



Women Empowerment through Micro-finance: Unleashing the Hidden Power of India

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Abstract

Women constitute almost 50% of the world population. This larger section of the world society can truly play a very pivotal and significant role in the economic development process of the society and the whole world in general. But this development and upliftment of the society is only possible when this section of the society is bestowed with such provisions and conditions by which they can produce the best out of them. This objective can be successfully achieved only by empowering them. This role for the empowerment and development of women is done by the NABARD and Microfinance sectors in India. Till today almost 60% of India population thrives on agricultural sector. Out of this 60%, almost 70% are underpowered, unemployed illiterate rural women still today projected as the secondary citizens of the society and household object. The main objectives of the paper are to identify the different facets of women empowerment through micro-finance, emergence and growth of the existing micro-finance and the effect of women empowerment on poverty alleviation, literacy rate and the standard of living.

Key words: Women empowerment, micro-finance, poverty alleviation, literacy, standard of living.

Introduction

“If you educate a man you educate an individual, however, if you educate a woman you educate a whole family. Women empowered means mother India empowered”.

Pt. Jawaharlal Nehru

Since the older times, women have been treated as second rate citizen of all across the globe. The situation is almost the same everywhere-irrespective of the developed country or the developing country. Women have been relegated to secondary position despite the fact that they numerically constitute about half the world population today. But the hegemonic masculine ideology made them suffer a lot as they were denied equal opportunities in different parts of the world.

India is not an exception to it. Though, India is poised to emerge as one of the most developed nations by 2020, more literate, knowledgeable and economically at the forefront, it will remain a dream until women are not going to play their pertinent role to take an active part of the development. Women power is crucial to the economic growth of any country. Therefore women empowerment is inevitable and a crying need of the society. Empowerment of women means to let women survive and let them live a life with dignity, humanity, respect,

self-esteem and self reliance. Though our constitution guarantees equal rights and equal opportunities to both men and women, but in true sense visible and invisible inequalities and inequities persist. As we know, without economic empowerment, the development of women is an empty promise. All the plans, policies, legislations and laws provide only the philosophical blue print for directing the progress of society. Translated into practical terms, these plans fructify only when women receive economic power in their hands. The Poverty alleviation is one of the primary objectives of any country's planning. Therefore it becomes imperative to formulate situation specific Poverty elevation policies and programs for generation of a minimum level of income for the women.

In this regard, the emergence of micro-finance has played a very crucial role. Microfinance is a type of banking service which provides access to financial and non financial services to low income or unemployed people. Microfinance is a powerful tool to self empower the poor people especially women at world level and especially in developing countries. The evolution of microfinance is from Bangladesh since late 1970s and it was a very successful project. According to ILO, Microfinance services lead to women empowerment by positively influencing women's decision making power at household level and their overall socioeconomic status. By the end of 2000, microfinance services had reached over 79 million of the poorest of the world. As such microfinance has the potential to make a significant contribution to gender equality and promote sustainable livelihood and better working condition for women.

In our present study, we have made a deliberate attempt to identify the different facets of women empowerment through micro-finance facility. We have also shown our interest to review the growth and emergence of the existing micro-finance facilities regarding women empowerment in India and the effect of women empowerment on poverty alleviation, literacy rate and the standard of living.

Objectives of the Study

The focal objectives of our present study are as follows:

1. To identify the different facets of women empowerment through micro-finance in India.
2. To review the emergence and growth of the existing micro-finance facilities regarding women empowerment in India.
3. To find out the causal relationship among the empowerment, poverty reduction, literacy improvement and standard of living of the women

Literature Review

The concept of women empowerment was introduced at the international women conference at NAROI in 1985. Education is milestone of women empowerment because it enables them to respond to the challenges, to confront their traditional role and change their life.

It has been well-documented that an increase in women's resources results in the well-being of the family, especially children (Mayoux, 1997; Kabeer, 2001; Hulme and Mosley, 1997). A more feminist point of view stresses that an increased access to financial services represent an opening/opportunity for greater empowerment. Such organizations explicitly perceive microfinance as a tool in the fight for the women's rights and independence.

