

Microfinance Empowering Women in India

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Structured Abstract:

Purpose: Poor people are deprived of traditional banking facilities for their inability to provide valuable collateral. In this article an attempt has been made to understand the role of microfinance for the social and economic empowerment of poor particularly women leading to socio-economic development of poor women.

Design / Methodology / Approach: Published Secondary data has been considered to understand the expansion of microfinance. Improvement in microfinance both in terms of institutions and the related beneficiaries particularly women.

Findings: In India microfinance activities have important consequences on development through empowering poor particularly women. The success of microfinance activity in the future would be a function of the participatory approach of the MFIs, NGOs, SHGs, and banks. There is a great need for integration and linkage among these institutions for all types of resources including information sharing and delivery.

Research Limitations / Implications: Primary survey data will help to assess the ground level reality of the benefits of providing microfinance to the poor.

Practical Implications: A small amount of loan may help a poor person to get rid of the evils of the vicious circle of poverty. They may at least try to dream for a better livelihood.

Originality / Value: This paper deals with the role played by microfinance for empowering women in India. The activities of microfinance institutions have been considered to find out the need of microfinance for the development of rural poor particularly women.

Keywords: Women, Empowerment, Microfinance, Financial, Self Help Group (SHG), India.

Paper Type: Research paper.

Introduction

Microfinance is a way of financing people with small financial need. This category of literary poor people is deprived of getting banking facilities for their inability to provide valuable security on the one hand and on the other hand micro financing is not cost-effective in the eye of banking sector. That is why micro financing emerged. Micro financing covers savings,

insurance etc. in addition to micro credit. Microfinance institutions and agencies all over the world direct their endeavour towards the empowerment of women initially by providing financial services. It is observed that women make up large proportion of microfinance recipients. Microfinance lending is often focused on women for a number of reasons. First, gender inequalities in developing societies hamper economic growth and development. Second, women are excessively represented among the world's poorest people. Women access to microfinance services will enable them to make a greater contribution to household income. This, in turn, will lead to improved standards of living. Women have insufficient resources available to them for which they tend to be more vulnerable when economic challenges or unforeseen adverse circumstances arise. By providing access to loans for income-generating activities, microfinance institutions can significantly increase a woman's resources, thereby reducing her overall vulnerability. Furthermore, it is well-documented that women are more likely than men to spend their income on household and family needs. Third, assistance to women has therefore been shown to generate a multiplier effect that improves the welfare of the whole family. MFIs also target women for sustainability reasons. Repayment rates of women are typically far higher than those of men.

Review of Literature

Microfinance and women empowerment is a significant issue all over the world particularly in developing countries. There are many literatures relating to microfinance. For knowing the effect of microfinance researches have been going on the issues in many countries, like India, Bangladesh, Pakistan, Nepal, Thailand and in many other countries of Africa and South Asia. Various studies express various findings relating to the type and level of impact of the microfinance programme. Nasir and Farooqi (2016) observed that microfinance facilitates women through economically, socioculturally and politically. It also increases the income, savings, skills and confidence of the participants in SHGs. Biswas and Rao (2014) argued that microfinance sector has grown rapidly over the past two decades and has helped women to gain economic empowerment and improve quality of their life. According to them development of Micro Entrepreneurship through microfinance can help to reduce the problem of unemployment and several social problem that go with it. Kumar and Chauhan (2015) in their paper "An overview of microfinance in India" highlighted the significance of microfinance for strengthening financial condition of the poor and low income peoples. 1990 onwards poverty alleviation was given top most priority in the developmental process both at

national and international level Nasir (2013) highlighted the insufficiency of the financial services provided by the MFIs in terms of microcredit to the real needy people, regional imbalance and proper regulations etc. He pointed out that if the above shortcomings are removed the objectives of poverty elimination and improving the standards of living of the poor will be achieved. Ranjani, (2012) find out the need of conceptual outline for the regulation of MFIs in India. If the MFIs are subjected to regulatory framework, it will benefit the members and the industry as a whole. Tiwari (2012) carried out a comparison between MFIs of India and that of Bangladesh. The study revealed that the profitability and efficiency of the Indian MFIs are better than that of Bangladesh. Arora and Meenu (2012) carried out a study to find the impact of micro financing in removing the financial needs of the rural poor. The study was conducted in the rural areas of the three districts of Punjab. It was observed that saving habits developed in the rural poor people using formal financial sectors. Another observation was that a large percentage of rural poor people utilize bank micro credit. Mahanta, Panda and kumar (2012) in their article “Status of Microfinance in India-A Review” told that MF with various aspects is operated in an integrated system. Morses (2011) tried to find out the role of microfinance in poverty alleviation, women empowerment and rural development in India. The author concluded that the microfinance is an excellent way of improving the economic condition of the have-not. Manoharan (2011) considered the financial activities of the Indian microfinance institutions for a period of five years from 2006 to 2010.

