

RURAL WOMEN EMPOWERMENT THROUGH MICRO FINANCE IN INDIA - A STUDY

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ABSTRACT

Microfinance program in India is growing rapidly and receiving increasing attention from the financial institutions, non-governmental organizations (NGOs) and the Government, as an instrument that can transform lives of the poor. Microfinance is considered as a development tool to alleviate poverty in Asian, African and South American countries. Microfinance gives quick and tangible results to the poor people, especially women. Microfinance, when extended to people, especially women, in rural areas coupled with supporting activities like training, raw material supply, marketing of products leads to investment in micro enterprises, women may become entrepreneurs, generate main or additional income to the family, poverty is reduced, and development takes place and the women get the self-confidence to go for enterprising activities with social, economic, and political empowerment and with her increased knowledge and awareness, development takes place. When the groups of people join as a group and are provided with empowerment leads to social and economic development in a holistic and sustainable manner. India's development planning has always aimed at removing inequalities in the process of development, recognizing that women lag behind due to several socio economic, cultural and political factors and the five year plans have been paying attention to women's welfare, female education, and their access to resources and empowerment. From the 6th five year plan, women were recognized as a separate target group and govt. efforts are focused to raise their social, economic and political status at par with men. The field of microfinance made significant progress as a movement in our country, with the active support of RBI, NABARD, SIDBI, and NGOs microfinance emerged as a giant. The concept of Self Help Groups is not ultimately a micro credit projects, but an empowerment process. The Self Help Group and Microfinance are aimed at empowering poor.

INTRODUCTION

It has been estimated that India has 37% of the world's population earning less than \$1 a day, of which 60% are women (Human Development Report 2003). This manifests itself in the form of illiteracy, limited access to basic needs and growing health problems. Most of the deprivation comes from lack of access to economic resources as well as being subordinated at the level of the family, community and the socio-political arena. The first International Women's Conference in Mexico in 1975 gave particular emphasis to credit as a means for women's empowerment. Today, after three decades, microfinance in the country forms a part of almost all development intervention targeted at poverty alleviation. Government-led poverty alleviation programmes such as the Swarnajayanti Grama Swarojgar Yojna (SGSY) and the Rashtriya Mahila Kosh implement their programmes through microfinance interventions. Non-governmental organisations (NGOs) integrate this component into almost all their interventions. However, the formation of microfinance groups is a difficult and costly process that is often dependent on external funding in the form of a grant. The process of linking the group to the bank is also a tedious one, testing the patience of the group members who have little incentive to continue being part of the group. Grant funds, too, are

limited. All this has led to the changing role of NGOs from social intermediaries to financial intermediaries. In this context, there are a number of issues and challenges facing the sector. Considering the fact that a large majority of microfinance “clients” are women, the sector is often chided for not looking at questions relating to their empowerment. The microfinance sector in itself appears to be unsure about its own positioning – whether to view itself as a developmental tool or as a financial one. While there are a number of organisations that play the roles of both social and financial intermediaries, they are often not able to do justice to both, and the financial role is usually given priority. There has been considerable gap between the demand and supply for microfinance in India. While there are a large number of poor households who eke out a living from the informal sector, the credit availability to enhance their participation and add value to their inputs is not available. The National Bank for Agriculture and Rural Banking (NABARD) bank linkage programme has achieved only 1.4% of the potential demand, reaching out to seven million households with an average credit of Rs.2,000 a household, as against the need to reach 100 million with Rs.10,000 a household. The microfinance institutions (MFIs) on the other hand, have been able to meet only 0.25% of the demand (Mahajan 2002). On the whole, only 2% of the entire demand is being met from the formal and the semi-formal financial institutions in the country. The challenge is therefore to expand the range of services so as to reach out to more households. Though the SHG model is the most prevalent in India, the Grameen model, with its financial efficiency, is often preferred by MFIs. This brings with it institutional and other model-specific constraints, which offer less scope for addressing the gender and development agenda. As an apex financial institution and sector leader, Friends of Women’s World Banking (FWWB) has been taking into account the above concerns and initiating strategies within its existing programmes to address the

WHAT IS MICROFINANCE?

Microfinance is the provision of financial services to low income clients who traditionally lack access to banking and related services. It helps in reaching out to the vulnerable segments of the society like women, SC,ST which are outside the purview of formal institution. It is a form of financial development that has primarily focused on alleviating poverty through providing financial services which help poor to take up income generating activities and secondly it focuses on women empowerment.

