

# Chapter 10

## Ruminating on Microfinance as a Contrivance of Economic Development and Women Upliftment: A Case of India

**Manpreet Arora**

*Central University of Himachal Pradesh, Dharmashala, India*

### ABSTRACT

*This chapter focuses on the success of microfinance as a tool to create opportunities for women and other deprived sections in the formal financial structure of India. It also aims at focusing on the role of various institutions which play a significant position in providing rural credit through various channels. The author contends that in this pandemic where economies at global level require resilience strategies, microfinance once again can prove to be an effective strategy to bounce back in terms of improving the economic conditions of poor and vulnerable who suffered the most due to lockdowns, especially in developing nations like India. Localization and promotion of local product can help boost entrepreneurial activities at various levels, which can improve the distorted global supply chain slowly and gradually but effectively.*

### INTRODUCTION

Global challenges due to Covid -19 pandemic are very complex in nature and they require a great deal of research to find out certain innovative solutions to reshape the devastated economies. Entrepreneurship is the backbone of every economy (Karadağ, 2016, Onileowo & Anifowose, 2020). Due to Covid-19 the survival of economies was majorly affected especially because existence of small scale businesses was threatened as they had less resources compared to the larger firms. Microfinance is considered as a significant practice of providing small loans or monetary help to the deprived and the disadvantaged

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people who are unable to access formal banking services. The financial services comprise of not only facilitating savings and disbursement for providing credit, but also include providing varied other services like insurance, leasing, money transfer, equity transaction, etc. It is the provision of thrift, credit and other financial services as well as products designed especially for poor; enabling them to raise their income level thereby improving their living standards. In this scenario where Covid-19 has hit the world so bad that overseas business is severely affected. Many nations have faced second wave of the pandemic and they are forced to use lockdowns again in 2021, where 2020 was worst hit by closure of international trade at various levels across the globe. Many nations adopted the policy of going local from global to revive their economies. The situation started improving in some nations in the beginning of 2021 but again second wave hit the developing nations like India and developed nations like Europe and Britain. So the supply chain disruptions continue to affect the global trade in one way or another (Arora & Sharma, 2021). Overall to revive the economies promoting entrepreneurship, start ups and small ventures is the only solution, which is to bring back economies back on trail (Arora & Sharma, 2021). It has proved to be significant tool to empower deprived in various nations. Reduction of poverty as an agenda of developing economy is not a new phenomenon and nations had been striving hard before pandemic to reach up to a level of reasonable level of development by using certain intervention programmes. In India also Central Bank has started various intervention programmes which focus on serving poor by triggering the weaker section with the help of microcredit which makes them free from the shackles of poverty and vulnerability. Thereby a SHG Bank linkage programme was initiated by the central bank where providing microfinance to the weaker sections of society is the main priority. This programme facilitates enough flexibility in intervention so as to alter the support activities as per the needs of the poor and unprivileged; focusing especially on women. It also acts as a mediator for bridging the gap between poor and formal financial structure by providing the facilities of credit encourage savings and making credit available to become socially and economically independent (Arora & Singh, 2017).

Talking particularly of India, the worth mentioning fact for provision of microfinance, rural women have proved to be the main stakeholders of microfinance programmes. They have been provided deliberate opportunity to connect with the mainstream financial system through certain flagship programmes of Govt. of India. The basic objective of microfinance programme is to provide women an access to the financial services so that they can engage themselves in income generating activities, become financially independent and contribute to their family income (Arora & Singh, 2015). Investment of credit amounts into income generating activities improves the living standard as well as the empowerment level of the participants by making them financially independent. This helps women to become economically empowered.

When we are talking about empowerment, it is not confined to economic aspects, but it is a process of making women and other deprived sections empowered economically, socially as well as politically empowered (Bakhtiari, 2006). One of the interesting positive effects of microfinance programmes in India is that the women and other deprived sections are getting ample opportunities to establish their independent ventures, they are getting enough credit without collaterals under microfinance initiatives to become self sufficient. This chapter will focus on the success of microfinance as a tool to create opportunities for women and other deprived sections in the formal financial structure of India. It will also aim at focusing on the role of various institutions which play a significant position in providing rural credit through various channels. The author contends that in this pandemic where economies at global level require resilience strategies, microfinance once again can prove to be an effective strategy to bounce back in terms of improving the economic conditions of poor and vulnerable who suffered the most due

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