

Role of Micro Finance in Women Empowerment : A Case Study of India

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In India, poverty alleviation has remained one of the main objectives since first five-year plan. To achieve this objective, India has made systematic efforts including targeted programs, land and tenancy reforms, participatory and empowerment-based approaches, provision of basic services etc. Despite of initiating various programs from time to time, qualitative results of these programs are far from satisfactory. Besides this, all earlier programs were male-oriented and were not specifically targeted at women, who bear the greater scars of poverty.

WOMEN EMPOWERMENT

Empowerment is the process of increasing the capacity of individual or group to make it choices and to transform those choices and to transform those choices into desired actions which both build individual and collective assets and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets. Empowerment surpasses the economic domain and the improvement in well-being by taking on strategic gender interests. Over the past decade, women's empowerment has been explicitly recognized as key not only to the health of nations, but also to social and economic development. As per National Family Health Survey, India 2005-06, women have lower per capita resource access than men. With regard to economic empowerment, it further states that while having a bank or savings account can be thought of as the privilege of wealth, having and using a bank or savings account, irrespective of wealth, is

an indicator of women's ability to manage money, as well as interact successfully with modern institutions. Despite India's rapid modernization, few women have a bank or savings account that they themselves use. The survey shows, only 15% of women age 15-49 have a bank or savings account that they use.

In India, cultural norms stress upon male responsibility for protecting members of the family. Men are given authority within household and prior claim to its resources. Women are assigned a subordinate status within their household and society at large. Denied equal access to resources, facing cultural restrictions leads to greater dependence on men shows high level of inequality. In India, for advancement of women different developmental programs were initiated from time to time, and for the first time during its sixth five year plan (1979-84) it was recognized that developmental programmes would be meaningless if they do not involve rural women. Then in seventh five year plan (1984-89), women's ability to form groups and participate in economic activity was recognized. It was also realized that role of voluntary organizations would be crucial in organizing women and to supplement government efforts. The eighth five year plan (1992-97) went further and recognized that women must be enabled to function as equal partner and participant in development. The ninth five year plan (1997-2002) is most vocal about women's empowerment and government efforts at formation of SHGs. The process of empowering women continued in tenth plan (2002-2007) with a three fold strategy for women i.e. economic empowerment, social empowerment and gender justice. In eleventh plan (2007-2012) women are recognized not just equal citizens but also agents of economic and social growth.

In continuation of various programs for women empowerment, micro finance was assumed as an important institutional device for providing small credit to rural poor. Therefore, micro finance has received a lot of attention both from policy makers as well as in academic circles. Micro finance programmes have brought the vibrancy in market economy to the poorest villages and people of the world. This business approach to alleviation of poverty has allowed millions of individuals to work their way out of poverty and dignity. The success of micro finance is largely due to the fact that these tiny loans have not helped in combating poverty but also have brought a big change in social status of women.

WOMEN AND MICRO FINANCE

The realization that the poor are credit worthy irrespective of gender, and the experience that women are consistently better in promptness and reliability of resource payment, make the women the favored target of micro finance programmes.

It is assumed that this will accrue to the general welfare to the family, and particularly the children. At the same time, women themselves benefit from higher status they achieve when they are able to provide new income. Further, the women are preferred clients because they can be perused to operate on gendered notion of decency and discipline.

The origin of micro credit can be traced to the 1976 when Mohammed Yunus set up the Grameen Bank on the outskirts of the Chittagong University Campus, as an experiment. Grameen Bank in Bangladesh started with collateral free credit to poor organized into small borrowers groups. This model of groups lending has been copied by various developing countries.

MICRO FINANCE

Micro finance is defined as provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban and urban areas enabling them to raise their income levels and improve living standards.

The characteristic features of micro credit operation are small loans to poor households in rural and urban areas for income generation through self-employment. Micro credit programs are those programs, which extend small loans to poor people for self-employment projects that generate income, allowing them to care for themselves and their families.

