

## **Microfinance: Innovative Financial Avenue for Empowering Women**

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### **Abstract**

*Worldwide empowering Women are a targeted goal if the country's desire to be sustainable develops. Microfinance is one of the important tools to make women's empowered. In India, the buzzword Microfinance came into the scene in 1974 dominated by Self Help Group (SHGs) as an effective mechanism for providing financial services to the "Unreached Poor", and also consolidating their lending ability through collective self-help which is leading to their empowerment. No doubt, to some extent rapid progress in SHG formation has turned into an empowerment movement among women across the country.*

### **Introduction**

Traditionally, a woman turning into entrepreneur was considered as a taboo in Indian Society. She was always treated as decorative piece and kept within four walls of the house. She was overburden with lots of unending responsibility of family and domestic duties. Her innate

qualities were crushed and unnoticed and never given chance to display her potential and talent. More or less the condition is same in all over the world.

A recent World Bank report confirms that gender bias societies pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard for all people. Women have a higher unemployment rate than men in virtually every country and make up the majority of the informal sector of most economies. They constitute the bulk of those who need microfinance services. Therefore, microfinance often target women. Microfinance is a vital tool to empower women from poor household. Hence, micro finance through Self Help Group (SHG) has been recognized internationally as one of the modern tool not only for reducing poverty and livelihood development but also for empowering women. As per the Microcredit Summit Campaign Report 2001, MFIs, NBFC, banks & NGOs are extending the availability of financial services to women. Meanwhile, women are investing as well as utilizing the small credit in entrepreneurship activity for livelihood proposes. Data has proved that record of repayment of loan amount by women is excellent. This making women the target customer for microcredit providers for lending.

Here in this paper a small effort has been made on the empowerment of women through the SHGs tool of Micro-finance.

*Microfinance* – Microfinance is the process of providing microcredit to poor and low income household, for doing some small businesses, to enable them to raise their income levels and improve their living standards. Apart from giving loans, it also provides other financial services such as micro pension, saving, micro insurance, remittance etc.to poor people living in both urban and rural areas who are unable to obtain such services from the formal financial sector.

Micro finance, according to Otero (1999. P. 8) is “the provision of financial services to low income poor and very poor self-employed people”. Schreiner and Colombet (2001, p.339) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.”

The term micro finance sometimes is used interchangeably with the term micro credit. However, while micro credit refers to purveyed of loans in small quantities, the term microfinance has a broader meaning covering in its ambit other financial services like saving, insurance, etc. as well.

*Women Empowerment* - Of the 1.3 billion people who live in absolute poverty around the globe, 70 percent are women. For these Women, poverty doesn't just mean scarcity and want. It means rights denied, opportunities curtailed and Voices silenced. Empowerment of women means to let women survive and let them live a life with dignity, humanity, respect, self-esteem and self-reliance. This will help them to make their own decisions.

Nobel Laureate Amartya 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.

Planning Commission reveals that overall development of economy or in other word national development is not possible without developing rural women because this segment of society play a significant role in the domestic and socioeconomic life of the society. The report also says that women direct access of credit from institution is very less and gender bias is also one of the hindrances which hampering the purpose of micro finance. On the other hand, women from the non-farm sector have better access to banks than the women working in the farm sector. This study also reveals that women borrowers have greater influence on accessibility to credit utilization and its repayment as compare to men.

Sharma (2000) has tried to prove that microfinance is a tool which gives self-confidence to women to play active role in society. It playing a strong role or in other hand is an emerging as a powerful instrument for poverty alleviation & women empowerment but there is an acute need among the poor both for consumption & production credit which declining line between survival & succumbing to poverty. This study also gives importance to health, housing, education for survival.

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.

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.

Krishna (2005) has defined empowerment as increasing the capacity of individuals or groups to make effective development and life choices and to transform these choices into desired actions and outcomes. It is by nature a process and/or outcome.

Farzana has discussed that in the SHG Bank Linkage Programme (SBLP), a SHG with 10-20 members (usually women) is formed with the support and guidance of a self-help promoting institution (SHPI). The SHG members are encouraged to make voluntary savings, which is internally lent. After assessing the savings discipline and credit history of the group, usually for 6-8 months, the SHPI links the group to a bank. The banks then make loans to the SHGs in certain multiples of their accumulated savings, which the group in turn lends to its own members at a higher rate — 24-48 per cent per annum. The group members are responsible for holding meetings, and collecting and reaching repayments to the nearest bank branch.

