

# A Study on the Role of Micro Finance in Financial Inclusion and Empowerment of Rural Women with reference to Self Help Group Members in Palakkad District

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## ARTICLE DETAILS

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## ABSTRACT

Microfinance is a powerful instrument of social change, particularly for women. Recognizing that microfinance can empower women, women are also proving to be a good investment. Studies show that women in poor rural regions are more reliable borrowers of credit than men. Additionally, women tend to invest in sectors that improve their family welfare, such as education and healthcare. In terms of social benefits, women's financial inclusion has significantly contributed to female empowerment by giving women additional income earning opportunities, increasing their independence, and improving their status both within their families and their broader communities. MFIs increasingly began to target women and recognized the potential of female entrepreneurs. Microfinance programs have drawn millions of women into commercial economic activities from which they were previously barred. Governments have also begun to take note of microfinance's potential to empower women. The paper aims to study the impact of microfinance schemes on women empowerment and financial inclusion of particularly rural women. The data collected from microfinance institutions and rural women through Self Help Groups.

## 1. Introduction

Women in rural India lived in virtual isolation, unable to access even the most basic of services. But, with the formation of Women's Self-Help Groups, these women are now achieving social and physical mobility. It is recognized that while the empowerment of women is a process that will not happen automatically, SHG is a suitable means for the empowerment of women. The impacts of SHGs on socio-economic status of women were found significant. In the recent times, microfinance has been emerging as a powerful instrument for empowering women particularly, the rural women. Financial institutions like commercial banks, NGOs etc. are taking much interest in providing microfinance to women considering it to be a profitable commercial activity. Women are also participating in the microfinance movement by availing the microfinance services being provided by the various financial channels. Micro finance institutions mainly aims at financial inclusion of people. Financial inclusion empowers individuals and families, especially women and the poor, and well-functioning financial systems enrich whole countries. Government also initiated so many financial inclusion programmes. The PradhanMantri Jan DhanYojana (PMJDY), the biggest financial inclusion initiative. A year after the scheme was implemented across India, its success has highlighted the enormous role that financial inclusion programmes can play in the growth of the economy. These lead to financial inclusion of women and also empowers them economically and socially especially women in rural region of the country.

## 2. Objectives of the Study

- To study the impact of financial inclusion programmes through micro financial institutions among rural women

- To study the extent of rural women empowerment through micro finance

## 3. Research Methodology

Research methodology deals with type of research design, sources of data, tools of the data collection and analysis.

- Research Design**  
The research design used in this study is descriptive.
- Sources of Data**  
Both primary and secondary data used in this study.
  - Secondary Data**  
Secondary data collected from published and unpublished documents. These include reports of Government, Journals, Books, articles and other paper reports.
  - Primary Data**  
Primary data are collected from the members of self help groups of Grama Panchayats in Palakkad District through structured interview schedule.
- Method of Sampling**  
Convenience sampling is used in the study.
- Sample Size**  
The sample size taken for the study is 120 members of Self Help Groups in Palakkad district.
- Data Collection Tools**  
A well structured interview schedule is used to collect data from members of self help groups.
- Tools of Analysis**

The collected data are analysed using statistical tools like Percentage analysis, weighted average and raking scale.

Rs 1000 – Rs 3000	20	60
Above Rs 3000	15	9

Source: Primary Data

#### 4. Impact of Micro Finance in Financial Inclusion of Rural Women

##### Respondent's Monthly Income

**Table No 1.1**

Monthly income	Before SHG Member (%)	After SHG Member (%)
Less than Rs1000	60	9
Rs 1000 – Rs 2000	21	17
Rs 2000 – Rs 4000	16	54
Above Rs 4000	3	20

Source: Primary Data

##### Respondent's Monthly Savings

**Table No 2.1**

Monthly income	Before SHG Member (%)	After SHG Member (%)
Less than Rs 500	41	10
Rs 500 – Rs 1000	24	21

