

MICROFINANCE AND WOMEN:

Role in Women's Empowerment, Challenges and Solutions

Abstract:

Microfinance has been growing steadily since the concept was pioneered by Muhammad Yunus nearly 40 years. It has proven to be a great tool for the upliftment of women. It has helped billions of women stand up on their feet. India has been successful in the microfinance and it has numerous people who were in need. In spite of its amazing progress, Indian microfinance faces challenges that need to be solved to reach its full potential. Many of the organisations have already overcome a lot of the problems and have been doing really well. But to avoid repeating the microfinance crisis of 2008, we have to ensure that there are perfect solutions that can eradicate these challenges.

A combination of microfinance and women is the most effective way to empower women. Since the mid-2000s, microcredit has been made available to "unbanked" 1.7 billion people worldwide, with 70% of them being women and girls. As of 2018, there were 78 million microfinance borrowers, the majority of whom were from rural areas. Microfinance has been implemented successfully in India as well. An assessment of India's microfinance market by SIDBI and PwC shows that women borrowers occupy 85 percent of the market in FY19. Microfinance is a powerful tool for women's upliftment and empowerment. Although it faces many problems during its implementation, some models such as Equitas Small Finance, ESAF Microfinance and Investments, etc.

Microfinance is a type of banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial service. Women have trouble accessing loans from traditional banking services as many times they don't have the necessary documents. Microfinance makes it easy for them to get small amounts as loans and become financially independent. It has come up as a huge help for women wanting to start their own small businesses or for getting their education.

Despite this, there are many problems that become a hindrance in the microfinance model. According to a recent article in Business Today, gap in policy framework is a problem for the microfinance industry. The RBI directly

regulates only NBFCs and NBFC MFIs in India. The Companies Act, 2013, gives companies an exemption from the RBI on registration. NBFCs, societies, trusts, and cooperatives are not regulated but approved by RBI through other means. Nidhi companies are not regulated by the Reserve Bank of India. Banks are not subject to the same directives as NBFCs and are thus not regulated for microfinance operations.

Another limitation is semi-literate and gullible customers. They do short-term planning, are lacking in correct information about the finances and try to restrict their cash flow. As a result, they perceive that a possible non-repayment will improve their cash flow with a probable future advantage. This outlook may have been influenced by government loan waivers which frequently occur.

This sector is facing severe political risks due to these discrepancies in different spheres. It is imperative that the RBI takes note of the situation and works collaboratively with sector representatives and the government to improve microfinance and cater to the last minute financial secluded population. Enacting legislation that provides for agnostic activity-based exhaustive regulation of the sector, or developing a new regulatory body for microfinance that includes those who are not directly regulated, are the two possibilities for dealing with the issues. Because it was once thought to be a regulating body for the industry, NABARD is a plausible name.

To make people literate, steps must be taken early. Banks could mandate learning about finances to gain access to loans. Schools should have sessions providing knowledge about handling finances and the profitable uses of borrowed money. Almost everyone has access to mobiles and internet. People can be suggested budgeting, saving and investing apps to help them handle their finances. There should be workshops held in villages and financially backwards areas.

Conclusion:

Microfinance is an impactful step towards poor upliftment and women empowerment. Indian microfinance market not only is growing but has also been successful in the past. Challenges faced by it are mostly faults in the framework and lack of awareness in people. Proper solutions taken by RBI and the government together can help overcome these problems. A regulatory body has to be set up for the microfinance industry that can look over all the institutions that conduct microfinance activities. Financial awareness has to be spread to avoid non-payment of loans. All these steps should help avoid the problems and make it easy for people to understand

and gain financial help. Women can stop depending on others to meet their needs and be financially independent with microfinance.

ANUSHKA SRIVASTAVA

BA(Hons.) Economics

University of Petroleum and Energy Studies.

References:

- *Microfinance, gender equality, and COVID-19: the unravelling of progress on women's micro-entrepreneurship*. Global Innovation Index. (2020, October 5). <https://www.globalinnovationindex.org/gii-blog/2020/microfinance%2c-gender-equality%2c-and-covid-19--the-unravelling-of-progress-on-women%E2%80%99s-micro-entrepreneurship--b249>.
- Paul, S. (2021, April 2). *MFIs revival: Major risks, gaps facing microfinance in India*. Business Today. <https://www.businesstoday.in/opinion/columns/story/mfis-revival-major-risks-gaps-facing-microfinance-in-india-292310-2021-04-01>.
- Liberto, D. (2021, May 19). *Muhammad Yunus Definition*. Investopedia. <https://www.investopedia.com/terms/m/muhammad-yunus.asp>.