

## Microfinance : A Tool for Social Empowerment of Women, A Case Study of Punjab

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### Abstract

The purpose of this paper is to study the impact of microfinance on social empowerment of women. The paper studied the impact of microfinance on mobility, freedom, development of network and further effect of training and orientation on the microfinance members. Both simple as well as advance statistical techniques like Chi-Square test, ANOVA, t-test, regression analysis and Z-test were applied to analyze the data. We have found that there is a paradigm shift in most of cases where micro-lending have taken place and women have gained confidence, voicing concern and even in decision making. The paper will outline the advantages to women beneficiaries in terms of acquiring better skills, confidence, bank and market linkage is seen.

### Key Words

Microfinance, Self Help Groups (SHGs), Social Empowerment, Empowerment

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### INTRODUCTION

With the emergence of microfinance, a wave of progress was imagined in the world with which low-income households will be having permanent access to a range of good quality financial services to finance their income generating activities, to build assets, to stabilize consumption, and to protect against risks. Services of microfinance include savings, credit, insurance, and money transfers. It allows social development of unprivileged people by protecting, diversifying, and increasing their sources for income by bringing them out of hunger and poverty. The ability to borrow a small amount of money to take advantage for income

generating activity, to pay for school fees, or to bridge a cash-flow gap can be a first step in breaking the circle of poverty.

UNDP has defined two crucial routes as imperative for empowerment. First is social mobilization and collective agency, as poor women often need the basic capabilities and self-confidence to counter and challenge existing disparities and barriers against them. Second, the process of social mobilization needs to be accompanied by economic security. One strategy which has been found to be promising is participatory institution building in the self-help groups, often coupled with saving and microcredit loans (ESCAP, 2002)<sup>[1]</sup>. The World Bank has suggested that empowerment of women should be a key aspect of social development programs (World Bank, 2001)<sup>[2]</sup>.

The impact of microfinance program through SHG is remarkable. The high level of costs is often mentioned to explain the reluctance of the conservative or conventional banks to provide credit to the poor. Given small sizes of the loans, conventional banks simply do not think it is worth the risk or the high cost of appraising the loan (Akula, 2010). Organisations like Hindustan Lever have looked at the potential of these groups as a channel for retailing and have launched a programme called 'Project Shakti' to tap the smaller villages through the micro-credit channel. Another discovery followed that the poor can and will save, and can indeed use a wide range of financial services such as payment facilities and insurance products.

Microfinance is as important as bank, though in all the cases it may not come forward to issue small loans. Most small groups start their existence without any institutional help. As the group starts saving, it can obtain the small amount of finance from the groups' own saving. The promotion of income generating activities for the poor, rural women and urban women is perceived as a powerful medium to solve several socio-economic problems such as reduction of poverty, provision of goods and services in the local markets as per their needs. The poor people are getting help from SHGs in the form of training, monetary loan and inculcating continuous saving habits when they form a group of people whose minimum strength can be five and maximum strength can be 20. If group members exceed 20, then group must be a registered group. But the group must be formed by female members or by male members separately. Group works hand in hand with the policies of SHGs. In addition to the establishment or growth of micro enterprises, microfinance can increase the standard of living for the economically active poor women and improve their empowerment. SHGs intermediated by micro-credit have been shown to have positive effects on women, through asset creation, income,

consumption, smoothing, provision of emergency assistance, empowering and embodying women by giving them control over assets and increased self-esteem and knowledge (Goetz and Sengupta,1996)<sup>[3]</sup>.

Empowerment is viewed as a means for generating social environment in which beneficiaries/participants are able to take decisions and make independent choices either individually or in a group for social revolution. It strengthens the innate ability by way of knowledge acquiring, experience and power. Empowerment is a multi-dimensional social process that helps people gain control over their lives, communities and in their society by acting on issues. Empowering women puts the spotlight on education and employment which are an essential element to sustainable development. The situation in India is grim; and in fact, India is late starter in this field. Despite the significant growth and poverty reduction records that India has achieved during the past decade, the country still has a long way to go, especially with respect to rural poverty.

