

“Role of Microfinance in the Empowerment of Women”

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Abstract

Women who number 407.1 million according to 1991 census, represent 48.1 per cent of country’s population of 846.3 million. The development of women has always been the central focus in developmental planning since Independence. There have been various shifts in policy approaches in the last 50 years from the concept of "welfare" in the 70s, to "development" in the 80s, and now to "empowerment" in the 90s. The Department of Women and Child Development since its inception has been implementing special programmes designed to improve the socio-economic status of women. The major programmes that complement and supplement the other developmental and welfare programmes, particularly in the sectors of health, education, rural and urban development, etc., implemented by the Department.

Keywords: *Empowerment, Microfinance, Socio-economic status, Rural development*

INTRODUCTION

A business is an organization engaged in the trade of goods, services, or both to consumers. Businesses are predominant in capitalist economies, where most of them are privately owned and administered to earn profit to increase the wealth of their owners. Businesses may also be not-for-profit or state-owned. A business owned by multiple individuals may be referred to as a company, although that term also has a more precise meaning.

The etymology of "business" relates to the state of being busy either as an individual or society as a whole, doing commercially viable and profitable work. The term "business" has at least three usages, depending on the scope — the singular usage to mean a particular organization; the generalized usage to refer to a particular market sector, "the music business" and compound forms such as agribusiness; and the broadest meaning, which encompasses all activity by the community of suppliers of goods and services.

Finance plays a major role in the business. In general term finance means management of money for your expenses. In broad term finance is the science of funds management. Finance includes saving money and often includes lending money. The general areas of finance are business finance, personal finance, and public finance. Finance is also a money budget management. The field of finance deals with how money is spent and budgeted. It also deals the concepts of time, money and risk and how they are interrelated. Finance is used by individuals as personal finance, by governments as public finance, by businesses as corporate finance, as well as by a wide variety of organizations including schools and non-profit organizations. Finance is the need of the today world economy.

Finance comprises of Macro finance and Micro finance. Macro finance is a broader term than micro finance. Macro finance term itself means lending at a broader level and in a huge quantity to the customers.

LITERATURE REVIEW

K. G. Karmarkar, executive director of NABARD, in his research paper “**Microfinance in India**” said, “Microfinance is not a panacea for poverty reduction, and that its impact alone on poverty reduction in

India has been negligible. To bring about income growth, microcredit has to be complemented by a number of livelihood promotion strategies.” Shailendra Kumar B Hegde, Ramakrishna Goud B, Twinkle Agrawal, Abhita Braganza, AbhaySood, Dias Brendan in their research paper “**Expenditure patterns of micro-savings among members of community based women’s organizations in a rural area in Karnataka**” said, “Microfinance is a financial service of small transaction value provided by financial institutions to the poor to meet their financial needs. CBWOs with Micro-financing initiatives serve as effective means for alleviation of poverty, human development and social empowerment.” Nayakara Honnurswamy and Malappa Dandgund, Research Scholar, Dept of Economics, Gulbarga University in their research paper, “**Role of Microfinance on Poverty Reduction in Rural India**” says, “India is always depending up on rural area development. Suppose the rural area will develop automatically nation will grow faster way, many economist to find out the what types of rural planes Indian villages need , with the help of scientific establishment of microfinance is possible to remove the village poverty.” Prof Zohra Bi, Assistant Professor Alliance University, Bangalore; in his research paper, “**Comparison of Performance of Microfinance Institutions with Commercial Banks in India**” “Microfinance has been an important tool in poverty alleviation, empowerment of women and in bringing about financial inclusion. Continuous efforts are required to diversify the sources of funding available for the microfinance institutions in order to attract foreign investments for well established microfinance institutions in order to serve the rural low income population, increase efficiency of staff members, alleviate poverty and also make them profitable.”

OBJECTIVES

- To study the extent of self employment opportunities generated with the help of Microfinance for rural women
- To study the role of microfinance companies in poverty alleviation of the rural women.

RESEARCH METHODOLOGY

Data sources:

The data collected for the study includes secondary data. The various sources used to collect secondary data include research papers, journals, articles, annual reports of the company and data from the Microfinance information exchange (MIX) and various other websites.

Methods:

The methodology of study includes collection of secondary data from various research articles and journals. The secondary data collected is further analyzed to draw conclusions.

EXPLANATION

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 inspite 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-monetized.

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 implies expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives (World Bank Resource Book). Empowerment is the process of enabling or authorizing an individual to think, behave, take action and control work in an autonomous way. It is the state of feelings of self-empowered to take control of one's own destiny. It includes both controls over resources (Physical, Human, Intellectual and Financial) and over ideology (Belief, values and attitudes) (Batliwala, 1994).

Empowerment can be viewed as a means of creating a social environment in which one can take decisions and make choice either individually or collectively for social transformation. It strength innate ability by way of acquiring knowledge power and experience.

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, 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 Jawahar 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 term micro finance, sometimes is used interchangeably with the term micro credit. However while micro credit refers to purveyance of loans in small quantities, the term microfinance has a broader meaning covering in its ambit other financial services like saving, insurance etc. as well.

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. From the mid-1980s there was a mushrooming of donor, government and NGO-sponsored credit programmes in the wake of the 1985 Nairobi women’s conference (Mayoux, 1995a).

The 1980s and 1990s also saw development and rapid expansion of large minimalist poverty-targeted micro-finance institutions and networks like Grameen Bank, ACCION and Finca among others. In these

organizations and others evidence of significantly higher female repayment rates led to increasing emphasis on targeting women as an efficiency strategy to increase credit recovery. A number of donors also saw female-targeted financially-sustainable micro-finance as a means of marrying internal demands for increased efficiency because of declining budgets with demands of the increasingly vocal gender lobbies.

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.

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.

Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women's capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions.

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 most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. 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.

FINDINGS

- Microfinance is considered to be most important in developing the self employment opportunities amongst the poor women.
- Microfinance has been attractive to the lending agencies because of demonstrated sustainability and of low costs of operation.
- Institutions like SIDBI and NABARD are hard nosed bankers and would not work with the idea if they did not see a long term engagement – which only comes out of sustainability that is economic attractiveness.
- Microfinance provides the loans which the poor women can afford and they can easily repay the same in the installments which are weekly or fortnightly.

CONCLUSIONS

Microfinance is considered to be a valuable tool for the alleviation of poverty around the globe. In order for microfinance to realize its full potential, however, it must be sustainable and capable of expansion beyond the limitations imposed by a reliance on development assistance. Both developing and developed nations are key actors in this regard.

Developed-country bilateral aid programs and multilateral institutions should focus efforts on defining common standards by which to measure the effectiveness of microfinance in reducing poverty.

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