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Micro Finance Institutions- An Effective Tool for Women Empowerment in India

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Abstract

Empowering women is a big topic in developing nations. Numerous initiatives were undertaken to address this problem since women's empowerment is essential to achieving the goals of development and poverty reduction. Microfinance institutions (MFIs) have emerged during the past few decades as essential instruments for addressing poverty and empowering women. As a result, a vast amount of research focusses on the connections between MFI and women's empowerment. Microfinance's contribution to economic activities has a significant impact on women's decision-making. Numerous governmental and non-governmental organisations have worked to empower women over the years, particularly in rural areas. The development of microfinance is one such endeavour. Microfinance is an idea that has been shown to benefit the underprivileged. It gives money to the underprivileged without requiring any security, something that banks and other financial organisations typically need. Microfinance organisations provide low-income clients with loans, enabling those living below the poverty line to improve their life by borrowing money. Hence forth this study is an attempt to identify the role played by the MFIs in empowerment of women , services provided by the MFIs and challenges faced by them and benefits derived by the beneficiaries in the study area.

Key Words: Micro Finance Institutions, Empowerment of Women, Poverty

1 Introduction

One of the most pressing challenges in developing nations nowadays is women's empowerment. This is because it has been recognised that women need to be empowered in order for them to meaningfully contribute to the development of their nations. Regarding the steps that can be taken to guarantee that women achieve a certain degree of empowerment, opinions have been rather mixed. As a result, opinions regarding the definition of the word empowerment are divided. Some have suggested that women need to demonstrate

specific behavioural changes at the individual, family/household, enterprise, and community levels in order to be considered empowered (SEEP, 2004).

Therefore, it is widely accepted that women have gained empowerment if they demonstrate behavioural changes such as increased savings, increased involvement in household and community decision-making, diversification of their business ventures (development of entrepreneurial activities), better household living conditions, and the like.

Concept of Micro Finance

According to Gateway (2006), micro finance is the process of giving extremely low-income families very tiny loans, or microcredit, so they can start new small businesses or engage in productive activities. Moreover, Robinson (2000) defines it as "small-scale financial services, primarily savings and credit, provided to people who work for wages or commissions, who produce, recycle, repair, or sell goods, who work as service providers, who work for wages or commissions, who earn money from recycling out small amounts of land, vehicles, draft animals, machinery, and tools, and to other individuals and groups at the local levels of developing countries, both rural and urban."

2. Review of earlier works

Sumeet Kaur et al, (2020) in his one of the studies discussed that Women in India have historically experienced inequality in their socioeconomic standing, which is mostly manifested in terms of privilege, power, and control. One of microfinance's goals is to empower women, and it is viewed as a tool for improving women's status. It is commonly acknowledged that microfinance can help end poverty and promote the socioeconomic advancement of its members. The majority of these delegates are female; the idea of women's empowerment via microfinance has been extensively researched and discussed. Microfinance is essential for overcoming exploitation and fostering the self-assurance needed by the rural poor, especially women in rural areas, to become economically independent. It is not a "magic bullet," but it has the potential to make a big difference in women's empowerment and gender equality. Women's income-generating capacity has the potential to set off a number of "virtuous

The clientele of microfinance consists of low-income individuals who lack access to official financial services. These individuals are frequently home-based business owners who work for themselves. They are seen in both urban and rural settings. They are made up of small-scale farmers and other individuals working in low-paying jobs like food processing and small-scale trading in rural areas. While residing in metropolitan areas, they engage in a variety of businesses, including operating a store, providing services, and operating as street vendors. These clients are, in reality, the impoverished and the vulnerable poor with a reasonably steady source of income (Gateway, 2006).

spirals" that lead to increased social and political participation as well as economic empowerment.

Ambreen Khursheed (2022), in his one of the studies have discussed that Empowering women is a big topic in developing nations. Numerous initiatives were undertaken to address this problem since women's empowerment is essential to achieving the goals of development and poverty reduction. Microfinance institutions (MFIs) have emerged during the past few decades as essential instruments for addressing poverty and, in particular, empowering women.