Kabeer (1999) found that children of women loan holders with the SEDP were more likely to be at school than children of male loan holders. In addition, women loan holders with the SEDP were more likely to send girls to school than male loan holders. The presence of BRAC within a village was found to increase overall

enrolment rates by 6 per cent and girls' schooling by 8 per cent. However, this is likely to reflect BRAC's schooling programmes rather than access to credit per se.

Khandker (1999), for instance, found that a 1 per cent increase in loans to women borrowers with the Grameen Bank increased the probability of school enrolment by 1.9 per cent for girls and 2.4 per cent for boys while a 1 per cent increase in credit to male loan holders increased boys' enrolment by 3.1 per cent but had no effect on girls.

Malhotra (2002) constructed a list of the most commonly used dimensions of women's empowerment, drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that women's empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological.

Ranjula Bali Swain (2007) in his paper titled "Can Microfinance Empower Women? Self-Help Groups in India" concluded many strides have been made in the right direction and women are in the process of empowering themselves and NGOs that provide support in financial services and specialized training, have a greater ability to make a positive impact on women empowerment.

Research Methodology

Data Collection

The study has been undertaken in rural areas of West Bengal. Both primary and secondary data have been used. Primary data was enumerated from a field survey in the study region. A structured interview schedule was prepared by the researcher and used for collecting data from the rural SHG women members who are engaged in Micro enterprises through microfinance. Secondary data was collected from NGOs' reports and other documents and newspaper articles. For the secondary data the relevant published document by NABARD have also been taken into consideration.

Sampling Techniques

Cluster sampling and area sampling was followed. Since the members are large in number, they were divided by groups and randomly selected for the purpose of data collection. 193 samples have been collected for the research from different rural areas of West Bengal.

Discussion & Analysis

Different Facets of Women Empowerment through Micro-finance is depicted as follows

