

# Role of Micro- Finance In Women Empowerment In India

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**Abstract-** *Micro finance groups lend to customers who have low income and help to those who are below poverty line by loaning them amount of money for their better lives. They also provide borrower with access to education, credit and basic saving account. Beginning of micro-finance is associated with Muhammed Yunus, who was a Professor in Bangladesh in 1970'. Empowerment of women is one of very important issue in developing countries. Despite in substantial contribution of women to both household and national economy, their work is considered just an extension of household domain and remains non-monetized. Women's empowerment educates and empowers women who are poor, homeless with a hope/confidence to provide them necessary needs- a secure job, healthy lifestyle and to regain a home for their family and children. The present paper examines the linkages between micro finance and empowerment of women.*

**Keywords:** *Micro finance, empowerment, women empowerment, SHGs.*

## I. INTRODUCTION

Empowerment of women is one of very important issue in developing countries. Empowerment is a multi-dimensional process that helps women to gain and self-realization in improving the standard of living. In rural areas, their level of empowerment is concerned, little participation in decision making process of economic and financial nature, they enjoy freedom of mobility and ability to make small purchases. Despite being integral part of society, her status is always inferior to men. Micro finance plays very important role in improving women decision-making by contributing in economic activities. Over the years various efforts have been made by many Government and Non-government organizations to promote women empowerment especially in rural areas. Invention of Micro finance is one such effort. Micro Finance is a concept which is proved as blessings for poor. It provide funds to poor people without any security, requirement which is generally demanded by Banks and other financial institutions. Micro finance groups lend to customers who have low income and help to those who are below poverty line by loaning them amount of money for their better lives. They also provide borrower with access to education, credit and basic saving account. The Present Paper explores the role of micro finance in empowerment of women through a literature review in the Indian context.

The paper is divided into six sections. The first section gives a conceptual analysis of empowerment. The second section is overview of micro-finance and its emergence. The third section discusses the history of micro-finance in India. The fourth section discusses impact of micro-finance on women empowerment. The fifth section is about the challenges in empowerment of women and the six sections suggest ways to overcome the challenges. Following are the objectives of the paper: 1) Role of SHGs in women empowerment, 2) Various micro-finance initiatives started in India, 3) Challenges faced by women. The study is descriptive. For the study the data has been collected through secondary sources such as i.e. internet, books, magazines, research-journal, newspaper, etc.

## 1. EMPOWERMENT: CONCEPTUAL ANALYSIS

Nowadays women's empowerment has become a significant topic of discussion. It refers to the ability for women to enjoy their rights to control and benefits from resources, assets, income and their own time, as well as the ability to manage risk and improve economic status and wellbeing. Entire nations, businesses, groups and society can be benefitted from the implementation of programs and policies that are adopted for women empowerment. To overcome the obstacles associated with poverty and development many approaches point towards empowerment.

D' Espallier, Guerin and Mersland (2009) postulates that women are better borrowers in comparison to men in terms of utilization of the loan amount in order to improve the family's life quality. Krishna (2003) opens that the nature of empowerment of women should not only be at an individual level, but collectively as well. The first International Women's Conference in Mexico (1975) gave particular emphasis on the importance of women's productive role both for national economies and for women's rights and the importance of women's access to credit was highlighted. The World Bank defines empowerment as "the process of increasing the capacity of individual or groups to make choices and to transform those choices into desired actions and outcomes." Battliwala (1994) identified three approaches to women's empowerment: the integrated development approach which

focused on women's survival and livelihood needs: the economic development approach which aimed to strengthen women's economic position and the consciousness approach which organized women into collectives that address the source of oppression. Malhotra(2002) constructed a list of the most commonly used dimensions of women empowerment, drawing from the frameworks developed by various authors in different fields of social science. Allowing for overlap these frameworks suggestions that women empowerment needs to occur along multiple dimensions including: economic, social-cultural, interpersonal, legal, political and psychological.

