

A study of women empowerment by micro finance in India

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ABSTRACT

In India, the emergence of liberalization and globalization in early 1990's aggravated the problem of women workers in unorganized sectors from bad to worse as most of the women who were engaged in various self-employment activities have lost their livelihood. Despite in substantial contribution of women to both household and national economy, their work is considered just an extension of household domain and remains non-monetized. In India, Microfinance scene is dominated by Self Help Group (SHGs) as an effective mechanism for providing financial services to the "Unreached Poor", and also in strengthening their collective self-help capacities leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country. Micro finance is necessary to overcome exploitation, create confidence for economic self-reliance of the rural poor, particularly among rural women. Although no 'magic bullet', they are potentially a very significant contribution to gender equality and women's empowerment. Through their contribution to women's ability to earn an income, these programmes have potential to initiate a series of 'virtuous spirals' of economic empowerment, and wider social and political empowerment.

1. Introduction

Women empowerment and microfinance have been identified as critical developmental tools, especially in developing countries, to fight poverty among women. Women are an integral part of society, and as such society cannot develop without their contribution. Empowering women would increase their participation in the labor force and in the decision-making processes, reduce poverty, and would significantly enhance their contribution to national income and the development of their countries as a whole. Empowering women entails granting them their rights to education, health, job opportunities, decision-making power, and eliminating wrong value systems and oppressive beliefs in society.

Microfinance Institutions (MFIs) are financial institutions that offer financial and non-financial products and services to the poor active that would otherwise not have access to the services from the formal financial institutions. There are so many registered financial institutions in India out of which one few hundred are micro-financial institutions in Karnataka. Women entrepreneur Programme is one of the micro-finance institutions operating in the place. It provides financial products and services to the needy especially women.

Malhotra et. al (2002) constructed a list of the most commonly used dimensions of women's empowerment, drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that women's empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. Since these dimensions cover a broad range of factors, women may be empowered within one of these sub-domains. They give the example of "socio-cultural" dimension which covers a range of empowerment sub-domains, from marriage systems to norms regarding women's physical

mobility, to nonfamilial social support systems and networks available to women. The World Bank defines empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

2. Microfinance and women empowerment

Micro-finance programmes not only give women and men access to savings and credit, but reach millions of people worldwide bringing them together regularly in organised groups. Although no 'magic bullet', they are potentially a very significant contribution to gender equality and women's empowerment, as well as pro-poor development and civil society strengthening. Through their contribution to women's ability to earn an income these programmes have potential to initiate a series of 'virtuous spirals' of economic empowerment, increased well-being for women and their families and wider social and political empowerment. Micro finance services and groups involving men also have potential to question and significantly change men's attitudes and behaviours as an essential component of achieving gender equality. Majority of microfinance programmes focus women with a view to empower them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. A more feminist point of view stresses that an increased access to financial services represent an opening/opportunity for greater empowerment. Such organizations explicitly perceive microfinance as a tool in the fight for the women's rights and independence. Finally, keeping up with the objective of financial viability, an increasing number of microfinance institutions prefer women members as they believe that they are better and more reliable borrowers.

3. Microfinance services and accessibility

Microfinance Institutions (MFIs) provide similar products and services to their customers as formal sector financial institutions. The scale and method of delivery differ, but the fundamental services of savings, loans, and insurance are the same. Most efforts to formalize microfinance have focused on enterprise lending (loans for enterprise formation and development) which remain by far the dominant product offered by MFIs. This, however, has slowly begun to change. Increasingly, currently MFIs have begun to offer additional products, such as savings, consumption or emergency loans, insurance, and business education. Nourse (2001), in his review on the context and rise of microfinance products argues that there is the need for savings and insurance services for the poor and not just credit products. Like many other countries, MFIs in Ghana offer three major services to their clients; micro-credit, micro-savings and micro-insurance and casually provides their clients with non-financial services such as business education and training.

