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Women Empowerment through Micro Finance & Turning Challenges into Opportunities: Indian Scenario

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Abstract:

This conceptual paper indicates and emphasizes the women entrepreneurs as the potentially emerging human resource in the 21st century to overcome the economic challenges in global perspective. Women of 21st century is no more a traditional resource confined to homes only rather an educated, knowledgeable and innovative part of the overall population possessing the capacity to transform economies into thriving enterprises. Microfinance is often used to refer to financial services for poor and low-income clients. In practice, its definition is narrowed down to loans and other services from providers identifying themselves as "microfinance institutions," (MFIs). More broadly, microfinance is a movement envisioning a world where low-income households have permanent access to variety of high-quality financial services, including savings, insurance and money transfers. Between the 1950s and 1970s, governments and donors concentrated on providing agricultural credit to small and marginal farmers in a bid to raise productivity and incomes. In the middle of the 1990s, "microfinance," started to replace the term "microcredit," referring to a range of financial services to the poor, not just credit. Government can support microfinance by setting sound macroeconomic policy, providing stability and low inflation. Microfinance sector is having a healthy growth rate, there have been a number of concerns related to the sector, like grey areas in regulation, transparent pricing, low financial literacy etc. Developing and developed nations have realized that developing women entrepreneurship is indispensable to flourish as economically dominant nation in the modern high-tech world. Therefore, creation of platforms and networks for entrepreneurial culture are prominent issues globally.

Research design and Methodology: This is a concept paper and the researcher has adopted the method of reviewing different research articles, research journals, and case studies, to collect data about entrepreneurship and woman entrepreneurship which is consequently incorporated as a concept paper drafted by the researcher.

Key words: Entrepreneur: Challenges: Opportunities: SHGs: WPR: Empowerment

1. Introduction to Microfinance

To most, microfinance means providing poor families with very small loans (microcredit) to help them engage in productive activities to grow their tiny businesses. Over a period of time, microfinance has come to include a broader range of services (credit, savings, insurance and others) as it has been realized that the poor, who lack access to traditional formal financial institutions require a variety of financial products. Microfinance started with the recognition that poor people had the capability to lift themselves out of poverty if they had access to affordable loans. High repayment rates in the industry have changed the perception that the poor are not credit worthy. With the right opportunities, the poor have proved themselves to be productive and capable of borrowing, saving and repaying, even without collateral. Find out more about microfinance in this section.

2. The concept of Micro-finance

Micro-finance is a tool for empowerment of the poor. Delivery is normally through Self Help Groups (SHGs). It is essentially for promoting self-employment, generally used for: (a) direct income generation. (b) Rearrangement of assets and liabilities of the household to participate in future opportunities and (c) Consumption smoothing. It is not just a financing system, but a tool for social

change, especially for women. Because micro credit is aimed at the poorest, micro-finance lending technology needs to mimic the informal lenders rather than the formal sector lending. It has to:

- Provide for seasonality
- Allow repayment flexibility
- Fix a ceiling on loan sizes.



Figure 1

Microfinance approach is based on certain proven truths which are not always recognized. These are:

- That the poor are bankable; successful initiatives in micro finance demonstrate that there need not be a tradeoff between reaching the poor and profitability - micro finance constitutes a statement that the borrowers are not 'weaker sections' in need of charity, but can be treated as responsible people on business terms for mutual profit .
- That almost all poor households need to save, have the inherent capacity to save small amounts regularly and are willing to save provided they are motivated and facilitated to do so.
- That easy access to credit is more important than cheap subsidized credit which involves lengthy bureaucratic procedures - (some institutions in India are already lending to groups or SHGs at higher rates - this may prevent the groups from enjoying a sufficient margin and rapidly accumulating their own funds, but members continue to borrow at these high rates, even those who can borrow individually from banks).
- 'Peer pressure' in groups helps in improving recoveries.

3. Objective of the Study

This paper objective to clarify these issues within the context of the debate about gender Mainstreaming. The paper is based on research conducted by various authors and secondary source material.

4. Microfinance Sector in India

4.1. History and Evolution

The evolution of Indian MF can be broadly divided into four distinct phases:

Phase 1: The cooperative movement (1900-1960)

During this phase, credit cooperatives were vehicles to extend subsidized credit to villages under government sponsorship.

