Available online at http://www.journalijdr.com

International Journal of DEVELOPMENT RESEARCH

IJDR

ISSN: 2230-9926

International Journal of Development Research
Vol. 5, Issue, 03, pp. 3683-3686, March, 2015

Full Length Research Article

EMPOWERING WOMEN THOROUGH MICRO FINANCE: STATUS AND EMERGING CHALLENGES

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ARTICLE INFO

Article History:
Received 17th December, 2014
Received in revised form
21st January, 2015
Accepted 25th February, 2015
Published online 17th March, 2015

Key words:
Micro-finance, SHGs,
Informal Groups,
Women Empowerment.

ABSTRACT

Concern with women's access to credit and contributions to women empowerment are not new. In India, the trickle down effects of macroeconomic policies have failed to resolve the problem of gender inequality. The empowerment of women and improvement of their status and economic role need to be integrated into development programs, as the development of any country is inseparably linked with status and development of women. One of the powerful tools of women empowerment and rural entrepreneurship is micro finance. This paper seeks to examine the impact and necessities of micro finance with respect to socio-economic empowerment of rural women. An effort is also made to suggest some corrective measures to overcome the problem to enhance women empowerment.

INTRODUCTION

In the early 1970s women's movements in a number of countries became increasingly interested in the degree to which women were able to access poverty-focused credit programs and credit cooperatives. In India women's movements identified credit as a major constraint in their work with informal sector women workers. The problem of women's access to credit was given particular emphasis at the first International Women's Conference in Mexico in 1975 as part of the emerging awareness of the importance of women's productive role both for national economies, and for women's rights. Micro-credit was first started in Bangladesh by Dr. Mohammad Yunus through Grameen Bank, which was first established in 1976. Now, according to internal survey 58 percent of borrowers of Grameen Bank have moved out of poverty. Goal is to make sure that all the families connected with Grameen Bank get out of poverty by 2015 (Yunus, 2007).Grameen Bank adopted a simple but effective system. The 1980s and 1990s also saw development and rapid expansion of poverty-targeted micro-finance institutions and networks like Grameen Bank.In these organizations and others evidence of significantly higher female repayment rates led to increasing emphasis on targeting women as an efficiency strategy to increase credit recovery.

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A number of donors also saw female-targeted financially sustainable micro-finance as a means of satisfying internal demands of the increasingly vocal gender lobbies. The trend was further reinforced by the Micro Credit Summit Campaign starting in 1997 which had 'reaching and empowering women' as its second key goal. Micro finance for women has recently been seen as a key strategy in meeting not only Millennium Development Goals on gender equality, but also Poverty Reduction, Health and other goals.In India, the emergence of liberalization and globalization in early 1990's aggravated the problem of the women workers who were engaged in various employment activities have lost their livelihood. Despite in tremendous contribution of women to the agricultural sector, their work is considered just an extension of household domain and remains non-monetized. Micro finance has evolved as a powerful tool for poverty alleviation and to meet the vast unmet potential in the country. Rapid progress in Self Help Group (SHG) formation has turned into an empowerment movement of women across the country. In India, over 90 percent of SHGs comprised of only women members (NABARD, 2010).

Microfinance and Demand for Its Services

Micro finance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development etc.

Microfinance is about "Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards" (NABARD, 1999). As per Micro Credit Special Cell of the Reserve Bank of India , the borrowable 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 which roughly equals to $500 – a standard for South Asia as per international perceptions. Micro finance institutions having varied ownership structure like societies, trusts, not for profit companies and for profit companies, etc., are providing micro finance to the poorer sections of the society. A number of private sector banks are using the micro finance institutions to meet their priority sector obligations. Micro finance scene is dominated by Self Help Group (SHGs)-Bank Linkage programme in India as a cost effective mechanism for providing financial services to the unreached poor.

The NABARD has been the main facilitator of the Self Help Group-Bank Linkage approach in which small informal groups called 'self-help groups' have been provided with financial support in the form of grants to develop themselves as institution capable of accessing credit from the formal banking structure in the country. This programme has had a tremendous impact on the lives of the underprivileged rural women.In fact, it is tempting to state that there is nothing new about microfinance in India. Banks in India have been giving small loans and have been accepting small deposits. It is reported that about 55% of all loans given by all scheduled commercial banks in India are small loans i.e. less than Rs.25, 000 as on March 2004 (Economic and Political Weekly, March 18-24, 2006, p.1131). However, the number of small borrowed accounts has experienced an absolute decline in recent years. But this is not microfinance as understood in the present context in its true spirit. In today's context, the design principles of microfinance are derived from the needs and socio-economic conditions of the poor and have emerged from the experience of microfinance institutions during the last two to three decades all over the world.

