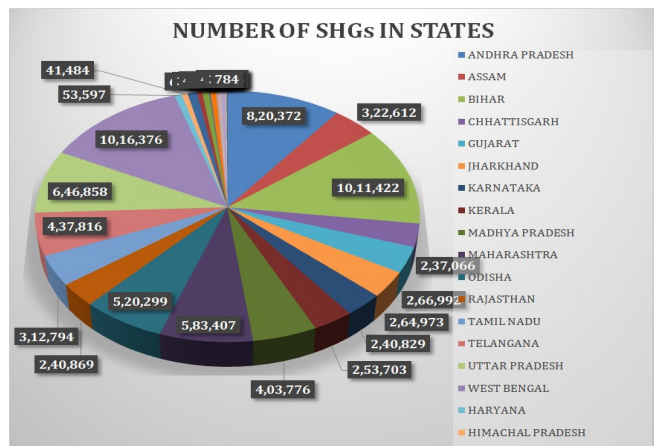
Microfinance has no definite definition but its meaning and usage can give a person an idea of how it works. Some people find it as a 'gender development program in which everyone is focused on women and their development in the area of small business and other economic activities. One can find women barely financially self-sufficient in the patriarchal society. According to many surveys and data women are 70% subjected to being poor in the contemporary world and Society. Other than this 65% of banks deny and reject loan applications which are specially submitted by women entrepreneurs or farmers. Women are constituting much more manpower in every industrial sector and they are more aware of the market values and structures rather than men. The only thing that they are lacking is the ability to get the financial background that a person needs to start their firm. People generally see small-scale industries or fresh Ventures run by women as a supplementary income or additional income for society. They do not find it a valuable source of tax or revenue.

Women entrepreneurs and Microfinance: Most women entrepreneurs come from a family where education is not provided to them as a core value. Other than the difficulties usually a person faces during the establishment of fresh venture women, need to overcome societal pressure, legal difficulties, illiteracy, family values, cultural barriers and other personal problems. Women are always known for their saving powers through informal forms of income. Apart from their saving cash, they have their personal belongings as collateral to get loans from personal relatives for a short period. This collateral can be jewellery, family antiques, services etc. In some cases, women make business partners and get the burden of sharing their income among too many people which can further burden them with the instability of fresh ventures. Even the market people are too harsh towards women and would not give them any credit supply without any payment. Due to the gift of globalization unknowingly people are investing more in women's projects as they find it more helpful and influential among people. According to one of the surveys of the ministry of micro, small and medium enterprises (MSME) on the All India level, women in registered categories are 13.72% and 9.09% in the unregistered category, if we sort it in numbers, we would find that number of women in registered regions are 2.15 lakhs and 18.06 lakh in unregistered regions, which means that women tend to take low risk which gives them low income. In these harsh situations, microfinance creates a ground of possibilities, employment and risk-taking factors for Women entrepreneurs by providing them with essential information, which further leads them to better opportunities, better strategies and poverty reduction. Microfinance institution helps women in a form of NGOs, Financial Institutions, SHGs etc. These institutions study people's cases and divide them into Urban and rural borrowers. Many microfinance institutions only take women business holders as they want to hike their economic objective by giving them financial stability and poverty reduction.



Another area in which microfinance institution helps women entrepreneurs is the importance of 'social capital on the grounds of entrepreneurship. As most women entrepreneurs are from a weak educated background, they lack the capacity and knowledge regarding the establishment of a new enterprise. As they are primarily weak in Human and financial capital, microfinance institutions help them to achieve higher goals in the area of Social capital. As easy as this quality seems, it is much more important than the other aspects of ownership. Social capital primarily depends on the connection networking through which an owner can flourish and receive new opportunities in human and financial capital areas. People can create their structures and manage them through this networking capital. Women are always behind this kind of networking as people tend to focus on male entrepreneurs and their strategies rather than women. Undeniably women are more sufficient and successful in creating communication-based relationships in society. But due to low self-esteem and lack of resources, they seem to focus on low-risk relationship building that would confine their social capital to certain people. Microfinance institutions focus on rebuilding women's self-reliance abilities and train them to focus on rebuilding social relationships with other people. They also focus on giving them a guide to the importance of this networking, 55% of ventures fail as they avoid foreign relationships and risk factors that can prosper their ventures more.