Phase 2: Subsidized social banking (1960s – 1990)

With failure of cooperatives, Government focused on measures such as nationalization of Banks, expansion of rural branch networks, establishment of Regional Rural Banks (RRBs) and the setting up of apex institutions such as the National Bank for Agriculture and Rural Development (NABARD) and the Small Scale Industries Development Bank of India (SIDBI), including initiation of a government sponsored Integrated Rural Development Programme (IRDP). While these steps led to reaching a large population, the period was characterized by large scale misuse of credit, creating a negative perception about the credibility of micro borrowers among bankers, thus further hindering access to banking services for the low-income people.

Phase 3: SHG-Bank linkage program and growth of NGO-MFIs (1990 – 2000)

The failure of subsidized social banking triggered a paradigm shift in delivery of rural credit with NABARD initiating the Self Help Group (SHG) Bank Linkage Programme (SBLP), aiming to link informal women's groups to formal banks. The program helped increase banking system outreach to otherwise unreached people and initiate a change in the bank's outlook towards low-income families from 'beneficiaries' to 'customers'. This period was thus marked by the extension of credit at market rates. The model generated a lot of interest among newly emerging Microfinance Institutions (MFIs), largely of non-profit origin, to collaborate with NABARD under this program. The macroeconomic crisis in the early 1990s that led to introduction of the Economic Reforms of 1991

resulted in greater autonomy to the financial sector. This also led to emergence of new generation private sector banks that would become important players in the microfinance sector a decade later.

Phase 4: Commercialization of Microfinance

The first decade of the new millennium Post reforms, rural markets emerged as the new growth drivers for MFIs and banks, the latter taking interest in the sector not only as part of their corporate social responsibility but also as a new business line. On the demand side, NGO-MFIs increasingly began transforming themselves into more regulated legal entities such as NBFCs to attract commercial investment. MFIs set up after 2000 saw themselves less in the developmental mould and more as businesses in the financial services space, catering to an untapped market segment while creating value for their shareholders. This overriding shift brought about changes in institutions' legal forms, capital structures, sources of funds, growth strategies and strategic alliances.

5. Micro-Finance and Women's Empowerment

There are four basic views on the link between micro-finance and women's empowerment:

- There are those who stress the positive evidence and are essentially optimistic about the possibility of sustainable micro-finance programmes world-wide empowering women;
- Another school of thought recognizes the limitations to empowerment, but explains those with poor programme design;
- Others recognize the limitations of micro-finance for promoting empowerment, but see it as a key ingredient as important in themselves within a strategy to alleviate poverty; empowerment in this view needs to be addressed by other means;
- Then there are those who see micro-finance programmes as a waste of resources.

6. Underlying Are Three 'Paradigms' On Micro-Finance and Gender

6.1. Financial Self-Sustainability Paradigm

currently dominant within most donor agencies and in the models of micro-finance promoted in publications by USAID, World Bank, UNDP, CGAP and the Micro-credit Summit Campaign. Here the main consideration in programme design is provision of financially self-sustainable micro-finance services to large numbers of poor people, particularly micro- and small entrepreneurs. The focus is on setting of interest rate "right" to cover costs, to separate micro-finance from other interventions to enable separate accounting, to expand programmes so as to capture economies of scale, to use groups to decrease costs of delivery. Gender lobbies have been able to argue for targeting women on the grounds of high female repayment rates and contribution of women's economic activity to economic growth. In this paradigm, it is assumed that increasing women's access to micro-finance services will in itself lead to individual economic empowerment, well-being and social and political empowerment.

6.2. Poverty Alleviation Paradigm

Under lays poverty-targeted programmes. Here the main Considerations are poverty reduction among the poorest, increased well-being and community development. The focus is on small savings and loan provision for consumption and production, group formation, etc. This paradigm justifies some level of subsidy for Programmes working with particular client groups or in particular contexts. Some programmes have developed effective methodologies for poverty targeting and/or operating in remote areas. Gender lobbies in this context have argued for targeting women, because of higher levels of female poverty and because of women's responsibility for household well-being. Poverty alleviation and women's empowerment are seen as two sides of the same coin. The assumption is that increasing women's access to micro-finance (together with other interventions to improve household well-being) will in itself increase Household income which will then translate into improved well-being for women and Women to bring about wider changes in gender inequality.