EMPOWERMENT

Empowerment literally means making someone powerful; facilitating the weak to attain strength, enabling someone to confront injustice and oppression. Empowerment is a process which makes the powerless to acquire and control over power through awareness, capacity building, participation in decision making, acquiring information, attaining confidence and self-employment.

SELF HELP GROUPS (SHG)

SHG is a very good idea and this encourages poor people to save small amounts and use money cautiously in emergencies like unexpected health problems, natural calamities etc. They deposit money into bank and they get interest for that money. Whenever they take loan they are charged at a very low rate than interest given on deposit amount.women, which help the family to come out of poverty

Under the trickle-down theory in the planning process it was expected that women will equally benefit along with men. This has been belied by actual development. The ninth plan document recognizes that in spite of development measures and constitutional legal

guarantees- women have lagged behind in almost all sectors. In India, the emergence of liberalization and globalization in early 1990's aggravated the problem of women workers in unorganized sectors from bad to worse as most of the women who were engaged in various self-employment activities have lost their livelihood. Despite in tremendous contribution of women to the agriculture sector, their work is considered just an extension of household domain and remains non-monetised. 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. This paper puts forward how micro finance has received extensive recognition as a strategy for economic empowerment of women. This paper seeks to examine the impact of Micro finance with respect to poverty alleviation and socioeconomic empowerment of rural women. An effort is also made to suggest the ways to increase women empowerment.



Empowerment is a multi-dimensional social process that helps people gain control over their own lives communities and in their society, by acting on issues that they define as important. Empowerment occurs within sociological psychological economic spheres and at various levels, such as individual, group and community and challenges our assumptions about status quo, asymmetrical power relationship and social dynamics. Empowering women puts the spotlight on education and employment which are an essential element to sustainable development.

EMPOWERMENT: FOCUS ON POOR WOMEN IN INDIA.

In India, the trickle down effects of macroeconomic policies have failed to resolve the problem of gender inequality. Women have been the vulnerable section of society and constitute a sizeable segment of the poverty-struck population. Women face gender specific barriers to access education health, employment etc. Micro finance deals with women below the poverty line. Micro loans are available solely and entirely to this target group of women. There are several reason for this: Among the poor , the poor women are most disadvantaged –

they are characterized by lack of education and access of resources, both of which is required to help them work their way out of poverty and for upward economic and social mobility. The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economy. This is due to the low social status and lack of access to key resources. Evidence shows that groups of women are better customers than men, the better managers of resources. If loans are routed through women benefits of loans are spread wider among the household.

Since women's empowerment is the key to socio economic development of the community; bringing women into the mainstream of national development has been a major concern of government. The ministry of rural development has special components for women in its programmes. Funds are earmarked as "Women's component" to ensure flow of adequate resources for the same. Besides Swarnagayanti Grameen Swarazgar Yojana (SGSY), Ministry of Rural Development is implementing other scheme having women's component. They are the Indira Awas Yojana (IAJ), National Social Assistance Programme (NSAP), Restructured Rural Sanitation Programme, Accelerated Rural Water Supply programme (ARWSP) the (erstwhile) Integrated Rural Development Programme (IRDP), the (erstwhile) Development of Women and Children in Rural Areas (DWCRA) and the Jowahar Rozgar Yojana (JRY).

CONCEPT AND FEATURES OF MICRO FINANCE

The term micro finance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development etc. There is, however, no statutory definition of micro finance. The taskforce on supportitative policy and Regulatory Framework for Microfinance has defined microfinance as "Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards". The term "Micro" literally means "small". But the task force has not defined any amount. However as per Micro Credit Special Cell of the Reserve Bank Of India, the borrowal amounts upto the limit of Rs.25000/- could be considered as micro credit products and this amount could be gradually increased up to Rs.40000/- over a period of time which roughly equals to \$500 – a standard for South Asia as per international perceptions.

The mantra "Microfinance" is banking through groups. The essential features of the approach are to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode. The other dimensions of the microfinance approach are:

- Savings/Thrift precedes credit
- Credit is linked with savings/thrift
- Absence of subsidies
- Group plays an important role in credit appraisal, monitoring and recovery.

Basically groups can be of two types:

Self Help Groups (SHGs) : The group in this case does financial intermediation on behalf of the formal institution. This is the predominant model followed in India.

Grameen Groups: In this model, financial assistance is provided to the individual in a group by the formal institution on the strength of group's assurance. In other words, individual loans are provided on the strength of joint liability/co obligation. This microfinance model

was initiated by Bangladesh Grameen Bank and is being used by some of the Micro Finance Institutions (MFIs) in our country.

