

# Role of Microfinance in Women Empowerment

**K Swapna**  
**Ph.D Scholar (Economics)**  
**(2014-2017)**  
**Kalinga University, Raipur, C.G.**

**Enrollment No. 15021132 (KU002MMXIV02010533)**

## **Abstract**

Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, Microfinance scene is dominated by Self Help Group, Commercial Bank Linkage Programme as a effective mechanism for providing financial services to the “Un-reached Poor”. This has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self-help capacities of the poor women, leading to their empowerment. Economic empowerment results in women’s ability to influence or make decision, increased self-confidence, better status and role in household etc. This paper attempts to place forward how micro finance has received extensive recognition as a strategy for economic empowerment of women. This research examined the role of Micro finance institutions with respect to economic empowerment and poverty alleviation of rural women. An effort is also made to suggest the ways to increase women empowerment.

## **1. Introduction**

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 supportive 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”.

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.

The concept of micro finance institutions and its operations emanates from the model of the Grameen Bank in Bangladesh founded by the prestigious Nobel peace prize winner Professor Mohammed Yunus who was celebrated as the founder of the most successful micro-finance micro-finance institution in the world with the highest number of registered members and borrowers and the highest effective repayments rate. His exemplary work has been adopted and duplicated by nearly all the developing countries and has spread its wings to even the developed world as the best tools to alleviate poverty through provision of small and affordable loans to the poor active through solidarity and on-lending procedures.

## **2 Objectives and Research Methodology**

### **Objectives of study:**

1. To explore the Role of Women in Indian Economy.
2. To assess the Role of Microfinance for Women Empowerment.

### **Research Methodology**

It is always important to be critical of the information presented in sources, especially since the material might have been gathered to address a different problem area. Moreover, many secondary sources do not clearly describe issues such as the purpose of a study, how the data has been gathered, analysed and interpreted making it difficult for the researcher to assess their usefulness. In order to address this problem I have tried to triangulate the secondary data by using numerous independent sources.

The information about the problem is collected from the Research Journals, Trade Magazines, Annual Reports of Banks and the Internet. For evaluating 'the role of Microfinance in Women Empowerment', we have focused on as recent material as much as possible. In order to get access to the latest developments in this area I have used a number of articles published in academic journals and trade magazines. We have also used secondary information from Internet based discussion forums.

## **3. Findings and Discussions**

**3.1 Role of women in Indian Economy:** All over the world, the significant of women entry into the workforce over the past three decades has produced profound transformations in the organization of families, society, the economy, and urban life. Since the late 1950s, women's economic activities have been steadily increasing. Women have always

actively participated in their local economies. In Africa, for example, women produce 80 percent of the food and in Asia 60 percent and in Latin America 40 percent. In many cases, women not only produce the food but market it as well, which gives them a well-developed knowledge of local markets and customers.

This is a small example of the importance of women's work in society. It does not illustrate the real extent of women's contribution, especially in developing countries, not only to the labour force, but also their role as a significant income-source for the family. For instance, in Africa all tasks related to a family's support are the responsibility of women. Due to cultural and traditional aspects, a woman's presence has been a question of survival of her family.

Women, especially poor mothers, must divide their time between work "productive role" and family "reproductive role", and balancing all the demands. Time is valuable for these women, as their livelihoods depend largely on their ability to fulfil the multiple demands of the household and the marketplace. In spite of the remarkable importance of women's participation, their jobs have been considered as an "extra income" to family survival or simply to improve its living conditions. Moreover, microenterprises owned by women have been considered as a way to meet primary needs instead of a profitable source of income.

Unfortunately, labour markets have followed this perception and have offered less favourable conditions to women. Women workers consistently earn less than their male partners do. Women have had to fight against an adverse environment, which traditionally had been minimizing and exploiting their capacities. As a consequence of this reality, in some cases, women are just satisfied with the non-financial benefits, such as the psychological satisfaction of "social contact".

In general terms, in order to facilitate the empowerment of women in micro and small enterprise, MFI's should:

- Encourage microenterprise programmes to develop specific strategies for recruiting women as clients from within their existing target groups.
- Encourage microenterprise programmes to expand their target groups to include the sizes and types of enterprise activities in which women engage and/or experiment with assistance strategies, business and technical assistance needs of these types of enterprises.
- Consider expanding support to a broader range of organisations, especially poverty-focused organisations active in rural areas. Support for these organisations should include technical assistance and training in programme planning, management and in developing teams of female staff to assist clients in business planning and management.

