



WOMEN EMPOWERMENT THROUGH MICRO FINANCE

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ABSTRACT:

Microfinance has tracked back in India in 1992, when NABARD linked SHG group. Microfinance is considered as an effective tool of poverty alleviation and self-employment across the global continents. In India microfinance operates through two main channels viz. a) banking system through the SHGs under SHG-Bank Linkage Programme (SHG-BLP) and JLG bank lending programme and b) through Micro Finance Institutions (MFIs) lending through individual and group approach. Every microfinance institutions shows that women who are not only better off economically as a result of access to financial services, but are empowered as well. The growth of India's microfinance over the past 16years is remarkable. This paper seeks to examine the impact of microfinance with respect to poverty alleviation and empowerment of women. An effort is also made to suggest the way to increase women empowerment.

Key words : SHG – Self Help Group, NABARD-National Bank for Agriculture and Rural Development.

1.1 Introduction:

Microfinance is the provision of financial services such as loans, savings, insurance and training to people living in poverty. This organization makes it a priority to serve the particular needs of extremely poor women. Microfinance sector helps to build financially self-sufficient and locally managed institution. Microfinance solves the problem of lack of collateral by using group based, character based approach. It creates discipline through high frequency of payment collection and use only social and peer pressure. An incredible feature of microfinance is its convenience.

The term 'Micro' literally means 'Small'. Marguerite Robinson's classic definition of Microfinance, "Microfinance refers to small-scale financial services for both credits and deposits — that are provided to people who farm or fish or herd; operate small or microenterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas". (Robinson, 1998).

Microfinance is considered as an effective tool of poverty alleviation and self-employment across the global continents. According to the microfinance Information Exchange the data custodian for the microfinance client the 1330 microfinance institutions have lend to the microfinance credit summit, It was reported that 133 million active borrowers had borrowed from 3316 microfinance institutions all over the world. Leading microfinance institutions have shown to the world how

inclusive finance is profitable (Rhyne Elisabeth 2009).

1.2 Microfinance in India:

Microfinance was first started in Bagladesh by Dr. Mohammad Yunus. It was started through "Grameen Bank" in 1976. It was formally recognized as a bank through and ordinance, issued by the government in 1983. He views microfinance as a 'fundamental right' and defines micro finance as a "foundational need upon which other right are built, and which fosters other opportunities for betterment". The Grameen Bank provides loans landless poor, particularly women, to promote self-employment. There are 2300 branches of Grameen bank in Bangladesh. It alone disbursed more than \$5 billion in microloans over the last10 years, and it has now 7.7 million borrowers. Recovery rate is 98%. Mutual accountability is the main feature of it. (Grameen Bank)

Hitherto there was no authentic data on the number of MFIs operating in India. The estimates by various sources ranged anywhere from 300 to 800. To overcome this issue Sa-Dhan started bringing out the 'MFI Directory' from the year 2014 onwards, with verified data on each MFI. As per the latest version of this directory there are 223 MFIs functioning in the country. These function under a variety of legal forms of these 223 institutions only 28 MFIs have a client outreach of more than 2.5 lakhs. 45 MFIs have client coverage between 50,000 and 2.5 lakhs. The remaining 150 are relatively small catering to a clientele of less than 50,000, each. But these small institutions cover poorer clients in remote geographies and they are crucial for financial services to underserved populations.

TABLE NO. 1 No. of MFI's in India

| SR. NO. | Legal Form No. | No. of MFIs |
|---------|----------------------------|-------------|
| 1 | Society | 78 |
| 2 | Trust | 19 |
| 3 | Section 8 (Sec 25) Company | 29 |
| 4 | MACS/Cooperative | 12 |
| 5 | Local Area Bank | 1 |
| 6 | NBFC | 13 |
| 7 | NBFC-MFI | 71 |
| | TOTAL | 223 |

Source: Sa-Dhan (2016)

1.3 Importance of Women Empowerment:

Empowerment is related to the process of internal change and to the capacity and right to make decisions. According to the World Bank(2001) defines empowerment as “the process of increasing capacity of individual or groups to make choices and to transform those choices into desire action and outcomes” Sen (1993). The women’s Empowerment program in India started strongly after 1990’s. The initiatives were taken by government for development of women. After the LPG policy (Liberalization, Privatization & Globalization) was implemented by government the new era was started for development of women. The microcredit should help poorest especially women that it tend to reduce economic dependency on her family, husband and society as well as help to enhance self-confidence.

