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ROLE OF MICROFINANCE INSTITUTIONS IN ECONOMIC EMPOWERMENT OF WOMEN IN BENGALURU URBAN DISTRICT

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Abstract—*One strategy that is gaining traction in India's fight against poverty is microfinance. Microfinance institutions have been crucial in meeting the financial needs of low-income rural women and enhancing their collective self-help capacities. Having the means to support oneself boosts women's confidence, which in turn allows them to take on more leadership roles in society and the home. The impact of microfinance on the economic independence of women in the Bengaluru Rural District is explored in this essay. The study concluded that microfinance organisations should be easily accessible to women so that they can attain financial independence.*

Keywords: *Microfinance, Economic Empowerment, Women Empowerment, Financial Support, Financial Needs*.

INTRODUCTION

"Microfinance" refers to the "provision of financial services to clients with modest means." NADER (2008). Microfinance encompasses various services provided to low-income people, monetary and otherwise, such as training and education. Credit, insurance, leasing, money transfers, equity transactions, etc., help women rise from poverty to economic independence. Microfinance is financial aid provided to persons in the low-income bracket who otherwise would not have access to the traditional loan system.

Customers and business owners with low incomes and little access to regular banking services can benefit from microfinance, defined as "the supply of financial services to low-income clients or solidarity lending organisations." Microfinance is a technique for economic development that tries to help the underprivileged lift themselves out of poverty by providing them with access to small loans. It encompasses various financial and other services (such as education, therapy, etc.).

To help lift people out of poverty, LYSANDER SPOONER, in the middle of the 1800s, began writing on the value of microcredit to entrepreneurs and framers. However, microfinance had a significant impact towards the end of World War II with the Marshall Plan. In the 1970s, institutions like the Grameen Bank of Bangladesh, led by Microfinance pioneer Mohammed Yunus, laid the groundwork for the contemporary microfinancing business.

Microfinance provides financial services like credit, savings, and insurance to those with incomes slightly above or below a country's official poverty line to generate social value. Reducing poverty and expanding access to sustainable economic activities, such as microfinancing, micro insurance, and savings for risk management and consumption smoothing, are examples of social value creation. Some banks have joined with public groups to offer this service, and NGOs have also raised donor funds for on-lending. As a result, the term "microfinance" has grown to encompass a wide range of initiatives to provide financial services to those with modest incomes. The provision of microfinance results from collaboration amongst a wide range of interested parties working toward a common goal.

Microfinance encompasses not just microloans but also micro-savings and microinsurance. Microfinance institutions provide access to small loans and other resources to aid startup business owners and entrepreneurs. Many recipients are from low-income countries that have few alternative options for obtaining loans of this kind.

People who need easy access to traditional banking products like checking accounts, credit cards, and loans benefit greatly from microfinance.

These populations can only afford the high-risk options of payday loans or relatives and friends with access to microfinance. In this way, microfinance allows them to invest in their own enterprises and futures.

Women in this age can put an end to welfare dependency through microfinancing. You can get a loan for $60 to $300. An empanada and snack stand was started by a young, single mother in Paraguay with her first investment of $60. She repaid the debt and went on to take out larger ones so she could buy a building to house her family and her growing business. If microfinancing has reached its peak, this is it.

According to the 2019 Microfinance Barometer, women make up most microloan borrowers, accounting for 80% of loans in 2018. Considering that over 65% of all borrowers are located in rural areas, many female microfinance borrowers must make do with fewer amenities than their male counterparts.

There has also been a rise in the microfinance sector. Microfinance institutions lent out $124 billion to 139.9 million borrowers in 2018. The largest borrower was India, followed by Bangladesh and Vietnam.

Microfinance institutions in India

In the 1990s, Prof. Mohammad Yunus's Grameen Model in Bangladesh served as an inspiration for the modern micro-credit/microfinance industry in India. This approach was able to grow as a result of the confidence it earned from clients, MFIs, and other stakeholders over time and consistent performance.