WOMEN'S EMPOWERMENT AND MICRO FINANCE: DIFFERENT PARADIGMS

Concern with women's access to credit and assumptions about contributions to women's empowerment are not new. From the early 1970s women's movements in a number of countries became increasingly interested in the degree to which women were able to access poverty-focused credit programmes and credit cooperatives. In India organizations like Self-Employed Women's Association (SEWA) among others with origins and affiliations in the Indian labour and women's movements identified credit as a major constraint in their work with informal sector women workers.

The problem of women's access to credit was given particular emphasis at the first International Women's Conference in Mexico in 1975 as part of the emerging awareness of the importance of women's productive role both for national economies, and for women's rights. This led to the setting up of the Women's World Banking network and production of manuals for women's credit provision. Other women's organizations world-wide set up credit and savings components both as a way of increasing women's incomes and bringing women together to address wider gender issues.

The trend was further reinforced by the Micro Credit Summit Campaign starting in 1997 which had 'reaching and empowering women' as its second key goal after poverty reduction (RESULTS 1997). Micro-finance for women has recently been seen as a key strategy in meeting not only Millennium Goal 3 on gender equality, but also poverty Reduction, Health, HIV/AIDS and other goals.

FEMINIST EMPOWERMENT PARADIGM

The feminist empowerment paradigm did not originate as a Northern imposition, but is firmly rooted in the development of some of the earliest micro-finance programmes in the South, including SEWA in India. It currently underlies the gender policies of many NGOs and the perspectives of some of the consultants and researchers looking at gender impact of micro-finance programmes (e.g. Chen 1996, Johnson, 1997).

Here the underlying concerns are gender equality⁶ and women's human rights. Women's empowerment is seen as an integral and inseparable part of a wider process of social transformation. The main target group is poor women and women capable of providing alternative female role models for change. Increasing attention has also been paid to men's role in challenging gender inequality.

Micro-finance is promoted as an entry point in the context of a wider strategy for women's economic and socio-political empowerment which focuses on gender awareness and feminist organization. As developed by Chen in her proposals for a sub sector approach to micro credit, based partly on SEWA's strategy and promoted by UNIFEM, microfinance must be:

Part of a sectoral strategy for change which identifies opportunities, constraints and bottlenecks within industries which if addressed can raise returns and prospects for large numbers of women. Possible strategies include linking women to existing services and infrastructure, developing new technology such as labour-saving food processing, building information networks, shifting to new markets, policy level changes to overcome legislative barriers and unionization.

POVERTY REDUCTION PARADIGM

The poverty alleviation paradigm underlies many NGO integrated poverty-targeted community development programmes. Poverty alleviation here is defined in broader terms than market incomes to encompass increasing capacities and choices and decreasing the vulnerability of poor people. The main focus of programmes as a whole is on developing sustainable livelihoods, community development and social service provision like literacy, healthcare and infrastructure development. There is not only a concern with reaching the poor, but also the poorest.

Policy debates have focused particularly on the importance of small savings and loan provision for consumption as well as production, group formation and the possible justification for some level of subsidy for programmes working with particular client groups or in particular contexts⁷. Some programmes have developed effective methodologies for poverty targeting and/or operating in remote areas. Such strategies have recently become a focus of interest from some donors and also the Microcredit Summit Campaign.

Here gender lobbies have argued for targeting women because of higher levels of female poverty and women's responsibility for household well-being. However although gender inequality is recognised as an issue, the focus is on assistance to households and there is a tendency to see gender issues as cultural and hence not subject to outside intervention.

Although term 'empowerment' is frequently used in general terms, often synonymous with a multi-dimensional definition of poverty alleviation, the term 'women's empowerment' is often considered best avoided as being too controversial and political. The assumption is that increasing women's access to micro-finance will enable women to make a greater contribution to household income and this, together with other interventions to increase household well-being, will translate into improved well-being for women and enable women to bring about wider changes in gender inequality.

MICRO FINANCE INSTRUMENT FOR WOMEN'S EMPOWERMENT.

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the “unreached poor”. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment.

Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor.

Before 1990's, credit schemes for rural women were almost negligible. The concept of women's credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having the access of credit. However, there is a perceptible gap in financing genuine credit needs of the poor especially women in the rural sector.

There are certain misconception about the poor people that they need loan at subsidized rate of interest on soft terms, they lack education, skill, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experience of several SHGs reveal that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy.