## 2. MICRO-FINANCE: AN OVERVIEW

The concept of micro-finance is not new. Savings and credit groups that have been operated for centuries include- "chit funds" in India, "tandas" in Mexico, "cheetu" in Sri Lanka as well as numerous savings clubs and burial societies found all over the world. The concept of micro finance was started in late 70's and early 80's. In 1972 the Self Employed Women's Association (SEWA) was registered as a trade union in Gujarat with objective of providing banking services to poor women employed in Gujarat. Then later it was changed to Mahila SEWA Cooperative Bank. It was promoted with the main aim of providing banking services to poor women employed in the unorganized sector in Ahmedabad City, Gujarat. Then was Grameen Bank which was started by Muhammad Yunus in Bangladesh in 1976. At the time, traditional banks were not interested in loaning money to poor people, who were considered poor repayment risks. Then Grameen Bank was founded by him. In 1800s, various types of larger and formal savings and credit institutions began in Europe like- People's Banks, Credit Unions. Micro-finance went on to evolve in 1980s around the concept of SHGs, informal bodies that would help their clients with much needed savings and credit services. In 1990s saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. In mid 1990s term "microcredit" began to replace by "micro-finance". In 1992 first commercial bank in the world dedicated to microfinance. NABARD has defined micro finance as follows:

"Micro finance is all about provisions of thrift, credit and other financial services and products of very small amount to the poor in rural, semi urban and urban areas for enabling them to raise their standard of living".

### Features of Micro finance:

- Loan given without security
- Loans are of small amount
- Short duration loans

- Loans to those who live below poverty line
- Loans are offered without collateral

Nowadays agencies like: Government, Non-Government Organization, MFIs and SHGs are involved in Microfinance Development Initiatives. The aim of Micro finance is to empower women. It help them in starting business and actively participate in the economy. It give them confidence, improve their status, help in decision-making.

Naila Kabeer titled, "Is Micro Finance a Magic Bullet' for women's empowerment? It studied various opinions on the impact of Micro Finance to see it as a "Magic Bullet" for women's empowerment. The study examined the empirical evidence on the impact of Micro Finance on poverty reduction and empowerment of poor women.

Micro finance programmes not only help the women and men in saving and credit, it also help them in bringing together in a group. In India because of gender inequality there is a considerable reason to target women for their economic empowerment. Majority of Micro finance programmes focuses on women in empowering them. Women are the poorest among the people, helping them should be a priority because they are underprivileged. There are many organization which perceive micro finance as a tool for women to fight for their rights and independence. Most of the organization and micro finance institutions prefer women members as they believe that they are better and more reliable borrowers. They have higher repayment rates in comparison to male. Various helping hands are available for women to provide finance are as follows:

-Formal sector- it cover all leading banking industry such as public, private, RRB, NABARD and RBI.

-Semi-formal sector- it cover all Micro financing institutions (MFIs), NGOs, and various SHGs.

-Informal sector- it cover family, relatives, friends, moneylenders, landlords, traders, etc.

## 3. MICROFINANCE IN INDIA

In India, history of microfinance dates back to establishment of Syndicate Bank in 1921 in private sector. India is said to be the home of one third of the world's poor- estimates range from 26 to 50 percent of the more than one billion population. Micro finance has been present in India in one form or another since the 1970s and is now widely accepted as an effective poverty alleviation strategy. The Indian government puts emphasis on providing financial services to the poor and underprivileged since independence. The commercial banks were nationalized in 1969 and were directed to lend 40% of their loan at concessional rate to priority sector(agriculture, other rural

activities and weaker section of society). The government of India has launched various programs like National Rural Development Programme(NRDP)1980, Jawhar Rozgar Yojna(JRY)1989, Swarna Jayanti Gram Swarozgar Yojna(SGSY)1999 and many more. But none of these achieved their desired goals due to poor execution and mal-practices on the part of government officials.

On 1<sup>st</sup> April 1999 a new programme called Swarnajayanti Gram Swarozgar Yojna(SGSY) was launched by amalgamating programmes like IRDP( Integrated Rural Development programme), DWCRA(Development of Women and Children in Rural Areas),etc. the programme aims at establishing a large number of micro enterprises in rural areas. After intervention of National Bank for Agriculture and Rural Development(NABARD) in 1992 in the field of micro credit, the movement of micro finance got a boost in India. The Reserve Bank of India has advocated for financial inclusion of majority of population for economic development of our country. Access to affordable financial services specially credit and insurance enlarges livelihood opportunities of poor. Now the micro finance services providers include- NABARD, SIDBI. At lower level we have commercial banks, Regional Rural Banks and cooperatives to provide micro finance services. There are also some NGOs which lend credit to SHGs.

Although women's access to financial services has increased substantially in the past 10 years, their ability to benefit from this access is often still limited by disadvantage they experience because of their gender.

