

Role of Microfinance in Women Empowerment

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Abstract

Empowerment of women is one of the important issues in developing countries. As women are integral part of society, her status and participation in decision making as well as economic activities is very low. Microfinance plays very important role in improving women decision making by contributing in economic activities. Over the years various efforts have been made by many Government and Non-Government Organizations to promote women empowerment especially in rural areas. One such effort is the microfinance intervention. Microfinance institution aims to provide credit to the poor who have no access to Commercial Banks. In general, this institution receives financial support from western donors. NGO's or Commercial Bank, who lend to microfinance institutions often against below market interest rates. Many leading public and private sector banks are offering schemes exclusively designed for women to set up their own ventures. Even the unorganized sector has been heading into microfinance movement. The present paper is an attempt to study the role of microfinance intervention in promoting women empowerment in rural India. To check the various schemes under which the micro finance tool is applied and the progress of this program is to help the various data provided by the government and other institutions is included in this study. With the help this it is suggested that education facilities and family protection must be provided in proper way. Microfinance institutions should strengthen and expand their support to poor women.

Key Words

Empowerment, Microfinance, NGO's

Introduction

It is often said that India lives in its villages. According to our latest census about 70 per cent of the total population used to live in villages, and do their agricultural activities. Several years of relentless industrialization almost concentrated around the bigger cities, have not naturally changed the overall picture. The rural India is still a reality. India's overall development is not possible without the rural areas. Working women contribute to national income of the country and maintain a sustainable livelihood of the families and communities throughout the world. As they face many socio-cultural attitude, legal barriers, lack of education and personal difficulties. Traditionally, women have been marginalized, they are rarely financially independent and often they are more vulnerable members of society. About 70% of world's poor are women. Yet they have no access to credit and other financial services. Therefore, microfinance often target women. Microfinance is a critical tool to empower women from poor household. So, particularly women can get benefit from microfinance institutions as many microfinance institutions target only women to empower them. In this paper a small effort has been made on the empowerment of women, through the tool Micro-finance.

About Microfinance

The term micro finance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development etc. There is, however, no statutory definition of micro finance. The taskforce on supportitive policy and Regulatory Framework for Microfinance has defined microfinance as "Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards". The term "Micro" literally means "small". But the task force has not defined any amount. However as per Microcredit Special Cell of the Reserve Bank Of India, the borrowed amounts up to the limit of Rs.25000/- could be considered as micro credit products and this amount could be gradually increased up to Rs.40000/- over a period of time which roughly equals to \$500 - a standard for South Asia as per

international perceptions. The term micro finance, sometimes is used interchangeably with the term micro credit. However while micro credit refers to purveyance of loans in small quantities, the term microfinance has a broader meaning covering in its ambit other financial services like saving, insurance etc. as well.

The mantra "Microfinance" is banking through groups. The essential features of the approach are to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode. The other dimensions of the microfinance approach are:

- Savings/Thrift precedes credit
- Credit is linked with savings/thrift
- Absence of subsidies
- Group plays an important role in credit appraisal, monitoring and recovery.

Basically groups can be of two types

- I. Self Help Groups (SHGs): The group in this case does financial intermediation on behalf of the formal institution. This is the predominant model followed in India.
- II. Grameen Groups: In this model, financial assistance is provided to the individual in a group by the formal institution on the strength of group's assurance. In other words, individual loans are provided on the strength of joint liability/co obligation. This microfinance model was initiated by Bangladesh Grameen Bank and is being used by some of the Micro Finance Institutions (MFIs) in our country.

Women Empowerment

Of the 1.3 billion people who live in absolute poverty around the globe, 70 percent are women. For these, Empowerment of Women, poverty doesn't just mean scarcity and want. It means lights denied, opportunities curtailed and Voices silenced women means to let women survive and let them live a life with dignity, humanity, respect, self-esteem and self-reliance. This will help them to make their own decisions.