Since 2005–2006, many microfinance institutions (MFIs) that had previously operated solely on donations have transformed into for-profit NBFCs, bringing private capital, commercialisation, professionalism, and scalability to the microlending sector. With a clear emphasis on specialisation in providing micro-credit effectively and profitably, this sparked expansion, competition, and scalability. As a result, India's micro-credit business experienced rapid growth, with an outstanding of about Rs 20,000 Cr. within just five years. Customers were faced with a number of problems during this time, including over-leverage, inadequate disclosures, ignorance on the part of clients, exorbitant pricing, risks associated with geographical concentration, "ghost loans," interference at the local level, and an absence of oversight and regulation.

A new class of non-bank financial companies (NBFCs) known as NBFC-MFIs was established in December 2011 by the Reserve Bank of India (Central Bank of India) in response; these institutions were subject to rules designed specifically for the micro-credit sector and focused on protecting consumers. These regulations are the direct cause of the industry's prosperous decade.

There are now more than a hundred regulated firms in the micro-credit market, including banks, SFBs, NBFC-MFIs, and NBFCs. Private money has been drawn to continue expansion because of favourable conditions, including a well-defined regulatory environment, a good underlying business model, positive performance trends over time, and the possibility of great unmet demand.

Because of this, India's micro-credit industry is highly regulated. It is also one of the biggest micro-credit markets worldwide, setting the bar for low-cost lending in terms of reach, size, supply-side variety, geographic reach, productivity, efficiency, performance, and consumer safeguards provided by the private sector.

Facts about Microfinance Institutions in India:

- In India, nearly one hundred per cent of microloans are given to women from low-income families.
- Joint Liability Group (JLG) loans account for 98% of all loans. In this model, a group of borrowers (typically five to ten people) pool their resources to take out a larger loan and promise to pay it back in full if any one of them has financial difficulties. By working together, we can lower overhead costs and safeguard ourselves against defaults by underwriting with social capital.
- There is no need to put up collateral for a microloan. Ticket prices range from Rs 36,000 on average to Rs 125,000 for the highest-priced seats.
- The supply side of the microfinance business is highly diverse, including a wide range of financial institutions such commercial banks, NBFCs, microfinance institutions (MFIs), and NBFCs.
- Almost 600 Indian districts are touched by the industry. The loan portfolio is primarily concentrated in rural areas (76%), with only 24% located in urban areas.

- Although most borrowers utilise their loans to finance business operations, many will also use their cash infusion to cover essentials like healthcare, travel, and home improvement.
- The Reserve Bank of India oversees all lenders (RBI).
- The Reserve Bank of India controls the interest rates of NBFC-MFIs. Customers will pay an interest rate of 18% -24% on their total balance.
- Despite exogenous shocks recently, the percentage of non-performing assets has stayed below 1%.

OBJECTIVES

- To study the nature of Microfinance institutions in India
- To analyse microfinance institutions' contribution to women empowerment in the Bengaluru urban district.

HYPOTHESIS

H_0: A significant association exists between women's economic empowerment and the microfinance institutions in Bengaluru Urban District.

RESEARCH METHODOLOGY

Nature of Data: This empirical study was compiled using a combination of primary and secondary sources. Books, periodicals, newspapers, NGO reports, and the like were the primary sources from which we culled secondary data. A field survey was conducted in the region to gather primary data (Bengaluru Urban District).

Area of Sampling: To get insight into women's advantages and disadvantages, a field survey was undertaken in the Bengaluru Urban District.