#### **4. IMPACT OF MICRO FINANCE ON WOMEN EMPOWERMENT**

##### **4.1 Impact on Poverty and Vulnerability**

Many studies have been done by research scholars, institution, etc to evaluate the impact of micro finance on programmes on poverty reduction. A large study suggest that microfinance has significant impact on poverty reduction as well as household wellbeing at different levels such as household nutrition, health, food security, children education and social cohesion. Micro finance is seen as a tool for poverty reduction due to its appropriateness of its service delivery mechanisms for targeting the productive poor people. Various banks, institutions, NGOs are there which help them.

##### **4.2 Gender Equity and Well-being**

Women's status, both in their homes and in their communities, is elevated when they are responsible for managing loans and savings. The ability to generate and control their own income can further empower poor women. Several researches are done which shows that credit extended to women has a significant impact on their families' quality of life, especially credit extended to

women has a much greater impact on household consumption and gender inequality and child well-being. Giving women the chance to become economically independent and self-sufficient, able to support their families, is seen as key to the achievement.

##### **4.3 Economic Empowerment**

It includes control over income and family resources, opportunity for employment, access to markets, ownership of assets and represent in decision-making roles. With help of this, women can have equal opportunity, independence and enter the workforce. Sheela Purohit in her article "Micro Credit and Women Empowerment", describes the success of two NGOs in Andhra Pradesh. There are certain misconceptions about the poor people that need loan at subsidized rates of interest on soft terms, they lack skills, education, capacity to save and therefore they are not bankable. According to Eyben, R, Kbeer, N, Cornwall, A, 2008, it covers four broad areas : a) the promotion of the assets of poor people; b) transformative forms of social protection; c) microfinance; and d) skills training.

##### **4.4 Social and Political Empowerment**

It include having knowledge, right to vote, to get involve in political system and being represented in local and national government. Social empowerment includes freedom from domestic violence, absence of discrimination, access to public and common property resources and decrease in child and maternal mortality. It help them in providing equal education opportunity for their better lives. Political empowerment helps women in creating their position in the society by voting , lobbying and mobilizing. Sushma in her study " A Study on Importance and Efficacy of SHGs in Women Empowerment". A case study of SHGs in Lucknow and Ambedkar nagar region , reveals that SHGs have been identified as a way to remove poverty and enhance women empowerment in all spheres of lives.

#### **5. CHALLENGES FACED IN EMPOWERING WOMEN**

Micro finance has the ability to empower women but it is not that simple or easy in making. It is not that easy for women to do any kind of work that can face many problems, hurdles. There are many elements which make difficult for women through micro finance businesses. These elements are as:

- Women do not own land and other assets
- Women are not literate
- Lack of capital
- Lack of knowledge
- Women lack access to banks/financial services

- Women focus on low return based activities
- Increase in women's workload and stress
- High interest rates
- There is gender restrictions within market
- There is a burden within household
- Drought and local market failures
- Expenses are high (operating and financing)
- Women's are not aware of benefits and workings of Microfinance organisations
- Limited outreach particularly for women
- Lack of adequate whole sale funding possibilities (guarantee facility)
- Limited financial products unable to address the various needs of clients
- And many more

## 6. SUGGESTIONS TO MEET THE CHALLENGES

- Women's activities, talents and priorities should be well recognized and esteem them
- Women should be promoted to develop leadership and ownership quality
- Conduct and support action research on best practices in empowering women
- Women should be directed towards work life balance and quality of work life
- Training to be provided related to business
- Market information should be provided for awareness
- Women should be given equal importance like men
- Promote women in leadership in the MFIs they support
- Culture interaction with microfinance promises
- Participate in women's basic education and literacy programs

## II. CONCLUSION

Thus, it can be concluded from the above study that microfinance is playing a vital role in the social, psychological as well as economic empowerment of women in India. Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, Microfinance scene is dominated by Self Help Group (SHGs)-Bank Linkage Programme as a cost effective mechanism for providing financial services to the "Unreached Poor" which has been successful not only in

meeting financial needs of the rural poor women but also strengthen collective self help capacities of the poor ,leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country. Economic empowerment results in women's ability to influence or make decision, increased self confidence, better status and role in household etc.

Micro finance is necessary to overcome exploitation, create confidence for economic self reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure. Micro finance is accepted as a key mantra for attaining and maintaining the sustained and long-term economic growth in all over the world.

Through different studies conducted at various levels show different conclusions, it can be acknowledged from the present study that despite of bottlenecks, micro finance is capable of helping poor to upscale themselves to a better living and playing a significantly positive role in upgrading women empowerment.

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