



## **A STUDY ON ROLE OF BANKS IN EMPOWERING WOMEN ENTREPRENEURS THROUGH MICRO FINANCE**

**Rajyalakshmi Sangisetty**

Research scholar

Dept of management

JNTU Ananthapuram

adepu.rajyalaxmi@gmail.com

**Dr. Madala Subba Rao**

Professor/Principal

Sri Balaji PG College (MBA)

Anantapur -515002

sai999msrao@gmail.com

### **Abstract**

*By offering specialized initiatives, support, and financial and non-financial services, banks play a critical role in empowering women entrepreneurs. Banks can help close the financing gap, improve financial inclusion, and encourage economic empowerment by tackling the difficulties and obstacles faced by female entrepreneurs. Women's empowerment is a big issue in developing nations. Since women's empowerment is essential to achieving the goals of poverty reduction and development, numerous attempts have been made to address this issue. Microfinance institutions (MFIs) have emerged as important instruments in recent decades, not only to combat poverty but also, in particular, to empower women. Globally, microfinance has become an essential instrument for advancing financial inclusion and empowering female entrepreneurs. Banks are essential to the providing microfinance services to women entrepreneurs, enabling them to access credit, savings, and other financial services.*

*Keywords: Bank, Finance, Women*

### **Introduction**

From a development standpoint, microfinance has developed into a program for reducing poverty and empowering women economically. Microfinance is one of the most effective strategies for facilitating the financial inclusion of the underprivileged. In India, microfinance institutions have been instrumental in increasing low-income households' access to financial services, particularly for women. This has basically meant providing low-income women, who are often categorized into joint liability or self-help groups, with no-collateral loans. Microfinance initially appeared in the non-profit sector. Nonprofit charity trusts and societies made up the majority of Microfinance Institutions (MFIs) established in the mid-1990s. As they grew, they had to transform into for-profit non-banking financial companies in order to attract risk capital.

Microfinance began when social enterprises began providing large-scale loans to working poor people in the 1970s. Prof. Muhammad Yunus, who shared the Nobel Peace Prize with Grameen Bank in 2006, is one individual whose contributions to microfinance have garnered him recognition on a global scale. The purpose of microfinance was to help people escape poverty. Over the past 20 years, governments, non-governmental organizations, international development organizations, and many others have developed a variety of development strategies aimed at reducing poverty in developing nations. Microfinance is one of these initiatives that has become more well-known since the early 1990s. It provides working poor people with financial services like credit and savings opportunities.

Since its inception, India's microfinance industry has played a significant role in empowering and advancing the country's rural and economically disadvantaged citizens. However, as they look to the future, microfinance companies in India continue to face their own set of challenges. It must balance growth and borrower protection in order to maintain this beneficial effect. Through the use of technological innovations like fintech and digital platforms for loans, the industry has begun to serve a wider audience.

Chaitanya, one of the leading microfinance firms in India, has digitized its operations with the goal of helping people by offering microfinance solutions. In order to foster economic growth and a future in which microfinance reaches the core of India's diverse economy, it is intended to guarantee equitable practices and borrower protection.

### **IMPORTANCE OF MICROFINANCE**

Microfinance institutions are essential in a nation like India, where over 80% of people are employed in the unorganized sector. Local banks are frequently out of the question for small business owners due to the exorbitant fees. Individuals may not have the necessary documentation, such as identity cards and proof of income, to open an account. Alternatively, they lack the reading and writing skills necessary to fill out the forms. This duty is carried out and this gap is filled by microfinance.

India's economic development is significantly impacted by microfinance. For people living in rural areas, it acts as a counterbalance to poverty. Its objective is to assist economically underprivileged communities in reaching greater levels of income security and wealth development for households as well as entire communities. In India, giving small business owners access to capital is the primary purpose of microfinance. As previously mentioned, microfinance companies in India provide access to savings accounts, insurance, and loans.

The microfinance philosophy also targets women by lending them money. Because low-income women can instantly improve their families' lives and combat all forms of gender inequality once they become independent, it is a tool for their empowerment. Microfinance focuses on women and impoverished households in both rural and urban areas. The Reserve Bank of India has no restrictions on the lowest or maximum amounts that can be lent.