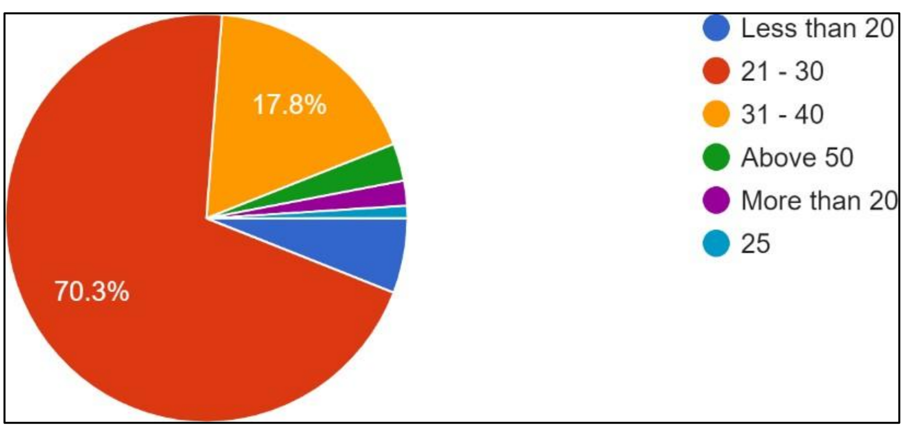
Sample Size: In this analysis, we considered 100 samples from the study area.

Method for data collection: Women who have benefited from Microfinance Institutions were polled using a standardised questionnaire.

Statistical tools: The data is analysed using the Chi-Square test and a percentage breakdown.

DATA ANALYSIS AND INTERPRETATION

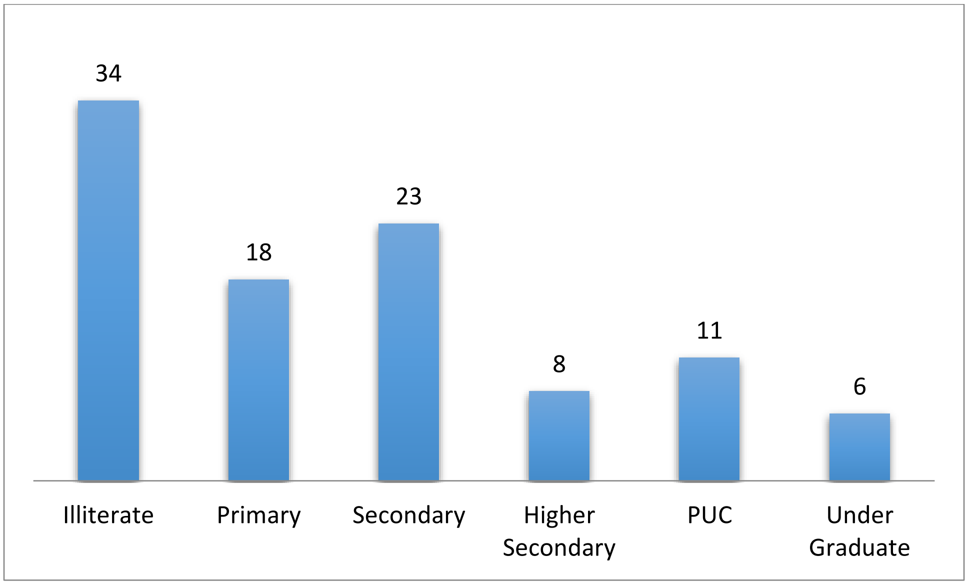
Graph 1: Age group of Respondents



According to the data presented above, 70% of respondents fall within the age range of 21–30 years old, 18% fall within the age range of 31–40 years old, 11% fall within the age range of less than 20 years old, and 1% fall within the age range of 51–plus years old.

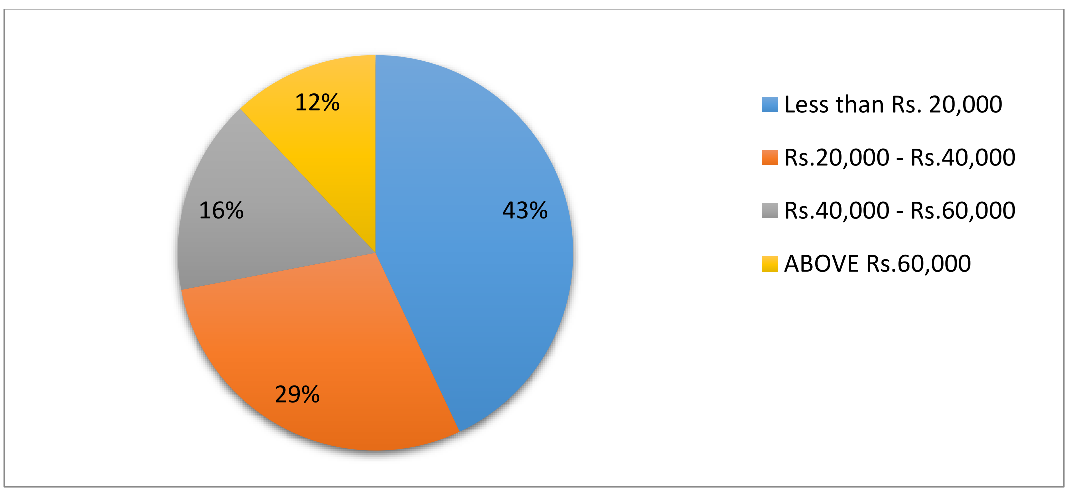
Most respondents are responsible adults between the ages of 21 and 30.