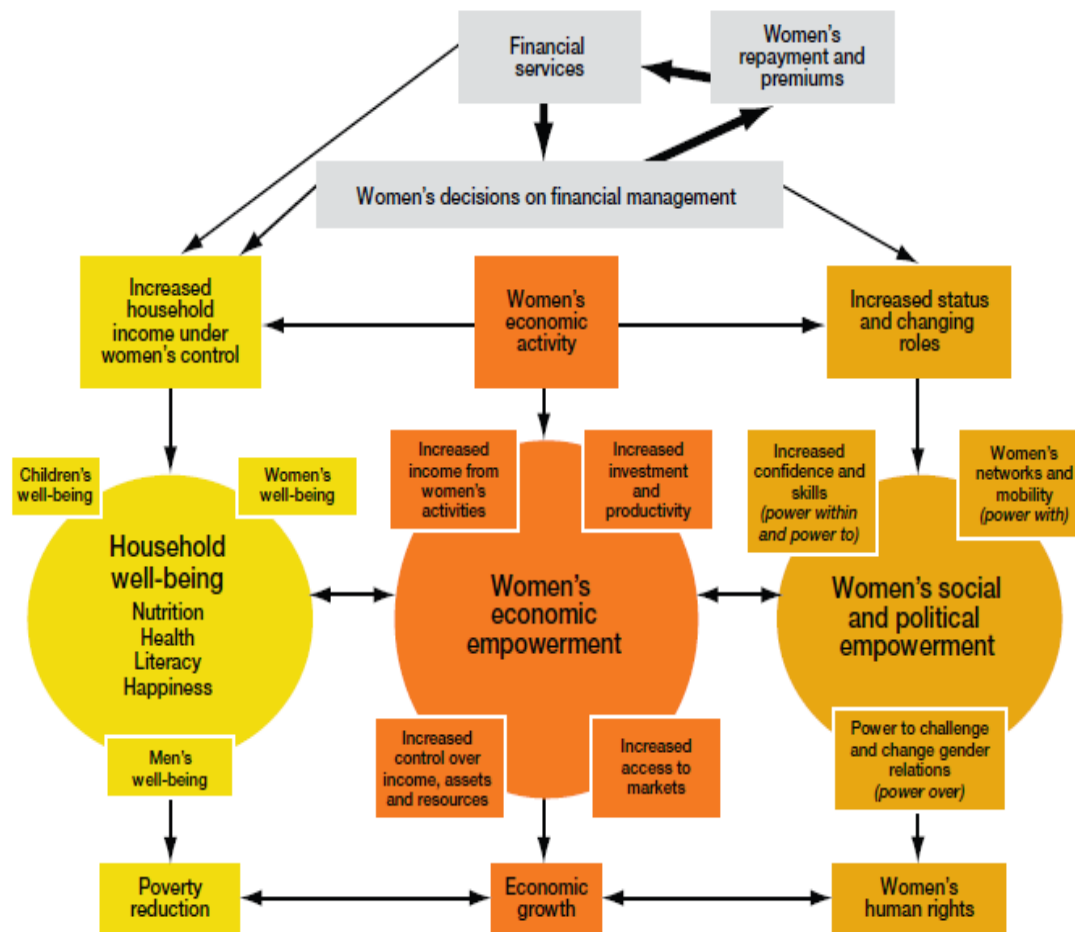


Fig 1: Microfinance and women's empowerment: virtuous spirals

From the above figure, it is clearly identified that microfinance has been seen as contributing not only to poverty reduction and financial sustainability, but also to a series of 'virtuous spirals' of economic empowerment, increased well-being and social and political empowerment for women themselves, thereby addressing goals of gender equality and empowerment. We can get focus that there are three basic facets of women empowerment which can be highly facilitated through microfinance. These are as follows:

Women's Economic Empowerment: In the poverty alleviation paradigm, the emphasis is more on increasing income at the household level and the use of loans for consumption. In the feminist empowerment paradigm, individual economic empowerment is seen as dependent on social and political empowerment. Women's roles in household financial management may improve, in some cases enabling them to access significant amounts of money in their own right for the first time. Increased participation in economic activities may raise women's incomes or their control of their own and household income. The financial sustainability and feminist empowerment paradigms emphasize women's own income-generating activities. This, in turn, may enable them to increase longer term investment in and productivity of their economic activities, as well as their engagement in the market.

Increased Household Well-being: This is partly the result of economic empowerment, but may occur even where women use microfinance services for the activities of other household members, for example husbands or children. This enables women to increase expenditure on the well-being of themselves and their children. This is the main concern in the poverty alleviation paradigm. Women's control over decision-making is also seen as benefiting men through preventing leakage of household income to unproductive and harmful. It can also lead to improved well-being for women and enable them to bring about changes in gender inequalities in the household.

Other welfare interventions are advocated in addition to micro-finance, typically nutrition and health and literacy campaigns to further decrease vulnerability and improve women's skills.

Women's Social and Political Empowerment: A combination of women's increased economic activity and control over income resulting from access to micro-finance with improved women's skills, mobility, access to knowledge and support networks. The positive effects on women's confidence and skills, their expanded knowledge and the formation of support networks through group activity and market access can lead to enhanced status for all women in a community. The financial self-sustainability paradigm and the poverty alleviation paradigm assume that social and political empowerment will occur without specific interventions to change gender relations at the household, community or macro-levels. By contrast, the feminist empowerment paradigm advocates explicit strategies for supporting women's ability to protect their individual and collective gender interests at the household, community and macro-levels.

Growth & Emergence of the Existing Micro-Finance Facilities

NABARD (2005) explains that the Self Help Group is a group with “an average size of about 15 people from a homogenous class. They come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline in all of them. They also learn to handle resources of a size that is much beyond the individual capacities of any of them. The SHG members begin to appreciate that resources are limited and have a cost. Once the groups show this mature financial behavior, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. The groups continue to decide the terms of loans to their own members. Since the groups' own accumulated savings are part and parcel of the aggregate loans made by the groups to their members, peer pressure ensures timely repayments.” In this paper the role played by Microfinance in women's empowerment are considered into three dimensions namely psychological, social and economical.