Credit is essential for the poor to continue making money and covering their expenses. The poor also depend on it for income-generating activities like funding marginal farms and other small-scale self-employment ventures. They have limited access to traditional banking channels because of the structure of formal credit organizations and resource limitations. In India, self-help groups and microfinance institutions are influencing other traditional banking institutions by providing credit to the underprivileged. It has significantly improved the quality of life for those living in poverty.

Therefore, microfinance is not a financial system; rather, it is a tool for ending poverty, transforming society, and, most importantly, empowering women in our country to become self-sufficient. Because microfinance has a public function, it is a valid goal for social policy.

Numerous microfinance institutions in Karnataka, and more especially in Bangalore, are offering incredibly affordable small loans to low-income households, especially to women who are beginning to pursue financial independence. Through their financial assistance, these Karnataka microfinance institutions are the backbone of the state's efforts to improve many communities.

### **Microfinance: empowering female entrepreneurs**

Women can fight their way out of poverty with the aid of microfinance, but financial inclusion by itself cannot significantly boost economic growth. In addition to being a key passage from John F. Kennedy's inaugural address, the phrase "help them help themselves" has long been debated and examined in relation to the global poverty agenda. Because of this, microfinance—a system that gives people access to financial services that they would not otherwise have—was heralded as revolutionary when it was introduced in 1983. At last, there was a way to reduce poverty globally—exactly by empowering individuals to assist themselves.

However, a lot of the positive effects that microfinance can still produce have been obscured in the years that have followed by criticism from a variety of sources. There is no smoke without fire, of course, and regrettably, there are people who try to take advantage of weak people, but that is not the only conclusion to this particular tale.

The amazing thing about microfinance is that it can challenge the status quo and encourage economic activity in a community. This is especially true for women in developing nations, where they encounter even more obstacles than their husbands and fathers when trying to obtain financial services.

### **Obstacles to overcome**

Although it is clear that empowering women is essential to economic growth and that microfinance can serve as a key to opening this door, there is a catch in the system: microfinance encourages women's empowerment, which in turn encourages girls to pursue higher education, but its effectiveness may be constrained if education is lacking in the first place.

For instance, in eastern and southern Africa, many women rarely stay in primary school for more than a few years, and even fewer attend secondary school. However, removing the obstacles to credit can frequently be pointless because education is an essential component of financial services. Due to a lack of financial literacy and business training, many women in extreme poverty are unable to manage their finances or comprehend the terms of the loans they are taking out, which can lead to spiraling credit.

Poverty is a battle – to successfully conquer it, those living in its grip must have the right weapons and tools

Furthermore, despite having access to funding, being knowledgeable about financial products, and having the entrepreneurial spirit and ingenuity to start a profitable company from the

ground up, these women may still be limited by their circumstances. For instance, as Scott's paper discusses, even if a fruit vendor had financial support, her situation might prohibit her from adding value to her goods by producing jam or chutney.

In particular, a lot of homes in isolated places have makeshift stoves, which means that heat cannot be controlled, and it is impossible to get ingredients or condiments to vary the products. Jars might not even be available, and sterilizing them might not be an option either. As a result, even in situations where there are few opportunities for investment, microloans are given to the impoverished. In Bangladesh, it has been observed that in these kinds of circumstances, women use their loans to buy their husbands plane tickets so they can work overseas; many of them send money home but never come back. Even though these payments can be beneficial, they don't do much to empower women or create a steady income, which prevents the crucial ripple effect within a community.

Fortunately, even in the remotest areas with very few investment opportunities, there are alternative systems that can be more effective. Companies such as Avon, Jita, and Living Goods, for instance, give women innovative, fast-moving goods to market in their local communities. This business model is not only crucial for empowering women to earn a steady income, but it also gives female entrepreneurs the logistical support and training they need to launch successful ventures.

### **The battle for equality**

The Microcredit Summit Campaign claims that 10 million people in Bangladesh were lifted out of poverty through microfinance between 1990 and 2008. By December 2013, 211 million people worldwide had taken out loans from microfinance institutions, with women making up more than half of this total. It is clear that microfinance can change lives and communities by fostering entrepreneurship, educating children, and offering insurance in the event of a natural disaster. However, microfinance by itself is insufficient. It must be accompanied by realistic opportunities, financial education, and the assistance people require to make profitable capital investments. Financial products by themselves are obviously only a small portion of the much larger package required to reduce poverty, as Scott and others have argued.

