

## A STUDY OF A MICROFINANCE INSTITUTION IN PRAYAGRAJ AND ITS IMPACT ON EMPOWERMENT OF THE WOMEN

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### Abstract

*“According to Dr. A.P.J. Abdul Kalam, empowerment of women is a precondition for creating a good nation. Empowerment of women is essential for development of a good family, good society and ultimately good nation.” Access to social security is a fundamental human right. Development cannot carry harmony and wealth. Financial security is a crucial instrument for social security. Financial security is a precondition of development. Microfinance institutions approach is based on the availability of microfinance to rural women. Its effective utilization ensures promoting sustainable livelihood and earnings. It is in this context that Microfinance Institutions have played a major role in empowerment of women. Microfinance is seen as provision of financial service for very poor who has no tangible assets. These MFIs are helping to overcome exploitation, create confidence for the economic self-sufficiency of the rural poor. According to Meenai, these MFIs provide opportunity to attain the ability and entitlement for the poor, gain skills, gain strength, solve problems and develop independence. The Paper explains a study of microfinance institution in Prayagraj. Name of this microfinance institution is Utkarsh Microfinance Institution in Prayagraj City Branch. This institution is making joint liability group. This Paper is divided in to two sections. First part of the paper introduces microfinance institutions as a tool for women empowerment. Second section of the paper focuses on a study of Utkarsh microfinance institution in Prayagraj. This part of the paper also explains the role of UTK-MFI in economic empowerment of the women.*

**Keywords:** SHG, UTK-MFI, ICRA, M-CRIL, Economic Development, Microfinance.

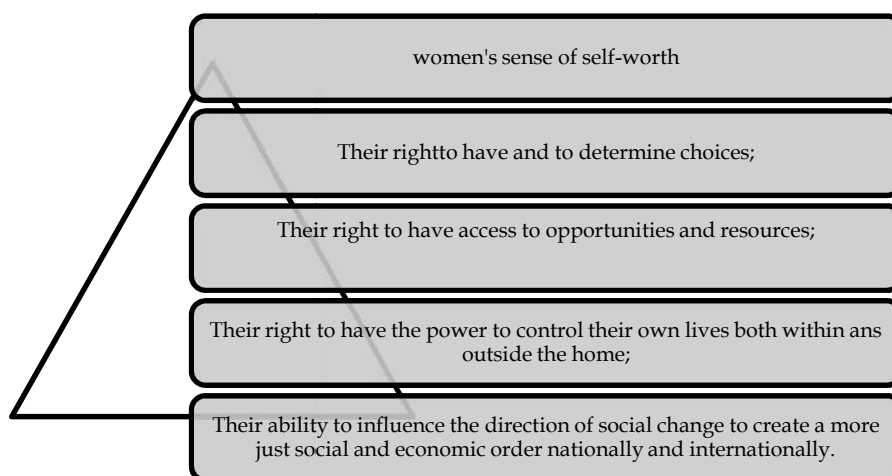
### Introduction

Credit plays a foremost role in Economic development Process. Access to social security is a fundamental human right. Development alone cannot able to bring serenity and wealth, social justice and gender equality. Women are an important part of every economy. Development of a nation would be possible when women are considered as equal partners in progress with men. Women empowerment is a multi dimensional approach. It covers social,

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political, economic and social aspects. However, this approach can help to achieve an eternal and sustainable development of society. In this context microfinance is working as provision of financial service for very poor people who have no tangible assets. These MFIs are helping to overcome exploitation, create self-confidence for the rural poor. Empowerment of women is really the process of upliftment of economic, social, and political status of women. Empowerment is the one of key factors in determining the success of development. Women Empowerment is based on five Components. We can be depicted by the following diagram:



Empowerment is the capability of the person which depends on a variety of factors including personal characteristics and social arrangements. The World Bank defines empowerment as a process of increasing the capacity of individuals or group. However, this process which both build individuals and collective assets. It improves the efficiency and equality of the financial institutions or organization. According to Mayoux, empowerment ensures decision making power in women. In this process people feel themselves to be capable of making decisions in the right direction. According to Krishna, empowerment means increasing the capacity of individuals or groups. It helps to make effective development and life choices among them. It also helps to transform the choices into desired actions and outcomes.

According to Kabeer, The concept of empowerment is defined as defined as agency, awareness of generated power structures, self-esteem, and self-confidence. Hence we can say that Micro-finance working as an effective tool for promoting women empowerment. It is also a for poverty reduction. It consists of a group people of three to eight persons on the condition that each of them would be assuming responsibility for the development of all. Micro finance institutions started in India in 1980. This is a Grameen imitation model of Bangladesh. There is nearly 3,00,000 SHGs working in India. The most successful region for microfinance is Andhra

Pradesh in India. The present study is an attempt to analyze the impact of microfinance institution on the poor women in Allahabad City Branch of Utkarsh Micro finance Institution.