Belay Mengstie (2022), in his one of the studies discussed that The goal of women's economic empowerment is to give them more authority over decisions, increase their income, and acquire assets. Examining the effect of microfinance on women's economic empowerment was the primary goal of the research. The information came

from a survey completed by 346 female microfinance borrowers. The study included paired sampling t-test and multiple regression data analysis approaches. The results of multiple linear regression showed that women's economic empowerment is significantly impacted by age, marital status, education level, credit amount, and number of training sessions. Nonetheless, women's economic empowerment was not significantly impacted by prior business experience. The results of a paired sampling t-test showed that there was a significant mean difference in income, asset, and saving before and after microfinance service. Through raising women's levels of asset ownership, improving their independent income, and increasing their monthly savings, microfinance has a major positive impact on women's economic empowerment. The study also demonstrated the beneficial effects of microfinance on women's exposure to and growth in entrepreneurship.

Sanjeev Kumar(2023), in his one of the studies discussed that The goal of women's empowerment, a dynamic, multifaceted process that is a topic of considerable discussion and concern, is to allow women to reach their full potential in all spheres of life. People all throughout the world are aware that the best approach to end poverty and provide the community with the means to enhance its standard of living is by empowering the impoverished, particularly women, to form self-help groups. Women's Self Help Groups (SHGs) have been identified as a successful tactic for women's empowerment in both rural and urban settings, uniting women from diverse backgrounds to advocate for their rights and dignity. In addition to generating revenue and looking for microcredit, women in these SHGs work on a variety of issues like

health, nutrition, agriculture, forestry, etc. because economic empowerment is a major factor in the total empowerment of women. SHGs are made up of rural impoverished people who have chosen to band together in order to end their own poverty. Virtual isolation prevents women in rural India from receiving even the most basic services. But now that women's Self Help Groups (SHGs) have emerged, these women are attaining both social and physical mobility.

3. Need for the study:

Need for present study exists because the review of earlier work identifies that most of the studies undertaken by experts have discussed only the importance of MFIs and their contributions to women empowerment and also rural development, but the benefits derived by the beneficiaries and challenges faced by them in availing and repayment of loan is not clearly addressed especially in the scope of the study area, therefore this study is taken up to address the same

4. Objectives of the study

- To study and understand the role of MFIs in women empowerment
- To study and evaluate the benefits derived by the beneficiaries after joining MFIs
- To analyze the challenges faced by the beneficiaries in availing and repayment of loan

Hypothesis Tested:

H0: There is an insignificant benefit derived by the beneficiaries after joining the MFIs

H1: There is a significant benefit derived by the beneficiaries after joining the MFIs

H0: The co-relation between purpose of loan taken and challenges faced in availing loan is insignificant

H1: The co-relation between purpose of loan taken and challenges faced in availing loan is significant

H0: The Co-relation between Purpose of Loan taken and challenges faced in Repayment of loan is insignificant

H1: The Co-relation between Purpose of Loan taken and challenges faced in Repayment of loan is significant

5. Research Design:

Scope of the Study:

The scope of the present study is covered the members of MFIs in Shivamogga district, who have membership in various MFIs in their respective areas. The members include all age groups, educational background and social status.

Methods of Data Collection:

To prove above stated objectives, the primary data is collected through questionnaire method and interaction with

the respondents. Secondary data is collected through published sources like Journals, Books, and e-sources.

Sampling Techniques adopted:

For present study snowball sampling technique is adopted to select the respondents as the details of the members are collected from one member of the MFI.

Statistical Tools Adopted:

To analyse the descriptive data simple percentage and Mean is used and to prove the set hypothesis One sample t-test and correlation technique is used

6. Results and Discussion:

This part of the paper is an attempt to analyse the services provided by the MFIs, benefits derived by the beneficiaries after joining the MFIs, and the challenges faced by the beneficiaries by using suitable statistical tools.

Table: 1: Impact on Beneficiaries after Joining MFI

Additional Services	N	Mean	Std. Deviation
Impact Factor – 1: Economic Empowerment			
Increased income generating activities	100	1.0600	0.27668
Increased standard of living	100	1.3000	0.50050
Purchasing capacity of assets increased	100	1.4200	0.68156
Opportunities to start business	100	1.2800	0.64996
Savings increased	100	1.2600	0.52244
Increased agricultural activities	100	1.1100	0.48824
Impact Factor – 2: Social Empowerment			
Improved children education	100	1.0800	0.27156
Awareness about women's status and rights	100	1.2200	0.41466
Organizing social awareness programme	100	1.3500	0.65449
Communication skills are improved and recognition	100	1.2900	0.47577
Improved health and sanitization	100	1.4600	0.69956
Social status and security improved	100	1.1700	0.40177