And yet, with the right backing, microfinance can provide the impetus women in poverty need to challenge the status quo and make something more of their lives than previous norms and customs have dictated. In doing so, they create a ripple effect that lifts others out of poverty. This cumulative effect swells further as the children of these women have greater access to education, healthcare and employment opportunities, meaning they can create even better lives for themselves and their own families.

Greater equality within a community can result from such a shift, and women in developing nations might no longer have to deal with violence and discrimination. In this kind of future, women are empowered to reach their full potential, which benefits the community as a whole. Numerous studies have demonstrated that true, long-term economic development can only take place when equality is maintained. Poverty is a battle, and those who are affected by it need

the appropriate tools and weapons to win. Therefore, in addition to encouraging financial inclusion, governmental organizations, the global community, and private institutions are tasked with offering the training and opportunities required to fully realize the potential of microfinance.

Because economic development is a very complicated and multifaceted phenomenon, all citizens must contribute to its success, which includes empowering women to "help them help themselves."

### **Literature Review**

**Aradhana Borthakur (2023)** The underprivileged members of society are now empowered by microfinance. It has a significant impact on Asia's developing nations. Numerous success stories exist in these nations where microfinance has allowed the impoverished and backward to establish a steady source of income for themselves. It has been noted that women typically play a crucial role in using self-help groups (SHGs) to access microfinance. The purpose of this paper is to examine how microfinance affects rural women in Assam, a state that is close to Bangladesh, a nation where women have responded overwhelmingly to microfinance. The study attempted to determine the effects of microfinance from the socio economic perspective of the North East India. The paper is based on primary data collected from the women respondents of rural area who have experience of working with the SHGs. The paper concluded that the micro finance has contributed to the empowerment of women in rural Assam and hence micro finance has a great future in this part of India.

**Vidura Perera (2021)** The prime objective of this study is to identify the association between microfinance and women empowerment by giving opportunity for self-employment, rural women and the impact of micro-credit, savings, skill training and education on women empowerment as well. This study focuses on women empowerment through micro finance under post-war development in Ampara District selecting five rural areas which are Uhana, Padiyathalawa, Weeragoda, Damana, and Ampara in Ampara District. The information has been gathered by primary data from the rural women in the above selected areas and 105 responded out of 50. From the results, it is concluded that the micro-finance has significant relationship and positively correlated (0.852) with empowerment at 0.01 significant levels and its impact is crucial as well. It is proposed that the micro- finance facilities are essential in empowering rural women and developing the women entrepreneurs under post-war development in Ampara District.

**Totakura Grace (2020)** The present paper refers to women empowerment through Micro finance (A case study of N.G.O. in Prakasam district of Andhra Pradesh state. This paper's primary goal is to present the profile of the voluntary organization that is the subject of the study. Micro finance and also SHGs are successful in reducing poverty, empowering women and providing awareness which results in development which is sustainable to the nation and also the next generation. Women have been the most deprived and discriminated strata of society not only in our country but all over the world. In spite of all the efforts of Government

and Non-Government organizations they have fallen prey to the financial sector and offer themselves to surrender. Because of the difficult working conditions women faced and the significantly lower pay they received compared to men, the women's empowerment movement began in the nineteenth century. The exploitation of women and children during the Industrial Revolution, along with the concerns of women's suffrage, restraint, and anti-slavery, further fueled the movement. In order to run different small sector businesses or units and provide financial support for their families, over 90% of the married women respondents need microfinance and empowerment. According to the current study, almost 80% of the participants are in the 30–40 year old productive age range. This group is capable of lacking bravery, innovation, creativity and ability to take risk. There is a need to encourage more number of middle aged as well as above 50 years age group women also to form SHGs in order to achieve the objectives of the SHGs.

**Oladayo Awojobi (2014)** The legitimacy of Micro-Finance Institutions (MFIs) having a positive impact on women's empowerment has been the subject of heated scholarly discussions. According to certain empirical research, microfinance services are a magic bullet for empowering women. However, some economic experts have sharply criticized the idea that microfinance can help empower women. The effect of microcredit on women's empowerment in Lagos, Nigeria, is examined in this essay. The study, which used a quantitative approach from Lagos, demonstrates that women who participate in MFI projects have gained social and economic empowerment. The survey was completed by 40 women who are customers of microfinance organizations. The collected data was examined and recorded. The findings demonstrate that taking part in microfinance programs significantly improves women's empowerment, household well-being, and income and employment. All respondents, however, expressed dissatisfaction with the high interest rates that MFIs were charging; consequently, the paper suggests that the regulatory body keep an eye on how the majority of MFIs behave in relation to the high interest rates.