GENESIS OF MICRO FINANCE IN INDIA

With a view to developing a supplementary credit delivery mechanism to reach poor in cost effective manner, National Bank for Agriculture and Rural Development. (NABARD) initiated certain research projects on SHG. Among these the Mysore Resettlement and Development Agency (MYRADA) sponsored a research project on saving and credit management of SHGs was partially funded by NABARD in 1986-87. In 1988-89, in collaboration with some of the member institutions of Asia-Pacific Rural and Agricultural Credit Association (APRCA), NABARD undertook a survey of 43 NGOs in 11 states in India, to study the functioning of micro finance SHGs and their collaboration possibilities with formal banking system. Both these research projects threw up encouraging possibilities and NABARD initiated a pilot project called the SHG Linkage Project. The SHG-BANK Linkage Program was further extended to regional rural banks and cooperative banks in 1993. In 1996, the RBI directed the banks to consider lending to SHGs, as an additional requirement under priority sector.

In India the focus of micro finance was on a group approach and organizing

the poor in to self-help groups (SHGs). SHGs are considered as the best way to provide the credit to the poor who require it the most where by advantage percolates exactly to the needy.

SHG is a group of individual members who by an association, come together for a common collective purpose. SHGs comprise individual members known to each other, coming from the same village, community and even neighborhood. These are formed around the theme of saving and credit. A small group of individuals become members and pool their savings on a regular basis to form a collective fund. During this period, the groups are expected to open a savings account with a financial institution which would like to extend credit. This fund is than rotated as credit amongst the members though self-generated norms. Hence, the basis of SHG is the mutuality and trust in depositing individual savings on group funds. External funds can also be introduced to help SHGs after the functioning of an SHG becomes stable may be with the help of NGOs.

The SHG-Bank Linkage Model is assumed to be appropriate, as with this, outreach can be expanded substantially. Moreover, this programme becomes more significant in the areas where banks are still not meeting adequate credit demand of the poor. SHG-Bank linkage programme, which started as a pilot project earlier has now become a movement and many believe it as country's dominant system of mass-outreach banking to the poor.

MODELS OF MICRO FINANCE

1. SHG Bank Linkage Model

Under this model banks help in formation of Self Help Groups. Cost of formation is borne by banks and that cost is treated as investment for good business with moderate risk. Banks also undertake such responsibility as a part of social responsibility. After group formation the banks provide financial assistance to individual SHGs for lending to individual members. Several studies taken upon the aspect of impact of SHG lending on bank branches indicate a reduction in the bank transaction cost. A study in south India, in the initial years of the programme itself estimated the reduction in transaction cost to the extent of 41% as compared to normal individual lending .

2. MFI Bank Linkage Model

Through this model banks provide financial assistance to micro finance institutions, to further lend as micro finance. Types of financial institutions which get financial assistance fall in three categories;

- (i) **NGO MFI** : These institutions register under Societies Registration Act, 1860. NGOs help the SHGs to organize themselves into federations and these federations are also registered as trusts and societies. Here loan is given to NGOs by the bank for lending to SHGs.
- (ii) **Cooperative MFIs** : These institutions are registered under state Cooperative Societies Act.
- (iii) **NBFC MFIs** : These are Non Banking Finance Companies registered under Companies Act.1956 and regulated by RBI. There are only a few MFIs in the country that are registered as NBFCs.