Empowerment can take place at a ranking of different levels – household, individual, community and societal - is facilitated by providing encouraging factors like exposure to the new activities, which can build capacities and removing inhibiting factors like lack of resources and skills. In this connection, microfinance with Self-Help Groups plays an effective role for promoting women empowerment. It is not only an efficient tool to fight against poverty, but also as a means of promoting the empowerment of the most marginalised sections of the population, especially women.

The research lays emphasis on economic empowerment of women. As a consequence of economic empowerment, income, savings, employment and self-employment increases and thus reducing unemployment and indebtedness. Social empowerment refers mainly to the social awareness and literacy rate, especially of women who are much exploited in many parts of the developing countries.

#### **OBJECTIVES OF THE STUDY**

1. To study the impact of microfinance on mobility, freedom & development of network.
2. To study the impact of microfinance on knowledge.
3. To study the effect of orientation & exposure on awareness and knowledge of members.

#### **RESEARCH DESIGN**

The sample of the study was based on multi-stage random sampling technique. Punjab State is divided into 3 well-defined agro-climatic zones on the

basis of several factors like cropping pattern, rainfall, humidity, temperature, soil texture, soil quality, underground water table and quality, etc. These zones provided the 1st stage of sampling unit, while Self-Help Groups and respondents became the 2nd and 3rd stage of sampling unit.

1. Punjab State is divided into the three agro-climatic zones as under :
2. Sub-Mountainous Zone : This zone includes Hoshiarpur, Ropar, Nawan Shehar and Mohali
3. Central Plain Zone : This zone includes Amritsar, Gurdaspur (except Pathankot), Jalandhar, Kapurthala, Ludhiana, Patiala, Fatehgarh Sahib, Taran Taran, Moga and Sangrur.
4. South-Western Zone : This zone includes Bathinda, Mansa, Faridkot, Muktsar, Firozpur, Abohar and Barnala

### 1.1 Microfinance & Social Empowerment

Microfinance programme pursued through SHGs is a collective effort of group participants. The members co-operate one another, deal with other members of the society, and meet the members of other groups in their joint group meetings. In this way, they develop a social behaviour. Women are given an opportunity to come out of the four walls of their houses and meet other members of the society, which leads to their socio-cultural and familial empowerment.

#### 1.1.1 Mobility, Freedom, Development of Network

The traditional social norms restrict women's freedom of movement. But if a woman becomes able to attain such freedom she is considered to be more empowered. Microfinance activities encourage and offer an opportunity to their members to visit other places for acquiring skills, training and exhibiting their products in various fairs and exhibitions. Exposure of the members in the programme increases their confidence in travelling to other places. However, some of the women are hesitant and do not take these activities themselves and they remain laggards.

There were three statements related to the mobility, freedom and development of network about which the respondents expressed their extent of agreement. A perusal of Table 1.1 showed that the overall average score of 'interaction within the community has increased' was 4.33. This showed that the respondents agreed that their interaction within the community has increased after joining the SHGs. The mean score was 4.32, 4.42 and 4.13 in Zone-I, Zone-II and Zone-III. This indicated that the respondents in all the zones agreed upon the increased interaction within the community after joining the SHGs.

**Table 1**  
**Extent of Agreement on Mobility, Freedom, Development of Network after Joining the Group by the Respondents**

Statement	Zone-I	Zone-II	Zone-III	Overall	F-Ratio
	Mean $\pm$ SD	Mean $\pm$ SD	Mean $\pm$ SD	Mean $\pm$ SD	
Interaction within the community has increased	4.32 $\pm$ 0.78	4.42 $\pm$ 0.81	4.13 $\pm$ 1.25	4.33 $\pm$ 0.94	2.12
Interaction with outsider has increased	4.43 $\pm$ 0.78	4.43 $\pm$ 0.81	4.36 $\pm$ 1.31	4.41 $\pm$ 1.09	2.19
You have freedom to visit outside the area of your living	4.13 $\pm$ 0.84	4.40 $\pm$ 0.86	4.38 $\pm$ 1.09	4.33 $\pm$ 0.96	2.88*