Eradication of literacy is the first step towards empowerment of women. Educating women a more significant impact on poverty and development of community than men’s education. Social, mental, economic and political empowerment which are traditionally denied to women would be achieve through education. Women empowerment is the process and it includes these components like equal access to opportunities for using society’s resources, prohibition of gender discrimination in thought and practice, freedom from violence, economic independence, participation in all decision making bodies and freedom of choice in matters relating to one’s life. This study focus on some solutions for women empowerment and global poverty problem such as microfinance approach in India.

1.4 Microfinance and women empowerment:

In India microfinance operates through two main channels viz. a) banking system through the SHGs under SHG-Bank Linkage Programme (SHG-BLP) and JLG bank lending programme and b) through Micro Finance Institutions (MFIs) lending through individual and group approach. Microfinance Institutions in India emerged in the late 1980s in response to the gap in availability of banking services for the unserved and underserved rural population. Their business proliferated in 1990s under the open economy regime. Most of the institutions that entered the field were from the social sector and hence they took the legal form of trusts or Societies. However, not-for-profit status of those institutions started becoming a limitation for the sustainability and scalability forcing them to morph as MFIs with the business growth. However, due to specificity of the business they were pursuing, these institutions were then registered as NBFC-MFIs under the category created by RBI based on Malegam committee recommendations. Every microfinance institutions shows that women who are not only better off economically as a result of access to financial services, but are empowered as well. There are institutions focus on both empowerment and financially self-sufficient such as Working Women Forum (WWF) in India, which organizes women to achieve better wages and working conditions. ADOPEM (the dominician Association for the Development of Women) in the Dominican republic, which provides business training and OMB in the Philippines, whose commitment to holistic transformation includes personal development and business training.

Empowerment through microfinance is identified and measured in various dimensions like impact on decision making on

self-confidence of women, on their status at home, on family relationship and the incidence of domestic violence, on their involvement in the community, on their political empowerment and rights (Cheston & Kuhn 2002).

List of Micro Finance Institutions (MFI's)

- ARDCI –Agriculture and Rural Development for Catanduanes Inc. (Philippines)
- BRAC- Bangladesh Rural Advancement Committee.
- CIDA- Canadian International Development Agency.
- CSD- Center for Self-Help Development (Nepal)
- DFID-Department for International Development (United Kingdom)

MFI -Microfinance Institutions

- NGO- Non-governmental Organization.
- SEDP- Small Enterprises Development Project (Bangladesh)

- SEWA- Self- Employed Women's Association. (India)
- SHG- Self-Help Group
- TSPI- Tulay sa Pag-unlad, Inc. (Philippines)
- UNDP-United Nations Development Programme
- UNIFEM- United Nations Development Fund for Women
- WEP- Women's Empowerment Programme.
- WWF- Working Women's Forum.
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1.5 MICROFINANCE AND SHG:

A SHG is a rural based financial intermediary composed by 10 to 20 members usually local women. Since 1996 SHG become a regular component of the India financial system. It provides the social opportunity to make them aware about their rights and development under SBLP

Table 2: Agency-wise status of SHG-BLP in 2015-16 (Amount Rs. lakh)