SHGs (Self-Help Groups) and Microfinance: The most legit example of a Microfinance institution on a basic level is SHGs. It was originated in 1989 and authorized by NABARD. The first root of SHG was with Vysya Bank of Kolar, Karnataka. Earlier roots can be traced to 1947 in the state of Maharashtra which was established by a few females in the Amravati region to help women entrepreneurs. SHGs primarily work on women's empowerment and cash flow among the poor who cannot access banking services and cannot understand bank-term loans. These people are from the same background as to whom they are helping. These group members work on small savings with banks and then sanction the amount to the people who want small loans for different startups. These loans are not limited to economic uses but for other purposes as well such as marriages etc. The World Bank promotes SHGs after the successful loan sanctioning among people in 1989. The most noticeable features of SHGs are- uniformity in society, savings, bank acclaim facilities, repayment guidance facilities, and promotion of social capital, especially among women entrepreneurs. According to data collection from different rural areas, participants in SHGs and the list of borrowers are largely women. Many unemployed women in rural areas want to start their ventures but cannot do due to a lack of education and financial stability. Many women do agriculture activities as people find them 'worthless' in other sectors. According to studies, India's half population is dominated by women, yet they are in a vulnerable condition and lack financial stability. In such situations, SHGs came forward to create awareness for them. SHGs are generally ridden by the animators or the facilitators. These animators can be from government organisations, NGOs, Rural Bank areas, service government staff, or any ex-employee of the same body.



The number of women animators are always in majority in these SHGs, as they will further guide, train and promote women empowerment in rural society. These groups are registered with government organizations with unique IDs. Also, the number should be limited to 10 to 20. Through the efforts of SHGs government has launched many schemes to promote women's entrepreneurship, especially in rural areas. Some of them are- Stand Up India, Mudra Yojana, Annapurna Scheme and Udyogini Scheme.

Current scenario: India is one of the largest countries to practice and have access to microfinance facilities in the world. According to global data for 2016-2021, over a billion people are poor and still do not have formal economic service access, out of which more than 200 million people living in India. This is the sole reason that Microfinance is much more in trend in India rather than in any other country in the world. The advancement of the microfinance sector can be allocated into 4 major parts or phases

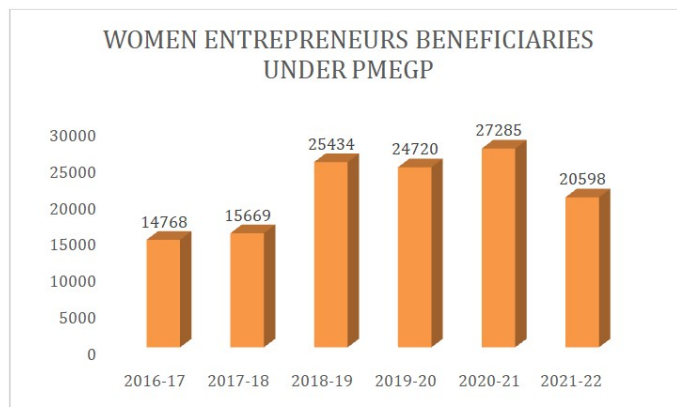
- From 1900-1960- The cooperative movement.
- From 1960- 1990- Sponsored Social banking
- From 1990- 2000- SHG & bank connection programs and the promotion of NGOs and Microfinance institutions.
- From 2000- recent years- The universalization of microfinance.

In recent years on 8 April 2015, the scheme was introduced by the Honorable Prime Minister to promote Microfinance among the rural people through Pradhan Mantri MUDRA Yojana. An online portal was introduced through which a person can apply to any of the institutions listed by the government to take any economic or non-economical loan. Another categorization was created by the government on the same portal to know the amount and the stage of the borrower so that they can approve their applications successfully. They are- Shishu, Kishore and Tarun, which means that it will cover a loan from micro to medium for the borrower.

In the Shishu category, they will cover loans up to Rs. 50,000, in Kishore, they will cover loans above Rs. 50,000 up to Rs. 5 lakhs and in Tarun, they will cover above Rs. 5 lakh up to Rs. 10 lakh. According to data collected by IMF (International Monetary Fund) women, entrepreneurs provide 17% of the GDP in India. According to other data from Google, 15.7 million i.e. 20% of small businesses are owned by women in India. And there are many other data like this that state that this is the sole reason behind the success of microfinance in India. Due to this government started to initiate much more funds into microfinance and Bank services. Moreover, under many policies of Microfinance, after COVID-19, the government is encouraging rural women to use digital facilities so that their businesses will not get affected if any issues like the pandemic occur in future. This will also promote awareness, self-confidence and consciousness towards the modern world. As the microfinance sector generally and primarily deals with the population which hinders any higher education and financial education this is a very big step to take and promote technological aspects. This step was taken by surveying rural areas where one can easily find mobile

phones in every household and also a person that can operate gadgets sufficiently. Easy apps are being introduced in rural areas to use microfinance facilities. Also, if someone lacks in this area, groups attached to microfinance train people to do so.