## **Research objective**

The major objectives of the study are:

1. To study the role of micro finance in women empowerment.
2. To analyze the effectiveness of SHGs model in social, economic & psychological empowerment of women members of SHGs.

## **Hypothesis**

**H<sub>0</sub>** – No difference in mean income before and after joining SHGs.

**H<sub>1</sub>** - Difference in mean income before and after joining SHGs.

## **Research Methodology**

**Sampling Area** – This research paper is exploratory in nature and the study was conducted in Patna district.

**Sources of Data** – SHGs women's members were selected from two MFIs, Bandhan bank and Janlakshmi.

**Method of data collection** – In this study, primary Data collection method has been used with structured interview schedule.

**Sample Size:** 67 (5 SHGs) members were schedule for this study.

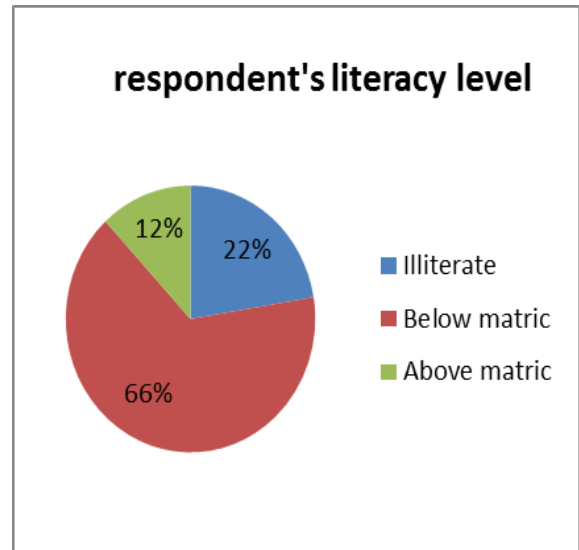
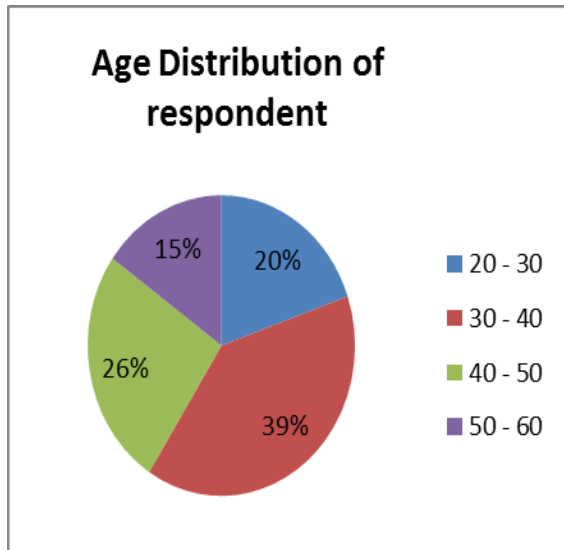
**Statistical tools:** Simple correlation coefficient, paired t-test, and percentage analysis are used for the analysis of the data.

### **Limitation of the study –**

1. Data was collected from SHGs members of urban area of Patna only, hence result are not applicable to SHGs members of rural Patna.
2. Respondent were unwilling to give information related to income.
3. Time & Cost were the constraint factors.

## **DATA ANALYSIS AND INTERPRETATION**

### **Demographic Representation**



**Figure – A**

**Figure - B**

**Above figure show demographic representation of sample –**

1. **Figure A** - 39 % respondent were from 30 - 40 age group and only 15% from 50-60.
2. **Figure B** - Only 22 % of the women are above matric. It is noticeable that 66% of the respondents are below matric and 12% are illiterate.

**For testing the hypothesis, Z Test of Differences of Mean has been used.**

<b>Difference of Mean</b>	2922.39
<b>Std. Error of difference of mean</b>	149.048

<b>Z score at 95% confidence level</b>	1.96
<b>Lower limit of acceptance range</b>	-292.135
<b>Higher limit of acceptance range</b>	292.135

Since, the difference of mean falls beyond the acceptance region. Therefore we reject the null hypothesis and accept the alternate hypothesis. Thus, it is concluded that there is significant change in Income.