These design principles are: small saving or thrift by poor is possible if collected at doorsteps; poor people need small collateral free loans with frequency instead of large loans at a time; non-rigidity of end use is preferred by poor people over rigid end use of small loans; repayment to match with existing family cash flow instead of individual cash flow or project cash flow; rate of interest is not crucial and relative to hassle free, timely, adequate and continued credit facility; relatively small repayment periods are preferred, e.g. weekly, fortnightly, monthly, instead of half-yearly, yearly, etc.; intensive supervision is required for microfinance operations; credit plus is preferred over credit alone; women are better customers relative to men; and group method of lending is more successful relative to individual lending. Studies report that annual credit usage by 60 million rural poor households at an average of Rs 6000 is Rs 360,000 million per annum and annual credit usage by 15 million urban poor households at an average of Rs 9000 is Rs 135,000 million per annum (Mahajan *et al*., 2000). Out of an estimated 56 million poor families at the end of March 2006 only 33 million poor families i.e. 57.5 per cent of the poor families have been covered by micro finance schemes. It is reported that the outreach of formal financial institutions is about 17.2% of rural households in terms of loan accounts (RBI, 2005). However, in terms of saving accounts, this proportion is about 18.4%. It is important to note that these proportions relate to all rural households and is much less for poor rural households. The notable point is that there is huge demand for financial services from poor that has to be met by formal financial institutions or other institutions providing microfinance. The same applies regarding insurance services for poor. The efforts need to be strengthened, to ensure financial inclusion utilizing the microfinance system, especially in unbanked rural areas.

Empowerment through Self Help Groups

The World Bank (2001) has suggested that empowerment of women should be a key aspect of social development programs. United Nations (2001) defines empowerment as the processes by which women take control and ownership of their lives through expansion of their choices. UNDP (2001) has identified two crucial routes as imperative for empowerment. 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. Second, 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 a position to mobilize.

One of the successful ways through which microfinance services are being provided to poor people is through Self-Help Groups. The SHG- bank linkage programme, referred to as the Indian micro finance model began formally in 1992 with a set of guidelines passed by NABARD and RBI enabling commercial banks to lend to SHGs without collateral. A self-help group consists of 10-20 members drawn from a relatively homogeneous economic class (i.e. poor), self-selected on the basis existing affinities and mutual trust; members meet regularly at a fixed time and place and pool their savings into a common fund from which they take need based loans. The group develops its own rules and regulations and sanctions for violations; the meeting procedures and processes, leadership change norms, intensive training and handholding, are designed to enable SHGs to function in a participatory and democratic manner.

The objectives of the SHGs go beyond thrift and credit and include the overall development of members in the social, political, cultural and economic arena; thus the SHGs are 'credit plus' institutions. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment. Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Loan repayment rates from SHGs of 98% against 32% from other programs to the poor, convinced the banking sector of the viability of SHG lending. Currently, over 90% of SHGs in India consist exclusively of women and SHGs are the preferred strategy for both credit deliveries for the poor and women's empowerment. The experience of several SHGs reveals that rural poor are actually efficient managers of credit and finance.The rural poor with the assistance from NGOs have demonstrated their potential for self-help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women's empowerment.

SHG-Bank Linkage Programme

The focus under the SHG-bank linkage programme is largely on the rural poor comprising small and marginal farmers, agricultural and non- agricultural labourers, artisans and craftsmen. There are three models of credit linkage of SHGs with banks viz, SHGs formed and financed by banks, SHGs formed by formal agencies other than banks but financed by banks, and SHGs financed by banks using NGOs and other agencies as financial intermediaries. SHGs formed by formal agencies account for a predominant share of SHG-bank linkage, i.e. nearly 72 percent. SHGs formed by banks and SHGs financed through NGOs account for about 20 percent and 8 percent of total, respectively. The Economic Survey, 2008-09 observed in this connection, "The programme has been providing the rural poor access to the formal banking system and has achieved several milestones in terms of sensitization, empowerment and poverty alleviation. While the programme directly benefits the members, it also helps banks in reducing the transaction costs as well as risk in delivering small loans. Table shows the progress of SHG-Bank Linkage Programme for the delivery of micro finance.

Table 1. Progress of SHG-Bank Linkage

Year	New SHGs FinancedDuring the Year			Bank Loan **(Rs. Crore)		
	No. of SHGs (Lakh)	Growth %	Cumulative (Lakh)	Amount	Growth%	Cumulative
1999-00	0.82	148	1.15	135.9	138.00	193.0
2000-01	1.49	82	2.64	287.9	112.00	480.9
2001-02	1.98	33	4.61	545.5	89.00	1,026.3
2002-03	2.56	29	7.17	1,022.4	87.00	2,048.7
2003-04	3.62	41	10.79	1,855.5	81.00	3,904.2
2004-05	5.39	49	16.18	2,944.25	61.40	6,898.4
2005-06	6.20	15	22.39	4,499.09	5.00	11,397.55
2006-07	11.06	-	28.94*	6570.39	-	12366.49
2007-08	12.28	11	36.26	8,849.26	35.00	16,999.90
2008-09	16.09	31.10	42.24	12,256.51	38.50	22679.85
2009-10	15.87	(-) 1.40	48.52	14,453.30	17.90	28,038.28
2010-11	11.96	(-) 24.68	47.87	14,547.73	0.65	31221.17
2011-12	11.48	(-) 4.01	43.54	16,534.77	13.66	36340.00

