

Role of Microfinance in Women's Empowerment in Rural Areas

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Abstract

Microfinance is at the forefront of economic empowerment and poverty alleviation in underprivileged communities. It is an entirely accepted channel for promoting women's empowerment and eventually realising economic freedom and development. This study highlights the unique role played by microfinance in empowering women in rural areas, a unique state that ranks high in most of the progressive social and demographic indicators. The study's findings indicated the importance of microfinance in women's empowerment. The findings revealed that microfinance plays a unique role in women's empowerment and that all the respondents expressed satisfaction with most aspects of microfinance, such as interest rate, customer service, modes of repayment, financial education and training and procedures involved in approving loans. The study is significant for policymakers and others similarly tasked with developing initiatives to enhance women's empowerment.

Keywords

Microfinance, policymakers, social indicators, women's empowerment

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Introduction

Microfinance is often lauded as a catalyst for poverty alleviation and socioeconomic development, and for creating transformative opportunities for marginalised sectors worldwide; it is said to be the engine of poverty alleviation and socioeconomic development. Women are at the centre of the significant changes in microfinance services. While microfinance has proven effective in enhancing women's

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empowerment socially and economically, its influence on political empowerment remains a topic of debate. Research conducted by Pervin et al. (2023) found that microfinance primarily fosters social empowerment among women, with limited impact on their economic or political empowerment, particularly in decision-making processes. Additionally, Zafarullah and Nawaz (2019) have suggested that while microfinance positively affects women's empowerment, other interventions may play more critical roles in empowering women.

Women's empowerment has increased by improving greater economic sustainability among women in both the urban and rural landscapes through access to microfinance (Sunitha et al., 2020). By providing access to credit and savings accounts, microfinance programmes allow women to establish and expand businesses, while investing in activities that generate income and build assets. Through microfinance, women can escape poverty and reliance and eventually become self-sufficient, establishing financial freedom that improves their and their family's well-being. Women participating in microfinance programmes experience better economic conditions because they develop self-reliant income sources, asset acquisition and increased savings levels, thereby building economic independence (Mengstie, 2022). Similarly, Lyngdoh and Pati (2013) discovered that microfinance positively impacts women's empowerment, improving income, expenditure management, savings, asset ownership, access to livestock and micromachines, family wealth and political participation.

Statement of the Problem

In numerous cultures, women often encounter built-in obstacles that make it difficult to use standard financial services like banks and typical loan providers. These challenges, including bias based on gender, a shortage of assets for security, and not enough knowledge about finances, often force women to the edges of the economy. In many situations, women face challenges. Microfinance, which offers low-income people small loans and other forms of financial support, is a powerful tool for removing these barriers and providing women access to new economic opportunities. When women gain financial freedom and social standing thanks to microfinance programmes, they are more prepared to join community efforts, participate in local groups, and have a say in policies that impact their lives. By giving women a stronger voice and supporting them as leaders, microfinance helps create fairer, more inclusive communities. This research explores the different aspects of microfinance and its potential to empower women in rural areas.

Objectives of the Study

1. To study the role of microfinance in women's empowerment in rural areas.
2. To determine the level of satisfaction of women in rural areas with microfinance.

Research Methodology

This section outlines the research methods employed in the study, justifying their suitability for addressing the research objectives. The study adopted a mixed-methods approach, combining primary and secondary data, sampling and data analysis to ensure a comprehensive literature review and data analysis.

1. **Primary data:** The study collected primary data through a structured questionnaire designed to align with the research objectives. The questionnaire was distributed to a targeted sample of respondents to obtain firsthand, empirical insights into the key variables under study.
2. **Secondary data:** Secondary data were gathered from peer-reviewed journals, reports, government reports and credible online databases, which were accessed to provide detailed and current information to substantiate the study's theoretical framework.
3. **Sampling:** The snowball sampling method was adopted for the data collected from the respondents.
4. **Sample size and data analysis:** The sample of 120 respondents was computed by power analysis based on pilot study effect size estimates from a 30-sample pilot study. Descriptive and inferential statistics were employed for the data analysis. This ensured effective results while ensuring statistical validity and practicality.

