



RESEARCH ARTICLE

REVIEW OF MICROFINANCE IN INDIA: IMPACT ON WOMEN EMPOWERMENT

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ABSTRACT

In India, Microfinance has continued growing rapidly towards the main objective of financial inclusion, extending outreach to a growing share of poor households and to the approximately 80 percent of the population, which are yet to be reached directly by the banks. (Ghate Prabhu, 2009). Out of the two major models of Microfinance in India i.e. Self-Help Groups (SHGs)- Banks Linkage Programme (SBLP) and the Microfinance institution (MFI) model, Microfinance scene in India is dominated by Self-Help Groups (SHGs)- Banks Linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the unreached poor. Linked not only to banks but also to wider development programmes, SHGs are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election or take action to address social or community issues. The SHG approach has been proved successful not only in improving the economic conditions through income generation but in creating awareness about health and hygiene, sanitation and cleanliness, environmental protection, importance of education and better response for development schemes.

INTRODUCTION

Micro-finance programme has been well-recognized world over as an effective tool for poverty alleviation and improving socio-economic conditions of rural poor. In India too, Microfinance programmes are making a strong headway in its efforts to reduce poverty and empower the rural poor women. Moreover, these programmes have come to be regarded as a supplementary development paradigm, which widens the financial service delivery system by linking the large rural population with formal financial institutions through SHGs (Self Help Groups). The rural poor, with the intermediation of voluntary organizations join together for self help to secure better economic growth. This has resulted in the formation of a large number of self help groups in the country which mobilize savings and recycle the resources generated among the members. These self help groups enable them to come together for a common objective and gain strength from each other. For the developing countries liked India, Microfinance has emerged as a breakthrough in the philosophy and practices of poverty eradication, economic empowerment and inclusive growth. Several studies conducted in India and abroad after comparing the situation of SHG members during pre-SHG and post-SHG periods on various socio-economic parameters have proved that those who join the SHGs end off in a better socio-economic condition. In India, NABARD was the first organization to notice the phenomenon of Microfinance, SHG-Bank Linkage Programme, since its pilot project in 1992, has emerged as the

leading Microfinance programme in the country. It is recognized as an effective tool for extending access to formal financial services to the unbanked rural poor. Encouraged by the success, the programme has been adopted by State Governments as a major poverty alleviation strategy. According to NABARD, an SHG consists of an 'average size' of 15 people from a homogeneous social or economic class and all of them come together to address their common problems. The SHGs meet regularly and save small sum of money. They rotate these small-pooled savings as loans within the SHG. They maintain records of such financial transactions and slowly learn the basic aspects of financial management. They then approach a bank and average their accumulated savings for higher loans, which they then intermediate within the SHG. The groups are promoted either by banks or non-governmental organizations (NGOs) and are credit linked to various models developed by banks.

In India, the SBLP (SHG - Bank Linkage Programme) has now been in operation for well over a decade. The NABARD report (Status of Micro Finance in India - 2012-13) suggests that, as on 31 March 2013, a total of 69.53 lakh SHGs were having savings bank accounts with the banking sector with outstanding savings of Rs. 6198.71 crore as against 61.21 lakh SHGs with savings of Rs. 5545.62 crore as on 31 March 2013, thereby showing a growth rate of 13.6 per cent and 11.8 per cent, respectively. Thus, more than 97 million poor households were associated with banking agencies under SHG-Bank Linkage Programme. As on 31 March 2013, the share of women SHGs in the total SHGs with saving bank accounts was 53.10 lakh SHGs forming 76.4 per cent as compared to the previous year's

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share of 79.5 percent. During 2012-13, banks have financed 15.87 lakh SHGs, including repeat loan to the existing SHGs, with bank loans of Rs 14,453.30 crore as against 16.10 per cent SHGs with bank loans of Rs.12,253.51 crore during 2010-11, registering a decline of 1.4 percent of SHGs but a growth of 17.9 percent in bank loans disbursed. Regarding the regional distribution of SHGs, the report suggests that up to March 2013, 32.23 lakh SHGs are operating in south India, followed by 13.74 lakh SHGs in the east, 9.45 lakh SHGs in the west, 7.65 lakh SHGs in the Central Region and 3.51 lakh SHGs in the Northern Region. However, the north-east has only about 2.92 lakh SHGs.

