

MICROFINANCE AND FINANCIAL EMPOWERMENT OF WOMEN: A CRITICAL IDENTIFICATION OF PARAMETERS

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ABSTRACT

Development of women got importance in recent times, as society cannot prosper without including women in the development process. Financial Inclusion of women is one of the major steps in this direction. The microfinance and Self Help Group (here in after referred as SHG) has played an important role in financial inclusion and overall development of women in India and in other developing nations. The present study critically analyzed the past studies in the field of microfinance and women empowerment. There is a huge literature in field of microfinance and SHGs, however present paper has considered 44 studies for analysis to generalize the concepts and identify the variables. The findings of study suggests that microfinance is an important tool for overall empowerment of women but it is still in growing phase and support from government is still required.

KEYWORDS: *Microfinance, Women, Empowerment, SHG, Financial Inclusion.*

Introduction

In 1974, in past few years, microfinance has played an important role in financial inclusion of the rural people who are otherwise not able to reach the formal financial system and always find it difficult to get economical credit. Assessing the history of rural credit institutions, we find rural cooperatives, which initiated in 1904 as a major source of rural finance. Later on, in 1969, the Government of India nationalized 14 commercial banks to reduce the difference between the demand and supply of credit. Government then pressurized nationalized commercial banks to open more and more rural branches. The another major step in direction of enhancing rural finance was "Integrated Rural Development Program" which was launched in 1978 (later on replaced by the Swarnajayanti Gram Swarozagar Yojana in 1999 credit based poverty-alleviation program and SGSY instilled the concept of SHG in the rural development programme).

Despite numerous efforts, government was not able to provide reasonable credit accessibility to rural population. This has lead to the development of the concept of SHG, which proved as a successful venture in area of rural credit. The focus of SGSY was also on creation of women SHGs so that women can be included in the financial system who, otherwise remained outside the scope of financial inclusion even after nationalization of commercial banks. In mid 1980s, an NGO "MYRADA" in Andhra Pradesh, formed CMGs (credit management groups) and found groups as economical source of credit and important for cultivating saving habits among the members. In 1987, these groups named as SHGs and

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later on, in the year 1992, NABARD launched a pilot project of linking SHGs with the commercial banks, so that these groups can have easy and cost-effective the credit. The project remarkably named as SHG Bank Linkage Programme (SBLP). At present approximately 16157307 SHGs are bank linked under the programme.

SHG Bank Linkage Programme in India- Brief History (See Kropp & Suran , 2002 for details)

1980	• MYRADA, an NGO formed around 300 SHG's known as credit management groups.
1991-92	• NABARD in consultation with RBI, Banks and NGO's launched pilot project of linking SHGs with banks. Initially 620 SHGs were linked.
1998-99	• Given the success of SHGs government became the key promoter of SHGs
2014	• Programme had provided credit to approx. 4.19 million SHG.
2015-16	• Cumulatively 16157307 SHG were bank-linked (RBI SBLP Data 2016)

Self Help Groups- A Brief Description

Basic financial tools such as a deposit account at a formal financial institution can be of great value Demircuc-Kunt, Klapper and Singer (2013). This will provides a reliable place to put one's saved money and thus creating asset and reduces the vulnerability of the account holder. SHGs can fulfill this purpose in country like India, which have colossal population to serve and the concept of SHGs can provide as a powerful tool for financing the rural population. The SHGs apart from providing credit services, gives members a platform for overall development. An SHG is an informal group of around 10–20 women from underdeveloped communities:

- It is owned and managed by members and work on principles of self-help, affinity and mutual help and functions in democratic way
- Each group has its own well-defined set of rules, hold regular meetings and keep up savings and credit discipline.
- Members decide loan amount and interest rates by mutual consensus of all in general.
- Procedures are simple and flexible.

Classification of Self-help groups in India

A general classification of SHGs since 1987 is as follows:

- **Pre-existing Groups:**
 - ROSCAs (Rotating Savings and Credit Associations)/ASCAs (Accumulating Savings and Credit Associations) identified by banks and accessing bank loans
- **Promoted by NGOs/NGO-MFIs:**
 - With support from international and national and donor agencies
 - With grant support from NABARD and government sources
- **Promoted by banks:**
 - By bank staff
 - By farmer's clubs
 - By individual rural volunteers and agents
- **Promoted by District Rural Development Agency (DRDA)/government departments and agencies/local governments:**
 - By women development departments through ICDS (Integrated Child Development Services) functionaries.
 - By other government departments, e.g., animal husbandry, forests, tribal affairs.
 - Under SGSY/ NRLM by DRDA s in different states.

- By project management under mega programme of government (with or without multilateral agency support).
- By municipalities and panchayats.
- **Promoted by existing SHGs and their federations**
 - Self-promoted 'copy cat' SHGs formed by SHG members themselves
 - By individual agents, paid for by the groups

Note: Majority of SHGs in India are promoted by NGOs (approximately 72%)

Microfinance

The terms micro credit and micro finance are interchangeably used, but the term micro finance describes broader range of activities. Now, there is a shift from micro credit (small loans) to micro finance, in which along with credit, there are other services like mobilization of savings, insurance, training and support services like assistance in marketing of client's products. K. Rajendran(2012). Microfinance is economical source of credit also provides the access to financial services to the rural population.