Nobel Laureate Amartya Sen. (1993) explains that the freedom to lead different types of life is reflected in the person's capability set. The capability of a person depends on a variety of factors,

including personal characteristics and social arrangements. Microfinance plays a major role in gender and development strategies because of its direct relationships to both poverty alleviation and women. As women are the poorest of the poor so greater financial security allows the women to become more empower in household and community affairs. As women spend most of their income on their family needs particularly children's education, diet, health care and clothing. Proponents of targeting women argue that women repayment record is good and their behaviour is more cooperative than men. Access to financial resources does not alone empower women but also access to material (credit, property, and money), human and social resources (education, business).

Role of Microfinance in Women Empowerment

Microfinance is a type of banking service which provides access to financial and non-financial services to low income or unemployed people. Microfinance is a powerful tool to self-empower the poor people especially women at world level and especially in developing countries. Microfinance activities can give them a means to climb out of poverty. From early 1970's women movement in number of countries increasing to alleviate poverty through microfinance programs. The problem of women less access to credit was given a particular concentration at First International Women Conference in Mexico in 1975. The evolution of microfinance is from Bangladesh since late 1970s and a very successful project. But in Pakistan, the movement of microfinance sector started from Agha Khan Rural Support Program (AKRSP) and Orangi Pilot Project (OPP). With the passage of time microfinance becomes NGO activity and five microfinance banks have been started under State Bank of Pakistan (SBP) ordinance.

Women Empowerment and Microfinance Interventions in Banking Sector

The focus on women's empowerment in the context of microfinance brings to light the significance of gender relations in policy development circles more prominently than ever before Role of women in the development of today's growing world can never be forgotten. For this her empowerment is very important, so that she can participate in the today's competitive atmosphere. Asim (2008) evaluates the impact of micro credit program on indicators of women empowerment in urban slums of Lahore district, Pakistan. The author has chosen specialized institutions with women focusing models. So, the most appropriate institutions according to author are Kashaf foundation and Community Support Concern (CSC). Three Potential sources of selection biases measured the Impact of Program. Firstly, program participants different from their control comparators. Second is that the treatment group might differ from control group in the distribution of unobserved characteristics. Third bias can rise if participants have positive externalities on those who have later joined program. The author construct preference based indicators including child related and health related decisions and economic decisions, social mobility decisions, resource allocated decisions and autonomy based indicators including household purchase and child related decisions. To explore the link between women empowerment and micro credit participants, the author used three different estimates; simple parametric framework of conditional mean independence, randomization of treatment and bivariate probit model

Challenges to Empowerment through Microfinance

While the empowering potential of microfinance programmes remains strong, the evidence of challenges, ineffectiveness and limitations of the potential is equally compelling. Although microfinance has the ability to empower women, the connection is not straightforward or easy to make. Significant research and much anecdotal evidence suggests that this link is certainly not automatic (Hunt and Kasynathan 2001, 2002; Kabeer 1998; Mayoux 1998). Just handing money to women and giving them access to financial assets and resources creates a new set of challenges for women, thus balancing the experience of empowerment with the experience of extra burdens. Others argue more strongly that access to microcredit actually impacts women's empowerment experience negatively by leading to a certain kind of disempowerment. Yet another set of analyses indicates that the goals of microfinance and its empowering potential are intrinsically of conflicting natures. The argument is that focusing on women's empowerment leads to dilution of efficiency and sustainability of MFIs, and these results in reluctance to focus on women's empowerment when designing their systems and programmes. Impressive literature exists that records the challenges and gaps between the goals challenges emanate in the economic, politico-organizational, ideological and cultural domains within which microfinance institutions and microcredit lending programmes are embedded. This section discusses the multidimensionality of these challenges.

Economic and political-organizational challenges

The central issue here is whether the economic goals of efficiency and sustainability of MFIs are rationally compatible with the goals of empowerment. There are arguments pro and con. Those who support a finding of compatibility have argued that targeting women is in fact more judicious, because: (i) women's repayment rates are higher than men's; (ii) women are more cooperative; and (iii) awareness of what clients have and what they need - and empowering them - can actually increase sustainability, because MFIs can offer loans that are appropriate and sustainable (Cheston and Kuhn 2002). In the views and experience of Damian von Stauffenberg, founder and chairman of Micro Rate, the first rating agency to specialize in microfinance, "MFIs which concentrate exclusively on women may place ideological goals ahead of technical competence.

