

# Micro Finance and Empowerment of Women

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## **Abstract :**

Microfinance has emerged as a powerful tool for women empowerment in the new economy. In India, microfinance distribution is mainly dominated by Self Help Groups (SHGs) -Bank Linkage Programme. It aims at providing a cost effective mechanism for providing financial services to the poor section of the society. In India, women empowerment is a buzzword in the present day. As a country, India is faithful to empower women. Though women are considered as “the unrecognized heroine, who works from birth to death”, yet it is terrible that even the unknowing and worthless men had been enjoying supremacy over women, which they don't earn and must not to have. As most of the women lack assets that help contribute well-being and women empowerment in India, economic freedom over entrepreneurial development and self-employment is something that needs attention.

Efforts on women empowerment will help society to get rid of social evils. There is a long way to take people away from poverty but SHGs can become significant tool to achieve this objective through microfinance programs. According to Mukherjee and Purkayastha, SHGs are the most contemporary modes for poverty eradication and women empowerment in India. Microfinance helps poor people including women in getting employment, increasing confidence, enhancing communication skills and in other aspects as well. Women gain greater control over resources like material possession, intellectual resources like knowledge, information, ideas and decision making at home, community, society and nation through involvement in these microfinance programs.

## **Keywords :**

**Microfinance; Women empowerment; Self-Help Group; Economic security; Household economic decision making.**

## **Introduction :**

Man and women are one of the major components of society. Since the formation of the society, there has been discrimination on how society looks on both the genders. It is through the lens of the society that we build our conceptions. Women are considered as being inferior to men on the aspect of physical strength and working capabilities. Although this has been a prejudiced concept still the society moves on with this thought and idea. Women have always been deprived of certain things which only men get the liability to enjoy all together. Society decides the role of the women and builds certain parameters in which it judges and makes the conclusion about women. But with the coming of the modern era, it is being noticed that women are getting space and opportunities to prove themselves as well. Westernization has led positive effect on the issues of women and now they are getting empowerment. In every field, today women are given equal opportunities and space so as to enhance themselves.

## **Objectives of the Study :**

1. To assess the Role of Women in Indian Economy
2. To study the Role of Microfinance for Women Empowerment

## **Concept of Empowerment :**

Women's empowerment has become a significant topic of discussion in development and economics. It can also point to the approaches regarding other trivialized genders in a particular political or social context. Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to

combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation.

Empowering means enabling people especially women to acquire and possess power resources in order for them to make decisions on their own or resist decisions that are made by others which affect them. Participation and control over resources are considered as the critical indicators in the process of empowerment. Disadvantaged women especially in rural areas possess least proportions of resources and as a result they are powerless and dependent on the powerful. Historically, credit access and terms have discriminated against women (Manimekalai,1999) due to various reasons such as inability to provide collateral, small-sized loans, high transaction costs for banks formalities. Women's economic empowerment refers to the ability for women to enjoy their right to control and benefit from resources, assets, income and their own time, as well as the ability to manage risk and improve their economic status and wellbeing.

### **Role of women in Indian Economy :**

All over the world, the significant of women entry into the workforce over the past three decades has produced profound transformations in the organization of families, society, the economy, and urban life. Since the late 1950s, women's economic activities have been steadily increasing. Women have always actively participated in their local economies. In Africa, for example, women produce 80 percent of the food and in Asia 60 percent and in Latin America 40 percent. In many cases, women not only produce the food but market it as well, which gives them a well-developed knowledge of local markets and customers.

Women, especially poor mothers, must divide their time between work "productive role" and family "reproductive role", and balancing all the demands. Time is valuable for these women, as their livelihoods depend largely on their ability to fulfill the multiple demands of the household and the marketplace. In spite of the remarkable importance of women's participation, their jobs have been considered as an "extra income" to family survival or simply to improve its living conditions. Moreover, microenterprises owned by women have been considered as a way to meet primary needs instead of a profitable source of income.