##### Source of loan

**Table No 3.1**

Source	Before SHG Member (%)	After SHG Member (%)
Bank	30	63
Friends and Relatives	12	10
Money Lenders	51	13
Others	7	14

Source: Primary Data

##### Purpose of Loan

**Table No 4.1**

Purpose	Percentage of Respondents
To Settle Other Loan	8
To Meet Family Expense	35
For Doing Business	52
Any Other	5

Source: Primary Data

##### Extent of Empowerment

**Table No 5.1**

Variables	SA	A	N	DA	SDA	Mean score	RANK
Self awareness	50	43	2	10	15	3.86	1
Self confidence	32	40	8	22	18	3.38	4
Decision making ability	25	36	4	20	35	2.96	6
Leadership quality	16	40	1	35	28	2.84	7
Handle cash and bank transactions	35	25	2	26	32	3.36	5
Ability to deal with social issues	20	18	3	40	39	2.52	8
Improvement in knowledge and skills	45	35	4	17	19	3.58	2
Initiative and communication skills	23	55	5	37	0	3.53	3

Source: Primary Data

#### 5. Findings

The major findings of the study are as follows:-

- The monthly income of most of the respondents before joining self help groups are less than Rs 1000.
- The monthly income of most of the respondents (44%) after joining self help groups are between Rs.2000 and Rs. 4000.
- The family expenditure of more than half of respondents before joining self help groups are less than Rs 1000 that is 53%.
- The family expenditure of more than half (57%) of respondents is between Rs.2000 and Rs. 4000 after joining self help groups
- The level of savings of most of the respondents (41%) before joining self help groups are less than Rs 1000.
- The level of savings of more than half of respondents (60%) after joining self help groups are Rs.2000 and Rs. 4000
- All the respondents have availed the loan.
- Main source of loan of members before and after becoming member in Self Help Group is from bank.
- More than half (63%) of the respondents took loan to settle other loan.
- Loan provided by bank is adequate to meet requirement of majority of respondents.
- More than half of the respondents (65%) opined that rate of interest on loan availed is reasonable.
- Majority of respondents (74%) are repay the loan at time.
- Most of the respondents use their own savings for making repayment of loan.

- More than half of respondents (63% ) joined the group without any motivation from outside, they joined the group out of self motivation.
  - Most of the respondents have complete knowledge about the group members who take the loan and also about the total amount of loan taken by the group.
  - Majority of the respondents has the ability to take decision regarding the use of loan.
  - Most of the respondents empowered to take their own decisions and learned to handle cash and bank transactions after joining the SHG.
  - Majority of the respondents helped by other members in the Self Help Group to handle and solve their personal problems.
  - Most of the respondents has the ability to efficiently utilise the loan amount after joining the microfinance schemes
  - Most of the respondents mainly confronted with the problem of fear of failure of repaying the loan.
  - The main operational problem faced by the respondents is amount sanctioned for the group members is insufficient
- The bank should give more amount of loan with low rate of interest to members to pursuing their income generating activities.
  - Awareness programmes on internet banking and relevance of cashless transactions have to be provided to rural women by banks and NGO's.
  - Workshops and seminars should be conducted to make rural women aware of various social issues. Then only they can raise voice against it.
  - Entrepreneurial opportunities should be provided to women through microfinance institutions to empower them.

## 6. Suggestions

- Capacity building programmes have to be initiated in rural areas for women to improve their leadership qualities, decision making and problem solving ability.

## 7. Conclusion

In India, micro finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost-effective mechanism for providing financial services to the “unreached poor”. Small loans can make good business sense among the women. The study undertook to know the impact of microfinance among rural women. It was found that microfinance leads to financial inclusion women in rural areas. It also empowered women economically as well as socially. Microfinance leads to poverty reduction and raised the standard of living of people. Microfinance helps poor people including women in getting employment, increasing confidence, enhancing communication skills and in other aspects as well. Women gain greater control over resources like material possession, intellectual resources like knowledge, information, ideas and decision making at home, community, society and nation through involvement in these microfinance programs.

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