Review of Literature

Several studies affirm that microfinance positively influences women's economic empowerment. Microfinance services empower women by enhancing their income, savings and socioeconomic status, allowing them to contribute positively to their families and society (Dash et al., 2016). Hameed et al. (2018) found that microfinance services can help reduce poverty for rural women and boost their economic and social standing. Likewise, Mengstie (2022) noted that microfinance supports women in becoming economically independent by raising their incomes, helping them buy things and promoting regular savings.

Baruah et al. (2022) found that women experienced a noticeable boost in their economic, psychological, personal and social empowerment after using microfinance services, with economic empowerment being the most highlighted benefit. Mengstie and Singh (2020) expressed that microfinance promotes women's economic empowerment by boosting their independent income, expanding asset ownership and fostering savings. The study highlights the significant impact of factors such as credit amount, age, training, education level and marital status on women's economic development through microfinance. It points out how crucial microfinance institutions are for helping women entrepreneurs grow their businesses. Temba et al. (2023) also reported that microfinance programmes helped women participate in income-generating activities and work towards reducing gender inequality in rural areas.

Microfinance does more than help with money; it also supports social empowerment. Anwar and Aslam (2017) pointed out that women involved in

microfinance felt more confident and had a more prominent voice in their homes and communities. Similarly, Sanyal (2009) mentioned that microfinance helps women make connections and strengthen their influence, which helps them feel empowered overall. This shows that microfinance is vital for encouraging women to work together and support each other in their communities. Likewise, Maitrot (2021) mentioned that microfinance gives women the tools to take on societal expectations and make choices that can lift them out of poverty. Datta and Singh (2019) pointed out that microfinance helped women boost their incomes and encouraged them to take on leadership roles in community groups. Sahoo and Rath (2016) found that microfinance helped rural women access credit and made them more independent in handling household finances.

Sultana and Hasan (2021) studied the Grameen Bank model and noted that microfinance made rural women more confident, financially independent, and able to speak up in family discussions. Rahman et al. (2017) showed that microfinance positively impacts many aspects of women's empowerment. The results indicate that microfinance significantly contributes to enhancing women's empowerment, consistent with the task's emphasis on the role of microfinance in promoting women's empowerment. Mekonnen and Tessema (2022) found that women with ongoing access to microfinance show better decision-making skills and more control over household resources.

Banerjee et al. (2015) found that microcredit programmes had a negligible impact on income but boosted women's engagement in business and self-employment. Karlan et al. (2016) proved that community-based microfinance helped women feel more financially secure and build group support and decision-making skills. According to Mengstie and Singh (2020), microfinance institutions are pivotal in promoting women's entrepreneurship and business expansion. Chowdhury et al. (2020) argued that, while microfinance can help empower women, how well it works can depend on local factors like gender norms and institutional practices. Mayoux (2001) pointed out that microfinance programmes that build social ties can help empower women. The article expressed that looking closely at the norms and networks pushed in these programmes, especially when helping the most marginalised women, is essential. Neglecting power dynamics and inequalities in favour of reducing programme costs through social capital may hinder the goals of empowerment, financial sustainability and poverty alleviation.

Ranganathan et al. (2021) identified that combining microfinance with additional programmes, known as 'Microfinance Plus', has shown promise in empowering women and addressing intimate partner violence. It shows that, while microfinance is helpful for women, it works even better when combined with other support programmes. They suggest that a better strategy for helping women might involve more than microfinance. Lee and Huruta (2022) described the importance of financial literacy as a mediator in the correlation between women's empowerment and green microfinance. They construct a model wherein green microfinance is the outcome, financial literacy acts as a mediator, and women's empowerment is the exposure variable. Understanding money matters is key to connecting women's empowerment and green microfinance. This shows how important it is to have local financial education programmes for women to support eco-friendly practices in