To increase women's access to credit, the MFIs should:

- Increase the availability of working capital;
- Experiment with lending programmes that do not require conventional forms of collateral;
- Replicate and expand existing successful methodologies for delivering small working-capital loans;
- Introduce savings mobilisation components in the context of credit or other enterprise assistance programmes;
- Promote credit policies that are open to both small-scale enterprise activities and enterprises operating in trade, commerce and other small enterprise sectors where women have higher participation rates.

### **3.2 Role of Micro Finance in Women Empowerment**

When discussing the term **empowerment** a general distinction between relative and absolute wellbeing need to be indicated or explained. According to Hashemi et al (1996), there exist several indicators of empowerment for women involved in microfinance mobility, economic security, social freedom, major household, decision-making, and freedom from male domination, political and legal awareness. Absolute; indicated by outcomes that measure education, health and nutrition, labour force participation. Relative: process in which the position of a woman makes decisions and controlling resources within the households is compared by the men's position. Through meetings, discussions of partnered family issues through continuous meeting of group members and credit staff (Hashemi et al, 1997, Kibas, 2001).

Economic empowerment results in women's ability to influence or make decision, increased self- confidence, better status and role in household etc. Micro finance is necessary to overcome exploitation, create confidence for economic self-reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure.

Empowerment implies expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives (World Bank Resource Book). Empowerment is the process of enabling or authorizing an individual to think, behave, take action and control work in an autonomous way. It is the state of feelings of self-empowered to take control of one's own destiny. It includes both controls over resources (Physical, Human, Intellectual and Financial) and over ideology (Belief, values and attitudes) (Batliwala, 1994).

According to Mayoux, (2001) due to provision of credit facilities and non-credit facilities women have been empowered economically and socially.

According to the research done there are various impacts on access of microfinance facilities to women entrepreneurs. Microfinance program when properly implemented help not only to reduce poverty but contributes to the empowerment of women. They help place vital resources in the hands of rural women, which otherwise will not be available to them. This helps women to increase their economic activities and raise their standard of living in the process. This assessment provides evidence of the positive effects of finance on the livelihood of poor women especially in India. Some of the major benefits of Microfinance includes the followings:

**Economic Empowerment** Women's access to savings and credit gives them a greater economic role in decision making through their decisions about savings and credit. When women control decisions regarding credit and savings, they optimize their own and the households welfare. The investment in women's economic activities will improve employment opportunities for women and thus have a 'trickle down and out' effect. The financial sustainability and feminist empowerment paradigm emphasize women's own income-generating activities. In the poverty alleviation paradigm, the emphasis is more on increasing incomes at the household level and the use of loans for consumption. In the feminist empowerment paradigm, individual economic empowerment is seen as dependant on social and political empowerment.

**Decision making** Studies show that a change in the financial status of a woman affects her involvement in decision making at both the family level and the community at large. This inter-relationship implies that policy makers on issues related to women must understand financial status-women empowerment interactions. In this context; financial status can both affect and be affected by women's empowerment hence causing multi-directional effects. Decisions regarding family matters, business investment and management ideas (Kibas 2001). Advocates argue that

microfinance can increase women's bargaining power within the household. Women will become "empowered" and enjoy greater control over household decisions and resources. To the extent that group lending in microfinance entails peer monitoring by other borrowers in the same group, microfinance is likely to provide protection to women within their households. In particular, violent acts and abuses by men against women can now be subject to third party scrutiny as peer borrowers will want to find out why some woman in their group have stopped attending repayment meetings.

**Increased being** This refers to increased proceeds from the invested amounts from loans. The women are able re-coup/re invest the generated interest income thus resulting to enlargements of their establishments and greater control. Access savings and credit facilities and women's decision about what is being done with savings and credit strengthens women's say in economic decisions of the household This enables women to increase expenditure on the well-being of themselves and their children. This is the main concern in the poverty alleviation paradigm. Women's control over decision-making is also seen as benefiting men through preventing leakage of household income to unproductive and harmful. Other welfare interventions are advocated in addition to microfinance, typically nutrition, and health and literacy campaigns to further decrease vulnerability and improve women's skills. In the financial self-sustainability and feminist empowerment paradigms, improved well-being is an assumed outcome from increasing women's economic activities and incomes. The access to credit and the increase in women's income leads to an increase in women's ability to make economic choices, which they would not otherwise do as dependants on their husbands.