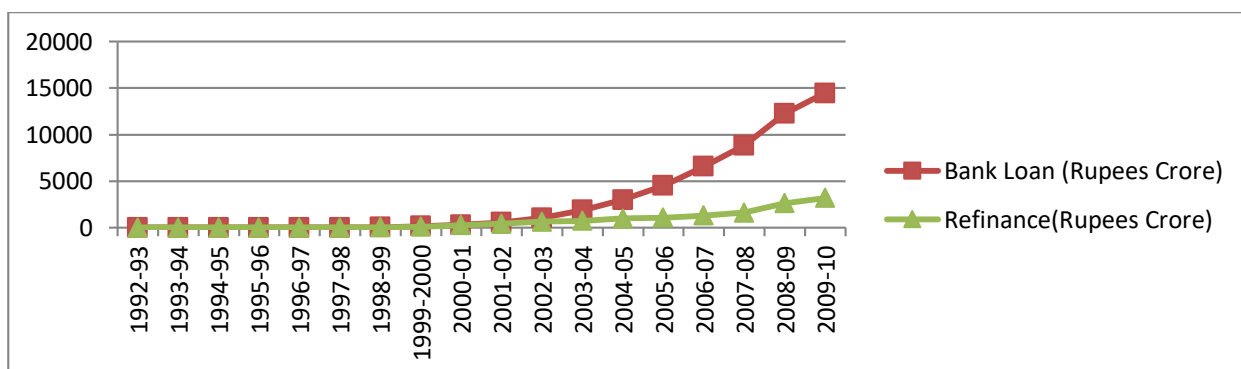
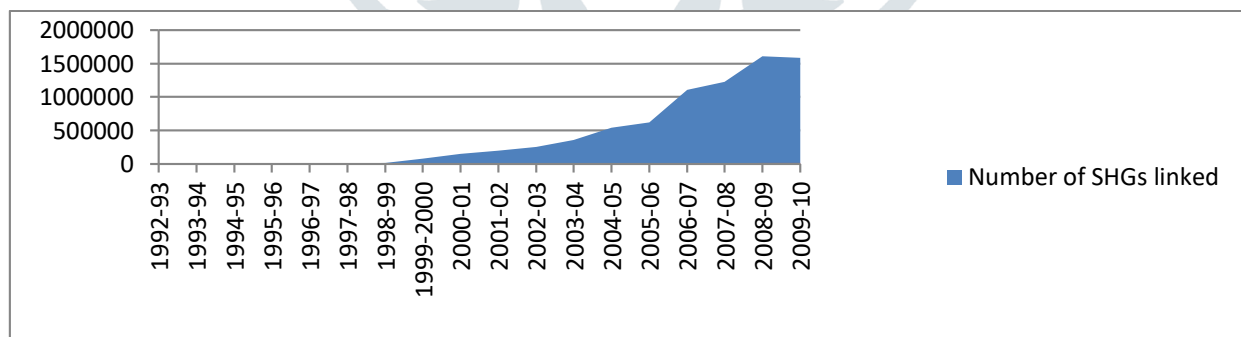
The SHG-Bank linkage programme has grown at a tremendous pace during last two decades and emerged as the most prominent means of delivering micro-finance services in India. Though the regional spread of the programme is highly skewed with highest concentration in the southern states, it has started picking up pace in other states. The Commercial Banks, Regional Rural Banks, Cooperative Banks and NGOs have contributed significantly to the rapid spread of the programme.