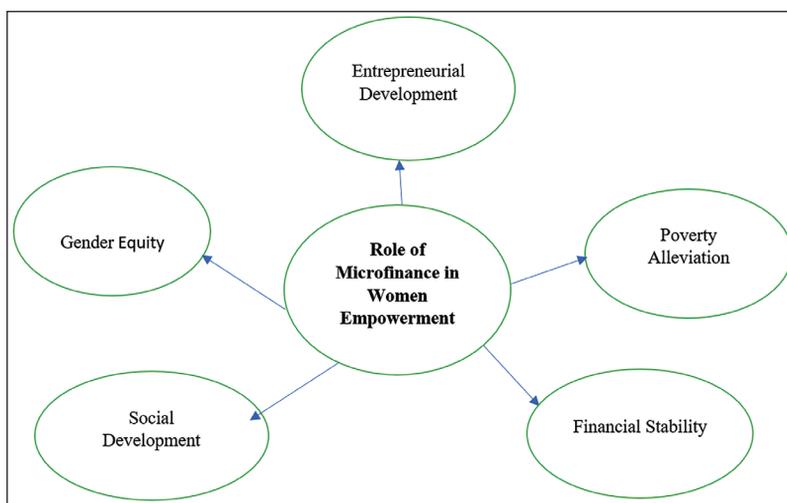


Figure 1. Conceptual Model of Role of Microfinance in Women's Empowerment.

microfinance. Duflo (2012) looked at the significant relationship between economic growth and women's empowerment, which also put forth how development programmes play a role in closing the gender gap and that empowering women, in turn, puts forth progress in general. Examining how microfinance affects women's empowerment requires understanding this crucial link between empowering women and advancing economic development. The conceptual model of the role of microfinance in women's empowerment is depicted in Figure 1.

Data Analysis and Interpretation

Demographic Profile of Respondents

Table 1 shows the classification of responses.

Table 1 shows that the demographic profile of the respondents is delineated across various categories, including age, marital status, education level, number of family members, occupation and annual income. In terms of age distribution, the largest proportion of respondents falls below the age of 30, constituting 47.5%, followed by 30–40 years (20.8%), 40–50 years (23.3%) and those above 50 years (8.3%). Regarding marital status, the majority of respondents are married, comprising 68.3%, while single individuals account for 25.0%, and widows make up 6.7% of the total respondents. In terms of education level, respondents with SSLC education constitute the highest proportion at 45.0%, followed by those with a degree (24.2%), plus 2 (15.8%), postgraduate (9.2%) and others (5.8%). The number of family members varies, with 47.5% having four members, 22.5% having five members, 15.8% having less than three members and 14.2% having more than five members. In terms of occupation, self-employed individuals represent the largest group at 45.8%, followed by housewives (36.7%), agriculture workers (14.2%) and individuals engaged in business and government jobs, each

Table 1. Classification of Responses.

Demographic Profile of Respondents		Number	Percentage (%)
Age	Below 30	57	47.5
	30–40	25	20.8
	40–50	28	23.3
	Above 50	10	8.3
Marital status	Married	82	68.3
	Single	30	25.0
	Widow	8	6.7
Education level	SSLC	54	45.0
	Plus 2	19	15.8
	Degree	29	24.2
	Postgraduate	11	9.2
	Others	7	5.8
Number of family members	Less than 3	19	15.8
	4	57	47.5
	5	27	22.5
	More than 5	17	14.2
Occupation	Agriculture	17	14.2
	Business	2	1.7
	Government job	2	1.7
	Housewife	44	36.7
	Self-employed	55	45.8
Annual income	Below ₹50,000	85	70.8
	₹50,000–₹100,000	25	20.8
	₹100,000–₹150,000	4	3.3
	Above ₹150,000	6	5.0

Source: Survey data.

constituting 1.7%. Lastly, in terms of annual income, the majority of respondents have an income below ₹50,000 (70.8%), followed by ₹50,000–₹100,000 (20.8%), ₹100,000–₹150,000 (3.3%) and above ₹150,000 (5.0%).