SHG – BANK LINKAGE PROGRAMME IN INDIA

In India the SHG movement has become the basis for promoting empowerment and overall improvement of the status of women in society. Studies also indicate that in states like Andhra Pradesh on an average, SHG members have accumulated individual savings up to INR. 1800. In mature SHGs the average individual savings have been as high as INR. 10000. Micro finance for women has recently been seen as a key strategy in meeting not only one of the millennium goals on gender equality but also overall poverty reduction, health, HIV/ AIDS and other goals. Studies reveal that if the women members continue to participate in SHGs for a longer period, their personal abilities, ownership of economic assets, development of skill and decision-making power improve far better. Loan to women has positive and significant effect on children's status through decline in malnutrition among children. Children's education is frequently found to improve with access to micro finance. Studies relating to Pradan and CYSO (two leading SHGs undertaking micro finance programme) have found significant improvement in food security and quality of diet, access to clean drinking water and improvement in housing. Women's participation in SHGs shows that there is increase in income and assets in the hands of poor women over their pre membership situation. Women's contribution of more money to households on regular basis is well appreciated by other family members. Studies found that increase in income have resulted in very visible increase in self confidence and self-worth among women. Moreover, women are able to meet various life cycle needs like housing, education and marriage. As women have often proved to be better saver, repayer of loans and more willing to form effective groups to collect savings, targeting women has improved the financial sustainability of micro finance programs.

In this poverty alleviation programme, financial institutions in the country

continued to play a leading role. NABARD is acting as an apex institute in micro finance programme. Besides these funds are channeled through scheduled commercial banks, regional rural banks, state cooperative banks and central cooperative banks.

Table 1 and 2 below show various women SHGs registered for savings and credit with various bank groups. Both the Tables show bank-wise and region-wise disparity. Considering the bank-wise linkage with women SHGs, public sector banks have focused more on micro finance program followed by regional rural banks and cooperative banks. Number of women SHGs registered with private sector banks is quite less both for savings and credit. Region-wise analysis showed that maximum number of women SHGs is registered in southern region

Table 1
Region-wise Distribution of Credit to Women SHGs by Various Bank Groups as on March 2010

(INR in 00 thousands)

Region	Public Sector Banks		Private Sector Banks		Regional Rural Banks		Co-operative Banks	
	Women SHGs	Credit to Women	Women SHGs	Credit to Women	Women SHGs	Credit to Women	Women SHGs	Credit to Women
Northern Region	11183 (1.27)	10755.07 (1.21)	371 (2.78)	458.29 (2.79)	5933 (2.08)	4782.17 (1.74)	10516 (8.67)	6590.30 (10.18)
North Eastern region	11622 (1.32)	8565.25 (.96)	2 (.015)	2.27 (.01)	2896 (1.01)	2634.39 (.46)	97 (.08)	70.18 (.10)
Eastern region	131944 (15.06)	73014 (8.22)	25 (.18)	13.90 (.08)	6450 (2.27)	447477 (1.63)	12040 (9.93)	4790.80 (7.40)
Central region	19904 (2.27)	13725.53 (1.54)	7 (.05)	11.80 (.07)	8407 (2.95)	3462.39 (1.26)	2327 (1.92)	1548.72 (2.39)
Western region	57869 (6.60)	30403.13 (3.42)	93 (.69)	93.28 (.56)	2721 (.95)	2347.97 (.85)	46655 (38.50)	13382.12 (20.68)
Southern region	643357 (73.45)	751459.26 (84.62)	12800 (96.25)	15852.77 (96.61)	199662 (70.27)	215938 (78.83)	49544 (40.88)	38310.57 (59.21)
Total	875879	887922.95	13298	16408.31	284120	273912	121179	64692.75

Source : NABARD.

across all bank groups, whereas north eastern region is most neglected one which includes the states like Assam, Meghalaya, Nagaland, Tripura, Mizoram which are already backward on economic front. Same is true for the eastern region. It shows that instead of making big claims on micro finance by government, poorest of poor women are still not covered under mainstream of micro finance.

Table 2
Region-wise Distribution of Savings by Women SHGs with Different Bank Groups as on 31 March 2010

(INR in 00 thousands)