Most women in the India rely more on the informal work sector for an income. If women are empowered to do more the possibility for economic growth will be at large. If the informal sector is involved into many tasks and activities then there will be more growth. It was proved that female participation in counsels, groups and businesses is seen to be an increase in efficiency.

The large potential increases in GDP that could accrue to India and countries around the world, if they could only close their labor force gender gaps, are often cited. A report by McKinsey Global Institute suggests that if women participated in the Indian economy at the level men do, annual GDP could be increased by 60 per cent above its projected GDP by 2025. This striking figure undoubtedly rests on a variety of assumptions. But the underlying conclusion is that women's potential to contribute to GDP is huge. The same analysis also suggested that India's potential GDP gains through achieving economic gender parity were larger than gains in any of the other regions they studied.

In emerging economies, particularly growth economies such as China and India, rapid economic development make it necessary to optimize all available human resources. In these countries, underutilizing half of the potential workforce is no longer an acceptable option. Moreover, a recent article in *The Economist* magazine cited research indicating that over the past few decades, women in general have contributed more to growth in the world's gross domestic product (GDP) than either new technology or the emerging economies of China and India.

### **Role of Micro Finance in Empowerment of Women :**

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 supportive 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 importance of women to the economic development of India was first recognized during the country's struggle for independence. Empowerment is a social action process that promotes participation of people, organization and communities in gaining control over their lives in their community. There is urgent

need of empowering women especially in rural areas. The formation of Self Help Group and Micro Financing will enhance their socio- economic position in the society.

Small loans can make good business sense among the women. It has been noticed that women in particular stand to gain a lot from micro-finance because it gives them an independent means of generating wealth and becoming self-reliant in a society that does not offer them much scope for entrepreneurship. And since it is women who run the household, a higher standard of living for women ensures better governance and a healthier and more prosperous future for the children and a better future for the nation. The success of micro credit initiatives has often been attributed to their particular focus on empowering women and encouraging their self-reliance through developing their own means of income. Various case studies show that there is a positive correlation between credit availability and women's empowerment. It is observed that majority of rural women who are associated with self-help group activity positively succeeded to gain them- selves empowered.

Microfinance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment. Where financial service provision leads to the setting up or expansion of micro-enterprises there are a range of potential impacts including:

- Increasing women's income levels and control over income leading to greater levels of economic independence.
- Access to networks and markets giving wider experience of the world outside the home, access to information and possibilities for development of other social and political roles.
- Enhancing perceptions of women's contribution to household income and family welfare, increasing women's participation in household decisions about expenditure and other issues and leading to greater expenditure on women's welfare.
- More general improvements in attitudes to women's role in the household and community.

Micro finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for women's economic empowerment. There are good reasons to target women. Gender equality turns out to be good for everybody. The World Bank reports that societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance, and a lower standard of living. Women are poorer and more disadvantaged than men. The UNDP's Human Development Report, 1995 found that 70% of the 1.3 billion people living on less than \$1 a day are women. Studies in Latin America, and elsewhere show that men typically contribute 50-68% of their salaries to the collective household fund, whereas women "tend to keep nothing back for themselves." Because "women contribute decisively to the well-being of their families," investing in women brings about a multiplier effect. Again, every micro finance institution has stories of women who not only are better off economically as a result of access to financial services, but who are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased self-esteem, control and empowerment by helping them achieve greater economic independence and security, which in turns gives them the chance to contribute financially to their households and communities.

### **Self-help Groups :**

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, Micro finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for women's economic empowerment. A woman SHG is a grass-root level voluntary alliance wherein women belonging to same socio-economic strata of the society contribute a fixed amount for a particular time period until the group has enough capital to start its own lending process. These funds are then utilized for lending to other women to help and empower them through support, encouragement and financial assistance so as to allow them to achieve their personal and professional goals for a better future. Women SHG is therefore, a noble initiative in developing countries like India, especially for the upliftment and welfare of the women in the society.