The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women's empowerment.

PROBLEM AND CHALLENGES:

Most of all Surveys have shown that many elements contribute to make it more Difficult for women empowerment through micro businesses in India elements are.

Lack of knowledge of the market and potential profitability, thus

Making the choice of business difficult.

- Inadequate book-keeping.
- Employment of too many relatives which increases social pressure to share benefits.
- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually ruin their business (many customers cannot pay cash; on the other hand, suppliers are very harsh towards women)

CHALLENGING ECONOMIC EMPOWERMENT

However impact on incomes is widely variable. Studies which consider income levels find that for the majority of borrowers income increases are small, and in some cases negative. All the evidence suggests that most women invest in existing activities which are low profit and insecure and/or in their husband's activities. In many programmes and contexts it is only in a minority of cases that women can develop lucrative activities of their own through credit and savings alone.

It is clear that women's choices about activity and their ability to increase incomes are seriously constrained by gender inequalities in access to other resources for investment, responsibility for household subsistence expenditure, lack of time because of unpaid domestic work and low levels of mobility, constraints on sexuality and sexual violence which limit access to markets in many cultures.

These gender constraints are in addition to market constraints on expansion of the informal sector and resource and skill constraints on the ability of poor men as well as women to move up from survival activities to expanding businesses. There are signs, particularly in some urban markets like Harare and Lusaka, that the rapid expansion of micro-finance programmes may be contributing to market saturation in 'female' activities and hence declining profits.

CHALLENGING SOCIAL AND POLITICAL EMPOWERMENT

There have been positive changes in household and community perceptions of women's productive role, as well as changes at the individual level. In societies like Sudan and Bangladesh where women's role has been very circumscribed and women previously had little opportunity to meet women outside their immediate family there have sometimes been significant changes. It is likely that changes at the individual, household and community levels are interlinked and that individual women who gain respect in their households then act as role models for others leading to a wider process of change in community perceptions and male willingness to accept change (Lakshman, 1996).

Micro-finance has also been strategically used by some NGOs as an entry point for wider social and political mobilisation of women around gender issues. For example SEWA in India, CODEC in Bangladesh and CIPCRE in Cameroon, indicate the potential of micro-finance to form a basis for organization against other issues like domestic violence, male alcohol abuse and dowry.

The evidence therefore indicates that contributions of micro-finance per se to women's empowerment cannot be assumed and current complacency in this regard is misplaced.. Where women are not able to significantly increase incomes under their control or negotiate changes in intra-household and community gender inequalities, women may become dependent on loans to continue in very low-paid occupations with heavier workloads and enjoying little benefit.

The organizations involved in micro credit initiatives should take account of the fact that:

1. Credit is important for development but cannot by itself enable very poor women to overcome their poverty.
2. Making credit available to women does not automatically mean they have control over its use and over any income they might generate from micro enterprises.
3. In situations of chronic poverty it is more important to provide saving services than to offer credit.
4. A useful indicator of the tangible impact of micro credit schemes is the number of additional proposals and demands presented by local villagers to public authorities.
5. All the evidence suggests the poorest women are the most likely to be explicitly excluded by programmes and also peer groups where repayment is the prime consideration and/or where the main emphasis of programmes is on existing micro-entrepreneurs.

CONCLUSION

A conclusion that emerges from this account is that While microfinance has definitely addressed the question of access to economic resources for women, the market-centred approach of financial intermediaries tends to undermine the complexity of the social systems that the clients are a part of. This, coupled with the challenge of increasing outreach, often results in its inability to concentrate much in the area of social and political interventions, which need to be put in place for better credit absorption, so as to result in the empowerment of women.

Micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programmes. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit

requirements of the low income borrower without imposing unbearably high cost of monitoring its end use upon the lenders. A promising solution is to provide multipurpose lone or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income. India is the country where a collaborative model between banks, NGOs, MFIs and Women's organizations is furthest advanced. It therefore serves as a good starting point to look at what we know so far about 'Best Practice' in relation to micro-finance for women's empowerment and how different institutions can work together. It is clear that gender strategies in micro finance need to look beyond just increasing women's access to savings and credit and organizing self help groups to look strategically at how programmes can actively promote gender equality and women's empowerment. Moreover the focus should be on developing a diversified micro finance sector where different type of organizations, NGO, MFIs and formal sector banks all should have gender policies adapted to the needs of their particular target groups/institutional roles and capacities and collaborate and work together to make a significant contribution to gender equality and pro-poor development.

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