Review of literature plays an important role in finding out information on the work done in the past by different researchers and provides valuable guidelines in formulating the theoretical framework of research at the time of investigation. Keeping this aspect in view an attempt has been made in this topic to review some past studies related to the present topic undertaken at the state and the national level. NABARD (1989) conducted, "Studies on Self-Help Groups of the Rural Poor", to understand the background of the emergence of self-help groups, their composition, methods of working and their linkages with the financial institutions, and to examine possibilities for development of linkages between the self-help groups, self help promotion institutions and the financial institutions for providing support to the self-help initiatives of rural development. The survey covered 46 SHGs spread over 11 States and associated with 20 SHPIs (self-help promotion institutions).

The study concluded that sample SHGs were formed with an emphasis on self-help and with a view to Promote objectives like freedom from exploitation, economic improvement, and raising resources for development. By and large, the sample SHGs were of 'target group' people consisting of small and marginal farmers, agricultural laborers, artisans, scheduled castes and scheduled tribes and women. Homogeneity in terms of caste, specific economic activity, etc., has played a role in organizing the poor into SHGs, though in some cases groups comprising different castes, sub-castes were also formed. The SHGs involved mainly in savings and credit activities, have evolved a variety of instruments to promote thrift among their members. These groups were involved in generating a 'common fund' from out of small thrifts, promoted on a regular basis among the members by curtailing their unproductive expenditure. The study further pointed out that SHPIs have played a commendable role in organizing the rural poor into self-help groups and thereafter promoting their proper functioning.

The study suggested that the absence of a legal status of SHGs seems to be a major constraint in the development of linkages between the SHGs and banks and a more active involvement of government development agencies with the SHGs may lead to securing more recognition for the SHGs. Mayoux, (2000) in his study on "Micro finance and the Empowerment of women: A Review of the Key Issues" observed that poverty targeting does not necessarily contribute to empowerment as poverty targeting may leave out many disadvantaged women who do not belong to very poor households. It may also by pass Women who have skills and experience to contribute as role models for other women. She pointed out that empowerment approach requires,

working with these groups to develop collective strategies to overcome gender inequality and to have gender equality as a constitutional element of decision-making in programme". This empowerment approach can increase financial Sustainability and poverty alleviation. Also the groups must be used as an entry point for wider empowerment interventions. According to the researcher, there is an important role for groups as a forum for information exchange and mutual learning among women.

She concluded that cost-effective ways should be evolved in integrating Microfinance with other empowerment interventions, including group development and complementary services. This would increase impact of Microfinance at minimum cost and improve the sustainability and outreach of the service providers to poor women. Mayer (2001) in his study on "Micro Finance, Poverty Alleviation & Improving Food Security: Implication for India" has opined that Micro finance did have emerged as a special vehicle and it can contribute to poverty alleviation and food security. It does this through supplying loans, savings and other financial services that enhance investment, reduce the cost of self-insurance, and contribute to consumption smoothing. Further he suggested that India has expanded Microfinance, but it has not yet developed a strong system capable of serving massive number of the poor in a sustainable fashion.

The researcher concluded that the policy of supporting SHG linkages with banks has merit in a country with a large bank network, but it should not be the only model to be encouraged. That is why additional efforts are needed to create and nurture competitive MFIs willing to experiment with other models. Anand Jaya, (2002) tried to examine the role of Self Help Groups in Empowering Women. The study tried to evaluate the performance of selected SHGs and NHGs and to assess its impact, especially the impact of microcredit programme on empowering women. For the study, SHGs promoted by three voluntary agencies in-changathara panchayat (in Nilambur Block of Marappuram district of Kerala) Shreyas, BVM, and the CDS were selected groups Five each from the three agencies were selected for a detailed study. The selected respondent was interviewed using a structured schedule. All the members irrespective of the group, unanimously agree that the most striking advantage of the SHGs is the thrift component and that because of the thrift component they have been freed from the crutches of moneylenders. The thrift component also provides them a cushion to even out the earnings during off season.