Women in rural India lived in virtual isolation, unable to access even the most basic of services. But, with the formation of Women's Self-Help Groups, these women are now achieving social and physical mobility. It is recognized that while the empowerment of women is a process that will not happen

automatically, SHG is a suitable means for the empowerment of women. The impacts of SHGs on socio-economic status of women were found significant. For micro finance programme to be cost-effective in bringing about the empowerment of women, it would require -

1. providing business training,
2. investing in women's general education and literacy,
3. providing guidance in balancing family and work responsibilities,
4. providing a forum for dialogue on social and political issues, such as, women's rights and community problems,
5. giving women experience in decision –making, promoting women's ownership, control and participatory governance in their micro finance programmes.

Micro finance programmes, thus, has been very successful in reaching women. This gives micro finance institution an extraordinary opportunity to act intentionally to empower poor women and to minimize the potentially negative impacts some women experienced.

The SHGs of rural women consists of members who are the poor, having low saving capacity and who depend on money lenders for meeting their consumption needs and social obligations. Formation of women into self-help groups paved a way to develop their economic standards, thereby building self-confidence. Women in SHGs have been encouraged by the government as well as NGOs to undertake self-employment ventures with locally available resources. Availability of micro-credit helped SHG women a lot and many women came forward and established micro enterprises. At present a number of NGOs and financial institutions have been offering micro finance especially to rural women micro entrepreneurs. They also motivate training programmes to develop their entrepreneurial skills and capabilities. Specific trainings in manufacturing or service sector are available for the prospective rural women micro entrepreneurs. These institutions have been encouraging women to start micro enterprises. As a result micro entrepreneurship is gradually growing importance among the rural women.

Self Help Group (SHG) is a small voluntary association of 10-20 people either registered or unregistered preferably from the same socio-economic background. They come together for the purpose of solving their common problems through self-help and mutual help. The SHG promotes small savings with a bank among its members. This common fund is in the name of the SHG. The SHG member have different types of financial needs and services, viz. savings, consumption credit, production credit, insurance and remittance facilities which are met through interloaning in the group and bank loan encompassing allied services. All loans within the group and from the banks are given with minimum documentation and without any security. The inter loans among the SHG's for consumption and productive purposes are small, frequent, of short duration and at low interest rates. The groups meet and save regularly, recording all the transactions in their account books. After 6 months of formation the SHG become eligible for loan from the banks, to start new enterprise. Each group evolves a flexible system of working and managing pooled resources in a democratic way. They also democratically elect a President, Secretary and Treasurer among themselves as office bearers of their group. The key focus of this program is to develop the capacity of the women collectively and empower them to deal with the socio-economic aspects of their lives.

Women played a prominent role in setting up and managing SHGs. Currently, over 90% of all the SHGs in India comprise of women. SHGs are perceived as a platform for empowering women through financial inclusion and social development. The Government, NGOs and international agencies seek to leverage this existing infrastructure and strong participation of women to ensure that the public programs reach the targeted beneficiaries. To promote this vision, programs such as Aajeevika - National Rural Livelihoods Mission (NRLM) have been launched which envision SHGs to be an effective tool in poverty reduction and livelihoods generation.

SHG-Bank Linkage Programme has become more popular in India than elsewhere in the world primarily due to its widespread adoption by Scheduled Commercial Banks, Regional Rural Banks and Cooperative Banks. NABARD has continued to support more than 5,000 partner agencies such as NGOs, RRBs, District Central Cooperative Banks and other SHPI partners for promoting and nurturing SHGs. The



success of SHG-BLP also attracted the attention of State governments. Many of the State governments, over a period, undertook through departmental initiatives major programmes of SHG promotion. Notable among the state governments was Andhra Pradesh with Podupulakshmi programme, Indira Kranti Patham programme of AP, Jeevika Project of Bihar, TRIPTI and Mission Shakti projects in Odisha were some of the other projects.