Ideological challenges

A topic to be discussed here is whether the concept of empowerment and women's empowerment is an integral part of a given society or is an imported phenomenon that is borrowed and imposed from the West or the East? Since the primary interest of microfinance institution (MFI) is financial sustainability, introducing empowerment issues is not only incompatible with their goals; it is also an additional agenda in which MFIs would avoid investing. Although governments and organizations such as the Self Employed Women's Association (SEWA) and Working Women's Forum (India) (WWF) in India have mobilized women for a long time to fight for women's rights, it does make it easier for MFIs to avoid an empowerment agenda - as it sometimes mutually suits the MFIs and other stakeholders such as national governments. Indeed, there are reports that the MFI turmoil in Andhra Pradesh is more due to government politicians' and officials' vested interests and lack of concern for women's empowerment (Bellman 2010).

Cultural challenges

The biggest cultural constraint on women's empowerment through microfinance programmes doing research is the culture of patriarchy pervasive throughout Asia. The patriarchal culture is dynamic and thus exercises constraints in different contexts, in varied forms and at various stages in the empowerment Process. These include: bargaining power and the ability to make decisions on economic issues within the household, ability to make decisions outside the household, control over loans, building of social networks, responsibility for household chores, and power over one's time and physical and emotional health and energy, building of social networks, responsibility for household chores, and power over one's time and physical and emotional health and energy.

Conclusion

Among the policies related to poverty reduction, microfinance and micro credit programmes occupy a central position. The concern that follows from this is: how microcredit can be an effective intervention/strategy of poverty alleviation. Based on a comprehensive review of the extant literature, we can identify key areas that can help enhance the effectiveness of microfinance as an anti-poverty intervention.

- 1) It is important to distinguish between the functions of microfinance and the potential it carries to improve the livelihoods of poor and vulnerable people. The core function of a microfinance programme is to provide financial services, to reach poor women and men and give them access to savings and credit. However, the potential of microcredit goes beyond the provision of financial services to poor and vulnerable people. This distinction helps design microcredit programmes more effectively, because while the smooth functioning of microfinance is dependent on the stability of economic institutions such as banks and money lending organizations, the potential of microfinance is dependent on the health of social and socio-economic institutions such as social norms, patriarchy and education. As women are the key actors in the microfinance system, this distinction becomes not just important, but necessary.
- 2) The evidence of the contributions and limitations of microfinance programmes to women empowerment discussed above reveals that poverty-alleviation interventions do not exist in isolation. Rather they are rooted within the larger social matrix that influences them and that they, in turn, influence. This social matrix consists of economic, political, ideological and cultural categories.
- 3) This issue is also related to the potential of microfinance in that it indicates that empowerment of women and poor and vulnerable people through microcredit is also dependent on the larger social matrix. Given that women are the key actors and targets of microfinance programmes, and given that they are the vulnerable and disadvantaged sector of the population, it becomes extremely important that MFIs take into account the social matrix within which women's everyday lives are embedded.
- 4) The empowerment potential and significance of the larger social matrix indicate that microfinance needs to be designed not as an economic model, but as a holistic approach to development, in which the role of culture becomes especially important.
- 5) It is also important to acknowledge that MFI influence on women's empowerment is exclusive to women and cannot

be applied in a similar way to men who borrow. Specifically, while men and women may experience a similar positive impact of MFIs, the negative effects of MFIs on women's empowerment are exclusive to women. This is because, culturally, women's position makes them more vulnerable to social conditions such as patriarchal culture, resulting in a negative influence exclusively on their empowerment, as patriarchal culture, resulting in a negative influence exclusively on their empowerment.

- 6) A related issue requires attention to the categories of women benefiting from loans. Thus women who have limited skills, do not have autonomous access to resources and are dependent on husbands are those that benefit the least. The policy lesson here is that to ensure that loans fulfill their potential in terms of empowering women, institutions ought to first provide skills and get information on the existing lives of these women.
- 7) Identifying how culture interacts with microfinance promises an effective implementation of microcredit programmes. This requires a more-sophisticated and nuanced analysis of culture to understand the empowerment/access linkage.

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