



## Microfinance and Its Impact on Women Empowerment in India

### KEYWORDS

Microfinance, women empowerment, impact, Self-help group.

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### ABSTRACT

*This study based on the women empowerment through microfinance. In India, there is a male dominated society and the women always depend on the male and their participation in different economic activities is very low as compared to male. But now this time to change the mentality and to support the women empowerment. In India, women empowerment is one of very important issue and the microfinance helps to women empowerment. In India, Microfinance described as a Self Help Group (SHGs) it is a effective mechanism for providing financial services to the "Unreached Poor", and also in promoting their self help capacities leading to their empowerment. Rapid progress in SHG formation has now moved into an empowerment among women across the country. This paper attempt to find out the impact on women empowerment through microfinance and how, women increase the availability in the society. The result of this research paper is to promoting women empowerment in India through microfinance and to check the various schemes under the microfinance.*

### INTRODUCTION

Microfinance is described as financial services of small quantity of loans provided by financial institution i.e bank, NGO's etc. to benefit low-income women and men. Basically, the term refers to the provision of financial services to low-income clients, including the self-employed.

### EVOLUTION OF MICROFINANCE IN INDIA (1960 TO TODAY)

The microfinance in India emerged as an effort to reach out to the un-banked, lower income segments of the population. The evolution of microfinance has three phases.

#### FIRST PHASE (1960-1980)

First phase was introduced as "social banking" phase and this phase involves the nationalization of private commercial banks, and expansion of rural area network, extension of subsidized credit, establishment of Regional Rural Bank (RRBs) and establishment of apex institutions such as the National Banks for Agriculture and Rural Development (NABARD) and the Small Scale Industries Development Board of India (SIDBI).

#### SECOND PHASE (1990)

The second phase is known as "financial system approach" of credit delivery. In this phase NABARD initiated the Self Help Group (SGH's) Bank Linkage Program, which links informal women's groups to formal banks. This concept based on non-government organizations (NGOs) to working with the poor, and promoting many program with the help of NABARD. This period also called the entry of Microfinance Institutions (MFIs), largely of non-profit origins, with existing development programs.

#### THIRD PHASE (2000)

In 2000 the Third Phase was introduced as "financial inclusion" phase. This period also saw many NGO-MFIs transform into regulated legal formats such as Non-Banking Finance Companies (NBFCs). Commercial Banks adopted innovative ways of partnering with NGO-MFIs and other rural organizations to extend their reach into rural markets. MFIs emerged as strategic partners to individuals and entities interested in reaching out of India's low-income client segments.

The most of the microfinance institutions such as bank, SHG's and agencies all over the world focuses on women empowerment. All observations and experience shows that women are a small credit risk, repaying their loans and service more often to benefit the whole family. In another aspect it's also viewed as a method giving the women status in a socioeconomic way and changing the current relationship between gender and class when women are able to provide income to the household. There are various reasons why women have become the primary target of microfinance services.

NABARD (2005) explains that the Self Help Group is a group with "an average size of about 15 people from a similar class. They come together for addressing their similar problems. They are encouraged to make voluntary thrift on a regular basis. They use this all resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation involving preferences of needs, setting terms and conditions and accounts keeping. This element builds financial discipline in all of them. They also learn to handle resources of a size that is much in front of 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 full financial behavior, banks are encouraged to make loans to the SHG in certain accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. The groups decide the terms of loans to their own members. Since the groups' own accumulated savings are part 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.

### CONCEPT AND FEATURES OF MICROFINANCE

1. It is a tool for empowerment of the poorest.
2. Delivery is normally through self help groups (SHGs).
3. It is required for promoting self-employment, generally used for:

- Direct income generation
- Rearrangement of assets and liabilities for the household to participate in future opportunities and
- Consumption smoothing.

#### 4. It is not only a financing system, but a tool for social change, specially for women.

##### 1.1 WOMEN EMPOWERMENT

Women empowerment is a developing concept, which leads to bring a better society in the world. It providing powers and act them to become independent society builders with potential challenges to the future generation. We cannot skip the women contribution to the socio-economic development of the nation. Empower the women in social, political, economical and legal aspects became necessary to convert the ideal society into self-sustainable society. Women empowerment can be achieved political power, education, employment and SHG. Among these, SHG dominate and fruitful success of the women empowerment. Women's empowerment occurred multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. Since these dimensions cover a broad range of factors, women may be empowered within one of these sub-domains. They give the example of "socio-cultural" dimension which covers a range of empowerment, from marriage systems to norms regarding women's physical mobility, to no familial social support systems and networks available to women. 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. The quality of life of the citizens of a nation can be effectively improved only by raising the standards of living of the people on the street and in backward areas. Social empowerment in general and women empowerment in particular is very fundamental in achieving this goal.