Role of Microfinance in Women's Empowerment

To assess the role of microfinance in women's empowerment, respondents are asked questions under various headings such as 'gender equality support', 'income generation support', 'social empowerment support', 'entrepreneurial support' and 'poverty alleviation support' on a five-point Likert scale. The responses are scored as follows: 1 for 'no role', 2 for 'minor role', 3 for 'neutral', 4 for 'moderate role' and 5 for 'major role'. The total score of the five questions for all 120 respondents

Table 2. Means, Standard Deviation and Z Value for the Role of Microfinance in Women's Empowerment.

Variable	N	Mean	Standard Deviation	Mean % Score	CV	Z	p Value	Level
Role of microfinance in women's empowerment	200	20.98	3.54	83.92	16.90	43.91	<.001	Major

Source: Survey data.

is calculated, based on which the mean percentage score role of microfinance institutions is determined $\left[MPS = \frac{\text{Mean score} \times 100}{\text{Maximum possible score}} \right]$. This score is classified into one of the four groups: 'no role' if the mean percentage score is less than 35%, 'minor role' if the mean percentage score is between 35% and 50%, 'moderate' if the mean percentage score lies in the interval of 50%–75%, and 'major' if the mean percentage score is above 75%.

Overall Role of Microfinance in Women's Empowerment. The overall role of microfinance institutions in women's empowerment is depicted in Table 2.

H_0 : The overall role of microfinance in women's empowerment is equal to 75% of the total score.

Table 2 reveals that the mean percentage score value of the overall role of microfinance in women's empowerment is 83.92%, indicating that the role of microfinance in women's empowerment is at the major level. The coefficient of variation indicates that this score is stable, as the value is less than 20%. Table 2 shows that the p value is less than .05, and the Z value is positive, indicating that the test is significant. Hence, it is concluded that the overall role of microfinance in women's empowerment is between 75% and 100%, that is, major.

Variables-based Role of Microfinance in Women's Empowerment. The variable-based role of microfinance in women's empowerment is represented in Table 3.

H_0 : The role of microfinance in women's empowerment variables is equal to 75% of the total score.

Table 3 reveals that the mean percentage score value of all variables lies between 75% and 100%, indicating a major role. Table 3 shows that the p values are less than .05, and the Z value is positive, indicating that the tests are significant. Hence, it is concluded that all variables regarding the role of microfinance in women's empowerment range between 75% and 100%, that is, major.

The Level of Satisfaction of Women with Microfinance. Table 4 shows the level of satisfaction of women with microfinance.

Table 4 presents respondents' satisfaction level regarding various aspects of their experience with microfinance, broken down into categories: interest rates, customer service, repayment method, financial education and training and loan approval process. Each category is divided into five satisfaction levels: highly satisfied, satisfied, neutral, dissatisfied and highly dissatisfied, along with the corresponding

Table 3. Means, Standard Deviation and Z Value for the Variable-wise Role of Microfinance in Women's Empowerment.

Roles	N	Mean	Standard Deviation	Mean % Score	CV	Z	p Value	Level
Gender equality support	120	4.19	0.82	82.80	19.63	23.41	<.001	Major
Income generation support	120	4.28	1.03	84.80	23.1	22.96	<.001	Major
Social empowerment support	120	4.18	0.95	83.20	22.78	16.74	<.001	Major
Entrepreneurial support	120	4.08	0.89	81.61	21.90	16.87	<.001	Major
Poverty alleviation support	120	4.23	0.87	84.00	16.18	20.70	<.001	Major

Source: Survey data.

Table 4. Level of Satisfaction of Women with Microfinance.