Graph 2: Educational Qualification of the Respondents



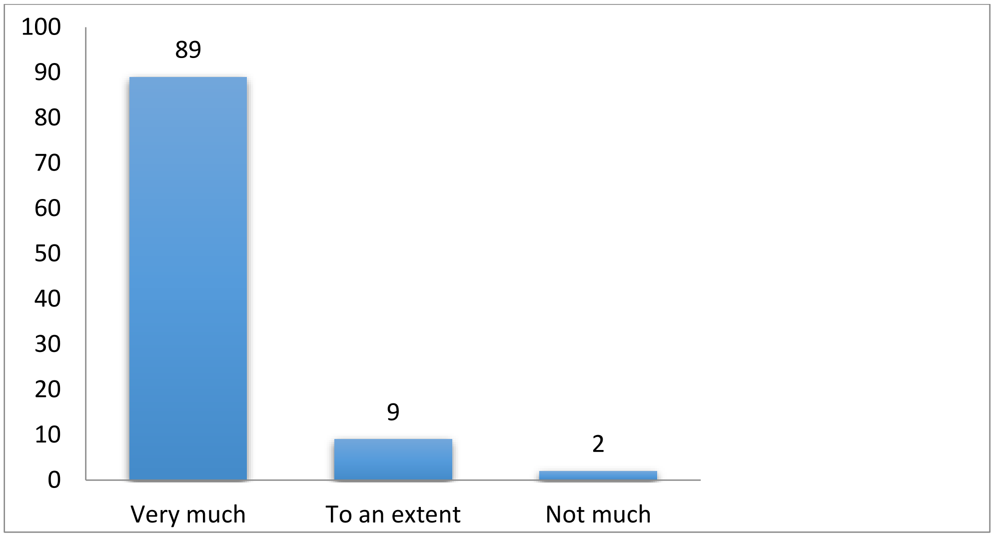
Respondents' levels of education are displayed in the preceding pie chart. There were 34% of non-readers among the respondents; 18% had completed elementary school; 23% had completed middle school; 8% had completed high school; 23% had completed secondary education; 11% had completed an undergraduate foundational course; and 6% had completed a university major. To satisfy their financial responsibilities, most respondents have turned to microfinance organisations for assistance and need to improve their literacy levels.

