

Chapter 6

An Overview of Microfinance in India and Its Role in Financing Poor Women

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ABSTRACT

Microfinance is considered as one of the most potential and successful tools which battle against poverty in the way of financing people with small financial need and helping poor women financially in less developed countries like India. It is a well-recognized notion that without upliftment of the condition of women in a society a nation cannot be developed in a competitive world. Microfinance may in fact help women to gain respect in her family and realize more self-confidence in socially defined roles. The chapter discusses the conceptual framework of microfinance growth of SHG-linked microfinance program and different types of microfinance services in India. Also, this chapter depicts how women are financially benefitted from microfinance institution through self-help groups and measured state-wise microfinance penetration index (MPI) in India. The findings of this study show that there have been favorable changes in the microfinance variables considered.

INTRODUCTION

Man's fight for eradication of poverty ensuring empowerment to the vulnerable class stems from the prehistoric time and possibly exists today at the same level as had been when they deliberately started their struggle. Scientific inventions, political restructurings, all have failed to ensure a poverty free world. The struggle however continues. In the early seventies Prof. Md. Yunus, a Nobel Prize Winner from Bangladesh, who was an eminent economist teaching in the Chittagong University however, felt that poverty could be ended by guaranteeing right to loan to the poor who were so far had been regarded as non-bankable. Microfinance is a way of financing people with small financial need. Literary poor people are deprived of getting banking facilities for their inability to provide valuable security on one hand and on the other hand, micro financing is not cost-effective in the eye of banking sector. That is why micro

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financing emerged. Microfinance should not be used interchangeably with micro credit. Micro financing covers savings, insurance, training etc. in addition to micro credit.

Gender discrimination is our inborn concept of mind, but human capital (both men and women) is the most important part of a country and the development of a nation is dependent on the quality of its human asset. World is developed not by the physical power of human but by the application of knowledge or education of that. Human civilization has a long history. We have reached from the primitive age to the modern age. In the ancient age men would struggle for collection of food outside the living place and women would struggle for cooking and nursing their children within the residence. Now if we ask ourselves why men and women preferred their work in such a manner when there was no compulsion on them, perhaps it is the nature which is responsible for directing men and women differently. Nature makes men physically stronger than women. In the old age physical power was important as they have to fight with animals continuously to save themselves. From then gradually primitive men tried to understand that the physical energy is not the only way to survive. They started to sharp their Weapons which is the evidence of application of innovative power of their brain. In this way focus is changed from physical power to the power of knowledge. This is the difference between the archaic age and modern age. When muscle power is considered then generally women may be less strong than men but when knowledge is the focal point then men-women division will not be meaningful. As women were used to do work in the home, a habit and custom developed in the mind of people that woman is suitable and safe for home work only and no other power is necessary for them. Thus male people empowered them in every respect keeping female people confined within pavilion. In this way year after year gender discrimination was practiced and hidden power of women remains unutilized. After that the development of education and knowledge helps male people to dream otherwise and instances of female success in different sectors triggered this thinking. Present age of globalization is directing towards formation and development of human capital and not the development of men or women. Women empowerment is providing women the opportunities so that they can apply their inherent power to various creative activities and thereby increasing their efficiencies which in turn boost their creativity.

Microfinance institutions and agencies all over the world direct their endeavor towards the empowerment of women initially by providing financial services. It is observed that women make up large proportion of microfinance recipients. Microfinance lending is often focused on women for a number of reasons. First, gender inequalities in developing societies hamper economic growth and development. The greater the level of gender-based discrimination in a given society, the more likely the society is to experience higher levels of poverty, stagnant economic growth, and weaker governance. Additionally, those within societies where gender discrimination is practiced tend to have a lower standard of living. Second, women are excessively represented among the world's poorest people. Women access to microfinance services will enable them to make a greater contribution to household income. This, in turn, will lead to improved standards of living. Women have meager resources available to them for which they tend to be more vulnerable when economic challenges or unforeseen adverse circumstances arise. By providing access to loans for income-generating activities, microfinance institutions can significantly increase a woman's resources, thereby reducing her overall vulnerability. Furthermore, it is well-documented that women are more likely than men to spend their income on household and family needs. Third, assistance to women has been shown to generate a multiplier effect that improves the welfare of the whole family. MFIs also target women for sustainability reasons. Repayment rates of women are typically far higher than those of men. Fourth, lower arrears and loan loss rates have an important effect on the efficiency and sustainability of the MFI. Many programmers have also found that women

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