### **Review of Literature**

The SHGs is considered as a viable organization of the rural poor, particularly women. It is delivering micro credit in order to undertake entrepreneurial activities. Some of the studies show that the most of the SHGs have managed by women. SHGs have established how to mobilize and manage saving activities, appraise credit needs, enforce financial disciplines, maintain credit linkages with banks and income generating activities successfully. Findings of the studies conducted in India is presented below:-According to Sherin, 1999 Majority of the SHG members become self-reliant in functional SHGs. Majority of the members felt that the main objective of SHGs was to promoting saving and credit among the poor. It gives a platform to discuss their social problems at personal and village community levels. The members achieved economic independence (100%), social solidarity (96.7%), promotion of savings habits (96.7%), free from debt trap (92.2%), and employment generation and assets creation (91%), as reported by Kumaran.

The most common micro enterprises through MFIs or SHG-Bank Linkage Model undertaken were tailoring and dairying followed by petty business, papad making, spices and curry powder preparation (Kumaran, 2002). SHGs have made significant impact on their empowerment, both in social and economic aspects. There is increase in income level and contribution to family development. (Puhazhendi, 2000) Women are able to expressive their needs and seek help from various development scheme. Access of resources and public facilities is an indicator of empowerment and sustainability. Men supported women in fighting for justice in all issues. Study shows that the gradual change in decision-making. SHG members become self-reliant. (Reddy, 2002) Stree Shakti Group members were able to force mandal panchayat authorities to take up road asphaltting work, starting of school and total prohibition of liquor in villages of Belgaum district of Karnataka. It also provided economic strength to them and forced them to involve in decision-making process. (Nashi, 2004) SHGs have improved the confidence and capacity of the poor women.

Microfinance and micro enterprises have increased their economic status in the family as well as society (Nair and Girija, 2005). SHGs have created awareness among women and poor section of the society, both in social and economic aspects. There is increased income and contribution towards development of family, participation in decision- making, exchange of ideas about social evils, health, education, sanitation etc. (Kumar, 2005) Lack of cooperation among the members, non availability of adequate amount of raw material, high cost of raw materials, lack of good price, and local demand/marketing facilities, vested interests of officials, uneconomical holdings, lack of women's access to land, credit and technology, inadequate training, inadequate information and career guidance, irregularities in payment loan, insufficient loans, illiteracy, lack of time and common place for meetings, were the major constraints perceived by the SHG members. [Prasad, (1998); Ramalaxmi (1998); Nirmala et. al. (2005)] The present study was an impact evaluation study. Impact evaluation was an indispensable tool to assess whether a programme was achieving its objective or not. The definitions of programme

objectives and targeting mechanism might also be improved by planning an impact evaluation at an early stage of project design. (Regalia, 1999) MFIs [Joint Liability groups (MFIs-Bank-SHG Model)] marked a shift from individual beneficiary approach to a group based approach. In this context, this would be necessary that we should evaluate the role of JLG in microfinance with special reference to Allahabad City Branch of UTKARSH MFI.

### Objectives of the Paper

The objectives of the present paper are to measure the effectiveness of women empowerment in rural development.

- To study the SHGs has increase employment level of women.
- To study the SHGs has increased income of women.
- To study the SHGs has increased decision making power in different matters of women.
- To study the SHGs has increased awareness and involvement in economic and social matters.

### Research Methodology

The present study uses both primary (Schedule, and interview method used for primary survey) and secondary data, and also SPSS, EXCEL research software. UTK MFI is working its mainly eight branches those are respectively followings-Allahabad City Branch, Handia, Hanumanganj, Soraon, Mejaroad, Karchana, Ghohaniya and Kaushanbi. Allahabad city branch is based on convenient sampling. Two areas are randomly selected in this branch. Out of those a village named Kataka Jhoosi is selected in rural area and Daraganj meeragali is selected in urban area. There are working 360 groups with its 1800 active members in Allahabad city Branch. Each group consists of five members. Twenty groups are chosen for the study of 5% of total 360 groups i.e. 90 active members in both areas. Twelve groups (Sixty two members) are randomly selected in Kataka Jhoosi and six groups (Thirty members) in Daraganj meeragali is based on proportionate random sampling.

### Utkarsh Microfinance Institution

UTKARSH Micro Finance Private Limited is registered as Non Banking Finance Company (NBFC) in Reserve Bank of India. Its office is situated in Varanasi District of Uttar Pradesh. It provides financial and non financial services for the needy population. Initially it has started with credit and insurance other activities to bring transformation in the lives of deprived.