6.3. Feminist Empowerment Paradigm

Underlies the gender policies of many NGOs and the perspectives of some of the consultants and researchers looking at gender impact of microfinance programmes (eg Johnson, 1997). This paradigm did not originate as a Northern imposition. It is rooted in the development of some of the earliest micro-finance programmes in the South, particularly SEWA and WWF in India. Here the underlying concerns are gender equality and women's human rights. Micro-finance is promoted as an entry point in the context of a wider strategy for women's economic and socio-political empowerment. The focus here is on gender awareness and feminist organization. Some programmes have developed very effective means for integrating gender awareness into programmes and for organizing women and men to challenge and change gender discrimination. Some also have legal rights support for women and engage in gender advocacy.

7. Preference Employment & Business Sectors By Women Entrepreneurs And Their Contribution In Economic Growth

Women by nature preferably choose to work in service sector like education, social services and household services such as domestic work. But at the same time the start up motivations vary from industry to industry. Birley, (1989). For a woman entrepreneurship is way out of economic disparity and toward empowerment. Her entrepreneurship contributes positively in various dimensions and aspects in economic development and job creation. Gundry and welsch, (2001).

Positive projection of entrepreneurial activity in a country should be an integral element of any government agency in order to boost economic prosperity which is subsequently a way out of poverty & economic crisis. Adult women representing a large group of the overall population in each country is a readily available pool of potential entrepreneurs that can generate economic growth activity to improve their overall economies. However, the countries do differ in stages of development, demographic patterns & different labor conditions. Stevenson, (1986). Women entrepreneurship is expanding around the world. Studies have shown that women owned businesses comprise between one-quarter and one-third of businesses in the formal economy & are likely to play and even greater role in informal sectors. Gem report, (2007).

8. Role Modeling Opportunities

Extensive role modeling opportunities need to be introduced to encourage and guide women entrepreneurs. Women entrepreneur's success stories can be used as a useful and motivational resource for this purpose. Bowen, (1986). Modern technological age has many such useful tools to promote such role modeling programs like video conferencing, videos of successful entrepreneur by having one to one sessions with successful women entrepreneurs and entrepreneurship as a vibrant method to overcome economic disparity.

9. Small Medium Size Enterprise Development Platforms

Entrepreneurship is now considered as the back bone of economic development which is major challenge globally felt by even the developed nations today. Such multi-dimensional platforms can serve as functional platforms and resource generation avenues for women entrepreneurs in their startup business phase. Establishment of such platforms not only just encourage women entrepreneurs to enter into business ventures but at the same time provide them a healthy learning and training opportunities for their emotional and social development as well. Bruni, gherardi and poggio, (2004). One such venture is the creation of wbc (women business incubation center) as a sub-project of smeda pakistan with a close association with chamber of commerce and industry.

10. Social Entrepreneurship Development

Social entrepreneurship is another very valuable and creative concept in entrepreneurship. The need for such social entrepreneurs is felt globally more and more with the period of time. Riding, orser, barbara and manley, (2006). Women need to be encouraged to become social entrepreneurs to exploit the community needs as their future business ventures. Such social entrepreneurial opportunities are very much there in every community and especially in developing countries to overcome their disparity and poverty issues. Like clean water supply to poverty ridden areas, very competitive education delivery to children and adults, cottage industries in rural areas for women to manage their home expenses, health incentives in rural areas etc.

11. Study on Women Participation in India

11.1. Comparative Study of Women Work Participation in India

The problem of disparity between the women and men in socio economic behavior of the society and participation in employment are crucial issue in a developing country like India. In addition, one of the most conspicuous phenomena of recent times has been the increasing participation of women in paid work and casual work with decreasing participation in self employment work (Mazumdar & N., 2011) and it has been driving employment trends and the gender gaps in paid work employment have been shrinking. This section gives a detail of gap between men and women on the basis of work force participation ratio and labour force participation ratio. Chart 1 shows change in the female workforce participation in India. The chart clearly shows that except 2000-05 and 1988-94 (except there was fall in rural female workforce on principal status) female workforce participation rate (WPR) has decreased in India. It has decreased very sharply between 2005-08 and 2005-10. The chart indicates the burning fact that employment opportunities for the female has decreased in India. Rural female have been affected more than urban females in India. The gap between male and female workforce has decreased till 2004-05 but it has increased in 2005-2010 in rural and urban India. The differences between the daily status and usual status WPR were larger for females than for males. The trends in urban areas are also similar, but the gap between the male and female WPR is higher than that in rural areas.