Impact Factor – 3: Political Empowerment			
Attending gram panchayath meetings and Gram sabhas	100	1.0800	0.30625
Voting regularly in Election	100	1.2100	0.51617
Participating in election campaigns	100	2.3900	0.74768
Participating in election as a candidate	100	2.5600	0.76653
Impact Factor – 4: Empowerment in Family Decision-making			
Assisting in family financial issues	100	1.1500	0.38444
Efficiency in running family business	100	1.3500	0.51772
Improved family investment and savings	100	1.3600	0.50090
Spending independently for children education and others	100	1.2000	0.42469
Valid N	100		

Source: Primary Data, N=100, Multiple Responses Allowed

From the table some of the factors considered as the factors that affects and influences the empowerment of women, MFIs have taken initiatives to do the same. First factor- **Economic Empowerment** for different variables like Increased income generating activities, the mean value is (1.06), for 'Increased standard of living' the mean value is (1.30), for 'Purchasing capacity of assets increased' the mean value is (1.42), for 'Opportunities to start business' the mean value is (1.28), for 'Savings increased' the mean value is (1.26), for 'Increased agricultural activities' the mean value is (1.11). Second factor- **Social Empowerment** for different variables like 'Improved children education' the mean value is (1.08), for 'Awareness about women's status and rights' the mean value is (1.22), for 'Organizing social awareness programme' the mean value is (1.35), for 'Communication skills are improved and recognition' the mean value is (1.29), for 'Improved health and sanitization' (1.46),

for Social status and security improved the mean value is (1.17). Third factor-**Political Empowerment** for the factors like 'Attending gram panchayath meetings and Gram sabhas' mean value is (1.08), for 'Voting regularly in Election' mean value is (1.21), for 'Participating in election campaigns' the mean value is (2.39), for 'Participating in election as a candidate' the mean value is (2.56). Fourth factor **Empowerment in Family Decision-making** the factors like 'Assisting in family financial issues' the mean value is (1.15), for 'Efficiency in running family business' the mean value is (1.35), for 'Improved family investment and savings' the mean value is (1.36), for 'Spending independently for children education and others' the mean value is (1.20). hence it is clear that the women beneficiaries have given positive opinion and they have agreed that after joining MFIs they have got benefited in the above issues and empowered too.

Table: 2: Additional Services Offered by MFI's

Additional Services	Frequency	Percent
Programmes to develop entrepreneurial skills	85	85
Local Resource Mobilization	65	65

Social security like Drinking Water, Health and Sanitization	20	20
Business development loans	50	50
Platform for Market the products	60	60
Training programmes and Melas are organized	30	30
Agricultural/Business Development services	40	40

Source: Primary Data N=100 Multiple Responses Allowed

Table above depicts that the additional services offered by the MFIs in the study area. for the variables, 85% respondents opined that the MFIs are provided additional services like 'Programmes to develop entrepreneurial skills', 65% says that 'Local Resource Mobilization', 20% respondents opines that 'Social security like Drinking Water, Health and Sanitization', 50% respondents says that 'Business development loans' are provided by MFIs, 60% respondents says that 'Platform for Market the products' are provided by the MFIs, 30% respondents says that 'Training

programmes and Melas are organized' some times by the MFIs, 40% respondents opined that 'Agricultural/Business Development services' are provided additionally to the beneficiaries by the MFIs. Even though the MFIs are performing well for some issues like 'Social security like Drinking Water, Health and Sanitization' only 20% respondents agreed, 'Training programmes and Melas are organized' only 30% respondents agreed, 'Agricultural/Business Development services' only 40% respondents opined, hence it is suggested to the MFIs to improve the same.