**Access to and control of financial resources** Hashemi et al, (1996), Goetzad Gupta, (1996), Ability of women maintains control over credit they receive and income accruing from it. Evidence shows that women

maintain significant control over their loans activities. According to, Ackerly, (1995); Goetz and Gupta, (1995), it seems obvious that the effect of microfinance services is higher when women actually control the financial resources acquired in their names. Increased control is likely to; contribute to women's empowerment, facilitate women's entrepreneurship, assist women in their reproductive tasks and ease their repayment burden.

**Relationships and Domestic violence** According to Kibas, (2001), families that have financial freedom tend to be stable and normal domestic violence. Schuler, Hashemi and Akhter, (1996) found that women who participated in the Grameen program were much less likely to be beaten by their husbands than women who lived in the non-Grameen bank programs.

**Health and Education** The fact that women bore the family burden, access to credit has enabled women to improve health and education of their children leave alone access of education to girl child; access to credit has enabled women acquire the health insurance that is greatly subsidized by the government. Access to credit has helped women prepare balanced diet meals for their families (Kabeer, 2001; Rwabangira, 1996).

#### **4. Conclusion**

A conclusion that emerges from this study is that micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programmes among women. A promising solution is to provide multipurpose lone or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income. Careful research on

demand for financing and savings behavior of the potential borrowers and their participation in determining the mix of multi-purpose loans are essential in making the concept work. We may herby conclude that micro financing may not only empower the women economically but also socially.

## 5. References

1. Susan Wanjiku Njogu (2015), “The Role of Microfinance Institutions in Empowering Women Economically: A Case Study of Umoja Women Entrepreneur Programme Nakuru Branch”, *International Journal of Science and Research*, Vol. 5 No.5, pp.1494-1499.
2. Par *Verónica González Aguilar* (2006),“Women's Participation in Microfinance”,  
<http://www.globenet.org/archives/web/2006/www.globenet.org/horizon-local/ada/9905women.html>.
3. Sabiha Fazalbhoy (2014), “Women Entrepreneurship as the Way for Economic Development”, *Annual Research Journal of SCMS*, Pune, Vol 2, No. 1, pp. 117-127.
4. Ashok K. Pokhriyal,, Rekha Rani,, Jaya Uniyal (2014), “Role of Micro-Finance in The Empowerment of The Women”, *Journal of Business and Finance*, Vol 2 No.1, pp. 21-31.
5. Brush, C. (1997). Taori ,Dr. Kamal - Entrepreneurship in the Decentralised Sector Women-Owned Businesses: Obstacles and Opportunities, *Journal of Developmental Entrepreneurship*.

6. D.Padmavathi (2011). Sustainable Development of Rural Women Entrepreneurs .International Conference on Business, Economics and Tourism Management. Vol.24 , pp.67-70
7. K Sathiabama. (April 2010). Rural Women Empowerment and Entrepreneurship Development .  
<http://www.microfinancegateway.org/gm/document1.9.43775/Rural%20Women%20Empowerment%20and%20Entrepreneurship%20Development.pdf>.
8. Meenu Goyal,jai parkash (2011). Women entrepreneurship in India- problems and prospects. International Journal of Multidisciplinary Research Vol.1, No.5, pp.198-202
9. Michael Strong. Empowering Women Entrepreneurs Alleviating Poverty & Promoting Peace through Enterprise Development, FLOW
- 10.Pati, A.P. (2008), .Subsidised Micro Financing and Financial Sustainability of SHGs., The Indian Journal of Commerce, Vol.61, No.4, pp.137-149.
- 11.Patil, Ganesh, Govind, P.S. and Bhamare, Priyanka D. (2008), .Micro Finance. A Combat against Poverty., The Indian Journal of Commerce, Vol.61, No.4, p.169.
- 12.Report by The office of Development Commissioner (MSME), Ministry of Micro, Small & Medium Enterprises, Government of India,( 2013)
- 13.Singh, Lakshmeshwar Pd. (2008), .Micro Finance . The Emerging Horizons for Poor and weaker Section. The Indian Journal of Commerce, Vol.61, No.4, p.173.
- 14.Taneja Kanika (2009). Micro Finance the New Mantra of Rural Finance to Reduce Poverty Case Study . Delhi Business Review . Vol. 10, No. 2
- 15.<http://www.canarabank.com/english/scripts/WomenEntrepreneurs.aspx>