### **Objective of the Study**

- 1.To analyse the role of micro financing in empowering women.
- 2.To and out the schemes provided by banks in India for empowering women.

## Methodology

Secondary data is used for the study's descriptive analysis from a variety of sources, including books, reports, magazines, articles, and journals that have been published. This theoretical framework's goal is to make clear the general idea of the relationship between microfinance and women's empowerment. In order to do this, the researcher highlights the relationship between microfinance and women's empowerment by drawing on prior research and experiences. The researcher has also emphasized in this model the programs that Indian banks offer to women in order to empower them.

## Role Played by Micro Finance in Empowering Women

### Economic Empowerment

**Access to Capital:** Microfinance provides women with access to financial resources that they might not otherwise obtain from traditional banking institutions. This access enables women to start or expand small businesses, leading to increased income and economic independence.

**Increased Savings:** Microfinance programs often include savings components, encouraging women to save money regularly. This builds financial security and enables them to handle unexpected expenses or invest in future opportunities.

**Financial Independence:** With access to microfinance, women can generate their own income, reducing their dependence on male family members. This financial independence allows them to make autonomous decisions regarding their personal and household finances.

### Social Empowerment

**Enhanced Social Status:** Women who participate in microfinance programs often gain respect and recognition in their communities. Successful entrepreneurs are viewed as contributors to the local economy, enhancing their social standing.

**Networking and Support:** Many microfinance initiatives use group lending models, which foster social networks among women. These networks provide mutual support, share knowledge and skills, and create a sense of solidarity and collective empowerment.

**Improved Confidence and Skills:** Through microfinance programs, women receive training in financial literacy, business management, and other skills. This education boosts their confidence in managing businesses and finances, leading to greater self-esteem and personal growth.

### Political Empowerment

**Increased Participation:** Economic empowerment often leads to greater participation in community and political activities. Women with financial independence are more likely to engage in local governance, attend community meetings, and voice their opinions on matters affecting their lives.

**Leadership Development:** Microfinance programs often encourage leadership development

by promoting women to take on roles such as group leaders or community organizers. These roles provide women with opportunities to develop leadership skills and influence decision-making processes.

#### Household Empowerment

**Decision-Making Power:** Financially independent women have a stronger voice in household decision-making. They can influence how household income is spent, including on education, healthcare, and other essential needs, leading to improved family welfare.

**Investment in Education and Health:** With increased income and savings, women are more likely to invest in their children's education and family healthcare. This not only benefits their families but also contributes to the long-term development of their communities.

#### Psychological Empowerment

**Self-Esteem and Autonomy:** Participation in microfinance programs enhances women's self-esteem and sense of autonomy. Knowing they can contribute financially to their households and communities fosters a sense of pride and accomplishment.

**Reduced Vulnerability:** Economic security provided by microfinance reduces women's vulnerability to economic shocks and crises. This stability enhances their overall well-being and allows them to plan for the future with greater confidence.

#### **Schemes Provided by Banks in India for Empowerment of Women**

##### **State Bank of India (SBI)**

**SHG-Bank Linkage Program:** This program provides credit to Self-Help Groups (SHGs) of women, allowing them to take collective loans for income-generating activities. Loan Amount Varies based on the group's requirements and repayment capacity. Interest Rates Competitive rates as per SBI's lending policies. Eligibility Women's SHGs with a minimum of six months of active existence.

*Features:* Offers both term loans and revolving credit. Provides capacity-building support and financial literacy programs.

**Stree Shakti Package:** Tailored specifically for women entrepreneurs, offering concessions in loan processing fees and interest rates.

*Loan Amount:* Up to INR 50 lakh.

*Interest Rates:* Concession of 0.5% on applicable interest rates.

*Eligibility:* Women entrepreneurs owning at least 50% of the business.

*Features:* Offers collateral-free loans up to a certain limit and provides support for business expansion.

