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RURAL FINANCIAL SERVICES, SHGs AND WOMEN EMPOWERMENT IN INDIA – A STUDY

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ABSTRACT A concern with gender issues in financial services is not new. From the early 1970s, women's movements in a number of countries with India also, became increasingly interested in the degree to which women were able to gain access to and benefit from poverty-focused credit programmes and credit cooperatives. Women are facing discrimination in terms of access to credit and other financial services from traditional days. There is a need of Microfinance, a powerful tool, for empowering women especially belong to villages and rural areas. Microfinance plays a critical role in empowering women and it is an inductive tool of poverty reduction which has leads to the empowerment of women relieving them from debt and financial burden. The success of microfinance initiatives has often been attributed to their particular focus on empowering women and encouraging their self-reliance through developing their own means of income. In other words, where financial institutions failed, Microfinance earmarked by tackling the tradeoff between outreach and sustainability.

KEYWORDS : Women, Microfinance

INTRODUCTION

In India, women are still largely under-privileged in terms of wealth, education and access to basic services. Thus economic and social inequalities rooted in traditions and cultural norms need to be changed as political measures alone cannot bring empowerment.

To understand the complexity of women empowerment and its different aspects, one has to study the existent definitions of the concept, its measurement and the conclusions taken with regards to microfinance.

Kabeer (1999), stresses that women's empowerment is about the process by which those who have been denied the ability to make strategic life choices acquire such ability. It is important to understand empowerment as a process and not an instrumentalist form of advocacy, which requires measurement and quantification of empowerment. Kabeer emphasizes that the ability to exercise choice incorporates three interrelated dimensions:

1. Resources (defined broadly to include not only access, but also future claims, to both material and human and social resources);
2. Agency (including processes of decision-making, as well as less measurable manifestations of agency such as negotiation, deception and manipulation); and achievements (well-being outcomes).

The World Bank defines empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets." Thus, as the World Bank (2001) report confirms, societies that discriminate on the basis of gender pays the cost of greater poverty, slower economic growth, weaker governance and a lower living standard of their people. The World Bank also identifies four key elements of empowerment to draft institutional reforms: access to information; inclusion and participation; accountability; and local organizational capacity.

Nobel Laureate Amartaya Sen (1993) explains that the freedom to lead different types of life is reflected in the person's capability set. The capability of a person depends on a variety of factors, including personal characteristics and social arrangements. However, the full accounting of individual freedom goes beyond the capabilities of personal living. If there are systematic gender differences in these very basic functioning achievements, they can be taken as an evidence of inequalities in underlying capabilities rather than differences in preferences.

Empowerment is also related to the concepts of social capital and community driven development with which it is sometimes confused. According to Krishna (2003) empowerment means increasing the capacity of individuals or groups to make effective development and life choices and to transform these choices into desired actions and outcomes.

Empowerment can range from personal empowerment that can exist within the existing social order. Thus this kind of empowerment would correspond to the right to make one's own choices, to increased autonomy and to control over economic resources. Empowerment signifies increased participation in decision-making and it is this process through which people feel themselves to be capable of making decisions and the right to do so (Kabeer, 2001).

Malhotra (2002) emphasis that even after identifying empowerment as a primary development goal, neither the World Bank nor any other major development agency has developed a rigorous method for measuring and tracking changes in levels of empowerment. The UNDP's Human Development Report of 1995 introduced two new complem entary indices: the Gender-related

Development Index (GDI) and the Gender Empowerment Measure (GEM). The GDI indicator measures the inequalities between men and women in terms of access to basic needs. GEM evaluates women's access to political and economic posts. Based on Amartaya Sen's work, the UNDP makes the distinction between the measure of inequality and empowerment. The GDI focuses on the extension of capabilities, the GEM is concerned with the use of those capabilities to take advantage of the opportunities of life. The UNDP found a very strong correlation between its gender empowerment measure and gender-related development indices and its Human Development Index.

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.

WOMEN AND FINANCIAL SERVICES

Woman is an important segment for financial inclusion. The very fact that almost 50% of the world (49.66%) and Indian (48.45%) population comprises of women, it becomes imperative to financially empower women so as to enable them to make meaningful contributions towards the development of the economy. The problem of financial empowerment becomes even graver when it comes to poor women which again are a sizeable population in India as well as in the other Developing nations. No Developing nation can actually think of progressing economically by excluding its women population. To add to the woes the socio-economic environment of such countries has always been causing great impediments to involving the women in economic activities.