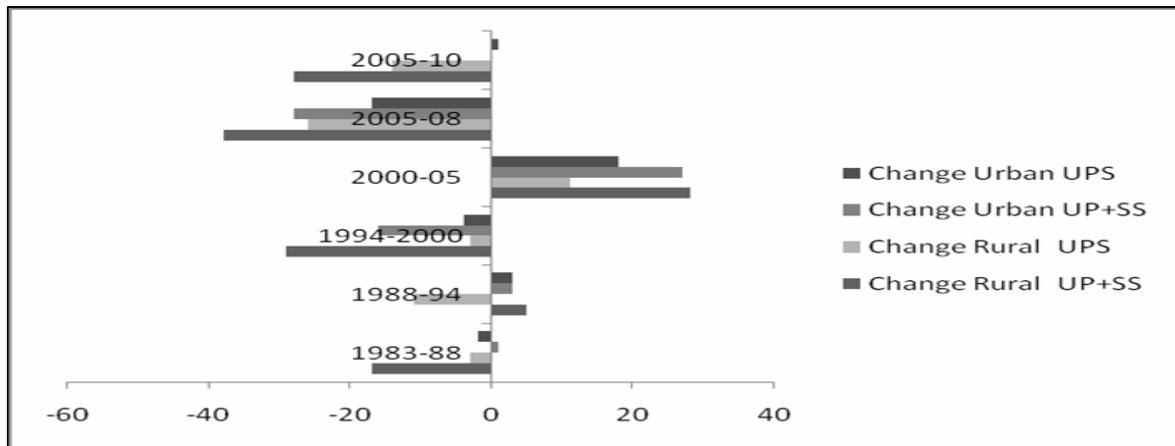


Chart 1: Change in Female work Force Participation Rate in India

Table 1 It gives a detail of labour force participation rate for different age-wise. Table 1 and chat 2 shows that except urban male at the age group of 55-59 labour force participation rate at all the age group in both sexes has reduced between 2004-2005 and 2009-2010. But when we see the sex wise decline in LPWR, it is very high in female comparison to male. The decline in LPWR is very high in the age group 20-45 (which is significant part of the working age). Definitely present concerns suggest that economic growth has failed to generate sufficient employment and decline in job Opportunities seems to be very high for female in India.

Age	2004-05				2009-2010			
	Rural Male	Rural Female	Urban Male	Urban Female	Rural Male	Rural Female	Urban Male	Urban Female
15-19	52.9	33.1	38.1	14.4	39.0	19.5	26.3	8.5
20-24	89.1	43.5	76.9	25.0	81.3	31.4	68.2	19.7
25-29	98.2	53.0	95.7	26.1	97.5	40.5	94.7	22.2
30-34	98.8	59.3	98.7	30.8	99.0	43.4	98.5	23.9
35-39	99.1	64.2	98.4	34.0	99.2	49.7	99.1	27.8
40-44	98.5	62.7	98.3	31.7	99.4	49.8	98.7	25.6

Table 1: Age-Specific Labour Participation Rate in India according to usual status (Principal and subsidiary status) (In % age 15-59)

Source: Data is given in appendix table 1. The decline in the LFPR for women, irrespective of age, might be because of a decline in overall employment opportunities (Chowdhury, 2011)

Year	Rural India		Urban India		All India	
	Male	Female	Male	Female	Male	Female
1983	91.1	45.1	88.6	23	90.5	40
1993-94	92	53.1	82.4	22.5	90.2	46.5
1999-00	87	45.2	82.4	22.5	85.6	38.9
2004-05	86	44.7	82.7	24.3	85.5	38.6
2009-10*	77.8	25.6	76	17.8	77.3	23.4

Table 2: Percentage of Population in the Labour-Force (in percentage for age 15-59)

*Source: Bhalla & Kaur, * Data have been taken from NSS 66th round report
 Note: 1) Labour force refers to the 15-59 age group that reports that they are working,
 Or looking for work according to the 'weekly status' definition of employment.*