Objective

The objective of the present study is to review the past studies to find the factors responsible for economic empowerment of women and to examine the role of various variables in empowerment of women.

Research Methodology

The present study is descriptive analysis of literature available in the area of SHGs and microfinance. There is a critical examination of results of selected 44 studies, as given in Table-1, to find what factors are affecting financial empowerment of women.

Significance of Study

The study is significant in terms of finding out factors responsible for women empowerment in rural areas and find out the challenges that SHGs face while working for the development of women in rural area.

Analysis of the Existing Studies

Table 1: Review of Studies gives an analysis of 44 studies from existing literature. The analysis provided the region, where the research work conducted and the findings the studies.

Table 1: Review of Studies

S.N.	Author	Country/ State	Conclusion
1.	Hashemi, Schuler and Riley (1996)	Bangladesh	Microfinance has positive impact on women empowerment and longer the duration better will be the empowerment status of women.
2.	Rajasekhar (2002)	Tamil Nadu	The economic programmes of SHARE NGO had increased savings and income of women but there was no change in terms of control over income and decision-making.
3.	Anand (2002)	Kerala	There is a positive impact on attitude of beneficiaries and they feel more empowered after joining SHG. Role of promoting agency and coordinator is also important and leader decides the pace of growth.
4.	Leach and Sitaram (2002)	Karnataka	NGO led programme had positive impact on women empowerment but the benefits were not found sustainable.
5.	Swain(2007)	India (5 States- Orissa, Andhra Pradesh, Tamil Nadu, Uttar Pradesh and Maharashtra)	Microfinance does not have sustainable effect on empowerment while SHG have greater ability to empower women.
6.	ARAVALI (2008)	Rajasthan	There was a shift from informal to formal source of credit i.e. impact on borrowing by members but no significant change in household condition of women. It was also found that bankers' attitude was reluctant towards SHGs. The study also observed the adequate inclusion of women in

			both schematic and non-schematic plan.
7.	Garikipati (2008)	Andhra Pradesh	Microfinance had failed to empower women, as women have diminished control over family asset and family matters. However, loan helped families to cope with crisis.
8.	Saraswathy, Porkodi and Bhuvanewari (2009)	Tamil Nadu	100% members utilized the Sangha loan and 92% linked to bank signifying the rural development.
9.	Swain and Wallentin (2009)	India(5 States- Orrisa, Andhra Pradesh, Tamil Nadu, Uttar Pradesh and Maharashtra)	There was a positive impact on SHG related household. Income increased by 64% as compared to 39% in non-SHG household.
10.	Singh, Sharma and Henry (2010)	Rajasthan	SHG had a significant impact on socio-economic status of beneficiaries.
11.	Uma (2011)	Karnataka	There was a positive impact on women empowerment after joining SHG as it had developed saving habits among women and improved their confidence.
12.	Sinha, Parida and Baurah (2012)	India(Six States- Andhra Pradesh, Karnataka, Maharashtra, Orrisa, Uttar Pradesh & Assam)	Female feel more empowered after joining SHG and reduction in poverty among the households in which females are SHG member.
13.	Haile, Bock and Folmer (2012)	Ethiopia	Microfinance had positively affected the economic status of women but the workload had increased.
14.	Deininger and Liu (2012)	Andhra Pradesh	The micro-credit and poverty alleviation programme of Andhra Pradesh improved empowerment and nutritional diversity but failed to increase the income.
15.	Vyas and Nalwaya (2013)	Rajasthan	The study of socio-economic indicators of SHG point out that economical access to financial services is crucial for reducing vulnerability among the poor with respect to income and expenditure.
16.	Heggade (2013)	Karnataka	SHG have positive impact on women empowerment and it is a positive move towards financial inclusion.
17.	Sahoo (2013)	Odisha	SHG has increased monthly income and expenditure and majority of household have opined that they feel empowered.
18.	Tripathy and Raja (2013)	India	Institutional credit have significant role in promoting economic activities in rural areas and inducing finance in rural household. It also improved financial inclusion in rural areas.
19.	Datta (2014)	Bihar	The SHG membership had better access to credit as compared to non-members. Members used loan for productive purpose.
20.	Weber and Ahmad (2014)	Pakistan	In case of microfinance, women in higher loan cycle are more empowered as compared to first loan cycle.
21.	Rupnawar and Upadhye(2015)	Maharashtra	SHG can be a fruitful strategy for empowering women and alleviating poverty.
22.	Saroj and Singh (2015)	Rajasthan	SHG have positive impact on women empowerment.
23.	Dubey (2015)	Madhya Pradesh	Membership of SHG helped in improving the economic status of women.