**Table 1: Progress under SHG-Bank Linkage Programme (2016-17 to 2018-19)**

(Number in lakh/Amount crore)

Particulars		2016-2017		2017-18		2018-19	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
SHGs Savings with banks as on 31 <sup>st</sup> March	Total SHG Nos.	85.77 (8.53%)	16114.23 (17.69%)	87.44 (1.95%)	19592.12 (21.59%)	100.14 (14.52%)	23324.48 (19.05%)
	All Women SHGs	73.22 (8.26%)	14283.42 (18.67%)	73.9 (0.94%)	17497.86 (22.51%)	85.31 (15.44%)	20473.55 (17.01%)
	Percentage of Women SHGs	85.36	88.64	84.51	89.31	85.19	87.78
Loans Disbursed to SHGs during the year	No. of SHGs extended loans	18.98 (3.60%)	38781.16 (4.01%)	22.61 (19.13%)	47185.88 (21.67%)	26.98 (19.33%)	58317.63 (23.59%)
	All Women SHGs	17.16 (5.34%)	36103.13 (4.92%)	20.75 (20.92%)	44558.74 (23.42%)	23.65 (13.98%)	53254.04 (19.51%)
	Percentage of Women SHGs	90.42	93.09	91.78	94.43	87.66	91.32
Loans Outstanding against SHGs as on 31 <sup>st</sup> March	Total No. of SHGs linked	48.48 (3.74%)	61581.30 (7.81%)	50.20 (3.55%)	75598.45 (22.76%)	50.77 (1.14%)	87098.15 (15.21%)
	All Women SHGs	42.84 (6.14%)	56444.24 (9.75%)	45.49 (6.20%)	70401.73 (24.73%)	44.61 (-1.93%)	79231.98 (12.54%)
	Percentage of Women SHGs	88.36	91.66	90.62	93.13	87.87	90.97

Source : Status of Microfinance in India 2018-19, Report of Micro Credit Innovations Department, NABARD.

### Conclusion :

Self Help Group (SHG) approach is a wonderful tool not only for poverty alleviation but for empowerment of women. Non Governmental Organisations (NGOs) have recognized micro-finance as one of the tools to attack poverty through the women empowerment. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness. Micro finance through Self Help Group (SHG) is a powerful and suitable way of reaching financial assistance to the people directly for rural development. Empowerment of women is the main aim of microfinance, which leads to sustainable development of the nation. The SHG programme has been successful in not only in meeting the 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.

Women contribute to the larger part of population in India. The existing scenario is that women form an important part of the labor force and the economic role played by them cannot be isolated from the framework

of development. But, there are still quite a few areas where women empowerment in India is largely lacking. As majority women lack assets that help contribute to their empowerment and well-being, economic independence through self-employment and entrepreneurial development. The empowerment of women cannot happen without a change of attitude of men towards women but ensuring safety for women is the responsibility of the State.

Empowerment of women is essentially the process of upliftment of economic, social and political status of women, they traditionally under privileged ones, in the society. The Empowerment of Women has gotten to be a standout amongst the most essential worries of 21st century at national level as well as at the universal level. Government activities alone would not be adequate to accomplish this objective. Society must step up with regards to make an atmosphere in which there is no sexual orientation segregation and women have full chances of self-basic leadership and taking part in social, political and financial existence of the nation with a feeling of equity. Facilitating that women's direct participation in decision-making capacity and income generation activities can make significant contributions towards women empowerment.

Microcredit organizations should offer suitable and socially acceptable training, adequate monitoring, and prepare rural women borrowers to bear the related hazards (mentally and financially), which are crucial for women empowerment. Financial inclusion plays a key role in empowering women and preparing them for greater roles as contributors to national growth. However, this is a collective responsibility that should be shared by the banking communities, Micro-finance institutions and the Government alike. It's not easy task to build a financially inclusive and empowered society, taking into account India's geographic and demographic diversity with protruding educational backwardness. Therefore, a comprehensive action plan needs to be put in place that not only aims at a financially inclusive society but also empowering and equipping the women with the basic skills of self-employment.

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