Objectives of the Study

- ❖ To explain the need for empowering women
- ❖ To give an overview of the micro finance in India
- ❖ To explain the role played by microfinance for empowering women in India

Need for Empowering Women:

Traditionally women have been confined to household activities keeping their capabilities latent within themselves. But there are innumerable instances where women showed their aptitude. Empowering women may be thought in terms of financial, educational, family planning, decision making, cultural participation, self-reliance, self-esteem etc. The importance of empowering women may be pointed out as follows:

1. Development of women

2. Eradication of poverty
3. Education of children
4. Family planning
5. Improvement of health of family members
6. Decision making
7. Participation in cultural programme
8. Better housing
9. Participation in social work
10. Participation in politics
11. Minimizing violence against women etc.

- 1. Development of Women:** Human civilization is based on two legs man and woman. If one leg is weak then the civilization cannot walk fast towards developed one. So, parity is required between developments of men and women. But history observed that women have long been neglected. Particularly the women from poor family are ignored. A large portion of women fall in this category. Now globalization knocked the door and asked for the development of human capital.
- 2. Eradication of Poverty:** Poverty is a social evil. In most cases it becomes hindrances to any activity requiring finance. Women in less developed countries are poorer compared to men. Smooth development of a society requires development of human beings. Gender discrimination at the time of taking development policy is not a good practice. Keeping a part of human beings in poverty a society cannot progress. So, poverty alleviation of women is of utmost need.
- 3. Education of Children:** A child starts education from its mother. It is only the mother on whom it can trust most and feels secured. Everything good or bad is presented to a mother by her child. So, it is the duty of the mother to guide her baby properly. Education is the ultimate solution of every problem. Most poor people ignore girl child from birth. If women are financially empowered they can take care of their children regarding education.
- 4. Family Planning:** Women in poor family are burdened with a number of children. It creates many problems in their livelihood. Family planning is a social process by which responsible members of a family plan how to live better considering their

resources, what should be the number of family members, how the children should be educated etc. Woman in a family is in a better position to implement proper family planning. They should have power to decide on the matter of family planning.

- 5. Improvement of Health of Family Members:** Health is wealth. Everyone should take care of his / her wealth. In India traditionally female children compare to male children are neglected from childhood. They are supplied with such a minimum diet that they cannot maintain their health properly. For this reason female children suffer from different health related problems. On the other hand, they are also neglected from proper medical treatment. Mother can take care of her children. So, mother should have power to decide on diet, medical treatment and other health related matters.
- 6. Decision Making:** It is the practice of male dominated societies that women will remain engaged in household activities and will obey the decisions taken by male members of their family. Women who are engaged in activities must have freedom to take related decisions. Otherwise women cannot be able to explore their efficiency. Activities, decisions, appraisal of decisions etc. are all helpful for increasing the efficiency of women.
- 7. Participation in Cultural Programme:** Participation in various cultural programmes help women to exchange their thinking, experiences, problems etc. and thereby they are enriched with different knowledge. So, women must be empowered to involve themselves in cultural programmes and to show their efficiency.
- 8. Better Housing:** Housing is one of the three essentials of human beings food, clothes and shelter. In addition to men if women are also able to contribute in planning and making shelter it will be better to maintain good health of the family members. Women must be empowered so that better housing is ensured for a family.
- 9. Participation in Social Work:** Women today are not only for household activities. They are able to do much social work. In less developed countries scope for social work is immense. With the advancement of women the rate of participation in social work has been increased. More the women are empowered much will be the scope for social work.

10. Participation in Politics: Participation of women in policy formation is well recognized. There are many examples where women have been successful in politics. From local to international politics women hold many important posts. In underdeveloped countries reservation for women in politics is being introduced. Empowerment of women will lead to more participation in politics.

11. Minimizing Violence Against Women: Violence against women is not new. In many ways women in most societies face violence. Poor women are generally introverted in nature. They face violence from birth to death. Female foeticide, trafficking, violence on girl child labor, sexual coercion, oppression in job centre etc. are some examples of violence on women. They must be aware about how to combat such violence. Empowering women will obviously help them to fight such varied types of violence.

Overview of the Micro Finance in India

First microfinance in India commenced in 1974 in Gujarat. Where women workers from unorganized sectors formed Self Employed Women's Association (SEWA) in 1972. In 1974 SEWA started a bank to provide loans to poor women. In 1976 Nobel Laureate Muhammad Yunus, one of the pioneers of microfinance introduced the concept of microfinance in the form of 'Grameen Bank' in Bangladesh. Initially he undertook an experimental research project of providing small credit to the rural poor. He offered 856 Taka to 42 poor persons. This loan changed their lives and they were happily able to refund the loan with interest. The success of this project influenced Md Yunus to establish Grameen Bank in 1983. The endeavour of Md Yunus was accepted internationally. NABARD took this idea and started this concept of microfinance in India. In 1988-89, NABARD carried out an assessment of 43 NGOs in different States to study their activities and the feasibilities of collaboration between banks and SHGs.