**Table 1: UTK MFI'S Reach as on August 31, 2018**

<b>Group Lending</b>	
No. of Branches	82
Members	151412
Active Loan client	140158
Total Disbursement (Rs in Millions)	2627.0
Portfolio outstanding (Rs in Millions)	1007.5
<b>Micro Enterprises Loan</b>	
Active Loan client	65
Total Disbursement (Rs in Millions )	3.52
Portfolio outstanding (Rs in Millions )	3.26

Source: Utkarsh microfinance institution Annual report 2017-2018

Table 1 shows the Progress of Utkarsh Microfinance Institution as on August 31, 2018.

### Vision & Mission

To support opportunities for underprivileged by providing access to financial & non financial services through optimal & innovative use of resources in sustainable & scalable manner.

### Area of Operation

The target geography for Utkarsh's services will be the Northern and Central belt. It covers a vast, available market where a small number of MFIs have successfully begun operations. It started has been started in August 2017 with four branches. These branches are situated in two urban and two rural branches in Varanasi district. It has expanded to eighteen other districts in two states ie Uttar Pradesh and Bihar, Jaunpur, Prayagraj (Allahabad), Ghazipur, Sant Ravidas Nagar, Sultanpur, Mirzapur, Gorakhpur, Chandauli, Azamgarh, Deoria, Bhojpur, Patna, Buxar, Rohtas, Kaimur & Chapra. The company expanded its operation in Bihar. The company plans to go through deeper in Bihar and originate operation in Uttarkhand and Madhya Pradesh.

**Table 2: Types of Product and Services of Utkarsh Microfinance Institution**

Utkarsh (Micro Loan)	Samridhi Enterprise	Product & Services Utkarsh Unnati (Income Generation Loan)	Utkarsh Pragati (Income Generation Loan)	Product & Services Utkarsh Kiran (Income Generation Loan-For Existing Clients only)
Loan Purpose: Working Capital, Business Renovation, investment/expansion.	Purpose: Capital, Structure Business	Yes	Yes	Yes
Loan Size: Rs. 25000/- to 300000/-		Loan amount: 1st Cycle: Rs. 6,000, Rs 8,000 , Rs. 10,000 & Rs. 12,000; 2nd Cycle: Rs. 10,000, Rs 12,000 , & Rs. 15,000;	Loan amount:1st Cycle: Rs. 6,000, Rs 8,000 , Rs. 10,000 , Rs. 12,000 & Rs. 15,000; 2 <sup>nd</sup> & Subsequent Cycles: Rs. 6,000, Rs 8,000, Rs. 10,000, Rs 12,000 & Rs. 15,000;	Loan amount: Rs. 18,000, Rs. 19,990, Rs. 22500 & Rs. 25,000;
Rate Of Interest: 29% per annum		Annualized Interest rate: 28.18 % per annum	Annualized Interest rate: 25.94 per annum	Annualized Interest rate: 25.94 per annum
Loan Repayment frequency: Fortnightly or Monthly	Repayment Frequency: Fortnightly or Monthly	Loan Repayment Frequency: Fortnightly or Monthly	Loan Repayment Frequency: 58 Weeks/ 29 Fortnights /12 Months	Loan Repayment Frequency: 104 Weeks/ 52 Fortnights /24 Months
Processing Fee: 1% of Loan amount		Yes	Yes	Yes
Insurance amount: 1% of Loan amount		Yes	Yes	Yes

Source: Utkarsh microfinance institution Annual report 2017-2018

Table 2, shows Types of Product and services of Utkarsh Microfinance Institution.

**Table 3: Outreach of UTK MFI**

	As on June 30, 2018	As on June 30, 2017	Growth
No. of States (UP & Bihar)	2	2	-
No. of States (UP & Bihar)	19	13	46%
Total No. of Branches	77	52	48%
No. of Branches in UP	55	49	12%
No. of Branches in Bihar	22	3	633%
Micro Finance Outreach			
Total No. of Centres	9,295	4,267	118%
Total No. of Groups	30,739	13,703	124%
Total No. of Members	135,019	62,779	115%
Total No. of Clients	125,452	54,449	130%
Total Disbursement - Cumulative (Rs. in millions)	2288.1	880.3	160%
Loan Outstanding (Rs. in MN)	876.7	322.4	172%
On Time Repayment Rate (OTRR in %)	100%	100%	-
Micro Enterprises Lending			
Total Disbursement Cumulative (in MN)	1.77	-	
Loan Outstanding (In MN)	1.68	-	
No. of Loan Disbursed	32	-	
No. of clients	32	-	

Source: Utkarsh microfinance institution Annual report 2017-2018

Table 3, shows the growth of Utkarsh Microfinance Institution.