Variables	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied
Interest rate	44 (36.67%)	50 (41.67%)	20 (16.67%)	2 (1.67%)	4 (3.33%)
Customer service	37 (30.83%)	56 (46.67%)	19 (15.83%)	3 (2.5%)	5 (4.17%)
Repayment method	30 (25%)	64 (53.34%)	24 (20%)	1 (0.83%)	1 (0.83%)
Financial education and training	38 (31.67%)	51 (42.5%)	27 (22.5%)	2 (1.67%)	2 (1.67%)
Loan approval process	34 (28.34%)	64 (53.34%)	14 (11.67%)	4 (3.33%)	4 (3.33%)

Source: Survey data.

number of respondents and their percentages. Regarding interest rates, the majority of respondents expressed either satisfaction or high satisfaction, with 41.67% being satisfied and 36.67% being highly satisfied. Regarding customer service, a significant proportion of respondents reported satisfaction, with 46.67% being satisfied and 30.83% being highly satisfied. For the repayment method, a majority of respondents expressed satisfaction, with 53.34% being satisfied and 25% being highly satisfied. In terms of financial education and training, satisfaction levels were relatively evenly distributed, with 42.5% of respondents being satisfied and 31.67% being highly satisfied. For the loan approval process, satisfaction levels were also high, with 53.34% of respondents being satisfied and 28.34% being highly satisfied. Dissatisfaction levels were relatively low, with only 3.33% of respondents being dissatisfied or highly dissatisfied.

Findings and Suggestions

Microfinance is essential for promoting women's empowerment, offering a route to financial autonomy and socioeconomic advancement. Through microfinance programmes, women have gained access to essential resources and support, facilitating gender equality, income generation, social empowerment, entrepreneurship and poverty alleviation. The majority of respondents expressed that microfinance plays a significant role in women's empowerment and were satisfied with various parameters such as interest rates, customer service, repayment methods, financial education and training, and the loan approval process of microfinance. However, despite these strides, challenges such as limited access to education, cultural obstacles and resource constraints persist, hindering the sustainable success of microfinance initiatives aimed at empowering women. Moreover, coupling financial literacy programmes with microfinance initiatives can empower women by providing them with essential expertise and competencies to proficiently handle their finances, make well-informed choices and embark on entrepreneurial endeavours.

Moreover, microfinance institutions can provide comprehensive support beyond financial assistance by offering entrepreneurship training, mentorship programmes and access to markets. These additional resources empower women to establish and grow their businesses, contributing to their economic independence and overall empowerment. By addressing cultural and social barriers, promoting gender equality within institutions and fostering supportive networks among women beneficiaries, microfinance can act as a catalyst for transformative change. Empowered women are better positioned to assert control over their lives, realise their full potential and actively contribute to sustainable community development.

Conclusion

Microfinance has become a strategic tool in promoting women's economic and social status, especially among marginalised communities. Simplifying access to credit and other financial products allows women to pursue income-generating activities and improve the financial security of their households. The reported positive impacts by most women, such as satisfaction with loan processes, customer services and financial education, highlight the contribution of microfinance towards financial independence. Things like cultural expectations, a lack of education and institutional biases hold back the full benefits of microfinance programmes. To truly help, we must tailor our efforts to the issues women face in various areas. Adding financial education to microfinance programmes has proven helpful in teaching women how to manage their money better and think like entrepreneurs.

Making it easier to get credit and other financial services is key in microfinance. Support systems like business training, mentorship and market access help. They give women the confidence and skills they need to stand independently. It is also crucial to change policies so that financial systems support and cater to women's needs in microfinance. Building support networks among peers is important because they help women grow stronger by learning from each other and working as a team.

These networks can be places for sharing ideas, helping each other, and standing up for what is right. We also need to tackle the social and institutional issues that hold women back from fully joining in on economic activities. Empowerment should be understood as a multidimensional concept involving financial independence, social recognition and personal agency. Women who experience such transformation are better positioned to lead change within their families and communities. As microfinance evolves, its success will depend on integrating financial services with education, support systems and inclusive policies. Ultimately, women who are empowered through these multifaceted approaches contribute meaningfully to inclusive growth and long-term sustainable development.

Declaration of Conflicting Interests

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