

A Detailed Study On Microfinance And Its Impact On Women Empowerment Of Self Help Groups

Dr. RAHUL PANDEY

DESIGNATION : ASSOCIATE PROFESSOR
SCHOOL OF COMMERCE AND ECONOMICS

Abstract

Banks were nationalized four decades ago with the hope and promise that their products and services would reach the poor and provide benefits to stable themselves. But that goal is not even close to being met today as expected previously. With 52,000 plus commercial bank branches, 14,522 plus branches of regional rural banks and 100,000 plus cooperative bank branches, the country is teeming with institutions that should be able to meet the credit needs of the people. Consider these numbers: 75 plus million households in India depend on moneylenders to meet financial needs; almost 90 percent of the people in rural India have no access to insurance and other related investment and security things.

Economic activity from this small beginning have enormous self-importance in their reliability and honesty, they also repay the loans quickly by maintaining the dignity and keep away themselves from default by this way they can keep expanding their profit base until they do not need the loans any longer. With the help of Microfinance women in India got an opportunity to become change agent. This helps them to explore new horizons and new dreams in their area.

Keyword: Credit Needs, , Economic activity, Change Agent.

Introduction The Micro credit Summit 2007 defines micro credit as the extension of small loans to entrepreneurs to poor to qualify for traditional bank loans. It has proven as an effective and popular measure in the ongoing struggle against poverty, enabling those without access to lending institutions to borrow at affordable interest rates and start small business. The key implication of microcredit is in its name itself 'micro'. If we consider micro it has various fold and is considered for loans and savings in small sizes with their smaller frequency and less repayment periods, Small level activities like micro credit and community based activities which has major impact in providing details and as an ingredient in larger education and training exercises for women in India.

The positive aspects of formal financial system in India are that under this system, microfinance is available at very low interest rate income generation with easy and timely and by period repayments and moratorium period-MP. But at the same time, it has been identified the fact that micro finance facilities from recognized financial institutions with their system is not easily available. It has complex legal and operational procedures which exacerbated by the limited influence of poor people who require microfinance. The poor people are unable or fail to inform formal markets about their creditworthiness or about their demand for savings, services and loans. It is irony in this that those who hold power do not understand the demand and those who understand demand do not hold power vice versa. A significant feature of the micro-finance movement in India and their process obviating the

need for a new institutional set-up due to less banking facilities. Most of the leading practitioners of micro finance activities follow the Grameen model and is also very much convenient. Bank to local MFI have contacts in small villages. India's bank-SHG link program is now the biggest in the world.

Need of Microfinance:

Revolution of rural economy: Micro financing has been revolutionizing the rural economy through the self-help groups has encouraged the government to use. The success of the concept of micro credit through self-help groups as an instrument to address the issues of poverty and unemployment.

Women Employment: Self Employed Women's Association (SEWA) in 1972 was to bring poor women together and give them ways to fight for their rights and earn better livings.

Loans for Poor: Lending institutions will not lend to people unless they have some kind of security, or collateral, for the loan, to ensure that if it is not paid back, the bank or other institution will be able to recover part of the debt.

It has been observed that the possibility of empowering women in India and granting them greater pace in political, economic and social assistance through a very simple loan procedure and therefore makes microfinance as a compelling initiative at the economic indicators which includes micro and the macro level. In India, microfinance having several models for which are being applied through involving banks, government, various agencies and Non-Governmental Organisation-NGOs. The major and dominant approaches that target the poorer section of the society can be broadly classified as the Self Help Group (SHG) Model. The microfinance sector in India is well on its way to professionalize and institutionalize performance measurement with initiatives such M- CRIL and EDA rural systems. **(Source-RBI)**. However, it was also been observed that although lakhs of poor households are reached compare to this, these numbers are relatively very small looking into the size of the population living in poverty line. Furthermore, Northern states have been underserved compared to the South in India.

Features of Microfinance in India

Microfinance is an economic development tool with the objective to provide financial assistance to the poor to help them in earning their livelihood. The various features of microfinance are as under:

- It addresses the about various problems related to poverty and their alleviation by enabling the poor to work.
- Easy access to credit is more important for the poor than cheaper credit which might involve lengthy bureaucratic procedures and delays.
- To provide communities set up such as SHG federations and co-operatives which can lower the transaction costs.

Review of literature

Rahman (1986) established that “active” women who have a role in household decision-making and also consumption standards either on their own or jointly with their husbands. In both significantly in household decision-making than women from male loanee households or from households who had not received credit. Similarly, Self-help groups through microcredit have an important role in lessening the vulnerability of poor by creating assets, income and consumption smoothing, providing emergency assistance, and empowering and making women confident by giving them control over assets and increased self-esteem and knowledge (Zaman 2001).

