



Microfinance and Women Empowerment: Evidence from India - Review of Literature

KEYWORDS

Microfinance, Women Empowerment, Social Empowerment, Economic Empowerment

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ABSTRACT

Development and growth of any economy is linked to socio-economic empowerment of its population. Microfinance today is a widely accepted tool for poverty alleviation and socio-economic empowerment of its beneficiaries. The beneficiaries being largely women, the empowerment of women through microfinance is a widely studied and debated issue. This paper reviews the literature on the role of microfinance on women empowerment in India. It looks into the positive and negative evidences and the challenges relating to women empowerment.

Introduction:

Across the world and especially among the developing nations, there is a general consensus that Microfinance and microcredit have the potential to alleviate poverty and is linked to socio-economic empowerment of its beneficiaries. Several studies have shown that access to microfinance contributes to poverty reduction both at the rural and urban level and it also contributes to the empowerment of its women participants. However this potential of microfinance is also writ with a lot of challenges. There are a lot of inhibiting factors in and around the beneficiaries which reduce the socio-economic empowerment. At times it has been found that the microfinance programme might require changes to be more effective. This article summarises the evidences found from various studies carried out in India, with a special focus on women empowerment. The review of literature has been organized in the following manner: Economic Empowerment and Social Empowerment: The concept; Microfinance and Socio-Economic Empowerment: The woman dimension; The Microfinance impact on women empowerment: positive and negative evidence from India; Conclusion; Future Research.

Research Methodology:

The paper reviews existing literature to highlight the role of Microfinance on women empowerment. The scope of the study includes research articles published in peer reviewed journals.

Literature Review:

Economic Empowerment and Social Empowerment: The concept

Economic empowerment is thought to allow poor people to think beyond immediate daily survival and to exercise greater control over both their resources and life choices. There is also some evidence that economic empowerment can strengthen vulnerable groups' participation in the decision-making. The literature on economic empowerment is vast, and a large part of this focuses on the economic empowerment of women – a key strategy in addressing gender inequality. More generally, the discourse on economic empowerment centres around four broad areas: a) the promotion of the assets of poor people; b) transformative forms of social protection; c) microfinance; and d) skills training (Eyben, R., Kabeer, N., Cornwall, A., 2008), where as social empowerment is understood as the process of developing a sense of autonomy and self-confidence, and acting individually and collectively to change social rela-

tionships and the institutions and discourses that exclude poor people and keep them in poverty (Blomkvist, H., 2003).

Microfinance and Socio-Economic Empowerment: The woman dimension

A considerable number of studies have been conducted, highlighting the role of microfinance on Socio-Economic Empowerment in the, India context. Research conducted by Juliet Hunt and Nalini Kasynathan (2002), suggests that equity and efficiency arguments for targeting credit to women remain powerful: the whole family is more likely to benefit from credit targeted to women, where they control income, than when it is targeted to men. The study findings indicate that only a minority of women receiving credit from poverty-oriented microfinance programmes are controlling their loans. Individual or personal factors which appear to increase the likelihood of a woman controlling her loan and the income generated from it are: absence of a husband (due to death, abandonment or long-term migration); and use of the loan for a 'traditional' female activity, particularly where the woman is able to market her goods from home (such as paddy husking, sewing, selling milk or chicks). One of the key factors which constrain women in Bangladesh and India from taking control of loan use and profit is lack of access to the market for the purchase of inputs and for the sale of goods, particularly for non-traditional income-generating enterprises.

A similar study by Nathalie Holvoet (2005), observed that decision making pattern has not been uniform for different areas of decision making. Data from her South Indian survey suggest that the way in which direct bank-borrower minimal credit enters the household, it is not very relevant for decision-making patterns. Women gain a higher stake in matters directly related to the loan use, but they are not able to translate this into a more substantial involvement in other domains of household decision-making.

Kamal Gupta and P Princy Yesudian (2006) used four indices developed by the data set based on DHS survey98-99 on women empowerment to analyse the spatial and socio economic and cultural disparities that exist within India. The study highlights significant divergence in these indices of women empowerment across the different states and socio economic and cultural settings within India. Women's education level has emerged as the important predictor for all dimensions of women empowerment whereas me-

dia and age have emerged as the important predictors for some dimensions of women empowerment.

Jyotish Prakesh Basu (2006) examined how a women's tendency to invest in safer investment projects can be linked to her desire to raise her bargaining position, through her study in the Hoogly district of West Bengal. The empowerment dimensions used in the study were economic decision making, purchasing capacity, control over loans, control over income and savings and family planning. The findings revealed that the empowerment of women was established in weak form using the above indicators. It also states that empowerment depends on the choice of investment project and choice of safe project leads to more empowerment of women.

The Microfinance impact on women empowerment: positive and negative evidence from India

Ranjula Bali Swain (2006), in her study, has shown a definite economic impact on households, with increase in income and decline in vulnerability. It further reveals a significant impact on SHG (Self Help Group) households in terms of control, management ability, self-confidence, change in behaviour and decision-making. Apart from social empowerment, the SHG households also demonstrated greater awareness and participation in local politics. However, the impact is not reflected in certain key decisions, which would – according to this paper – be true evidence of women's empowerment. For instance, no significant changes are observed in the decision-making power of women in the field of adopting family planning measures or buying and selling of land.