The report further points out that all the group members have taken up individual economic activities but group activities are very few. Around 55 per cent of the selected members in BVM, 33 percent and 42 percent in Shreyas and CDS respectively have agreement they have taken up Income Generating Activities (IGAs) micro-credit. The contribution of microenterprises to the family income was 35 percent in BVM, 25 per cent in CDS, and 27 percent in shreyas. Micro-credit thus seems to have created a positive impact on the income of families of the members. The study also shows a positive change in the attitude of the beneficiaries. The report suggests that the groups have provided a forum for women to express their concern and articulate their aspirations for change and enabled them to see what is happening outside the house. Social actions were initiated by several selected SHGs against the

dowry system, alcoholism, Illiteracy and divorce. selected respondents unanimously expressed the view that some improvement in their livelihood had taken place as a result of their increased confidence and ability to cope with difficulties.

A study was conducted by planning Commission (2002) titled "Micro Finance and Empowerment of scheduled caste women An Impact study of SHGs in Uttar Pradesh and Uttaranchal. The study was carried out in Uttar Pradesh and Uttaranchal, covering, a sample of 1120 beneficiaries and 173 officials and non-officials, 224 SHGs, 143 villages, 28 blocks and 7 districts. The study recommends that there is need to accept that women's needs are not only for self employment. The programmes should be designed on the basis of the needs of women at the micro lever. Planning for self-employment for women needs a multipronged strategy. The various categories for financial institutions in rural market have exhibited different potentials in serving rural women. There is need to synchronize their efforts so that their work becomes supplementary and complementary in serving women. There is also a need to sensitize bank staff towards the needs, constraints and inhibitions of women.

Jayaraman (2005) made an attempt to assess the "Performance Analysis of Fisherwomen Self Help Groups (SHGs) in Tamil Nadu". Primary data required for the study were collected from 725 fisherwomen SHG members representing 41 SHGs from five coastal villages. The study found the fisherwomen SHGs performing well in availing and repaying microcredit which had contributed to their socio - economic empowerment and to better livelihood conditions. The report pointed out that the average membership of the SHGs is about 17. About 88% of the fisherwomen belonged to the age group 21 to 50 years. Out of 41 sample SHGs, 29 SHGs (71%) are engaged in economic activities. Among the 725 sample fisherwomen, only 101 (above 14%) were engaged in traditional economic activities and 167 fishermen (23%) took up new economic activities. Overall, 268 fisherwomen (about 37%) are involved in economic activities. The report says that the internal loan amount as well as bank loan credit are used for various productive purposes by the members. The study found that Microfinance had indeed contributed to the overall socio-economic empowerment of the fisherwomen apart from improving their livelihood conditions besides providing an opportunity to the banks to serve the 'unreached' coastal poor and to make profitable business.

The SHG movement has also created awareness among the poor women about the PRI (Panchayat Raj Institution) activities. Besides, linkage with the SHGs led to increase in participation in outdoor activities, an increase in participation in decision making and positive change in right on income. The study also finds out the positive change in the general attitude and behavior of the husbands and other family members towards the fisherwomen after joining the SHGs. As far as economic impact is concerned there is an increase in the monthly income of the respondents, also there is an increase in annual household income, the expenditure incurred on various consumption needs (mainly on food, health and education) is also increased after joining the SHGs. The study suggests that microcredit interest rate should be reduced, loan repayment installment term should be increased and flexibility in loan repayment must be there. Efforts must also be there to provide

marketing facilities to the SHG products and self employment training to the rural people. Rajivan (2007) conducted a study titled "Micro-credit and Women's Empowerment: A case study of share Microfinance Limited".

The objective of the study was to ascertain that up to what extent Microfinance can be seen as a tool for women's empowerment, does increase in income (of household) flow into the hands of women and to look into other benefits to women beyond incomes. For the study group discussions were held with around BB SML (Share Microfinance limited) members, focus group discussions were held with 86 mature members, and visits were made to households of 13 women members. Also 32 new members and non-members were met to compare differences between them and mature members. The findings of the discussions suggested that 100 per cent of the mature members confirmed significant increase in their income and better living standards through access to microcredit. By contrast, among new and non-members only 22 per cent reported increase in income.