### Finding of the Study

#### • Impact on Employment

The linkage between poverty and unemployment is just like as two sides of the same coin. The impact of UTK-MFI on employment status of the JLG's members is viewing in the following table:

**Table 4: Impact on Employment**

Sr. No.	Nature of Work	Before SHG	Percentage	After SHG	Percentage
1	Tailoring	4	4.4	6	6.7
2	Shop	14	15.5	22	24.4
3	Furniture	3	3.3	100.0	7.8
4	Animal husbandry	11	12.2	18	20
5	Vegetable production	5	5.6	8	8.9
6	None or housewife	53	58.9	29	32.2
<b>Total</b>		90	100.0	90	

Source: Primary survey

We can draw following conclusions from the above table:

- The percentage of females spending their time in house work reduced from 58.9 % to 32.2 %. They spend their most of the time in group activities. This is indicating that they are getting useful employment after joining the self help group in Utkarsh microfinance institute.
- The proportion of employment with multiple activities is also significant. It shows that the females are adopting the job which suits their needs. The activities have

increased in different kind of shop especially cosmetic shop and animal husbandry (milk business) and vegetable production.

- **Impact on Level of Income of Women**

The more positive impact of SHGs was improvement of level of income. This observation shows in the next table:

**Table 5: Income Level of SHGs Member**

S. No.	Income of SHGs members (Annual income)	Income Before SHGs	%	Income After SHGs	%
1.	No Income	53	58.9	29	32.2
2.	1-10000	13	14.4	14	15.6
3.	10000-20000	11	12.2	12	13.3
4.	20000-30000	6	6.7	10	11.1
5.	30000-40000	5	5.6	9	10
6.	40000-50000	2	2.2	7	7.8
7.	50000-60000	-	-	6	6.7
8.	60000-70000	-	-	2	2.2
9.	100000-200000	-	-	1	1.1
<b>Total</b>		90	100.0	90	100.0
	Mean	7166.67		19333.33	

Source: Primary survey

We observe that the members of SHG were getting better opportunities of income. The average income of the respondents was Rs 7166 (7166.67) which increase to 19333(1933.33) indicating an increase 169 % during the members of SHG. It gives growth of 53.4 % increase in income.

- Impact on decision making power and political and social participation in different areas of women: The benefits of SHG movement to the members have resulted not only at individual level at the social, political and decision making power. It is presented in the following tables:

**Table 6: Level of Decision making Power**

Decision Making Power of the Women	Before SHG	Percent	After SHG	Percent
Yes	27	30.0	54	60
No	63	70.0	36	40
<b>Total</b>	90	100.0	90	100

Source: Primary survey

Members have improved their decision making power in different matters such as Household matters, social and religious activity, children education, control of money expenses on health, etc. Decision making power of members is increased from 30 % to 60 Percent.

**Table 7: Involvement in Political Activities**

Involvement in Political Activities	Before SHG	Percent	After SHG	Percent
Yes	9	10.0	21	23.3
No	81	90.0	69	76.7
<b>Total</b>	90	100.0	90	100

Source: Primary survey

It is observed from the table no -7 that SHG members have experienced increase from 10% to 23.3 % in participation of governmental bodies such as village panchayat and other institutes.

**Table 8: Involvement in Social Activities (Participation in Social Matters)**

Involvement in Social activities	Before SHG	Percent	After SHG	Percent
Yes	29	32.2	74	82.2
No	61	67.8	16	17.8
<b>Total</b>	90	100.0	90	100.0

Source: Primary survey

It is marked that the SHG members are have increased from 32.2 % to 82.2 % participation in social activities such as social work and others. All Indicators of women empowerment (Based on Gender empowerment Measure) in this primary data shows that Utkarsh Microfinance Institution is playing positive role in women empowerment.

### Conclusion

Utkarsh Microfinance institution achieved profitability more than Rs. 21.5 mn as on March 2018. This was possible in spite of substantial reduction in rate of interest and processing fees. ICRA has upgraded the grading of the Institution from M3+ to M2. This grading indicates that in ICRA's current opinion. According to this rating UTK-MFI is able to manage its microfinance activities in sustainable manner. As per the mission and vision, the institution invited social rating from M-CRIL, which is a premier rating agency for the Microfinance sector. The UTK received alpha- ( $\alpha$ -) which indicates "Strong social commitments, good systems, evidence for good adherence to social mission and values." This institution also increases growth of SHG Members. We know as the coin as two sides as like as UTK MFI has both sides good and bad. It is observed (on the basis of reply of respondents) that interest rate of UTKMFI is much higher. UTK MFI provide loan to only women. Therefore it is recommended that, MFI's should reduce their rate of interest and loan should provide to man. Members should be encouraged to venture into diversified and remunerative activities. There is need to train field workers to make them understand the gender-rights and issues. Thus SHGs play a major role in empowerment of women and contribute to the rural economy.

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