Commercial Banks took initiative to help these women through self help groups but certainly has had limited reach as these banks are not able to relate to the poor women from rural areas to the extent required. Poor, illiterate women find it useful to deal with a bank only if its services are tailored to suit their needs. Banking with the poor and the illiterate requires special procedures and mechanisms suited to their culture, their needs and their economy. This entails simple procedures, designing schemes that allow for small savings, training & assistance in understanding and dealing with banking procedures, door to door service, banking policies that adapt to their crisis situations and credit based on savings performance or loan repayment instead of collateral. It is also to be understood that access to financial services alone is not enough for poor people to transform their economic activities into profitable economic enterprises. Access to markets, information, technical know-how and social support services is as important as money. All these factors limit the role that Commercial banks can play in their socio-economic empowerment.

RURAL FINANCIAL SERVICES, SHGS AND WOMEN EMPOWERMENT

SHGs are of recent origin in rural India to helping more than 17 million women from villages improve their incomes, educate their children, and buy assets. SHGs have also helped women campaign against oppressive social practices and become a force of development in their villages. Before 1990s, 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 access to credit. 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.

1. Providing clients friendly products and services by designing savings and loan products to match their typical cash flows and distinctive needs.
2. The Bank has collaborated with insurance companies and has designed micro insurance products for shareholders.
3. With the support of the parent NGO (The Mann Vikas Samajik Sanstha) the Bank has initiated vocational training programme, anti-alcohol campaign, training in veterinary practices, adopt a grand-child & grand-mother programme etc.
4. The Bank's asset building approach is a remarkable activity that has brought about 6ooo women to get the share in the household property.

Credit Co-op Bank for Women, Jharkand-Tribal women in India's eastern Jharkhand province have been running a micro credit society that benefits the impoverished tribal folks to earn livelihoods and cater to emergencies. The bank was set up by the tribal village women of Karamjora in Giridih district with the help of Institute of Rural Management (IRMA), a non-governmental organization. It has now 352 account holders including some local bodies. The bank is called the IFICCO Bank after the IRMA Finance Initiative Credit Cooperative (Bank) and it is the answer to the apathy of mainstream banks to the needs of the marginalized population of under-developed region.

PARTICULARS	2004-2005
No. of members (all women)	44,938
No. of Depositors	2,76,680
Deposits (in lacs)	6247.66
Advances (Rs. in lacs)	1841.72
Working Capital (Rs. in lacs)	8914.47
Paid up Share Capital(Rs. in lacs)	205.98
Profit (Rs. in lacs)	62.20

ROLE OF NABARD

NABARD, an apex institution, provides support and guidance for rural finance. It accredited with all matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural India with a vision to facilitate sustained access to financial services for the unreached poor in rural areas through various Micro Finance innovations in a cost effective and sustained manner. NABARD has been working as a catalyst in promoting and linking more and more SHGs to the banking system. The pioneering efforts at this direction were made by NABARD. In 1991-92, a pilot project for linking about 500 SHGs with banks was launched by NABARD in consultation with the RBI. It is considered as a landmark development in banking for the poor. On the recommendation of the NABARD the Reserve Bank advised that the banks financing of SHG would be reckoned as part of their lending to weaker sections. As a follow up of the recommendations of the NABARD Working Group, the RBI took some measures in 1996 to give a thrust to micro finance based lending. Banks were advised to consider lending to the SHGs as part of their mainstream credit operations, to identify branches having potential for linkage with SHGs and provide necessary support services to such branches. Further, it was decided that NABARD would continue to provide refinance to banks under the linkage project at the rates stipulated from time to time.

MICRO FINANCE INSTITUTIONS IN INDIA

1. Existing microfinance institutions can expand their operations to areas where there are no microfinance programs.
2. Cooperatives/Credit Unions may be more active in providing financial services to the poor.
3. More NGOs can incorporate microfinance as one of their programs.
4. In places where there are no microfinance institutions, the government channels at the grassroots level may be used to serve the poor with microfinance.

6. More commercial banks may participate both in microfinance wholesale and retailing. They many have separate staff and windows to serve the poor without collateral. programs in areas or countries where micro financing is not a very familiar concept in reducing poverty.

Asia and the Pacific Asia is the home of the largest number of MFIs and MFI outreach. But even in Asian countries there is still high scope for expanding and deepening MFI outreach. Consider the case of the four most populous countries in Asia (China, India, Indonesia and Pakistan) that have many microfinance programs but at the same time have millions of poor people without any access to formal or semiformal financial services. Only an estimated 10 to 12 percent of the poor in India are reached by microfinance including the outreach of SHGs, NGO MFIs, NBFCs, Commercial Banks and Cooperatives. There are various models of microfinance are available in financial system of India, some important are as follows:

1.Micro Finance Institutions (MFIs) – MFIs are an extremely heterogeneous group comprising NBFCs, societies, trusts and cooperatives. They are provided financial support from external donors and apex institutions including the Rashtriya Mahila Kosh (RMK), SIDBI Foundation for micro-credit and NABARD and employ a variety of ways for credit delivery. Since 2000, commercial banks including Regional Rural Banks have been providing funds to MFIs for on lending to poor clients.