Table 2 shows percentage of population (age 15-59) engaged in labour force in all India as well as urban and rural area from 1983 to 2009-2010. The chart 3 reveals little different fact the gender gap in labour force participation has decreased in urban female since 1983 but the gap has increased in rural and at all India level in India since 1993-94. This depicts that men contribute more work in comparison to women and the Chart 4 shows that the percentage of women population in labour force tend to decline in rural area in all the period except between 1983-94. This is interesting, that during the period of liberalization and regularization of economy it has been assumed that the women will come more freely and in huge number to labour market. On the other hand, in urban area, the percentage of female labour force has declined in all period except 2000-05. This picture clear that in urban area where female are more literate, skilled/trained the share of female labour force in total population is high while it has reduced significantly in 2005-10. The analysis clearly indicate that definitely urban female are more educated and well trained, so their position in job market has improved but on the other it has not resulted in terms of huge employment for the female in India.

12. Micro Finance Instrument for Women's Empowerment

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the “unreached poor”. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment. Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor. Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women's capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions. Before 1990's, credit schemes for rural women were almost negligible. The concept of women's credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having the access of credit. However, there is a perceptible gap in financing genuine credit needs of the poor especially women in the rural sector. There are certain misconception about the poor people that they need loan at subsidized rate of interest on soft terms, they lack education, skill, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experience of several SHGs reveals that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy. The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Since most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women's empowerment.

13. Problem and Challenges

Surveys have shown that many elements contribute to make it more Difficult for women empowerment through micro businesses. These elements are:

- Lack of knowledge of the market and potential profitability, thus
- Making the choice of business difficult.
- Inadequate book-keeping.
- Employment of too many relatives which increases social pressure to share benefits.
- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually ruin their business
 (Many customers cannot pay cash; on the other hand, suppliers are very harsh towards women).

14. Other Shortcomings Includes

- Burden of meeting: Time consuming meetings, in particular in programmes based on group lending, and time consuming income generating activities without reduction of traditional responsibilities increase women's work and time burden.
- New Pressures: By using social capital, in-group lending/group collateral programmes, additional stresses and pressures are introduced, which might increase vulnerability and reflect disempowerment.
- Reinforcement of traditional gender roles: lack of economic empowerment: Micro finance assists women to perform traditional roles better and women thus remain trapped in low productivity sectors, not moving from the group of survival enterprises to micro-enterprises. There are evidence of men withdrawing their contributions to certain types of household expenditures.

15. Challenging Scenario Economic Empowerment

However impact on incomes is widely variable. Studies which consider income levels find that for the majority of borrowers income increases are small, and in some cases negative. All the evidence suggests that most women invest in existing activities which are low profit and insecure and/or in their husband's activities. In many programmes and contexts it is only in a minority of cases that women can develop lucrative activities of their own through credit and savings alone. It is clear that women's choices about activity and their ability to increase incomes are seriously constrained by gender inequalities in access to other resources for investment, responsibility for household subsistence expenditure, lack of time because of unpaid domestic work and low levels of mobility, constraints on sexuality and sexual violence which limit access to markets in many cultures. These gender constraints are in addition to market constraints on expansion of the informal sector and resource and skill constraints on the ability of poor men as well as women to move up from survival activities to expanding businesses. There are signs, particularly in some urban markets like Harare and Lusaka that the rapid expansion of micro-finance programmes may be contributing to market saturation in 'female' activities and hence declining profits.

16. Conclusion

Entrepreneurship is presently the most discussed and encouraged concept all over the world to overcome economic challenges. Women being the vital gender of the overall population have great capacity and potential to be the contributor in the overall economic development of any nation. Therefore, programs and policies need to be customized to not just encourage entrepreneurship as well as implement strategies which can help support entrepreneurial culture among youth. Developing countries are definitely in dire need to encourage women entrepreneurship as women workforce is promptly available to exploit the unexplored dimensions of business ventures. Developed nations should primarily focus on entrepreneurial educational programs in order to develop women entrepreneurs. Media has the potential to play the most vital role in entrepreneurial development by creating and highlighting all such platforms which can bring out the creativity and innovation among the women and men to grow entrepreneurship culture in society. Generally speaking, globally business world has realized and is working on war footing to create entrepreneurship as the final remedy to overcome all types of business and market challenges.

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