Graph 3: Monthly Income of the respondents' family



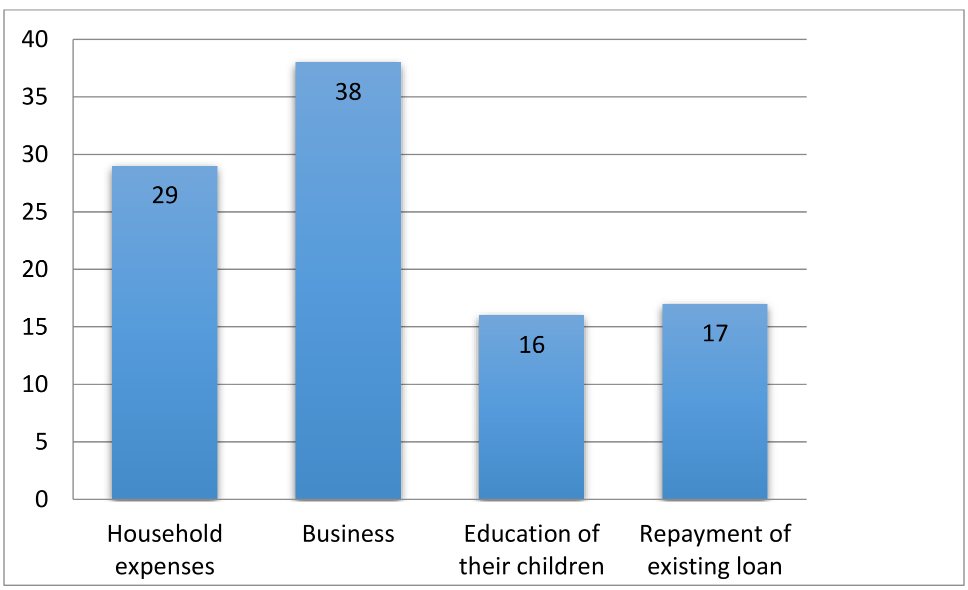
The monthly income of the respondents' families is displayed above. Of the respondents surveyed, 43% live below the poverty line, 29% make between Rs. 20,000 and Rs. 40,000, 16% earn between Rs. 40,000 and Rs. 60,000, and 13% make more than Rs. 60,000 each month. According to the data, most respondents had an annual income of less than Rs. 20,000 and had benefited from microfinance services.

Graph 4: Reduction in Poverty



The accompanying pie chart displays how survey participants feel microfinance institutions have helped them alleviate poverty. Ninety-one per cent of respondents claimed that microfinance institutions had helped them escape poverty. In comparison, the remaining 10 per cent said they had escaped poverty to some degree with the help of microfinance institutions. Only two of the total sample stated they had not benefited economically from working with a microfinance institution. This shows that the majority of respondents have been financially empowered as a result of the microfinance intervention.

Graph 4: Purpose of loan



Beneficiaries of microfinance institutions primarily receive financial aid. The respondents' stated goals in taking out microloans are depicted in Graph 4. About a third of respondents used their loans to cover everyday living costs, 38% used them to launch or expand an existing business, and 16% put their money toward their kids' education. Surprisingly, 17% of people who took out a loan did so to pay off another loan. Microfinance institutions are helping women achieve economic independence, as most respondents have taken out loans for business reasons.

Chi-Square Test

Hypothesis: H_0: There is no significant association between women's economic empowerment and the microfinance institutions in Bengaluru Urban District.

Join MFI * Economic Status Cross tabulation.

		Economic Status		Total
		Improved	Not Improved	
Join MFI	Before Joining MFI	14	86	100
	After Joining MFI	98	2	100
Total		112	88	200

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	143.182(b)	1	.000

The null hypothesis is rejected since the significance level is 0.000 (p0.01) and the chi-square value is 143.182. Thus, the microfinance institutions in the Bengaluru Urban District have a tangible link to women's economic empowerment. The study results show that microfinance institutions enhance women's financial independence in the research region.

Thus, the findings of the study can be summarised as follows.

1. Most responders are uneducated but are receiving help from microfinance organisations.
2. Most respondents had monthly incomes of less than Rs. 20,000. Microfinance institutions provide this credit to low-income women so that they can lift themselves out of poverty.
3. Women's economic and social empowerment in the research region has increased as most respondents have taken out loans for business purposes.
4. An additional component of economic autonomy reported by respondents was their active participation in and consultation over significant family decisions.

CONCLUSION

Regarding global economic growth, one phrase that cannot be ignored is microfinance. Microfinance aspires to be as accessible as the informal sector while providing stability and adaptability. Microfinance advocates argue that giving women access to microcredit opportunities has enabled them to break the cycle of poverty and gain economic independence. The availability of microloans and the efficiency with which they were used significantly contributed to women's economic freedom. According to the study's data, microfinance substantially impacts women's lives in the Bengaluru Urban area, improving their financial standing, access to resources, education, and sense of agency.

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