

**“A STUDY ON EFFECTIVENESS OF MICRO FINANCE ON WOMEN EMPOWERMENT WITH REFERENCE TO MYSORE DISTRICT”**

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**ABSTRACT**

A variety of financial services are offered by microfinance and financial inclusion organizations to people and small enterprises who do not have access to traditional banks and associated services. These services include microinsurance, payment systems, savings and checking accounts, microcredits, which give modest loans to underprivileged customers, and other products and services. This study uses primary data collected using a survey method in a conclusion-based research design with a quantitative methodology. A systematic questionnaire, developed on the basis of studies of the literature, is given to 114 people who were chosen as responders from the rural districts around Mysore.

The growth of rural communities through microfinance and financial inclusion is highly influenced by savings rates and financial stability, as this study has helped to demonstrate. Furthermore, the significance of microfinance and financial inclusion in rural development is demonstrated by living standards. But there doesn't seem to be any correlation between employment and the uptake of microfinance and financial inclusion in rural development.

**Key Words:** *Microfinance, Financial Inclusion, Financial Stability, Living Standards, Savings Proportions, Rural Development*

**1. Introduction**

The inception of microfinance and financial inclusion dates back to the mid-1800s, when theorist Lysander Spooner promoted the advantages of granting modest loans to farmers and business owners as a way to help raise people out of poverty. But the idea did not become widely accepted until the Marshall Plan was put into place at the end of World War II. In the 1970s, with the founding of institutions like the Grameen Bank of Bangladesh, headed by microfinance pioneer Muhammad Yunus, and the efforts of Akhtar Hameed Khan, the terms "microfinance" and "financial inclusion" came into being. Around this time, as more businesses started looking into lending, there was a spike in innovation and experimentation in microfinance and financial inclusion programs.

Microfinance and financial inclusion saw a sea change in the 1970s when initiatives proved it was possible to lend to low-income people and provide financial services through subsidized market-based businesses. Founded in Chicago in 1974, SHOREBANK is credited as being the first microfinance organization. Around 7,000 microfinance institutions globally are estimated by the World Bank to assist over 16 million people. In order to reach 100 million of the world's poorest people with financing from international leaders and significant financial institutions, efforts to increase access to microcredit gathered steam. This target was set during the Microcredit Summit in Washington, DC.

The International Year of Microcredit was declared by the United Nations Economic and Social Council in 2005, highlighting the role that the finance and development sectors play in promoting entrepreneurship across the world. The creator of Grameen Bank, Muhammad Yunus, received the Nobel Prize in 2006 in recognition of his contributions to microfinance.

A variety of financial services are offered by microfinance and financial inclusion organizations to people and small enterprises who do not have access to traditional banks or associated services. These services, which help the poor, socially disadvantaged, and isolated individuals become self-sufficient, are meant to reach excluded communities. Examples of these populations include microcredits, checking and savings accounts, microinsurance, and payment systems.

Because they give people who are financially underserved and unable to access standard banking services like checking accounts, credit lines, or loans resources and capital, microfinance and financial inclusion are crucial. In the absence of these services, these people could turn to high-interest payday advances or dangerous loans. They may invest in their enterprises and enhance their financial well-being thanks to microfinance and financial inclusion.

### 3.Review of Literature

(Dr. Kiran Kumar.P,2019) This paper conducts an analysis of the role of microfinance in empowering women, aiming to comprehend the concept of financial inclusion. It also investigates the influence of microfinance on the economic empowerment of women, as well as the development of their skills and confidence levels after joining self-help groups facilitated by promoters, social, and economic organizations. (D. Rajasekhar et.al, 2017) we seek to understand the extent to which microfinance programs implemented by NGOs for Adivasis have promoted livelihoods and reduced poverty and vulnerability among them. Despite Adivasi households participating in microfinance groups, saving small amounts, and accessing credit facilities, these activities have not substantially enhanced livelihoods or reduced vulnerability. (Dr. Shailaja Kheni, 2016) in this study, we examine the role of microfinance in fostering women entrepreneurship in the Hyderabad-Karnataka region, focusing on Kalburgi District. The findings emphasize the importance of empowering women by enhancing their awareness, knowledge, skills, and technological proficiency through effective means, thereby contributing to the overall development of society. (Bhavya Vikas et.al, 2015) It highlights the contribution to existing literature by introducing an empowerment score to assess the relationship between the demographic profile of microfinance institution members and their level of empowerment. The analysis reveals that a majority of demographic variables significantly influence the empowerment of these members. (Manjunatha. S, 2013) This study focuses on investigating the correlation between Self-Help Groups (SHGs) and the socio-economic development of rural communities, particularly women in Karnataka state. It aims to assess the impact of SHG bank linkage programs on enhancing the capabilities of individuals and households, as well as on increasing empowerment and asset ownership among women. (Vipinkumar.V.P et.al, 2012) In this research, we examine the level of indebtedness among marine fisher folk across mechanized, motorized, and traditional sectors. Additionally, we explore the role of credit agencies in extending credit to these communities and assess the impact of microfinance institutions on rural indebtedness along the coastal areas of Karnataka state. (Naveen. K. Shetty, 2008) this study investigates the potential of microfinance to include the poor, who have historically been excluded from formal financial markets for an extended period. Additionally, it analyzes the effects of microfinance services, coupled with supplementary offerings, on the household economies of its members.