Region	Public Sector Banks		Private Sector Banks		Regional Rural Banks		Co-operative Banks	
	Women SHGs	Saving by Women SHGs	Women SHGs	Saving by Women SHGs	Women SHGs	Saving by Women SHGs	Women SHGs	Saving by Women SHGs
Northern Region	150546 (4.61)	15684 (5.51)	1814 (2.08)	254.98 (4.51)	6543 (.52)	3529 (3.54)	72796 (10.10)	4069 (6.76)
North Eastern region	71244 (2.18)	2962.17 (1.04)	2 (.02)	.24 (.004)	25018 (2.01)	2223 (2.23)	1571 (.21)	46.59 (.07)
Eastern region	541140 (16.58)	28702.85 (10.09)	5992 (6.89)	10.04 (.17)	372846 (30.05)	44562 (44.70)	215872 (88.69)	19017 (31.63)
Central region	199206 (6.10)	12128.26 (4.26)	240 (.27)	2.77 (.04)	65471 (5.27)	4846 (4.86)	30487 (4.23)	1390 (22.33)
Western region	335176 (10.27)	36171.19 (12.71)	2458 (2.83)	204.90 (3.62)	81314 (6.55)	565 (.56)	188514 (56.53)	10497 (17.45)
Southern region	1965898 (60.24)	188759.67 (66.36)	76338 (87.90)	5176 (91.62)	639150 (51.53)	43958 (44.09)	210800 (29.27)	25100 (41.74)
Total	3263210	284408.59	86844	5649		99686	720040	60121

Source : NABARD.

GAPS IN EMPOWERMENT PROCESS THROUGH MICRO FINANCE

– For a long time, while MFIs are growing at an unnatural pace through geographic diversification, the borrowers are probably growing at a normal pace. With competition setting in, more and more MFIs concentrated on same geographies.

With this, clients are getting multiple choices and they even get the credit from a number of institutions at one point of time. It becomes difficult for clients to repay the loan of multiple lenders at one time, simultaneously MFIs have not provided themselves with mechanism of coping with default, and the pressure on borrowers turns out to be intense. This pressure could potentially lead to suicides.

– Annual compulsory targeting for continuous supply of micro credit at macro level on one hand and over indebtedness and consumption at micro level on other hand are indeed an important risk of micro finance in the process of empowerment.

– MFIs, one of the institutions at supply side have lost their reputation as social agents over the period of time. Now they are emerging as formal moneylenders at the door step of poor. They charge high cost of credit ranging from 20% to 40%, their recovery procedure is also very harsh and compulsory, and repeat loaning for closing previous loans. Andhra Pradesh has witnessed a number of suicide cases due to non-payment of borrowed funds from MFIs; here it is irony to note that Andhra Pradesh is the hub of micro finance activities.

– In SHG bank linkage and SHG MFI linkage program drop-out rate has been witnessed in SHG system. Drop-out of some of some of the members from the group puts pressure on remaining members ultimately affecting the empowerment process. All this push the target people into accumulation of debt trap.

– In SHG Bank Linkage programme, peer group pressure for repayment forced the poor women to repay without default and in the process poor women in some cases, have to go to the money lender and pledge some of their household assets at higher rate of interest for availing the loan. Ultimately poor women became poorer.

– Loans are extended to poor women even for non-agricultural activities (even for consumption purpose) irrespective of their existing debt, thereby also increasing debt burden of the poor by the institutions.

– Most of the times the focus is only to provide loans and meet targets, end use of those loans are not verified effectively. Non-financial assistance like training, marketing, transportation etc. is not focused upon.

CONCLUSION

Micro finance as a poverty alleviation tool, started by NABARD as pilot project now occupies prime position. Currently 97 million families in India are covered under this programme with which total outstanding loan is INR 280880.38 millions From the total loan given under micro finance, 88 per cent of the loans are exclusively for women SHGs. Despite the fact that financing under this

programme has grown multifold over the period of time, a high degree of organizational diversity exists and a couple of trends are worth noticing. Many studies show that the given programme has improved the standard of living of poor women whereas at the same time other studies show other side of the picture where pressure from lender side to repay loans leads to suicides.

Although micro finance has proved to be instrumental by strengthening a significant pillar of the social structure i.e. women folk but it needs to be supplemented with non-financial services like provision of training and education for real value addition to women as women need technical know-how and knowledge of market as well to become successful entrepreneurs. The road to success may be longer with lot many hurdles, but success of microfinance programs doesn't seem to be far if backed by education and training.

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