Table: Progress in SHG-Bank Linkage Programme (All India)

Year (End March)	Number of SHGs financed by Banks		Bank loan (Rupees crore)		Refinance assistance (Rupees crore)	
	During the year	Cumulative	During the year	Cumulative	During the year	Cumulative
1992-93	255	255	0.29	0.29	0.27	0.27
1993-94	365	620	0.36	0.65	0.19	0.46
1994-95	1502	2122	1.79	2.44	1.67	2.13
1995-96	2635	4757	3.62	6.06	3.53	5.66
1996-97	3841	8598	5.78	11.84	4.99	10.65
1997-98	5719	14317	11.92	23.76	10.74	21.39
1998-99	18678	32995	33.31	57.07	30.70	52.09
1999-00	81780	114775	135.91	192.98	98.04	150.13
2000-01	149050	263825	287.89	480.87	250.61	400.74
2001-02	197653	461478	545.47	1026.34	395.76	796.50
2002-03	255882	717360	1022.33	2048.67	622.30	1418.80
2003-04	361731	1079091	1855.53	3904.20	705.40	2124.20
2004-05	539365	1618456	2994.26	6898.46	967.80	3092.00
2005-06	620109	2238565	4499.00	13397.46	1067.70	4159.70
2006-07	1105749	3344314	6570.00	19967.50	1292.86	5452.56
2007-08	1227770	4572084	8849.26	28816.70	1615.50	7068.06
2008-09	1609586	6181670	12253.51	41070.20	2620.03	9688.09
2009-10	1586822	7768492	14453.30	55523.50	3173.56	12861.65

Sources: NABARD (2010); Reserve Bank of India (2010, 2011).

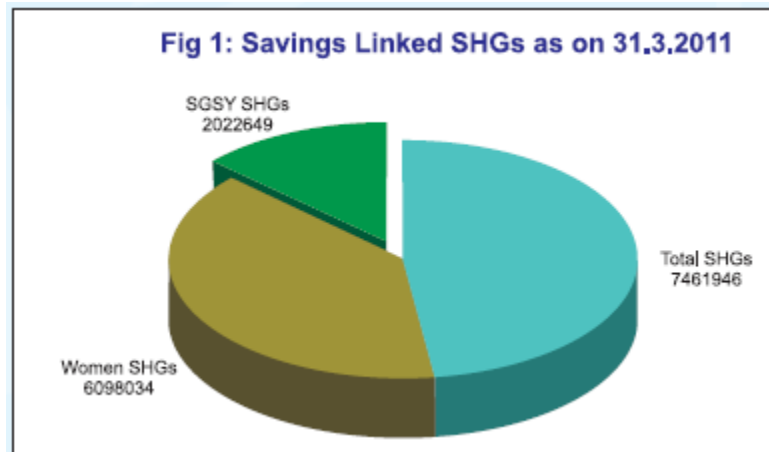
Above Table reports the trends in the number of SHGs financed by banks, amount of bank loans and refinance at the national level during the period 1992/93 – 2009/10. The programme, beginning with a modest number of 255 SHGs financed by banks in 1992-93, experienced tremendous growth, as the number of SHGs increased to 149050 in 2000-01 and further to 1586822 of which 81.6 per cent (i.e., 1294476) were exclusively women SHGs credit linked in 2009-10.



The estimated semi-logarithmic trends in the three indicators of the linkage programme (viz., number of SHGs financed by banks, amount of bank loan, and refinance assistance) during the period 1992/93 – 2009/ 10 are reported.

SHG-Bank Linkage Programme

The SHG-Bank linkage programme which is commence as a pilot programme during 1992 to link around 500 SHGs with different banks, has grown exponentially in last two decades and over 97 million rural household have regular access to savings through 74.62 lakhs SHGs linked with different banks. Of late, over 47.8 lakhs SHGs have direct credit facilities from banks. Nearly 12 lakhs SGHs extended fresh loan to an extent of Rs. 14,548 crores by 2010-11 by all Financial Institutions. As much as 81.7 per cent of the SHGs are already linked with bank are exclusive women groups. This is one of the distinguishing features of the SHGs in India.