#### 2.1. Research Gap

It is critical to acknowledge the impact that financial inclusion and microfinance have on the personal growth of individuals living in rural regions. This study has the ability to point up a number of gaps in earlier investigations. Interestingly, previous research has mostly ignored the participation of males in studies pertaining to microfinance and financial inclusion, leaving a huge vacuum in knowledge. Furthermore, the rural sector has received little attention despite the fact that microfinance institutions have been the subject of several studies. Thus, by concentrating on the development of rural regions and addressing other significant research gaps, this study seeks to fill these gaps in the literature.

#### 2. Objectives

1. To study the influence of income level of the respondents on microfinance initiatives.
2. To study the impact on savings among members associated with SHG.
3. To study the impact of SHG loans on respondents standard of living.
4. To study the impact of microfinance on financial stability.
5. To study the impact of microfinance and financial inclusion on employment opportunities.

#### 3.1 Need For the Study:

Rigorous empirical analysis of the statistical impact of microfinance and financial inclusion began in the 1990s. However, studies thus far have been limited in addressing the effectiveness of these initiatives in generating employment and alleviating poverty among rural households. The introduction of microfinance and financial inclusion institutions has been viewed as the most promising alternative source of financial services for low-income earners in rural areas, with the aim of increasing their income and thereby reducing poverty levels. However, evidence suggests that these initiatives face numerous challenges, including limited coverage and poor organizational structures.

Despite the efforts of microfinance and financial inclusion, more research is needed to determine their impact on employment generation and poverty reduction, particularly in rural areas. This is because, despite these initiatives, many people in rural Karnataka are still unemployed and living in poverty.

### 3.2. Research design

This study uses a quantitative research methodology and a conclusion-based research design. Descriptive analysis is used to characterize the nature of the obtained data.

### 3.3. Sampling Design:

Convenient sampling, a non-probabilistic sampling strategy, is used in this study to collect data from the 114 microfinance participants who were chosen as respondents from rural regions around Mysore.

### 3.4. Data Gathering:

Primary data for this study was gathered from 114 microfinance participants who were chosen as responders from rural Mysore districts. A survey approach was used to collect the data, and a questionnaire developed based on reviews of the literature was used.

### 3.5. Hypotheses of the Study:

1. H0: Initiative for microfinance and saving percentages do not significantly correlate.
2. H0: The inclination towards microfinance and financial stability do not significantly correlate.
3. H0: The initiative to microfinance and living standards do not significantly correlate.
4. H0: Living standards and initiative to get microfinance are not significantly correlated.