Debadutta Kumar Panda (2009) studied the impact of participation in microfinance, in 3 states Orissa, Jharkhand and Chhattisgarh of India. The study concluded that there is a positive impact of self-help group-based microfinance intervention in the income, assets position, savings, employment, literacy, consumption and migration reduction. The highest impact was found for household savings, followed by literacy position, migration reduction, employment days, and expenditure on household consumables, expenditure on education, assets position, income and expenditure on food. The migration was reduced due to higher employment demands from the group-initiated micro-enterprises. The employment days was increased due to the employment demand from the micro-enterprises and increased employability of family members.

On the other side a study conducted by Lakshmi R and Vadivalagan G (2010), revealed that the SHGs have greater impact on both economic and social aspects of the beneficiaries. The study showed that the main reason for joining SHG was not to merely get credit, but it was an empowerment process. After joining SHG the women were economically and socially empowered.

Lalitha K and Prasad G (2011) have also shown that many elements contribute to difficulty for women empowerment through economic activities. Though women make groups, they have poor decision making capacity for their self-development. It was evident from the study that most of the SHG women have been involved only in the micro credit savings. Their active participation in economic activities was very much limited due to the lack of adequate approach by the NGOs (Non Government Organizations).

A study by Sarumathi S and Mohan K (2011) studied the psychological, economical and sociological dimensions of

empowerment. The results of their study highlight positive correlation between the variables indicating improvement in literacy and awareness for children education and reduction in poverty level, resulting in improvement in standard of living. It has been found that mean salary after joining SHG is significantly higher and that microfinance has made a very good impact on the age group of 20-30.

Sanjay Kanti Das (2011) focused on the constraints in empowerment of Karbi women in Karbi Anglong district of Assam. Tribal women play a major role in the co-management of their natural, social, economic resources and agricultural development including crop production, livestock production, etc. but they remain backward due to traditional values, illiteracy, superstition and many other social and cultural factors. The participatory role of tribals in improving 20 of their living conditions by fully exploring natural endowments and alternative uses must find an appropriate place in the strategic approach.

Sara Noreen (2011) studied women empowerment by using five indicators: child health, education, selection of spouse of children, purchase of basic goods and decision about use of loan. The results have shown that, women empowerment is considerably influenced by age, education of husband, father inherited assets, marital status, number of sons alive and father inherited assets. Further, this study decomposes data with male and female usage of loan which lead to the conclusion, that female's use of loan by themselves had, better results than where loans were used by male family members. Finally, it concluded that as microfinance is major explanatory variable in this study, it had some positive role in empowerment but not as much as was expected.

Aruna M and Jyothirmayi R (2011) studied the role of microfinance in empowering women with SHG –Bank linkage programme. This study has contributed to the literature that microfinance is found effective in graduating the struggling poor from their shackles and helps to upscale them to a better living and playing significantly positive role in upgrading women empowerment. The findings of the study suggest that microfinance has a profound influence on the economic status, decision making power, knowledge and self-worthiness of women participants of SHG linkage programme. But, it fails to include the poorest section of the population and in improving assets position of the participants. The reason found was that the loans are micro in their magnitudes and duration between dosages of loans are large.

A impact study with the objective of providing an insight of the role played by microfinance in empowering women reveals that microfinance has considerable positive impact on the respondents self confidence and courage whereas self esteem and asset creation requires attention. The study concludes that microfinance sector should extend its hand in the interest of the poor women who definitely need full range of financial services, including financial literacy (B Revathy and M. Kailash (2012).

Bhardwaj KR, and Gebrehiwot K (2012), compared the socio economic aspects of members under NABARD model II, III, SHGs and SGSY (Swarnajayanti Gram Swarojgar Yojana). It was found to be better in socio economic aspects than their counterparts in SHGs under SGSY, as they received larger loan amounts and borrowed higher amount of loan for farm purposes. The result showed that after joining SHGs the decision making power/ability of women

members regarding the access to credit, asset building, and income and money expenditure was increased than before. Their participation in political and social activities also increased. Maximum proportion of women members participating in Panchayati Raj Institution was under SGSY model whereas the participation of women members was higher in academic and technical work under NABARD model II and III.

Conclusion:

The academic literature reviewed in this paper highlights that there is definitely a positive impact of microfinance on empowering women. It is more evident on the socio economic variable of empowerment. The positive impact has been identified in economic variables such as income, savings, employment days, household consumables, assets and the expenditures of the households. The social variables which showed a positive impact were decision making power, knowledge and self-worthiness, self-confidence, self-esteem and self-worthiness. On the other hand women education level has emerged as the importance predictor for all dimensions of empowerment. Certain studies also highlight that women gain higher stake in matters directly related to the loan use, but they are not able to translate this into more substantial matters of decision making at household level. Certain inhibiting factors for women empowerment have also been highlighted like: inadequate institutional support for self employment of women members; traditional values, superstitions and socio-cultural factors which reduce the empowerment impact of microfinance.

Future Research:

Impact of microfinance on women empowerment, needs to be studied in the light of improvement in the levels of literacy/education of the women beneficiaries and change in social and cultural belief systems in their household. Further it would be interesting to assess the woman empowerment after receipt of greater quantum of microcredit i.e. after more cycles of microcredit.

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