24.	Sandhu (2015)	Punjab	SHGs have positive impact on self-confidence and there is an improvement in household and social status of women. NGO intervention is important for proper functioning of group.
25.	Sarania (2015)	Assam	SHG have improved the empowerment status of women by initiating income-generating activities.
26.	Ganle et al (2015)	Ghana	Women already engaged in business have benefitted from access to credit while the situation of poor got worse.
27.	Arun, Akhila and Jyotish (2016)	Kerala	SHG membership has positive impact on women empowerment but loan cycle affect the level of empowerment among women.
28.	Said (2016)	N/A	Access to credit did not have any impact on women empowerment. Culture and society play an important role.
29.	Devanand (2016)	Karnataka	SHG is a powerful tool for empowering women through social service schemes.
30.	Isiyaka, Peter and Salisu (2016)	Nigeria	Microfinance was quite successful in improving the consumption of the poor.
31.	Rajasekhar, D., Manjula, R. and Suchitra, J. Y. (2017)	Karnataka & Tamil Nadu	NGO microfinance had no significant role in improving livelihoods of Adivasi people and there was no reduction in vulnerability among them.
32.	R. Evangeline and Dr. S. Mathivannan (2017)	Tamil Nadu	SHG members had benefitted from loan but there is no significant improvement in empowerment status of women.
33.	Setia, Tandon, and Brijpal (2017)	Haryana	SHGs have positive impact on women empowerment as income and confidence level of members is improved. SHGs are also useful in poverty mitigation.
34.	Saha (2017)	West Bengal	SHG have positive impact on women empowerment but there is need to bring poorer of the poor under SHG umbrella.
35.	Goodman (2017)	Uttarakhand	Microfinance has positive impact on financial position of beneficiaries but it performs better when it fit with local lives, morals and customs of people.
36.	Tandon & Sharma (2017)	N/A	SHG movement had positive impact on women empowerment and financial inclusion of the excluded part of the society.
37.	Molesworth, Sécula, Eager et. al (2017)	Tajikistan	The microfinance programme has positive impact on economic resilience but there is no improvement in wealth and prosperity level of members.
38.	Koner (2017)	West Bengal	SHG membership has positive impact on socio-economic position of members but opposition of family and dependence on male members' were major problems.
39.	Kabeta (2017)	Ethiopia	Microfinance has positive impact on women empowerment and eliminating poverty among household.
40.	V. Nirmala Devi (2017)	Tamil Nadu	Various factors like age, marital status, literacy level, family type, awareness about SHG and nature of savings affect the empowerment level of SHG members and should be considered for

			policy matters.
41.	Efendic and Karamustafic (2017)	Bosnia and Herzegovina	Microfinance has a positive but has limited impact in terms of material position. The study also showed that there is no difference between conventional and Islamic microfinance.
42.	Joshi and Rao (2017)	Rajasthan	SHG has positively affected the members but the management of groups affected the quality of facilitation. Centrally formed SHG lacked collective action.
43.	Karlan, Savonitto, Thuysbaert and Udry (2017)	Africa (Ghana, Malawi and Uganda)	Saving groups have positive impact on food security and consumption level of members but no significant impact on female empowerment was seen.
44.	John (2017)	Kerala	Kudumbashree Programme improved the participation of women in social activities, public meetings and bank transactions. The programme also enhanced the entrepreneurship and leadership among members.

Majority of the studies have indicated that microfinance and SHGs have positive outcome i.e. SHGs are helpful for women empowerment and poverty alleviation in rural areas. Out of 44 studies used in present analysis, 35 studies found that the microfinance and Self Help Group movement have positively affected the social and economic standing of women.

However few studies have shown both positive and negative outcomes, like **Leach and Sitaram (2002); Haile, Bockand Folmer(2012)** found that, though the Self help groups has empowered women but the benefits are not sustainable and the membership of SHG has increased the workload of the females. **Koner (2017)** found that SHGs as a positive move towards women empowerment but family opposition and dependence on male members are the main hurdles in the empowerment of women. **Saha (2017)** found SHG membership improved the economic status of women but still there is need to bring more poor under the umbrella of SHGs.

Molesworth et al (2017) found that microfinance improved the economic resilience but failed to ameliorate the wealth and prosperity status of the beneficiaries and **Rajasekhar (2002), R.Evangeline & S. Mathivannan (2017)** have shown that microfinance has increased income, savings, and availability of credit but it failed to empower women. **Ganle,et. al (2015)** also found that, those who are already engaged in business have benefitted from microfinance but the condition of poor got worse.

Finding and Conclusion

Microfinance and SHGs have improved the economic and social status of poor people and has proved to be an important tool for poverty alleviation and financial inclusion of the population, which remain unreached by commercial banks. However, in some area it has failed to fulfill the purpose as benefits of the microfinance are not sustainable and it is unable to include the poorest population. The review of literature also shows that the SHG movement is a better tool for financial inclusion and empowerment of women, as compared to microfinance. However, it is still in growing phase and requires systematic support from policy makers. Moreover, the present analysis of the selected studies found that there is a need to do research in area of microfinance and SHGs to find the solution for the problems like workload management, family opposition and impact of loan cycle.

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