2.Bank Partnership Model – This model is an innovative way of financing MFIs. The bank is the lender and the MFI acts as an agent for handling items of work relating to credit monitoring, supervision and recovery. In other words, the MFI acts as an agent and takes care of all relationships with the client, from first contact to final repayment. The model has the potential to significantly increase the amount of funding that MFIs can leverage on a relatively small equity base.

3.Banking Correspondents – The proposal of "banking correspondents" could take this model a step further extending it to savings. It would allow MFIs to collect savings deposits from the poor on behalf of the bank. It would use the ability of the MFI to get close to poor clients while relying on the financial strength of the bank to safeguard the deposits.

Service Company Model – Under this model, the bank forms its own MFI, perhaps as an NBFC, and then works hand in hand with that MFI to extend loans and other services. The MFI uses the branch network of the bank as its outlets to reach clients. This allows the client to be reached at lower cost than in the case of a stand–alone MFI. In case of banks which have large branch networks, it also allows rapid scale up. The Service Company Model has the potential to take the burden of overseeing microfinance operations off the management of the bank and put it in the hands of MFI managers who are focused on microfinance to introduce additional products, such as individual loans for SHG graduates, remittances and so on without disrupting bank operations and provide a more advantageous cost structure for microfinance

MICRO FINANCE AND WOMEN EMPOWERMENT

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. The success of microfinance 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.

- Empowerment approaches allow microfinance institutions to realize their full potential in contributing to a number of critical dimensions of women's empowerment. Tese approaches will allow MFIs to maximize their potential contribution to empowerment along multiple dimensions. The changes that have occurred in the lives of participants in some programs that have adopted empowerment approaches have been significant. Some women, including some very poor women, have benefited from even minimalist microfinance delivered by some programs, such as the Mbonweh Women's Development Association, where empowerment is integrated throughout the program. Some programs like the Self-Employed Women's Association (SEWA) has also provided a very effective entry point for organizing women at the local level linking them with movements for wider social and political change. Other impacts on empowerment that microfinance organizations can have include:

1. Significantly increasing incomes from women's activities and increasing choice of these activities
2. Enabling women to control (have a choice over use of) income from loans and activities generated by loans
3. Enabling women to negotiate improvements in their well-being within the household

CONCLUSION

Given this detailed investigation of women with respect to the control of resources, changes in behaviour and the decision-making reveals that many strides have been made in the right direction and women are in the process of empowering themselves. But examining the evidence on some key issues both within the quantitative household data and the FGDs, suggests that a lot needs to change to make women truly empowered.

Based on the evidence along with a more strict interpretation of women empowerment, it is difficult to believe that a minimalist microfinance programme would have sustainable impact on the empowerment of women. SHGs, where a majority of groups are linked with the help of NGOs that provide support in financial services and specialised training, have a greater ability to make a positive impact on women empowerment.

If women empowerment is to be pursued as a serious objective by SHG programmes in particular and the larger microfinance community in general, greater emphasis needs to be placed on training, education and creating awareness in order to achieve a larger and more lasting empowerment.

Micro-finance interventions are well-recognized world over as an effective tool for poverty alleviation and improving socioeconomic status of rural poor. In India too, micro-finance is making headway in its effort for reducing poverty and empowering rural women. Micro-finance through the network of cooperatives, commercial banks, regional rural banks, NABARD and NGO's has been largely a supply driven recent approach.

Micro-finance institutions are other than banks which are engaged in providing financial services to the poor. There are three types of lending technologies:

(i) The document based and asset based conventional technology, which is followed by almost all existing banks.

(iii) The group lending technology, which comes in variousshapes and forms having its own advantages as well as drawbacks Individual based lending technology is one where the Micro-finance institutions have to be very careful in assessing the repayments capacity of the borrowers. In fact, a major innovations in this area is that the MFI's have to train loan officers to assess the repayment capacity of the potential borrowers. 219

The above technologies are focused on micro-finance through SHG's, however, credit accessibility to poor through SHG's has been enhanced tremendously and the recovery has become comparatively higher.

Rural women play a significant role in the domestic and socio-economic life of the society and therefore, holistic national development is not possible without developing this segment of the society. The review of studies related to credit accessibility to women simply demonstrates that the direct access to institutional credit to rural women is very limited and suffers from the sex bias in extending it to them. However, women from the non-farm sector have better access to banks than the women working in the farm sector. Even, male members of women borrowers have greater influence on accessibility to credit utilization and its repayment.

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