Guevara, observed that, “There were positive changes in women’s self-perception, relationships with family and community as a result of their participation in economic development projects. It was also found that self-esteem, empowerment, political participation and gender relationships did not reflect a true understanding of the impact of the economic development projects in the lives of the women.

Rama Krishna and Krishna Murthy (2003) examined the role of SHGs in empowering rural poor in Parvada village of Visakhapatnam in Andhra Pradesh. The study found that SHG concept was successful to some extent in achieving social empowerment, economic progress through ensuring improved access to institutional credit. SHGs have a positive impact on beneficiaries especially in respect of social and economic empowerment such as improvement in participation in the development programmes, ability to meet government officials, awareness of property rights, improving decision-making, improving marketing, communication skills and building self-confidence which have a positive impact on the living standards of beneficiaries.

Linda Mayoux2009, in her paper argues that, microfinance institutions cannot have more than a limited impact on women’s empowerment unless there are changes in wider gender inequalities in the broader social and economic contexts in which they operate. In order to overcome these limitations, Mayoux recommends that Micro Financial Institutions (MFIs) intentionally address women’s empowerment as part of their goals, objectives, operations, and product design. In addition to the issue of domestic violence previously discussed, other common concerns raised include the increased burden that micro enterprise activities place on women’s time, MFIs’ reinforcing rather than challenging gender inequalities, and the possibility that children will be kept out of school to help in their mother’s business. It has been observed that microfinance figures into poor women’s risk-management strategies and that continued access to credit is a major incentive for repayment. The most effective strategies will be devised when staff at microfinance institutions listen to clients and carefully evaluate their resource bases, strengths, and vulnerabilities so that they develop products and services that build on strengths and existing resources.

Research Methodology

Type of research

The type of research design followed for the study will be **Exploratory Research**. When the purpose of research is to gain familiarity with a phenomenon or acquire new insights into it in

order to formulate a more precise problem or develop hypothesis, the exploratory research comes in handy. If the study happens to be too general or too specific, hypothesis cannot be formulated. Therefore need for exploratory research is felt to gain experience that will be helpful in formulating relevant hypothesis for more detailed investigations.

Data Source

Primary Data Source

The actual information will be received by the researcher for study from the actual field of research. The data will be obtained by means of questionnaires and schedules. In some fields primary data will be collected through interview and observation methods. The observation method, for collecting primary data, will be both participant & non-participant. They will be called primary data because they will be attained by the researcher from the field directly and for the first time.

Secondary Data Source

Secondary data will be attained indirectly. The researcher will not attain them directly. Such data will be attained from published and unpublished materials. Secondary data will be gathered from information collected from the individuals and stores through personal diary's, letters and survey documents etc. The secondary data again, will be gathered through two types of sources. The first source will be the personal documents such as diaries, letters, photographs etc. the other source will be the public documents such as books, manuscripts, records, reports of surveys by private organisations and various information's published in newspapers and magazines. The researcher will collect some data from journals, souvenirs, magazines etc. of national & international cadre.

Objectives of Study

- To compare the living standard and expenditure of the people before and after receiving the loan.
- To study whether it enables women to have greater autonomy in household decision making.
- To study whether SHGs bank linkage are an effective for poverty alleviation, human development.

Hypothesis

H0 = Personal Empowerment of women have been unchanged after joining SHGs

H1 = SHGs helps in Personal empowerment of the women

Data analysis

To study the hypothesis H0 "Personal Empowerment of women have been unchanged after joining SHGs", paired sample t test is applied on variables of personal empowerment like Ability to take decision before and after joining SHGs, Involvement in decision making before and after joining SHG, Improvement in health before and after joining SHG, educational improvement before and after joining SHGs, freedom to take economic decision

before and after joining SHGs, freedom to take actions of own choice before and after joining SHGs, better exposure before and after joining SHGs and changes in skills and ability before and after joining SHGs where following results were obtained:

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pai r 1	Ability to take decisions before joining SHG - Ability to take decisions after joining SHG	- .34000	1.51237	.15124	- .64009	- .03991	- 2.248	99	.027
Pai r 2	Involvement in decision making before joining SHG - Involvement in decision making after joining SHG	- .70000	1.24316	.12432	- .94667	- .45333	- 5.631	99	.000
Pai r 3	Improvement in health before joining SHG - Improvement in health after joining SHG	- .80000	1.69372	.16937	- 1.13607	- .46393	- 4.723	99	.000