| Name of the Agency | Total Savings of SHGs with Banks as on 31 March 2016 | | Loans disbursed to SHGs by Banks during the year | | Total Outstanding Bank Loans against SHGs | | NPAs | |
|----------------------|--|----------------|--|-----------------|---|------------------|---------------------|---------|
| | No. of SHGs | Savings Amount | No. of SHGs | Loans disbursed | No. of SHGs | Loan Outstanding | Amount of Gross NPA | NPA (%) |
| Commercial Banks | 4140111 | 903389 | 1132281 | 2518497 | 2626364 | 3714562 | 232140 | 6.25% |
| % Share | 52.6 | 66.0 | 61.8 | 67.5 | 56.2 | 65.0 | 62.98 | |
| Regional Rural Banks | 2256811 | 248428 | 470399 | 916493 | 1445476 | 1610935 | 106429 | 6.61% |
| % Share | 28.56 | 18.1 | 25.7 | 24.6 | 30.9 | 28.2 | 28.87 | |
| Cooperative Banks | 1506080 | 217322 | 229643 | 293700 | 600781 | 386426 | 30054 | 7.78% |
| % Share | 19.1 | 15.9 | 12.5 | 7.9 | 12.9 | 6.8 | 8.15 | |
| Total | 7903002 | 1369139 | 1832323 | 3728690 | 4672621 | 5711923 | 368623 | 6.45 |

Source: NABARD ANNUAL REPORT 2015-16

During 2015-16, Commercial Banks had disbursed Rs. 25185 crore (Rs. 17334 crore in 2014-15) to 11.32 lakh SHGs (8.56 lakh in 2014-15) with an average of Rs. 2,22,482 (Rs.2,02,567 in 2014-15) per SHG, against national average of Rs.2,03,495. Commercial banks accounted for 67.5% of bank loans disbursed to 61.8% SHGs during the year. The share of RRBs in credit disbursement to SHGs stood at 24.6%. However, the number of SHGs declined substantially to 25.7% from 32.1%. The average loan disbursement by RRBs during the year was Rs. 1,94,833. The share of Cooperatives both in number of SHGs provided bank loan during the year as well as

the quantum of loan disbursed declined in 2015-16 as compared to previous year. The average loan per SHG provided by Cooperatives was Rs.1,27,894.

There is a need of making microfinance available at very low interest rate. An interest of 4 % per annum is also considered very high by poor self-entrepreneurs. Thus in the future to create more self-employment microfinance should be available at very low interest rate.

1.6 CHALLENGES OF MICROFINANCE:

Many elements contribute to make it more difficult for women empowerment through micro finance---

- 1 Regional Imbalance: The skewed distribution of SHGs across the state.
- 2 From credit to enterprise: the SHG bank linkage programme is sufficient for SHG to only meet the financial needs of their members or there is a further obligation on their part to meet the non-financial requirements necessary for setting up their business and enterprises
- 3 Quality of SHG: the intrusive involvement of government in promoting groups, inadequate long-term incentives to NGOs for nurturing them and diminishing skills sets on part of the SHG members in managing their groups.
- 4 Impact of SGSY: There is a need to resolve the tension between SGSY and linkage programmed groups.
- 5 Role of state government: Many state Governments have been over zealous to achieve scale and access without a critical assessment of the manpower and skill sets available with them for forming and nurturing groups.
- 6 Emergence of federation: The emergence of SHG federation has thrown up another challenge. Such federation represents the aggregation of collective bargaining power, economies of scale, on the other hand there is evidence to show that every additional tier, in addition to increasing costs, tends to weaken the primaries.

There is a need to study the best practices in the area and evolve a policy by learning from them.

1.7 CONCLUSION :

The Indian Economy at present is at a crucial juncture. Many issues in the area of Microfinance yet have to be resolve. Contribution of SHG in Microfinance plays an important role. The gist of the paper is that for banks should reach to financial excluded women so that they can take advantage for their empowerment and poverty alleviation. “When women move forwards, the family moves, the village moves” these words of Pandit Jawaharlal Nehru . It is an accepted fact that only women are in the mainstream of progress, can any economic and social development be meaningful. The inspiration behind the microfinance India awards is to recognize the contribution of notable thoughts leaders, policy makers, promoters and

institutions which help translate the vision of reaching the poorest in a sustainable manner into reality. The government also trying to motivate new and big corporate houses to join for microfinance. It is clear that gender strategies in micro finance need to look beyond just increasing women’s access to saving and credit and organizing self help groups to look strategically at how programme can actively promote gender equality and women’s empowerment.

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