



## MICRO FINANCE OF WOMENS SELF HELP GROUPS IN INDIA PROBLEMS AND PROSPECTS

### Commerce

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### ABSTRACT

Most of the poor lack access to basic financial services that would help them to manage their assets and generate income. Good management of even the smallest assets, such as livestock, can be crucial to very poor people, who live in precarious conditions, threatened by lack of income, shelter and food. To overcome poverty, they need to be able to borrow, save and invest, and to protect their families against adversity. With little income or collateral, poor people are seldom able to obtain loans from banks and other formal financial institutions. Microfinance is one way of fighting poverty in rural areas, where most of poorest people live. In absence of proper education and skills their resource allocations (public distribution system) have proven inefficient in eradicating poverty as the social capital has not developed enough in the country. Hence, the present study is an attempt to study the problems and prospects of micro finance and women empowerment. The objectives are set for the study is to understand the concept of micro-finance and women empowerment, to discuss the problems and prospects of micro finance and women empowerment. The data for the present study has been collected from various websites, text books and journals. In general, women need access to small loans (especially for working capital), innovative forms of collateral, frequent repayment schedules more appropriate to the cash flows of their enterprises, simpler application procedures and improved access to saving accounts.

### KEYWORDS

#### INTRODUCTION

Most of the poor lack access to basic financial services that would help them to manage their assets and generate income. Good management of even the smallest assets, such as live stock, can be crucial to very poor people, who live in precarious condition, threatened by lack of income, shelter and food. To overcome poverty, they need to be able to borrow, save and invest, and to protect their families against adversity. With little income or collateral, poor people is seldom able to obtain loans from banks and other formal financial institutions. Microfinance is one way of fighting poverty in rural areas, where most of poorest people live. It puts credit, savings, insurance and other basic financial service within the reach of poor people. Through microfinance institutions, such as credit unions, non-governmental organizations and even commercial banks, poor people can obtain small loans and safeguard their saving; The microfinance revolution started in the early of 1990s with the recognition that poor people needed access to loans and that they could use these funds productively. It has also changed the perception that poor are not credit worthy.

#### NEED FOR THE STUDY

The marginalization of rural / urban poor from the main stream society is primarily caused by the absence of the three forms of capital from the poor, namely maternal capital, human capital (education and relevant skills) and social capital (local organizational settings, democratic system, protection of human rights). Most of them are landless or poor land owners depends upon traditional farming practices. They have to rely having upon the monsoon. In absence of proper education and skills their resource allocation (public distribution system) have proven inefficient in eradicating poverty as the social capital has not developed enough in the country. Hence, the present study is an attempt to study the problems and prospects of micro finance and women empowerment.

#### THE STUDY

The following objectives are set for the study.

1. To understand the concept of micro-finance and women empowerment.
2. To analyze the significance of micro finance for women empowerment.
3. To discuss the problems and prospects of micro finance and women empowerment.

#### DATA

The data for the present study has been collected from various

websites, text books and journals.

#### CONCEPTS

The term 'micro' literally means 'small'. As per Reserve Bank of India, the borrowed amounts up to the limit of Rs.25000 could be considered as micro credit products and this amount could be gradually increased up to Rs.40000 over a period of time. Idea behind the micro finance is that the poor people, who can provide no collateral, should have access to some sort of financial services, to very poor families to help them engaging for a productive self-sustaining activities.

'Micro finance' is a provision of thrift credit and other financial services and products of very small amounts to the poor rural areas for enabling them to raise their income levels and improve living standards.

The concept of 'empowerment' has been the subject of much intellectual discourse and analysis. Empowerment is defined as the processes by which women take control and ownership of their lives through expansion of their choices. Two vital processes have been identified as important for empowerment.

1. The first is social mobilization and collective agency, as poor women often lack the basic capabilities and self-confidence to counter and challenge existing disparities and barriers against them. Often, change agents are needed to catalyze social mobilization and livelihood insecurity as; they will not be in a position to mobilize.
2. The process of social mobilization needs to be accompanied and complemented by economic security. As long as the disadvantaged suffer from economic deprivation and livelihood insecurity, they will not be in opposition to mobilize.

#### WOMEN AND MICRO FINANCE

One of the most essential factors contributing to success in micro entrepreneurship is access to capital and financial service. For various reasons, women have had less access to these services than men.

In this context, credit for micro enterprise development has been a crucial issue over the past two decades. Research has shown that investing in women offers the most effective means to improve health, nutrition, hygiene, and educational standards for families and consequently for the whole of society. Thus, a special support for women in both financial and non-financial services is necessary.