##### **Canara Bank**

**Udyogini Scheme:** Provides financial assistance to women entrepreneurs for starting or expanding micro-enterprises.

*Loan Amount:* Varies, with a maximum limit usually up to INR 1 lakh without collateral.

*Interest Rates:* Preferential rates for women borrowers.



*Eligibility:* Women aged between 18 to 55 years.

*Features:* Simplified documentation process, includes training and skill development programs.

**Canara Vikas Kalyan Scheme:** Targets SHGs and Joint Liability Groups (JLGs) for agricultural and allied activities.

*Loan Amount:* Based on the group's needs and project viability.

*Interest Rates:* Subsidized rates under government schemes.

*Eligibility:* Women SHGs and JLGs involved in income-generating activities.

*Features:* Includes technical support and financial literacy programs.

### **HDFC Bank**

**Sustainable Livelihood Initiative (SLI):** Focuses on providing microloans and other financial services to women in rural and semi-urban areas.

*Loan Amount:* Ranges from INR 10,000 to INR 50,000 for individual women and up to INR 1 lakh for SHGs.

*Interest Rates:* Competitive rates with flexible repayment options.

*Eligibility:* Women aged 18 to 60 years engaged in micro-enterprises.

*Features:* Provides training in financial literacy, business management, and access to market linkages.

**Mahila Udhyaami Loan:** Specifically designed for women entrepreneurs to start or expand businesses.

*Loan Amount:* Up to INR 50 lakh.

*Interest Rates:* Reduced rates for women borrowers.

*Eligibility:* Women entrepreneurs with at least 51% ownership in the business.

*Features:* Quick processing, flexible collateral requirements, and advisory services.

### **ICICI Bank**

**Self-Help Group (SHG) Loans:** Loans for women SHGs engaged in various economic activities.

*Loan Amount:* Varies based on group size and activity.

*Interest Rates:* Competitive and subsidized rates.

*Eligibility:* Registered SHGs with a track record of savings and internal lending.

*Features:* Includes financial literacy programs and business development support.

**ICICI Bank Women Business Loans:** Tailored loans for women entrepreneurs to start or expand their businesses.

*Loan Amount:* Up to INR 50 lakh.

*Interest Rates:* Concessional rates for women.

*Eligibility:* Women-owned businesses with at least 51% ownership.

*Features:* Minimal documentation, flexible collateral options, and advisory services.

### **Axis Bank**

**Axis Bank Microfinance Program:** Offers microloans to women in rural and semi-urban areas for income-generating activities.

*Loan Amount:* Small loans ranging from INR 15,000 to INR 50,000.

*Interest Rates:* Competitive rates based on market conditions.

*Eligibility:* Women engaged in or planning to start small businesses.

*Features:* Financial literacy training and group- based lending models.

**Shakti Loan:** Focuses on empowering women entrepreneurs with easy access to credit.

*Loan Amount:* Up to INR 25 lakh.

*Interest Rates:* Preferential rates for women borrowers.

*Eligibility:* Women entrepreneurs with a viable business plan.

*Features:* Collateral-free loans up to a certain limit, quick processing, and business support services.

### **Recommendations**

**Expand Credit Access:** To expand credit availability for female entrepreneurs, banks ought to investigate novel credit scoring schemes and collateral-free lending alternatives.

**Enhance Financial Literacy:** To assist female entrepreneurs in efficiently managing their finances, banks ought to offer financial literacy training courses.

**Lower Interest Rates:** In order to make microloans more accessible to female entrepreneurs, banks should look into ways to lower interest rates.

**Encourage the Growth of Entrepreneurship:** Banks ought to encourage the growth of entrepreneurship by giving female entrepreneurs access to resources such as mentorship and training.

### **Conclusion**

As everyone knows, financial institutions are essential to the expansion of our economy. The reduction of poverty in societal structure is significantly influenced by microfinance. Numerous banks in India have begun making loans to microfinance organizations. It encourages women's empowerment, a critical step in the development of the country. By providing microfinance, banks are essential to the empowerment of female entrepreneurs. Banks can facilitate women entrepreneurs' access to credit, financial inclusion, and economic empowerment by offering microloans, savings and deposit services, financial literacy training,

and support for entrepreneurship development initiatives. To guarantee the success of microfinance programs, however, issues like restricted credit availability, exorbitant interest rates, and a lack of financial literacy must be resolved.

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