Challenges: Every facility comes with a drawback. There is no formal body to oversee Microfinance. Though the Reserve Bank of India regulates most bodies some of the institutions need extra guidance and surveillance. People lack financial education which creates a major barrier between Institution and the borrower. Many SHGs are still struggling to find decent group members so that they can easily get approval for their related applications from the government. As per the government norms, if the record of group members is not generous then the bigger loans or bigger amounts or any additional assistance will not be approved by those groups. Some groups have members that migrate a lot from one group to another, which also leads to negligence by the government. Another important major factor is the lack of translucent pricing. People find it inappropriate to not know the actual price when they are taking a loan from a microfinance institution. According to many women entrepreneurs after getting a loan from one of the institutions they get to know that the amount of interest is higher than they expected on the amount they have taken as a loan. Due to this they further got over-debt and had to take another job because their venture was new and they cannot get a good amount of money in starting any small business. Also, it has been stated that many microfinance institutions are operating in areas where there are already sufficient institutions. They are not covering other rural areas where women are much in need.



Many women are from the age group that cannot understand or educate themselves again digitally. Due to this people are urging the government to take action in both manual and digital form so that everyone can access the resources successfully. However, the fact cannot be denied that many NGOs are short on funds and they cannot hire that many people to operate things manually and digitally hand in hand. They are opting for options that are feasible and affordable to them. The majority of microfinance operations are conducted by NGOs in India. They are working as a linking Bridge between Bank services, microfinance services and borrowers.

Also, people find it easy to connect with them as they are primarily from the region where they are living or the people from NGOs can easily understand the concerns of the rural people. Many people argued around the World that lending money to these marginalized people individually as a microloan is not enough for them to be independent. The idea behind this statement is that they find it still a 'burden' to pay the interest, especially by women, that is being connected with the microloan. Many microfinance institutions are charging high rates of interest even greater than commercial banks. Other than these challenges microfinance Institutions lack consistent data which hinders their level of investment in a better place. Major Microfinance Institutions are following SHG models for lending money, which are not at all scientific and based on random modelling. In these models, one cannot identify the eligible borrower and the amount of burden they can take sufficiently.

Way forward: After the pandemic, all countries are facing an economical jolt.

The already vulnerable part of society i.e. women is facing much more inconvenience than at any other time. Due to the importance of microfinance institutions and their reliability Government of India has started much assistance in a form of schemes. Some of them are Atma Nirbhar Bharat, Pradhanmantri Garib Kalyan Yojana, Aatmanirbhar Nidhi, Deendayal National Livelihood Mission scheme, and Pradhanmantri Jan-Dhan Yojana. In addition, the Government of India has started many other provisions in which they are giving other household basic requirements to the poor, particularly to women, so that they would get free from the other financial burdens of daily consumption. During the pandemic, the government was unable to regulate the communication among borrowers and microfinance Institutions which resulted in defective data services. But now the government has provided additional volunteers to acquire more information to fetch to the loan officers so that they can understand people and their capabilities of applying for loans. The government is providing women much more than the amount of money as a loan, but this amount also affects the other aspect of their life such as -Health Care, Education, Society's outlook towards women and whole well-being. Women's ability to save and to get the credit from market is being increased after the involvement of microfinance institutions in the mechanism. Microfinance institutions are working on getting different collateral which especially includes women's belongings. As women from vulnerable parts of society usually do not have access to a good amount of property in their hands. Setting up things easily and flexibly promotes schemes to the vehicle section of society because they find it easy to understand and connect. Many women find it difficult to take the training programs as they also have household responsibilities and children's responsibilities.

To resolve this issue many microfinance institutions started easy apps that can be accessible to all age groups of women. Some States and especially the village areas have their lingual limitations that need a translator among different institutions. To resolve this issue government is providing multilingual apps that can be accessible to all through easy-going technicalities. Other than these issues some people argued that by targeting poverty solely, people and the government are neglecting those women who do have skills and abilities but belong to the middle section of society.

Accessibility should be divided equally for the consumption of loans in different sections of society. Due to this, the government started the MUDRA Bank which they are targeting different people with different abilities skills and requirements.

CONCLUSION

According to RBI microfinance institutions are not just an instrument to reduce poverty in a particular country or state but it also promotes development among the marginalized people of the society. They also listed three important roles of microfinance institutions in society. First, these institutions promote poor people to meet their basic wants by facing the contemporary world's risks. Second, these institutes improve the whole economic conditions of poor households. And third, it especially promotes and supports women's participation which is a part of gender equity and empowerment. All these statements and data indicate that the contemporary world is all open for Women entrepreneurs and they are seeking other genders' potential skills and importance in society.

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TOP 9 GOVERNMENT LOAN SCHEMES FOR WOMEN ENTREPRENEURS

Annapurna Scheme
Mudra Yojana Scheme
Dena Shakti Scheme
Udyogini Scheme
Mahila Udyam Nidhi Scheme
Bharatiya Mahila Bank Business Loan
Orient Mahila Vikas Yojana Scheme
Pradhan Mantri Rozgar Yojana
Cent Kalyani Scheme