Commercial banks accounted for the highest percentage of SHGs (62.4 per cent) in 2008-09, which declined slightly to 61.6 per cent in 2009-10. Their share in total loan disbursed was also highest (65.8 per cent) in 2008-09, which increased further to 67.7 per cent in 2009-10. RRBs have been conservative compared to commercial banks, their share of SHGs being 25.2 per cent in 2008-09 and 23.7 per cent in 2009-10 with the share of disbursed loan of 26.1 and 23.1 per cent, respectively. RRBs are functioning as Self-help Promoting Institutions (SHPIs) with grant support from NABARD. Cooperative banks are late entrants to micro-finance through SHGs, and they have been more conservative relative to RRBs. They accounted for 8.2 and 9.3 per cent of the total loan disbursed, respectively in 2008-09 and 2009-10, supporting 12.4 and 14.7 per cent of the SHGs. Like RRBs, cooperative banks have also been acting as SHPIs.

**Progress under Microfinance – Savings of SHGs with Banks
Agency-wise position as on 31st March, 2011**

(Amount ₹ lakh)

Sr. No.	Name of the Agency	Total Savings of SHGs with Banks as on 31 st March, 2011		Out of Total – Under SGSY		Out of Total – Exclusive Women SHGs	
		No. of SHGs	Saving Amount	No. of SHGs	Saving Amount	No. of SHGs	Saving Amount
1	Commercial Bank	4323473	423006.42	1216395	131052.09	3655322	332560.07
2	Cooperative Bank	1155076	135084.19	188222	16884.92	793290	78059.57
3	Regional Rural Bank	1983397	143539.67	618032	33775.29	1649422	119244.83
	Total	7461946	701630.28	2022649	181712.30	6098034	529864.47

NABARD provides refinance support to banks to the extent of 100 per cent of the loans disbursed to SHGs. The total refinance disbursed to banks against bank loans to SHGs increased from ` 2620.03 crores in 2008-09 to `3173.56 crores in 2009-10, registering a growth of 21.1 per cent during the period. The cumulative refinance disbursed under SBLP by NABARD to banks up to March 3, 2010 was ` 12861.65 crores.

**Progress under Microfinance – Bank Loans disbursed to SHGs
Agency-wise position during 2010-11**

(Amount ₹ lakh)

Sr. No.	Name of the Agency	Loans disbursed to SHGs by Banks during the year		Out of Total – Under SGSY		Out of Total – Exclusive Women SHGs	
		No. of SHGs	Loans disbursed	No. of SHGs	Loans disbursed	No. of SHGs	Loans disbursed
1	Commercial Bank	669741	972455.27	124595	123782.14	606096	879829.07
2	Cooperative Bank	229620	162556.33	40371	40406.99	153864	95956.54
3	Regional Rural Bank	296773	319761.59	75922	83848.02	257258	286447.78
	Total	1196134	1454773.19	240888	248037.15	1017218	1262233.39

The above tables reveal that commercial banks led in the distribution of bank loans outstanding against SHGs. During 2008-09, commercial banks had the highest share of 67.1 per cent of SHGs, followed by RRBs with a share of 23.1 per cent and cooperative banks with a share of 9.8 per cent. The corresponding figures in 2009-10 were 66.7 per cent for commercial banks, 22.8 per cent for RRBs and 10.5 per cent for cooperative banks. Commercial banks also accounted for as high as 71.2 per cent of outstanding bank loans to SHGs followed by RRBs with a share of 23.0 per cent and cooperative banks with a share of 5.8 per cent in 2008-09.

The recovery performance of banks has been quite impressive. As on 31 March 2010, out of 302 banks, which reported the recovery data, 103 banks (34.1 per cent) had more than or equal to 95.0 per cent recovery of SHG loans and another 100 banks (33.1 per cent) had recovery rate of 80 to 94 per cent, implying that 203 banks (67.2 per cent) had more than 80.0 per cent recovery of SHG loans. Seventy banks (23.2 per cent) had reported recovery rate of 50 to 79 per cent and the remaining 29 banks (9.6 per cent) had less than 50.0 per cent recovery rate (NABARD, 2010).