Table: 3 : Challenges Faced by the Members While Availing the Loan

Challenges Faced by the Members	N	Mean	Std. Deviation
Lack of awareness regarding procedures followed	100	1.62	0.7683
Lack of information about loan amount sanctioned	100	1.26	0.65671
Lengthy process	100	1.53	0.74128
Lack of cooperation in availing the loan	100	2.21	0.80548
Delay in loan sanction	100	1.24	0.94429
Required amount of loan is not sanctioned	100	2.23	1.2462
Lack of information about interest rate	100	2.22	0.80896
Transparency is not maintained in Insurance issues	100	1.11	1.30376
Lack of cooperation with the members in availing loan	100	1.67	1.23456

Source: Primary Data, N=100, Multiple Responses Allowed

The table above clearly shows that challenges faced by the members while availing the loan, to measure the challenges faced by the respondents above variables are used, for the variables the mean values is explained. 'Lack of awareness regarding procedures followed' the mean value is

(1.62), for 'Lack of information about loan amount sanctioned' the mean value is (1.26), for 'Process is lengthy in availing loan' the mean value is (1.53), for 'Lack of cooperation in availing the loan' the mean value is (2.21), for 'Delay in sanctioning loan' the mean value is (1.24), for 'Amount

of loan is not sanctioned based on requirement' the mean value is (2.23), for 'Lack of information about interest rate' the mean value (2.22), for 'No transparent operation regarding insurance' the mean

value is (1.11), for 'Lack of cooperation with the members in availing loan' the mean value is (1.67), hence it is proved that these are the challenges faced by the respondents in availing the loan.

Table: 4: Challenges Faced by the Members While Repayment of Loan

Challenges in Repayment of Loan	N	Mean	Std. Deviation
Loan instalment amount is heavy	100	1.53	0.83095
Repayment period is very short	100	1.57	0.7735
High Interest rates on loan taken	100	2.2	0.90645
Additional fine charges on delayed payment	100	1.97	1.09155
Due to problems in income generating activity	100	1.33	0.61795
Lack of regular income	100	1.16	0.50489
Valid N (listwise)	100		

Source: Primary Data, N=100, Multiple Responses Allowed

The table above clearly shows the challenges faced by the members while repayment of loan, for the issues like 'Loan instalment amount is heavy' the mean value is (1.53), The 'Repayment period is very short' the mean value is (1.57), for 'High Interest rates on loan taken' the mean value is (2.2), for 'Additional fine charges on

delayed payment' the mean value is (1.97), for 'Due to problems in income generating activity' the mean value is (1.33), for 'Lack of regular income' the mean value is (1.16), hence it is proved that the beneficiaries are facing these challenges in repayment of loan. Hence it is suggested to the MFIs to improve the same.

7. Testing of Hypothesis

Hypothesis-1

H₀: There is an insignificant benefit derived by the beneficiaries after joining the MFIs

H₁: There is a significant benefit derived by the beneficiaries after joining the MFIs

Table: 5: One Sample T-test for Empowerment of Women

Additional Services	T	df	Sig.	Mean Difference	95% Confidence Interval of the Difference	
			(2-tailed)		Lower	Upper
Impact Factor – 1: Economic Empowerment						
Increased income generating activities	26.702	99	0	1.605	1.4865	1.7235
Increased standard of living	28.356	99	0	1.34	1.2468	1.4332

Purchasing capacity of assets increased	23.075	99	0	1.33	1.2163	1.4437
Opportunities to start business	26.747	99	0	1.19	1.1023	1.2777
Savings increased	51.725	99	0	1.1	1.0581	1.1419
Increased agricultural activities	32.432	99	0	1.22	1.1458	1.2942
Impact Factor – 2: Social Empowerment						
Improved children education	36.276	99	0	1.13	1.0686	1.1914
Awareness about women's status and rights	44.636	99	0	1.16	1.1088	1.2112
Organizing social awareness programme	25.801	99	0	1.335	1.233	1.437
Communication skills are improved and recognition	32.125	99	0	1.185	1.1123	1.2577
Improved health and sanitization	24.343	99	0	1.18	1.0844	1.2756
Social status and security improved	44.581	99	0	1.12	1.0705	1.1695
Impact Factor – 3: Political Empowerment						
Attending gram panchayath meetings and Gram sabhas	25.5	99	0	1.415	1.3056	1.5244
Voting regularly in Election	25.343	99	0	1.445	1.3326	1.5574
Participating in election campaigns	20.379	99	0	1.48	1.3368	1.6232
Participating in election as a candidate	22.607	99	0	1.52	1.3874	1.6526
Impact Factor – 4: Empowerment in Family Decision-making						
Assisting in family financial issues	23.247	99	0	1.23	1.1257	1.3343
Efficiency in running family business	51.725	99	0	1.1	1.0581	1.1419
Improved family investment and savings	22.463	99	0	1.945	1.7743	2.1157
Spending independently for children education and others	27.95	99	0	1.145	1.0642	1.2258
Valid N =100						

Source: SPSS Output

The table above shows that the results of one sample t-test for the above variables for the empowerment of the women. Here the $p < 0.05$ @ 5% significance level, hence it is proved that the null hypothesis is rejected and alternative hypothesis is accepted. Therefore, it is proved that there is a

significant benefit derived by the beneficiaries after joining the MFIs. And it is also proved that the women are Economically, Socially, politically and empowered in family decision making by the initiatives taken by the MFIs.