The overall average score of 'interaction outside the community has increased' was 4.41. This showed that the respondents agreed that their interaction outside the community has increased after joining the SHGs. The mean score was 4.43, 4.43 and 4.36 in Zone-I, Zone-II and Zone-III. This indicated that the respondents in all the zones agreed upon the increased interaction outside the community after joining the SHGs. The overall average score of 'having freedom to visit outside the area of work' was 4.33. This showed that the respondents agreed that they have the freedom to visit outside the area of their work after joining the SHGs. The mean score was 4.13, 4.40 and 4.38 in Zone-I, Zone-II and Zone-III. This indicated that the respondents in Zone-I and Zone-II all the zones agreed upon the increased interaction outside the community after joining the SHGs.

This revealed that there was general agreement on the increase in mobility, freedom and development of network of members after joining SHGs. This showed that SHGs emerged as a tool of social change.

### 1.2 Effect of Training Aspects on Knowledge

The effect of different aspects related to the training provided by MFIs on the awareness and knowledge of members was identified through regression analysis. The results of the analysis are shown in Table 1.2. In the first run equation, the value of R-square came to be 0.424, which reduced to 0.415 in the final run equation. Only two aspects were found to be significant. This showed that the non-significant aspects contributed only 0.9 per cent towards knowledge of respondents. As much as 41.5 per cent of the variation in the awareness and

**Table 2**  
**Effect of Different Training Aspects on Awareness and Knowledge of Respondents**

Variable	1st Run Equation		Final Run Equation	
	$\beta$	t-value	$\beta$	t-value
Constant	48.598	23.76**	47.845	29.10**
Training given by MFIs on site (at the work place)	4.833	3.80**	4.962	5.69**
Training given by MFIs off site	0.546	0.26		
Industrial visits conducted by MFIS	0.914	0.80		
Do you think training has covered all the technical aspects required?	1.618	0.46		
Workshops conducted by MFIs were knowledgeable	1.847	2.50*	1.917	2.87**
MFI training helped in marketing linkage	1.604	0.69		
The programs conducted by MFI have given you skill set to work	4.063	1.16		
R-square	0.424		0.415	

knowledge of respondents was explained by the two significant aspects of training provided by MFIs.

The regression coefficient of 'onsite training' and 'workshop conducted by MFIs knowledgeable' were found to be significantly positive. This indicated that the training provided on site of work exerted positive effect on the awareness and knowledge of the members about group activities and functions. Similarly, if the trainings provided by the MFIs are knowledgeable it causes to enhance the awareness and knowledge of the members about group activities and functions. Therefore, the MFIs should focus to provide training on the site of work and impart thorough knowledge through trainings. It would help the members to get higher level of awareness and knowledge about group activities and functions.

### 1.3 Effect of Orientation and Exposure on Awareness and Knowledge of Members

A perusal of Table 6.6 showed that in the first run equation, the value of

R-square worked at 0.465 which reduced to 0.431 in the final run equation. In the final run equation, only two variables were significant while in the final run equation three variables came to be significant. The six non-significant variables contributed only 3.40 per cent towards members' awareness and knowledge, while the three significant variables explained 43.10 per cent of the variation in the awareness and knowledge of members about group activities and functions.

**Table 3**  
Effect of Different Aspects of Orientation and Exposure on Awareness & Knowledge of Respondents

Variable	1st Run Equation		Final Run Equation	
	$\beta$	t-value	$\beta$	t-value
Constant	50.234	24.06**	50.390	25.34**
You have knowledge of your rights	1.338	0.70		
You are aware of your entitlement as a member of group	1.560	0.43		
Your confidence has increased towards work	2.781	1.10		
You have attained the skills to work	0.368	0.15		
You have better linkage with banks	1.459	1.83	1.567	2.85**
You have knowledge of schemes / Govt. benefits available	2.656	1.13		
You have better market linkage	5.387	1.97*	7.206	4.35**
You have enhanced your income	2.782	1.07		
You actively participate in decision making in the family	1.605	0.58		
R-square	0.465		0.431	

The regression coefficient of 'attainment of skills to work', 'better linkages with banks' and better linkages with market' came to be significantly positive. This indicated that there would be an increase in the awareness and knowledge of members with the increase attainment of skills of work, better linkages with banks and market. Hence, work skills, bank and market linkages emerged as the significant contributors of awareness and knowledge of members about SHG activities and functions.