In Table 1, we see that FY16 witnessed strong growth in the microfinance industry in India, continuing the momentum from the last two years. The microfinance industry shows strong growth in new loan disbursements, loan Portfolio, clients, employees and branches. During FY16, the Microfinance Institution (MFI) industry disbursed new loans of Rs61,860 crore representing a 65% increase over previous year. This resulted in 84% growth in the total Gross Loan Portfolio (GLP) and the amount reached at Rs53,233 crore. During the same

period, the number of clients increased by 44% and stood at 3.25 crore, while the number of people employed by the industry grew by 38% to 85,888 and the number of branches rose by 22% to 9,669. In contrast to the MFIs, the self-help group (“SHG”) portfolio grew by 20% in FY15. The total portfolio outstanding of SHGs as on March 31, 2015 was Rs 51,545 crore. Distribution of SHGs in India has always continued skewed towards the Southern region which accounts for almost half of the SHGs in the country. From Table 2, it is observed that region wise distribution of number of SHGs with savings linkage is highest in Southern region in India compared to other regions from the period 2013-2014 to 2015-2016. The share of Southern Region in number of SHGs has declined from 49.8% in 2013-14 to 44.9% in 2015-16.

Role of Microfinance in Empowering Women

Microfinance services in India started in 1974 by a bank established by SEWA, a trade union of women workers in unorganized sectors. Microfinance later evolved in the early 1980s around the concept of informal SHGs. Most of the microfinance programmes target poor women specifically with the object of empowering them. Women are the most vulnerable among the underprivileged and their empowerment will lead to economic growth and development. The SHG Bank linkage Programme which started in 1992 has grown exponentially over two decades and around 1832323 lakh SHGs are linked to different Banks up to March, 2016, of these nearly 65 per cent have direct credit link with bank. Out of these 1832323 lakh SHGs, 1628671 lakh are women.

From Table 3, it is observed that during the financial year 2015-16 a total of Rs.3728690.09 lakh loans were distributed by the all banks among 1832323 SHGs. Out of total 67.54 % loans were distributed by the Commercial Banks among 61.79 % SHGs, 24.58 % loans were disbursed by Regional Rural Banks among 25.67 % SHGs and 7.87 % loans were distributed by Co-operative banks among 12.53 % SHGs. Out of total 1832323 SHGs 88.88 % SHGs are exclusively women SHGs. Commercial Banks alone distributed 66.74 % loans to women SHGs and the balance 33.26 % loans were distributed by regional Rural Banks and Co-operative Banks jointly.

Conclusion

Microfinance is a necessity in India to achieve financial inclusion of the poor in the rural and urban areas. It is often used as an efficient tool for alleviating poverty. In addition micro

finance programmes have an efficient contribution in development through empowering women. Almost all institutions working in the field target women as their main audience. There is great need to increase the accessibility and reach of the MFI activities to a large number of rural poor, especially the poorest. The success of microfinance activity in the future would be a function of the participatory approach of the MFIs, NGOs, SHGs, and banks. There is a great need for integration and linkage among these institutions for all types of resources including information sharing and delivery. Constitutional provision of equality and justice must be maintained by the general people and effort should be made to avoid gender discrimination while implementing developmental policy. Expansion of women education programmes, the most crucial aspect, should be extensively executed to ensure social and economic development.

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Table1: Comparison of growth of microfinance industry for FY16 and FY15

Particulars	FY16	FY15	% Increase
Disbursements (crore)	61,860	37,599	65
Gross Loan Portfolio (crore)	53,233	28,940	84
No. of clients (crore)	3.25	2.26	44
No. of employees	85,888	62,407	38

Source: MFIN Micrometer, 2016.

Table 2: Region-wise distribution of number of SHGS with savings linkage (%)

Year	North Eastern Region	Northern Region	Central Region	Western Region	Eastern Region	Southern Region
2013-14	4.26	4.92	9.23	12.07	19.77	49.75
2014-15	4.34	4.69	10.62	12.23	19.81	48.32
2015-16	5.44	4.98	10.32	12.88	21.51	44.87

Source: The Bharat Microfinance Report 2015, Sa-Dhan.

Table 3: Progress under Microfinance-Bank Loans disbursed to SHGs Agency-wise position during 2015-16(Amount in lakh)

Sl. No.	Name of the Agency	Loans disbursed to SHGs by Banks during the year		Out of Total-Exclusive Women SHGs	
		No. of SHGs	Loans Disbursed	No. of SHGs	Loans Disbursed
1	Commercial Banks	1132281	2518497.23	972524	2296692.09
2	Regional Rural Banks	470399	916492.88	456352	900746.18
3	Cooperative Banks	229643	293699.98	199795	243703.67
	Total	1832323	3728690.09	1628671	3441141.94

Source: Status of Microfinance in India, 2015-2016, NABARD.