Hypothesis-2

H₀: The co-relation between purpose of loan taken and challenges faced in availing loan is insignificant

H₁: The co-relation between purpose of loan taken and challenges faced in availing loan is significant

Table: 6: Co-relation Between Purpose of Loan Taken and Challenges Faced in Availing the Loan

Symmetric Measures					
Purpose of Loan Taken and Challenges Faced in Availing the Loan		Value	Asymptotic Standard Error ^a	Approximate T ^b	Approximate Significance
Interval by Interval	Pearson's R	0.106	0.046	2.379	.018 ^c
Ordinal by Ordinal	Spearman Correlation	-0.003	0.048	-0.056	.955 ^c
N of Valid Cases		100			
a. Not assuming the null hypothesis.					
b. Using the asymptotic standard error assuming the null hypothesis.					
c. Based on normal approximation.					

Source: SPSS Output

Analysis and Interpretation: The table explains the correlation values for the challenges faced in availing the loan and purpose of loan, in the table $p > 0.05$ at 5% significance level. Hence it is proved that the null hypothesis is accepted and alternative hypothesis is rejected. Therefore, it is clear that there is no relationship between the challenges faced by the beneficiaries in availing loan and purpose of

loan taken. This is because the rules and policies of the MFIs in the study area.

Hypothesis-3

H₀: The Co-relation between Purpose of Loan taken and challenges faced in Repayment of loan is insignificant

H₁: The Co-relation between Purpose of Loan taken and challenges faced in Repayment of loan is significant

Table: 7: Co-relation Between Purpose of Loan Taken and Challenges Faced in Repayment of the Loan

Symmetric Measures					
Purpose of Loan Taken and Challenges faced in Repayment of Loan		Value	Asymptotic Standard Error ^a	Approximate T ^b	Approximate Significance
Interval by Interval	Pearson's R	0.635	0.046	2.379	.000

Ordinal by Ordinal	Spearman Correlation	0.795	0.048	-0.056	.000
N of Valid Cases		100			
a. Not assuming the null hypothesis.					
b. Using the asymptotic standard error assuming the null hypothesis.					
c. Based on normal approximation.					

Source: SPSS Output

The table above shows the co-relation between the purpose of loan taken and challenges faced by the respondents in repayment of loan taken. Here the $p < 0.05$ @ 5% significant level, hence proved that the null hypothesis is accepted and proved that The Co-relation between Purpose of Loan taken and challenges faced in Repayment of

8. Suggestions and Conclusion

It is impossible to overstate the contribution microfinance organisations to the empowerment of its female clients. This is because microfinance is making sure that low-income women who, because of specific restrictions, were previously unable to obtain credit through the traditional banking system can now do so in order to finance their companies. When impoverished women associate with microfinance organisations, their behaviour changes on an individual, family/household, enterprise, and community level. The availability of microfinance guarantees impoverished women in offin the ability to make decisions in their daily lives.

A few of the changes observed are an increase in the beneficiaries' level of savings, an improvement in their standard of living, adjustments to the beneficiaries' enterprise level (such as diversification of their business ventures and good business practices), and control over financial resources. Since women typically devote a larger portion of their income to their households, there is also an improvement in the overall well-being of their household. It

loan is significant, this is because the beneficiaries if used the loan taken for the purpose properly, they can do the [productive activity and can repay the loan if not they will face the challenges hence it is suggested to the beneficiaries to use the loans for proper reason.

has a multiplier effect when these women are empowered in all facets of their lives because it will guarantee the advancement of the country. This is because these women may now make an economic contribution to the country.

But it's important to understand that having access to finance by itself won't make women more powerful. This is because not all women who are eligible for loans do so with the intention of improving their families. Some people have a tendency to mismanage their finances by buying pricey clothing and other items. Therefore, empowerment is not possible if the funds obtained are not utilised effectively.

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