The Causal Relationship among the Empowerment, Poverty Reduction, Literacy Improvement and Standard of Living of the Women

In this era of Liberalization, Privatization and Globalization, Indian economy has still failed to cope up with the race only due to the lack of the active participation of its women society towards development. Thus, women empowerment has become essential for Indian economy. From the existing literature, it is very much clear that empowerment always comes with different blessings. Whenever we call for empowerment, it will include the economic empowerment on the part of the women. So this will facilitate the reduction of the poverty level of the women in the society. Women empowerment has its root in education. Without education no such empowerment will be effective. Women empowerment also focuses on the overall well-being of women in all aspect. So, this will give us a hint that there may be any sort of impact of empowerment over the standard of living of the women in the society.

Formation of Hypothesis:

Null Hypothesis: There is no significant relationship between the women empowerment and poverty reduction.

Alternative Hypothesis: There is a significant relationship between the women empowerment and poverty reduction.

Null Hypothesis: There is no significant relationship between the women empowerment and literacy rate improvement.

Alternative Hypothesis: There is a significant relationship between the women empowerment and literacy rate improvement.

Null Hypothesis: There is no significant relationship between the women empowerment and standard of living.

Alternative Hypothesis: There is a significant relationship between the women empowerment and standard of living.

Correlations

		Poverty reduction	Literacy rate improvement	Standard of living	Empowerment
Poverty reduction	Pearson Correlation	1	.885(**)	.921(**)	.874(**)
	Sig. (2-tailed)		.000	.000	.000
	N	193	193	193	193
Literacy rate improvement	Pearson Correlation	.885(**)	1	.875(**)	.721(**)
	Sig. (2-tailed)	.000		.000	.000
	N	193	193	193	193
Standard of living	Pearson Correlation	.921(**)	.875(**)	1	.675(**)
	Sig. (2-tailed)	.000	.000		.000
	N	193	193	193	193
Empowerment	Pearson Correlation	.874(**)	.721(**)	.675(**)	1
	Sig. (2-tailed)	.000	.000	.000	
	N	193	193	193	193

** Correlation is significant at the 0.01 level (2-tailed).

The above table shows the Pearson Correlation coefficients among the empowerment and poverty reduction and literacy improvement and standard of living of the women. The correlation coefficient between the women empowerment and poverty reduction is 0.874. It indicates that there is a significant and also strong positive correlation between the women empowerment and poverty reduction. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. This implies the proportionate relationship between these two. Hence, we can say that if we facilitate the women empowerment, it will result into the poverty reduction.

The correlation coefficient between the women empowerment and improvement in literacy rate is 0.721. It indicates that there is a significant and also strong positive correlation between the women empowerment and improvement in literacy rate. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. This implies the proportionate relationship between these two. Hence, we can say that if we facilitate the women empowerment, it will result into the better and effective improvement in literacy rate.

The correlation coefficient between the women empowerment and improvement in standard of living is 0.675. It indicates that there is a significant positive correlation between the women empowerment and improvement in standard of living. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. This implies the proportionate relationship between these two. Hence, we can say that if we facilitate the women empowerment, it will provide with the better standard of living on the part of the women of the rural India.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.851(a)	.724	.712	.60912

a Predictors: (Constant), Poverty reduction, Literacy rate improvement, Standard of living

This model summary explains that 72.40% of the variation in women empowerment can be explained when we use this model. Hence, the predictive ability of the model is high.

Conclusion

In conclusion we can say that a different type of micro financing facilities is available in our country to empower the women counterpart. Banks have also extended their help to provide huge quantum of loans for the women to make them more self reliant through self help group. The number of self help groups as well as the quantum of loans have been increased over the years which are a very good indicator of economic development. If we empower the women more and more then the poverty level and illiteracy rate will definitely diminish in the near future.

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