Accessibility to microfinance is explained as, the right to obtain or make use of or take advantage of microfinance (as services or membership). Accessibility to microfinance takes varying forms ranging from individual lending, group lending, credit unions to self-help organizations. Through the four basic methods clients are able to access microfinance services. The popularity of a method in one area greatly influences its usage. Microfinance clients in Ghana have the right to microfinance services through any of the four schemes. It is worth mentioning that, all clients have the same privilege irrespective of the method chosen whether through individual lending, group lending, credit unions or self-help organizations. In this study, women's accessibility to microfinance service is analysed in terms of major services women access from MFIs, how long they have accessed such services, number of times they have accessed such services and their views on how responsive their MFIs have been when the need arises. On the other hand, prior researches have indicated that there exists inherent problems limiting women's accessibility to microfinance services. Paramount among those problems identified in literature is high interest rate on loans; collateral required for loans and cumbersome service application procedures. This study therefore goes further to Analyse some problems that these women encounter in accessing microfinance services.

4. Impact of microfinance on women empowerment

Many evaluations of MFIs have shown that microfinance services have a positive impact on women empowerment and some of these works are reviews as follows. Kabeer (2001) used the index/indicator approach to examine the impact of microfinance accessibility on women empowerment in Tanzania and established that women's accessibility to microfinance services had significant effects on eight different dimensions of women's empowerment of which the paramount was economic empowerment. The study also revealed that women's accessibility to microfinance was significant determinant of the magnitude of economic contributions reported by women; of the likelihood of an increase in asset holdings in their own names; of an increase in their exercise of purchasing power. However, the index/indicator approach only

assigns numerical values (or arbitrary weights) to the ordinal measures that are generally qualitative responses and thus categorical in nature. In addition, assigning these values or weights is inappropriate and may also lead to loss of information and misleading conclusions since those weights are arbitrary generated by the researcher. It is in the light of this gaps in the methodology used by prior researchers such as Kabeer(2001) that this current study employs the use of the ordered probit model to estimate the impact of microfinance on women empowerment in Ghana whiles introducing women attributes such as age, education, marital status and occupation as control variables. In India, Laha and Kuri (2014) conducted a study on how microfinance outreach programme contributes to women empowerment across countries with special emphasis on states in India. In their study, they considered three such dimensions like economic, financial, and social empowerment to construct women empowerment index (IWE) and also constructed microfinance outreach Index (IMO). Broadly, their construction of women's empowerment index followed the same methodology as IMO. For each dimension (economic and social), the relative performance of the state in respect of national average was estimated. Then the relative performance of the state was divided by the share of the women households of the state to calculate relative share. The IMO and IWE estimates were then used to further estimate the relationship between the two variables. Their study established that states having higher level of microfinance programs are also the states with a relatively high level of economic empowerment of women. They also found that participants experience an increase in monthly income thus, concluded that an all-inclusive microfinance system would strengthen the process of financial inclusion in India and thereby would promote women's economic empowerment. However, their methodology only focused on merely establishing the relationship between microfinance outreach and women empowerment without paying attention to other women empowerment attributes such as age, occupation, marital status and educational background which may also have effect on such relationship existing between microfinance outreach and women empowerment. Consequently, this study uses the ordered probit model to estimate the relationship between microfinance accessibility and women empowerment by introducing four women empowerment attributes which may also influence the estimation as control variables: age, education, marital status and occupation. A study by Khan and Noreen (2012) on the role of microfinance in empowerment of women in Pakistan finds that access to credit through microfinance organizations has a positive impact on social empowerment of women and also that loan utilization by the woman herself is of importance. Khan and Noreen measured social empowerment by the construction of an index from indicators of child health, education, selection of spouse of children and leadership responsibility in the society. They specifically assessed the impact of microfinance accessibility on commitment of women to send their children to school and the ability to influence domestic decisions. They concluded that access to microfinance can empower women to commit themselves to children's education, become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities.

5. Conclusion

Thus it can be concluded from the above study that microfinance is playing a vital role in the social, psychological as well as economic empowerment of women in India. Microfinance loan availability and its productive utilization found to be having a profound role and impact on women empowerment. The empirical findings of the study suggests that microfinance has a profound influence on the economic status, decision making power, knowledge and self-worthiness of women participants of self-help group linkage program in Ghaziabad. Microfinance is accepted as a key mantra for attaining and maintaining the sustained and long-term economic growth in all over the world. Reaching poor people

on massive scale with popular products on a continuous basis involves rethinking the basic assumptions and making the changes. Today microfinance is striving to match the convenience and flexibility of informal sector while adding flexibility and continuity.

Though different studies conducted at various levels show different conclusions, it can be acknowledged from the present study that despite of bottlenecks, microfinance is capable of helping the poor to upscale themselves to a better living and playing a significantly positive role in upgrading women empowerment.

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