### Graphical representation of Social factors for empowering women's:

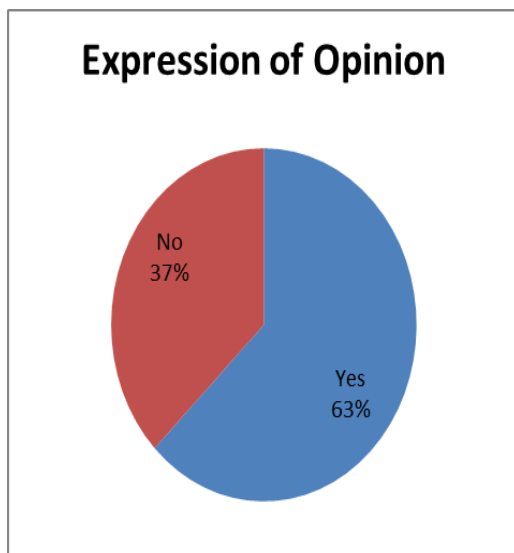


Figure – C

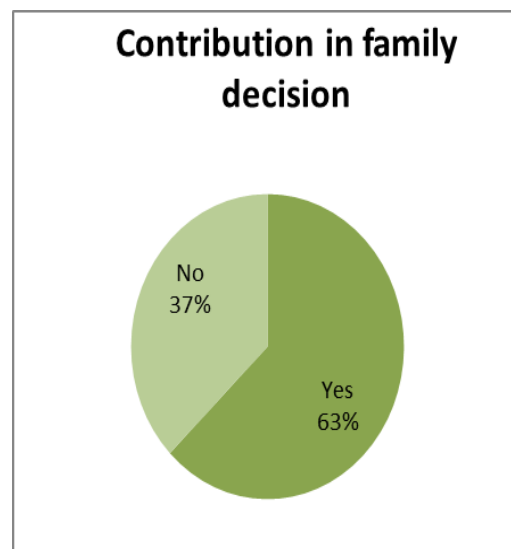
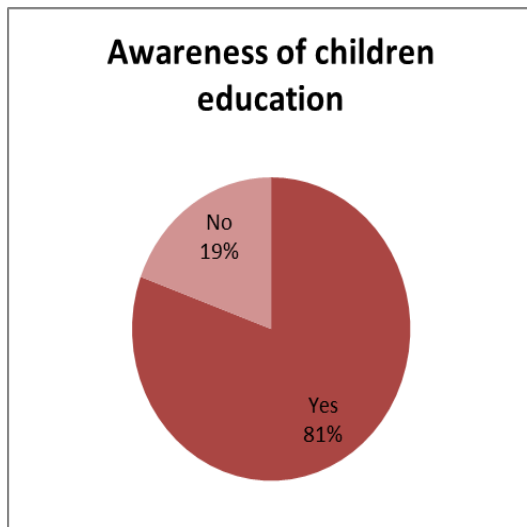
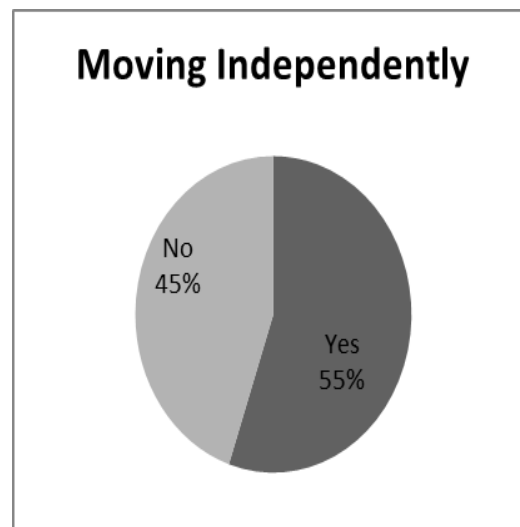


Figure – D



**Figure – E**



**Figure - F**

**Above figure displays the percentage analysis of social factors –**

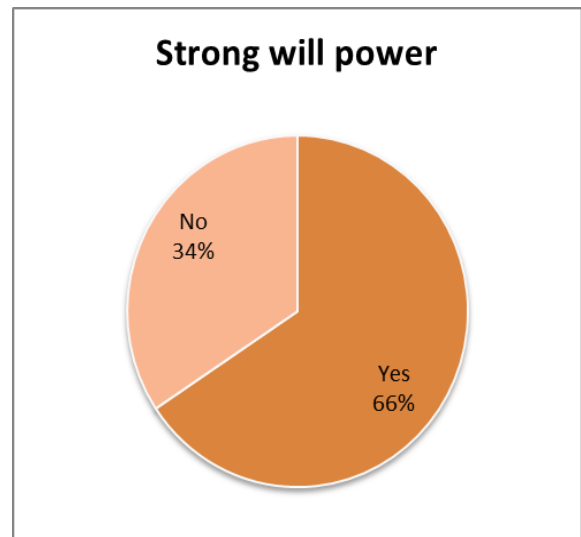
1. **Figure - C** - 42 out of 67 i.e. 63% respondents agreed they are allow to express their opinions freely both in group and in family.
2. **Figure – D** Most of the respondents (63 %) agreed they play a vital role in decision making in their houses.
3. **Figure – E** It is noticeable that 81% of women respondent were having great awareness of children education and 19 % were not aware.
4. **Figure – F** 55% respondents are moving independently without the help of family members to banks, government offices and other places which indicate the social mobility.