### 3.6. Conceptual Model:

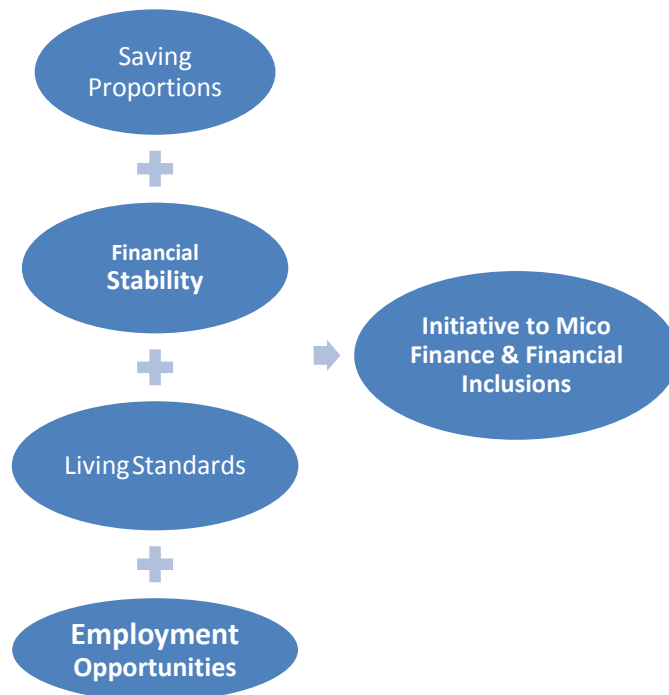


Fig 1: Conceptual Model

**4. Analysis & Discussion:**

**a. Descriptive Analysis:**

**Table 1: Descriptive Analysis of the Study**

	N	Std. Deviation	Skewness		Kurtosis	
	Stat	Stat	Stat	Std. Error	Stat	Std. Error
Gender	114	.13412	-1.811	.226	1.102	.442
Age	114	.31481	1.682	.226	4.368	.442
Education	114	1.13306	.220	.226	-1.264	.442
Family size	114	.84214	-.212	.226	-.132	.442
Occupation	114	.32348	.826	.226	.061	.442
Purpose of joining SHG microfinance	114	1.63311	.283	.226	-1.681	.442
Source of Initial Capital	114	.28136	-.821	.226	-.332	.442
Taken loan from SGH	114	.18481	.121	.226	1.638	.442
Loan taken through SHG	114	.61300	-.446	.226	.038	.442
Purpose of joining SHG satisfied	114	.18481	.121	.226	1.638	.442
Procedure of obtaining loans from MFI	114	.46262	-.412	.226	4.028	.442
The rate of interest of micro credit is reasonable	114	.81234	1.248	.226	1.621	.442
The savings has increased	114	.88282	-.311	.226	-.410	.442
The income has increased	114	.22011	-.820	.226	-.626	.442
Better Financial situation of the family	114	.62082	.011	.226	.328	.442
Employment opportunities have increased	114	1.00280	-.284	.226	-.324	.442
Better access to education	114	.82008	.104	.226	.642	.442
Improvement in the living standard of the family	114	.86312	-.842	.226	.813	.442
Valid N (list wise)	114					

The table above indicates that the kurtosis values are below 11 and the skewness values are below 3. Consequently, the gathered data is considered to be normalized and sufficiently valid for further analysis. The variance value indicates the extent of positive or negative dispersion of the collected data from the mean value.

**b. Demographic Factor Analysis**

**Table 2: Demographic Factor Analysis**

Factors		Frequency	Percentage
<b>Gender</b>	Male	19	16.7
	Female	95	83.3
<b>Education</b>	Less education	46	40.4
	Literate without Formal Education	8	7.0
	Primary	31	27.2
	Secondary /Higher	20	17.5
	PUC and above	9	7.9
<b>Family size</b>	2 men	3	2.6
	2 to 5 men	39	34.2
	More than 5	72	63.2
<b>Taken loan through SHG</b>	< Rs.10,000	4	3.5
	Rs.10,000- Rs.25,000	41	36.0
	>Rs.25,000	69	100.0

From the table depicting demographic factors above, it is evident that the majority of the respondents, accounting for 8 out of 10, are females, while the remaining respondents are male. Regarding educational qualifications, 4 out of 10 respondents have lower levels of education. Furthermore, the majority of respondents, comprising 7 out of 10, belong to families with more than 5 members. Additionally, nearly all of the respondents, constituting 7 out of 10, have availed loans exceeding Rs.25, 000 from Self-Help Groups (SHGs).

**c. Regression Analysis:**

**Table 3: Regression Analysis**

Independent variable	Dependent variable	Significances	Beta Value	Hypothesis
Savings proportion	Initiative to micro finance	0.041	0.191	Rejected
Financial stability		0.002	-	Rejected
Living standards		0.002	0.285	Rejected
Employment		0.175	0.125	Accepted

a. The p-value of 0.041 indicates that the variable "savings proportion" has a significant influence on the variable "initiative to microfinance." Therefore, the null hypothesis is rejected.

b. With a p-value of 0.002, it is concluded that the variable "financial stability" significantly influences the variable "initiative to microfinance." Hence, the null hypothesis is rejected.

c. Similarly, the p-value of 0.002 suggests that the variable "living stability" has a significant impact on the variable "initiative to microfinance," leading to the rejection of the null hypothesis.

d. The p-value of 0.175 indicates that the variable "employment" does not significantly influence the variable "initiative to microfinance." Therefore, the null hypothesis is accepted.

## 5. Findings & Conclusions:

Microfinance and financial inclusion play crucial roles in the development of rural areas. The aforementioned research findings indicate that savings proportion significantly contributes to rural development through microfinance and financial inclusion. Additionally, financial stability also influences the development of rural areas through these initiatives. Moreover, living standards demonstrate how microfinance and financial inclusion contribute to rural development. However, employment does not appear to affect the adaptability of microfinance and financial inclusion in rural development. Therefore, savings proportion, financial stability, and living standards are key factors in the development of microfinance and financial inclusion in rural areas.

## 6. Scope for further Study:

The study has successfully identified the factors influencing the adoption of microfinance and the initiatives undertaken by individuals for self-development in rural areas. However, there is a significant scope for further research. Researchers could expand their scope to include urban areas and individuals from different income levels across various districts of Karnataka. Additionally, they could explore additional factors influencing the initiative to adopt microfinance. This broader perspective would provide a more comprehensive understanding of the dynamics of microfinance adoption and its impact on self-development across different contexts.

## 7. Limitation of the Study:

This research focuses solely on the rural population in the vicinity of Mysore, where the rural area of Mysore is in close proximity. It is presumed that people in this area have a greater understanding of microfinance and financial inclusion compared to those in other parts of Karnataka. However, there is potential for further research to explore other districts of Karnataka, where the level of awareness and understanding of microfinance may differ. Additionally, the variables considered in this study are limited, and there is scope to explore additional variables in future studies. Therefore, the identified limitations include the narrow focus on a specific rural area and the limited scope of variables considered.

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