Regarding limited-access to financial services, women depend largely on their own limited cash resources or, in some cases, loans from extended family members for investment capital. Smaller amounts of investment capital effectively limit women to a narrow range of low return activities which require minimal capital outlays, few tools and equipment and rely on farm produce or inexpensive raw materials.

In general, women need access to small loans (especially for working capital), innovative forms of collateral, frequent repayment schedules more appropriate to the cash flows of their enterprises, simpler application procedures and improved access to saving accounts. Surveys have shown that many elements contribute to make it more difficult for women in small businesses to make a profit. These elements are:

1. Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.
2. Inadequate bookkeeping.
3. Employment of too many relatives which increases social pressure to share benefits.
4. Setting price arbitrarily.
5. Lack of capital.
6. High interest rates.
7. Inventory and inflation accounting is never undertaken.
8. Credit policies that can gradually run their business (many customers cannot pay cash; on the other hand, moneylenders are very harsh towards women).
9. Misuse of microfinance staff.

#### WOMEN'S PARTICIPATION IN MICRO FINANCE ACTIVITIES

Both governments and donors should explore ways of developing innovative credit programmes using intermediary channels or institutions closer to the target groups such as co-operatives, women groups and other grass root organizations. Savings and credit programmes should be designed in away not to exclude women from participating.

1. Encourage micro enterprise programmes to develop specific strategies for recruiting women as clients from within their existing target group.
2. Encourage micro enterprise to expand their target groups to include the sizes and types of enterprise activities in which women engage and / or experiment with assistance strategies, business and technical assistance needs of these types of enterprises.
3. Consider expanding support to a broader range of organizations, especially poverty focused organizations active in rural areas. Support for these organizations should include technical assistance and training in programme planning, management and in developing teams of female staff to assist clients in business planning and management.

#### To increase women's access to credit, the donor community should:

1. Increase the availability of working capital;
2. Experiment with lending programmes that do not require conventional forms of collateral;
3. Replicate and expand existing successful methodologies for delivering small working capital loans;
4. Introduce savings mobilization components in the context of credit or other enterprise assistance programmes;
5. Promote credit policies that are open to both small-scale enterprise activities and enterprises operating in trade, commerce and other small enterprise sectors where women have participation rates.
6. Transparency of the records should be maintained and trust should be developed among the women upon the lending organization.

#### WOMEN EMPOWERMENT

Academic empowerment results in women's ability to influence or make decision, increased self-confidence, better status and role in household etc. Micro finance helps to overcome women exploitation, create confidence for economic self-reliance of the poor women, particularly among rural women who are mostly invisible in the social sector. The micro finance programmes play a potentially significant role in women empowerment.

#### PROBLEMS

Even though there is a considerable amount of progress, still there are

few factors that are making it more difficult for women empowerment through micro finance which are as under:

1. Reluctance on the part of profession to join the micro credit industry owing to its being non-lucrative.
2. Higher costs of credit because of which most of the micro credit programs fail or cause the same burden to the loan receiver. This is because of the inability of the self-help groups to become a profitable organization.
3. Tendency of private and public sector banks to seek safety of credit. Hence, new and unknown micro finance institutions are unable to come-up without the blessing of the bank.
4. Many of the schemes introduced by the government are group oriented. Obtaining co-ordination among the group members is proving difficult.
5. Women often have greater workloads combining both production and reproductive tasks.
6. Credit is also debt; savings and loan interest divert resources which might otherwise go towards necessary consumption.
7. Social problems such gender in-quality, caste feelings etc.
8. Most of the group members are illiterates. Hence, it is becoming difficult to train them efficiently.
9. Lack of access of resources in rural areas.
10. Lack of initiation by few of the government officials.

#### PROSPECTS

The various prospects of the concept of micro finance are summarized as under:

1. New policy framework or a separate regulatory authority would show the serious interest of the government in developing, regulating and promoting micro finance institutions and the self-help groups.
2. Self-help groups, funding organizations and committee's have a huge prospect if those people can be included who really the credit need but remain unaware and thus bound by the local money lender.
3. There is a big opportunity for self-help groups to promote and develop women groups who can focus more on empowerment of women.
4. Opportunity to diversify or partner with NGOs to train the poor who avail of micro finance from the micro finance institution.
5. Opportunity to reach largely untapped urban poor and rural farmers by joining hands with corporations.
6. There is a great prospect for a self-help group to promote smaller self-help groups within itself. Thus, the cost of credit will decrease when the umbrella self-help group is huge enough. This way the self-help group can work like a corporate entity and also involve information systems to future reduce cost of credit.

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