**Graphical representation of Psychological Factor for Women empowerment**

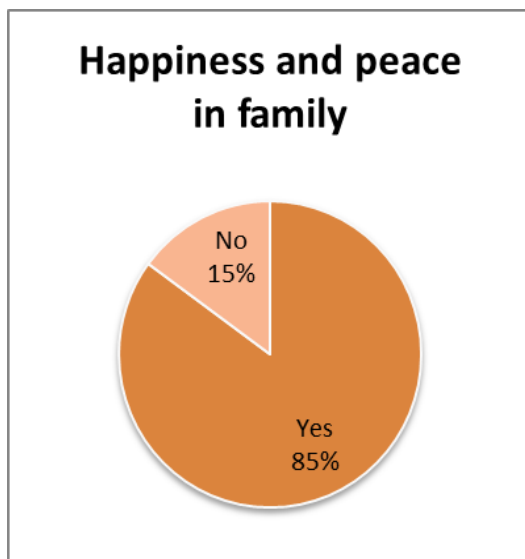




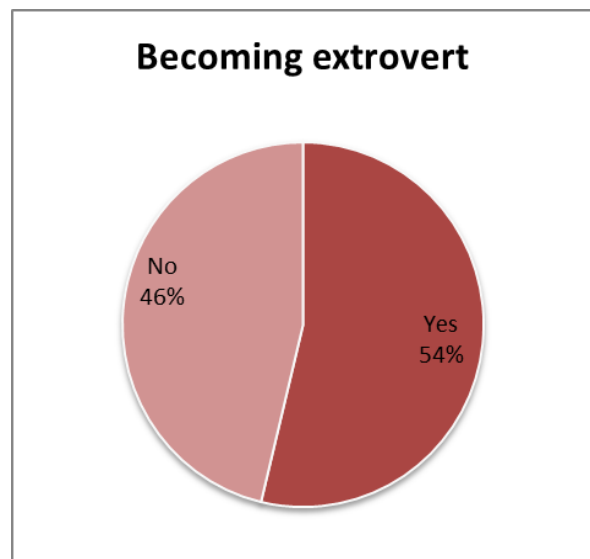
**Figure – G**



**Figure – H**



**Figure – I**



**Figure - J**

**Above figures shows percentage analysis of Psychological factors.**

1. **Figure G-** It is noticed that 58% respondents agreed that micro finance brought courage and self-confidence and improved their skill and self-worthiness.
2. **Figure H –** 66% respondents say that microfinance helped a lot in improving strong will power and determination of women to take initiative.

3. **Figure I** - Remarkable percentage i.e. 84% respondent are saying that due to microfinance, there is increase in happiness & peace in their family.
4. **Figure J** - Indian women are generally hesitate to interact with outsiders but slowly they are becoming extrovert because they developing confidence due to microfinance. 54% women are saying yes in this regards.

## Findings –

- ✓ Demographic data shows that mostly mature women (age group 30–40) are SHGs members and micro borrowers which indicate more enthusiasm in young women self-employment by investing in small enterprises.
- ✓ 66% below matric clearly indicate the weak part of women which can create hindrance in empowering women.
- ✓ Slowly but women are gaining respect in their family and that give them power to take decision.
- ✓ Women are playing crucial role in taking family decision and suggestion.
- ✓ Educational standard improved a lot because 81% of women respondent were having great awareness of children education.
- ✓ Social mobility of women gives a clear picture of her respect in society.
- ✓ Psychologically they are becoming enriched because self-confidence increased.
- ✓ Because to increased self-confidence, there will power are becoming strong and ready to take initiative.
- ✓ Microfinance playing important role in bringing happiness and peace in family.

## Conclusion

This study concludes that microfinance is a playing crucial role in making favorable changes in the lives of poor women but that changes are not so radical. Hence, still it has to cover a very long distance. Women are economically empowered as their monthly income increase due to proper utilization of micro loan. But if we perceive their social and psychological empowerment, the result is not satisfactory. The reason behind this, although they are the members of SHG and taking microcredit but they simply transferring their loan amount to their husband or male members for business purpose. Hence, this increase in income making them economically strong but lots of effort still required to make them socially and psychologically empowered.

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