##### STATEMENT OF THE PROBLEM:

In ancient times women were barred to take part in any social activities and not given roles in decision making in her family. The situation was even more deteriorating in rural and remote areas. Now the situation has been changed. She is given independent to do what she wishes. In today's scenario more women are engaged in income generating activities. This is only because of NGO and other micro financial institution came forward to provide microfinance to poor women. They believe that a woman is the small credit risk and often benefits the whole family. The main aim of microfinance is to empower women. This study induced the researcher to focus on the empowerment of rural women who participates in the microfinance.

##### LITERATURE REVIEW EMPOWERMENT

According to **Suguna B. (2001)** the process of empowerment has provided a broad based activity scheduled to the regional, national and global agencies in which participation has been highlighted. By this method, participation of women in the decision making process could be enhanced many fold and progress attained in a much short time. The process of empowerment helps in identifying areas to be targeted planning strategies for action and outcomes. Empowerment is not a process which is horizontal and vertical but a process which goes round in a circle.

According to **Nanavaty Reema (1992)** economic empowerment is the basis of social and political empowerment for the poor women. The process of liberation starts only

when they are unable to survive the economic and ecological marginalization through ongoing and local productive work. By their efforts and products they are organized to penetrate and establish a foot holds in the main stream of the economy.

**Karl M. (1995)** studied the role of empowerment of women on decision making and concluded that a empowerment as a multifaceted process, involving the pooling of resources to achieve collective strength and neutralize power and entailing and the improvement of manual and technical skills, administrative, managerial and planning capacities and analytical meditative abilities to local women.

According to **Lalitha Rani N. (1996)** women from an important segment of the labor force and economic role played by them cannot be isolated from the total framework of development as the role and degree of assimilation of women in economic development is always an economic indicator of economic independence and social status.

##### MICROFINANCE

**N. Manimekalai and Rajeshwari (2001)** in their paper highlighted that the provision of micro-finance by the NGO's to women SHG's has helped the groups to achieve a measure of economic and social empowerment. It has developed a sense of leadership, organizational skill, management of various activities of a business, right from acquiring finance, identifying raw material, market and suitable diversification and modernization.

**Cheston & Kuhn (2004)** has examined that in their study concluded that microfinance programmes have been very successful in reaching women. This gives microfinance institutions an extraordinary opportunity to act intentionally to empower poor women and to minimize the potentially negative impact some women experiences. We also found increase respect from and better relationships with extended family and in-laws. While there have been some reports of increased domestic violence.

##### MICROFINANCE SCHEMES:

There are various schemes to promote the women empowerment by the government. These schemes are:

- **SWAYAMSIDHA PROGRAMME**

The Ministry is implementing the *Swayamsidha* programme – an integrated scheme for the empowerment of women at a total cost of Rs. 116.30 Corers. Core to this programme will be the establishment of women's self-help groups which will empower women to have expanded access to all kinds of resources that they are denied, in addition to increasing their awareness and skills. This programme will benefit about 9,30,000 women with the setting up of 53,000 self-help groups, 26,500 village societies and 650 block societies.

- **RASHTRIYA MAHILA KOSH – (NATIONAL CREDIT FUND FOR WOMEN)**

The Rashtriya Mahila Kosh (National Credit Fund for Women) was set up in 1993 with a corpus of Rs. 31 crore, against the backdrop of socio-economic restraints faced by poor women to access micro – credit from the formal financial system in the country, especially those in the rural and in unorganized sectors. The principal corpus has increased to Rs.100.00 Crore by 2009-10. The main objective behind the setting up of the Rashtriya Mahila Kosh (RMK) under the Department of Women and Child Devel-

opment (now Ministry) was to provide micro-credit to poor women for various livelihood support and income generating activities at concessional terms in a client-friendly procedure to bring about their socio-economic development. The RMK is now being restructured as a NBFC with a corpus of Rs.500.00 crore.

#### • SUPPORT TO TRAINING & EMPLOYMENT PROGRAMME FOR WOMEN (STEP)

A Central Sector Scheme launched in 1986-87, seeks to upgrade skill of poor and assetless women and provide employment on sustainable basis by mobilizing them in viable cooperative groups, strengthening marketing linkages, support services and access to credit. The scheme also provides for enabling support services in the form of health check-ups, legal and health literacy, elementary education, gender sensitization and mobile crèches. The ultimate endeavour of each project is to develop the group to thrive on a self-sustaining basis in the market place with minimal governmental support and intervention even after the project period is over. Since inception, around 250 projects have been provided financial assistance under the scheme.

The ten traditional sectors identified for project funding under STEP comprise of agriculture, animal husbandry, dairying, fisheries, handlooms, handicrafts, khadi and village industries, sericulture, waste land development and social forestry. The scope and coverage of the scheme is being broadened with introduction of locally appropriate sectors being identified and incorporated into the scheme.