An increase in the self confidence among the participating women is also noted. Participating women also discourage their sons from dropping out of the school and even want to send them for higher education. Women with a relatively longer-term membership (two years or more) show an increase in their control over income, assets and expenditure, Women member access to government hospitals and health centers has improved after joining the group. A sharp reduction in dependence on money lender and a diversification of the rural economy is also pointed out by the report. The report further points about the diversification of the rural economy because of these small loans several new activities have sprung up like petty shops, bicycle rentals, stone polishing, readymade clothes, fruit and vegetable sales, flowers, mutton shops, small hotels, tea shops, and so on. Thus it can be concluded from this study that a very good triggering off for women's empowerment has taken place with a strong economic foundation, and a precondition for further change has been established.

APMAS (2007) in collaboration with the IKP, Nizamabad conducted a study on "Women Empowerment Through SHGs: A Study of Nizamabad district, .Andhra Pradesh" The study tries to assess the process of SHG women empowerment in Nizamabad district. The specific objectives of the study are: {a} to understand the process and status of women empowerment in the district (b) to learn the contributory factors for women empowerment, and (c) to know the changes in the process of empowerment over the past three years. Primary data were collected for the study from all the three revenue divisions of the Nizamabad district. In total detailed information was gathered from 120 SHG members regarding their socio, economic and domestic profile, their association with SHGs. their performance on different empowerment indicators, changes in SHG functioning, etc. About 80% of the selected members have more than 3 years association with SHGs and 50% have more than five years membership.

The study concluded that SHG loans had become important loans at family level and that family's access to food, safe drinking water, and literacy programs increased significantly as a result of positive benefits of SHG membership. Because of positive changes at SHG level, family level and other factors,

members' empowerment, measured in terms of their awareness, access to resources, control over their resources, their involvement in decision making and mobility, has improved. But a problem, which the study points out, is the dependence of families on money lenders for about 50% of their credit needs. According to the study, members have attained more empowerment during last three years. The increase in different set of empowerment indicators, viz., awareness, access to resources to, and, control over resources, decision making, mobility, political participation and social concern varies from nominal to average. In few cases like mobility especially to banks and shops outside the village, the improvement is significant. Changes in women empowerment were analyzed with different set of indicators, i.e. awareness; access to resources/ family income, control over own resources such as own Income from IGA, SHG loans; role in decision making in the family; mobility and social and political participation. In total the improvement in different sets of empowerment Indicators varies from marginal to moderate during last three years. Overall the study found that association with SHGs had indeed contributed to the overall socio-economic empowerment of the SHGs members

Conclusion

As a matter of fact, it is very difficult to evacuate the impact of Microfinance. Looking at changes over time can be misleading because a number of factors other than Microfinance programmes. May be responsible for the social and economic changes in person's life But generally the researchers agree that the involvement in the Microfinance programmes. From the studies discussed above, it can be concluded that while severer studies discussed mainly various socio-economic parameters of SHG members related to the situation during pre-SHG and post-SHG period, other studies assessed more specific type of issues such as strategies for empowerment of women through SHGs, how Microfinance can contribute to poverty alleviation and food security, rote of SHG federations in providing sustainability of SHGs, financial viability of SHG programmes economic and personal empowerment of women and link between micro finance and social and economic security.

The major findings of first group of studies suggest: During the post-SHG period household savings increased significantly in comparison to the pre-SHG period. Major proportion of loan amount is used for income generation purposes. There is an increase in the average annual net income of SHG member households after joining a SHG.

There is an increase in the average value of assets of SHG member households after joining a SHG. Most of the SHGs are meeting regularly and mostly at monthly intervals. Joining a SHG has made significant contributions for poverty reduction. An increase in the employment per household is recorded during the post-SHG period as compared to the pre-SHG period. Significant improvement is noticed in social empowerment of SHG members in terms of self confidence, decision making and better communication. An attempt has been made through the present study to cover a wide range of socio-economic impact issues on the SHG members, not only at the level of a SHG but also at the community level, moreover the study also tries to cover the financial viability and sustainability issues.

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