Source: Economic Survey, 2006-07, p. 67, 2008-09, p. 106, 2011-12, p. 109 and 2012-13, p.111

* From 2006-07 onwards, data in respect of number of SHGs financed by banks and bank loans are inclusive of SHGs financed under the Swarnajayanti Gram Swarozgar Yojana (SGSY) and the existing groups receiving repeat loans. Owing to this change, data from 2006-07 onwards are not comparable with the data of the previous years.

** Includes repeat loans to existing SHGs.

The table shows that there has been a rapid growth of SHGs that are linked with banks i.e. Commercial Banks, Regional Rural Banks and Cooperative Banks for meeting credit requirements and other financial needs of SHG members in recent years. Particularly after 2000 the number of SHGs linked to banks has grown exponentially. SHGs have become the focal point of development schemes under the unified poverty alleviation programme, 'Swarnajyanti Gram SwarozgarYojana' (SGSY) launched by government of India in 1999. In fact, number of SHGs linked with the program has continuously increased year after year reaching a record number of 16.09 lakh during 2008-09. Though the growth percentage of the number of SHGs went to negative after 2009-10, cumulative number of SHGs sticks up at 48.52 lakh by 2009-10 and 43.54 lakh by 2011-12.Similarly, the amount of bank loans disbursed increased to Rs. 16,534.77 crore during 2011-12, leading to a cumulative disbursement of Rs. 36340 crore by 2011-12. In two decades the SHG-Bank Linkage Programme continues to be the mainstay of the Indian micro-finance scene with 74 lakh SHGs covering over 10 crore households saving with the formal banking system with savings balance of over Rs. 7, 000 crore as on 31 March 2011. About 49 lakh of these SHGs have also accessed bank credit and have over Rs 31,000 crore as outstanding credits from the banking system, thereby so far ensuring the most preferred and viable model for financial inclusion of the previously unreached poor.

Problems and Challenges of Empowerment:

Although microfinance has the ability to empower women, the connection is not straightforward or easy to make. Significantresearch and much anecdote evidence suggest that this link is certainly not automatic (Hunt and Kasynathan 2001, 2002; Kabeer 1998). Scaling up of the programme in a sustainable manner is a difficult task before various stakeholders. Despite significant progress of micro finance in the country, there are some various challenges prevailing under sector that need to be addressed.

The negative Impacts of microfinance cited by International Labor Organization are:

- Increased workloads without reduction of traditional responsibilities
- Higher social pressure to ensure loan repayment
- Women often employ daughters and daughters-in-law as unpaid employees thereby increasing their workload
- Participation in credit schemes can lead to indebtedness that is unmanageable, simply because there are no sufficiently profitable income-earning activities in which

to invest. In this situation, women may end up being even more dependent that they were before.

Studies have shown that many factors contribute to make it more difficult for women empowerment through micro businesses. These factors are:

- Micro finance assists women to perform traditional roles better and women thus remain trapped in low productivity sectors.
- Women's choices about activity and their ability to increase incomes are seriously constrained by responsibility for household subsistence expenditure and thus face the problem of shortage of fund.
- Burden of group meetings uses up women's precious work and leisure time, cutting programme costs but not necessarily benefiting women.
- Lack of participation in economic activities, lack of knowledge of the market and potential profitability makes the sustainability of the programme a challenging task.
- Employment of too many relatives increases social pressure to share benefits.
- Little or no access to insurance services, which are crucial for security and sustainability.
- Setting up prices arbitrarily and inventory and inflation are never taken into account.
- Inadequate support making a large number of SHGs as defunct and only exists in paper.
- Regional imbalance in the spread of the programme.
- SGSY provides a subsidy component of Rs. 15,000 per SHG and there has been reports that established SHGs have split or disintegrated, as members have a tendency to join schemes where subsidy is available. Such schemes have a dampening effect on the SHG-bank linkage programme, where subsidy is not available.

All above challenges are need to be addressed for women empowerment through micro business and eventually for sustainable rural development.

Conclusion

Micro finance has immense potential in the country. There are certain welcome developments happening today, like financial inclusion, which is extremely relevant for women empowerment and sustainable rural development.It has empowered women by enhancing their contribution to household income, increasing the value of their assets and generally by giving them better control over decisions that affect their lives. In certain areas, microfinance has reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health, especially among women. There are some evidences suggest that the poorest women are most likely to be explicitly excluded by programs where repayment is the prime consideration or where the main emphasis of the programs is on existing micro entrepreneurs. Thus, steps are to be taken to improve the outreach of financial services.

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