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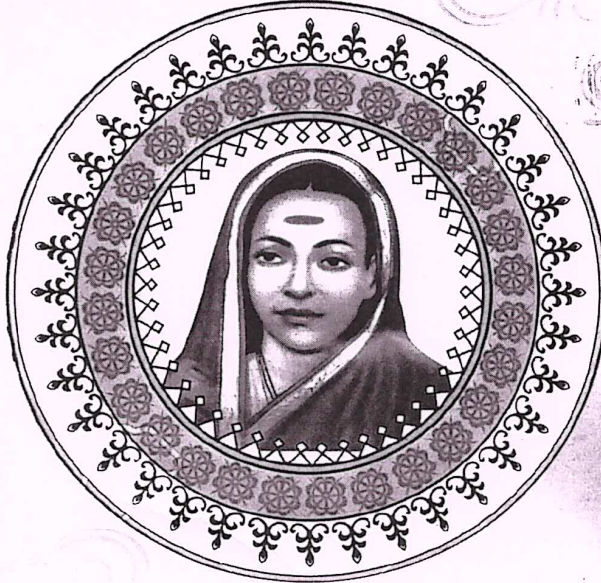
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ENGLISH
PART - I



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29. Women Empowerment and Role of Microfinance Institutions in India

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Abstract

The present paper attempts to shed light on the evolution and progress of the microfinance sector in India and its contribution to the goal of empowerment of women. The complementary role played by MFI's to banks, the client outreach of these institutions, distribution of clients by state, rural urban distribution of MFI borrowers, outreach to women, SC/ST and minority borrowers are dealt with. Lastly, the article explains the ways in which microfinance institutions can contribute to women's empowerment.

Introduction

Microfinance institutions are playing a major role in upliftment of marginalized sections of population, especially women. Microfinance can transform the lives of the poor by enabling them to engage in income generating activities and providing credit to stabilize income. Microfinance brings the poor under the ambit of various financial services like insurance products, microcredit and money transfer. Microfinance can also be very instrumental in promoting social development through women empowerment and encouragement to gender equality.

Indian women are affected by poverty and socio-economic discrimination more compared to men. A woman has to suffer the double burden of attending to the household duties and at the same time earn money to supplement the income of the family. Women often work in low paying jobs like housemaids, agricultural workers, construction workers and manual work. Very few women are engaged in productive self employment. Moreover, they find it even more difficult to get credit than their male counterparts. Microfinance institutions can make the credit availability easier for women and boost their income levels, thereby leading to their empowerment.



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The Development Trajectory and Evolution of Microfinance Sector in India

Microfinance institutions are an important part of the new participatory approach to development. The microfinance programme is part of the new policies designed to implement the concept of inclusive and sustainable development.

The microfinance institutions directly involve the poor in the income generating activities and make them contribute in the development of the country and the society. This may be termed as bottom up approach to development rather than the top down model based on large scale investments in different sectors of the economy.

After independence, India embarked on a path of credit led model of rural and agricultural development. This was sought to be done through promotion of co-operative institutions for credit delivery to the poor and marginalised sections of the population especially in the rural areas. After nationalisation of banks, they were expected to meet the credit requirements of the agricultural and rural sectors. However, both the co-operative societies and the public sector banks were found to be inadequate in meeting these objectives. Microfinance institutions have bridged this important gap in the rural credit.

The structure of microfinance institutions in India is based on the SHG model and to a smaller extent on the "Grameen Bank" model implemented by Mohammed Yunus. The earliest initiative in the microfinance sector is the one begun by the Self Employed Women's Association in Gujarat in 1974. Many such initiatives were later implemented in other states of the country. NABARD has played a very constructive role in the development of microfinance self help groups through policy and provision of funding.

Types of Microfinance Structures in India.

There are basically two types of structures of microfinance in India. One is the SHG Bank linkage model and other is the microfinance institution model.

A) SHG Bank Linkage Model : The SBL model has been propagated by NABARD. Under this structure, non government or government agencies encourage poor women to organize themselves into groups of 15-25 individuals called SHG's. They train these women in the basic skills required for running business. Thereafter, they are linked with a bank by opening an account in the bank.

B) Microfinance Institution Model : In India there are different entities working as microfinance institutions such as NBFC-MFIS, co-operative societies and trusts. However, most of these institutions prefer to function as NBFC-MFIS as they are legally recognized by RBI.