#### 1.4 Effect of Orientation and Exposure on Empowerment of Members

A perusal of Table 1.4 showed that in the first run equation, the value of R-square worked at 0.465 which reduced to 0.431 in the final run equation. In the final run equation, only four out of nine variables were significant while in the final run equation six variables came to be significant. The three non-significant variables contributed only 1.10 per cent towards members' empowerment, while the six significant variables explained 57.20 per cent of the variation in the empowerment of members.

**Table 4**  
Effect of Orientation & Exposure on Empowerment of Respondents

Variable	1st Run Equation		Final Run Equation	
	$\beta$	t-value	$\beta$	t-value
Constant	21.842	56.46**	21.768	59.03**
You have knowledge of your rights	0.247	0.70		
You are aware of your entitlement as a member of group	1.438	2.16*	1.610	2.63**
Your confidence has increased towards work	1.617	3.46**	1.581	3.54**
You have attained the skills to work	2.287	5.02**	2.373	5.45**
You have better linkage with banks	1.076	1.85	1.013	1.97*
You have knowledge of schemes / Govt. benefits available	1.245	1.28		
You have enhanced your income	0.108	0.21		
You have enhanced your income	2.233	4.65**	2.280	4.85**
You actively participate in decision making in the family	1.313	1.91	1.329	2.63**
R-square	0.583		0.572	

The regression coefficient of 'awareness of entitlement as a member of group', 'increased confidence towards work' 'attainment of skills of work' 'better bank linkages' 'enhancement in income' and 'active participation in the decision making in the family' came to be significantly positive. This indicated that there



would be an increase in the empowerment of members with the increase in the above aspects of orientation. Hence, awareness of entitlement as a member of the group, increased confidence towards work, attainment of skills of work, better bank linkages enhancement in self-income and active participation in the decision making in the family emerged as the significant contributors of empowerment of members. This showed that the members with the higher level of above mentioned variables would more actively participate in different political activities at different levels. This revealed that these aspects of orientation and exposure should be kept in mind when action plans of MFIs and SHGs are formulated. This will go a long way to enhance the awareness, knowledge and empowerment of group members.

In all the areas we have observed that their role in decision making at household level is much lower when compared to decision making at the collective group level. This is quite understandable as women are in a better position to take decisions as a collective than at the household level, where the individual woman is confronted with other family members and might not always have the decision making power. The SHG members who took loan for consumption purposes, But it is only the 3rd loan taking which has shown that they starting involving themselves in those but fruitful economic activity. Consumption consists of medical purposes, education of children, house construction, and repayment of old debts etc.

## CONCLUSION

It may also be concluded that the group members were having knowledge about different group activities and functions to a large extent. However, in many cases, the level of knowledge of respondents was up to some extent in Zone-III. Therefore, the involvement of members in Zone-III needs to be increased so that the members may be equipped well with the knowledge of different group activities and functions. The analysis also revealed that trainings provided by MFIs are not adequate. The SHGs helped the members to a very small extent in improving upon skills, confidence, bank linkages, market linkages, etc. The reasons behind this should be explored and set right to the maximum benefit of the members. There was significant cooperation and peer to peer help in work and in personal problems among members of SHGs under study. The study indicated that the decision making regarding use of loan amount, business/work to be started with the loan money and use of income generated through business was to large extent while the decision making regarding household infrastructure and purchases of households was to some extent in all the zones as well as the state.

## RECOMMENDATIONS

Mobility, freedom, community network of women also improved significantly after joining SHGs. The main concern of backwardness of the rural society in Punjab remained always the social hurdles in the mobility, freedom and community network of rural women, the half of the rural society. The microfinance institutions have unleashed the empowerment of rural women by mitigating the chains of conservative social values through micro-finance schemes. Therefore, the MFIs should lay more emphasis on strengthening the women SHGs in rural Punjab.

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