Pai r 4	Educational improvement before joining SHG - Educational improvement after joining SHG	- 1.1400 0	1.60819	.1608 2	- 1.4591 0	- .8209 0	- 7.08 9	9 9	.000
Pai r 5	Freedom to take economic actions before joining SHG - Freedom to take economic actions after joining SHG	- .64000	1.83963	.1839 6	- 1.0050 2	- .2749 8	- 3.47 9	9 9	.001
Pai r 6	Freedom to take action of your choice before joining SHG - Freedom to take action of your choice after joining SHG	- .78000	1.63658	.1636 6	- 1.1047 3	- .4552 7	- 4.76 6	9 9	.000

The above table shows that:

- Pair 1 studies the ability to take decisions before joining and after joining SHG, where significance value of paired sample t-test obtained in 0.027 which is less than the alpha value of 0.05 and hence it is concluded that women's ability to take decision has increased after joining SHG.
- Pair 2 studies the involvement of women participants in decision making before joining and after joining SHG, where significance value of paired sample t-test obtained in 0.00 which is less than the alpha value of 0.05 and hence it is concluded

that involvement of women participants in decision making has increased after joining SHG.

- Pair 3 studies the improvement in health of women participants before joining and after joining SHG, where significance value of paired sample t-test obtained in 0.00 which is also less than the alpha value of 0.05 and hence it is concluded that the health of women participants has improved after joining SHG.
- Pair 4 studies the effect on educational level of women participant before joining and after joining SHG, where significance value of paired sample t-test obtained in 0.00 which is also less than the alpha value of 0.05 and hence it is concluded that educational level of women participants have started increasing after joining SHG.
- Pair 5 studies the satisfaction on freedom to take economic actions by women participants before joining and after joining SHG, where significance value of paired sample t-test obtained in 0.001 which is also less than the alpha value of 0.05 and hence it is concluded that satisfaction on freedom to take economic actions by women participants have increased after joining SHG.
- Pair 6 studies the satisfaction on freedom to take actions of women participant's choice before joining and after joining SHG, where significance value of paired sample t-test obtained in 0.00 which is also less than the alpha value of 0.05 and hence it is concluded that satisfaction has increased after joining SHG.

This it is concluded from the above analysis that in most of the cases the personal empowerment of women participants have changed after joining SHG and hence null hypothesis i.e. *Personal Empowerment of women have been unchanged after joining SHGs* is **rejected** and alternate hypothesis i.e. *SHGs helps in Personal empowerment of the women* is **accepted**.

Conclusion

It is fact proven that the self-help groups (SHGs) are the latest and targeted breed of the micro finance industries in India. In India there are more than 2000 micro finance institutions and efforts have been made to promote micro finance in a sustainable manner. It is also fact that the need of the hour is SHG bank Linkage Program which is an important vehicle now a days. Serious efforts have been made towards SHGBLP. As SHGs in existence since long even before the linkage programme but the banks could not recognize that SHG would be their potential business clients and till date both operated independently, without knowing each other's strength. Micro finance and SHGs have been playing a major role in spite of the assorted constraints and intrinsic limitations for the empowerment of women. It is very critical and tough for women empowerment in the process of development of the women and economy too. A woman plays a crucial role in the mitigation of poverty and in the overall progress of the nation. The provision of micro finance assumes greater importance as there has been various measures have been targeted and taken towards women empowerment. It is evidence that for improving the status of women Micro Finance institution along with NGOs has enabled the poor and women to expand, diversify their venture and also to increase their saving habits.

Thus it can be concluded that the microfinance (SHG-Bank linkage program) schemes have satisfactory conditions and many respondents have provided positive feedback regarding the schemes. Women participation under SHG have been obviously created great impact upon the standard of living of poor women and empowered them in not only as individual but also as member of family at various level of community and society as whole. SHGs have emerged as community institutions through which formal sector building system reaches the rural households which are earlier considered as unworthy of the bank lending. SHG-bank linkage offers triple benefits to banks. In specific there is better improvement in Increase in savings and income , Participation in political activities,, Making wise decisions, cautious while utilization of money , Poverty alleviation ,Self-Confidence, Political awareness, Contesting in Elections, Leadership qualities, open up ,Social Status and Involvement, Gaining Voice, Mutual Help & Support. At last SHGs and Bank linkage programme developed by NABARD provide only savings and credit services but this helps will further lead to the better empowerment of women through provide Technology support, capital funding and marketing support on SHG bank linkage programme.

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