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The MFIS operate on the principle of group –lending.

Microfinance Supplementing Banks

A Large part of the rural populace have no access to formal sources of credit. This underlines the fact that India has a long way to go in terms of financial inclusion. It is not possible to increase the scale of financial institutions and banks in a country of over a billion people. Microfinance institutions can serve as a link between the rural population & financial institutions and banks. Micro credit has helped improve the financial inclusion of the poor. It is a more convenient form of credit for the rural poor. Micro finance has helped increase the saving of poor women and obtain loans from bank.

Client Outreach of microfinance institutions.

399 Lakh was the number of Clients served by MFI's as on 31st March 2016. The client outreach of MFI's had increased substantially from 2005 to 2011 when it reached 317 lakh. However, by 2013, the client outreach declined to 275 lakh. In 2014, the trend reversed and no. of clients increased to 330 lakhs. This no. further increased to 399 lakhs in 2016. 84.94% of the clients are being served by the NBFC-MFIS, 46 Lakh Clients were served by societies and trusts. 341 lakh Clients were served by MFI's with outstanding loan portfolio of Rs.500 crore or more.

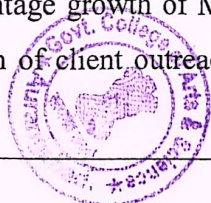
Regional Distribution of Clients

The Southern region accounts for the largest share of the clients with 39 percent. Eastern and the Central region each account for the 20% of the clients. The western region has 13% client outreach. 6 Per cent of the clients of MFI's hail from north while only 2% of clients come from the North- East Region.

Distribution of MFI Clients by State

For The Year 2016, Karnataka had the largest no. of MFI clients at 75 lakhs . The figure for Tamil Nadu Was 57 lakhs giving it a second rank in terms of no of MFI clients. Maharashtra and Uttar Pradesh had MFI client base of 39 lakh each with a joint third place. The client outreach of Madhya Pradesh was 28 lakhs followed by West Bengal at 25 lakh, Bihar, Odisha at 24 lakh each, Gujarat at 13 lakhs, Kerala at 12 lakhs and Chhattisgarh and Rajasthan at 8 lakhs each.

The Percentage growth of MFI clients was highest for the state of Himachal Pradesh at 717%. The growth of client outreach was second highest for the state of Jammu and Kashmir



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with 124% growth over the previous year. Punjab and Chhattisgarh also recorded growth of 109 percent in their MFI clients. Most of the states recorded impressive growth in their client base except for West Bengal, Andhra Pradesh, Assam, Telangana, Tripura, Meghalaya and Arunachal Pradesh which recorded a negative growth rate in their client base. Bihar too was a disappointment with a zero percent growth in the MFI client Outreach.

Rural- Urban Distribution of MFI Borrower

2014-15 can be termed as a turn-around year in terms of rural-urban distribution of the MFI clients served. Upto this year, Microfinance was largely considered to be a rural phenomenon. The share of rural clients of MFI's which was 69 % in 2012 declined to 56% in 2014 and came down to 33% in 2015. The share of urban clientele on the other hand has increased to 67% in 2015.

Outreach to Special Categories of Buyers

Woman clients constitute 97 percent of the total MFI clients. 30 percent of MFI clients are SC/ST. Borrowers belonging to minority community constitute 27 percent of total MFI clients. The Following table shows the trend in no. of women, SC/ST & minority borrowers.

Table-1

Year	Women Borrowers	SC/ST Borrowers	Minor Borrowers
2011	94%		
2012	95%	20%	23%
2013	96%	21%	23%
2014	97%	19%	14%
2015	97%	28%	18%
2016	97%	30%	27%

Source: Bharat Microfinance Report 2016-17

Microfinance and Women Empowerment

Microfinance can contribute to women empowerment through economic empowerment, social empowerment, education skill and training empowerment & political empowerment,

Microfinance contributes to economic empowerment through income generation, employment generation, knowledge of bank transactions and through improvement of women's access and control over resources. It also plays a role in social empowerment by helping women gain respect in family, enhancing their role in household decision making and increasing the mobility of women. Microfinance also improves the education skill and training empowerment by improving the literacy level of family members, creating awareness about children's

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education, knowledge about records of financial transactions etc. Microfinance also contributes in political empowerment by increasing the participation of women in local bodies and increasing the number of women in decision making power of local governments etc.

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