#### IMPACT OF WOMEN EMPOWERMENT

**ECONOMIC EMPOWERMENT:** when woman is economically empowered when she has both the ability to succeed and advance economically and the power to make and act on economic decisions. Economic empowerment is comprised of two inter-related components such as (1) Economic advancement and (2) power and agency. Both components are connected and both are necessary to manage better lives for women and their families. Economic gain and success (economic advancement) promote women's power and agency. At the same time, when a woman is capable to control and share in resource use (power) and to define and to make choices (agency), she is better able to advance economically. So the women can economically strong with the help of micro finance institutions (MFIs).

**INCREASED DECISION MAKING:** Access to savings and credit facilities and women's decision about what is being done with savings and credit enhance women's say in economic decisions of the household. 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 benefitting men through preventing leakage of household income to unproductive and destructive. Other welfare interference are advocated in addition to micro-finance, typically nutrition, health and literacy campaigns to further decrease susceptibility and improve women's skills. In the financial self-sustainability and feminist empowerment paradigms, improved well-being is an assumed outcome from increasing women's economic activities and incomes.

**SOCIAL AND POLITICAL EMPOWERMENT:** a combo of women's increased economic activity and control over income resulting from access to micro-finance with upgraded women's skills, mobility, access to knowledge and support

networks. Status within the community is also increase. These changes are fortified by group formation, leading to wider progress for social and political change. The financial self-sustainability paradigm and the poverty alleviation paradigm assume that social and political empowerment will occur without specific interference to change gender relations at the household, community or macro-levels. By contrast, the women 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.

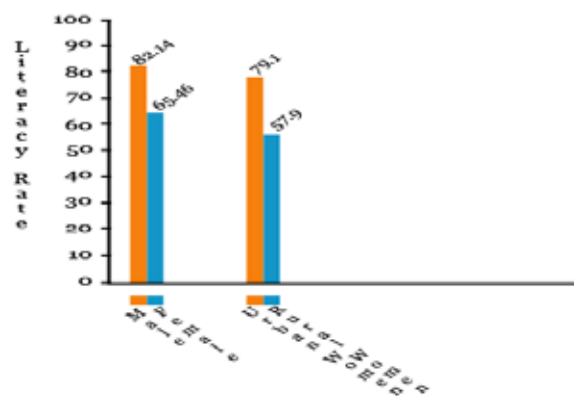
#### CHALLENGES:

There are several challenges that are currently afflict the issues of women's rights in India. A few of these challenges are presented below. While a lot of these are unnecessary and quite basic issues faced across the country, these are contributory causes to the overall status of women in India. Targeting these issues will directly benefit the empowerment of women in India.

#### • EDUCATION CHALLENGES:

While the country has grown from leaps and bounds since its independence where education is concerned, the gap between women and men is severe. While 82.14% of adult men are educated, only 65.46% of adult women are known to be literate in India. Not only is an illiterate women at the mercy of her husband or father, she also does not know that this is not the way of life for women across the world. Additionally, the norms of culture state that the man of the family is the be-all and end-all of family decisions is slowly spoiling the society of the country.

Literacy Facts of Woman in India



\*Literacy rates relate to the population aged 7 years & above

#### HEALTH AND SAFETY CHALLENGES:

The health and safety challenges of women are paramount for the well being of a country, and is an important factor in evaluate the empowerment of women in a country. However there are alarming concerns where maternal healthcare is concerned.

In its 2009 report, UNICEF came up with awful figures on the status of new mothers in India. The maternal mortality report of India stands at 301 per 1000, with as many as 78,000 women in India dying of childbirth complications in that year. Today, due to the burgeoning population of the country, that number is sure to have multiplied considerably. The main causes of maternal mortality are:-

- Hemorrhage: 30%
- Anemia: 19%
- Sepsis: 16%

- Obstructed Labor: 10%
- Abortion: 8%
- Toxaemia: 8%

While there are several programmes that have been set into motion by the Government and several NGOs in the country, there is still a wide gap that exists between those under protection and those not.

Poverty and illiteracy add to these complications with local quacks giving ineffective and downright harmful remedies to problems that women have. The empowerment of women begins with a guarantee of their health and safety.

#### OBJECTIVE OF THE STUDY

- To identify the concept of microfinance and its scheme
- How microfinance help to women empowerment
- To find out the impact of the women empowerment through microfinance
- To find out the major challenges of women empowerment

#### RESEARCH METHODOLOGY

**SECONDARY DATA:** during my research I have used the secondary data method in my study.

It is obtained from existing literature review, different scholars' and researchers' published books, articles published in different journals, working papers, magazines, news papers, central and state websites.

The secondary data and information will analyze for preparing the paper extensively.

#### CONCLUSION

Thus it can be concluded from the above study that microfinance is playing a vital role in the social, psychological as well as economic empowerment of women in India. Microfinance loan availability and its productive usage found to be having a profound role and impact on women empowerment. The empirical findings of the study suggests that microfinance has a serious influence on the economic status, decision making power, knowledge and self ability of women participants of self help group linkage program in India and the challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrower without imposing unbearably high cost of monitoring its end use upon the lenders. A promising result is to provide multipurpose lone or composite credit for income generation, housing improvement and consumption support.

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