

## IMPACT OF MICROFINANCE AND SHG's ON WOMEN EMPOWERMENT

**Shailaja Kheni**

*Research scholar, Gulbarga University, Gulbarga.*

**Dr S H Honnalli**

*Doddappa Appa Institute of MBA, Gulbarga.*

### **Abstract**

*Today's world is caught in great economic crisis. Liberalisation has bought many multinational companies into developing countries. Due to this the local enterprises are unable to compete with the products that are better in quality as well as low in prices. In this economic environment, the women self-help groups are building themselves up as a power to be reckoned with.*

*In the developing world, India presents a unique opportunity and need for poverty alleviation. India's political environment and strong economic growth over the last 10 years have put the country in a position to become the third-largest economy in the world by 2050. At the same time, India accounts for the largest share of the world's poor with over 860 million people living on less than US\$2 a day and economic development characterized by a widening income gap between the rich and poor parts of the country.*

*Therefore a healthy banking system is essential for any economy striving to achieve good growth and yet remain stable in an increasingly global business environment. The Indian banking system, with one of the largest banking networks in the world, has witnessed a series of reforms over the past few years. In that series microfinance also exists. The unique feature of microfinance programme is that it focuses on women for development. Thus the paper focuses on microfinance & SHG's & its impact on Women empowerment by discussing certain issues and evidences and also the role of SHG's.*

**Key Words: Microfinance, SHG's, Women Empowerment, Socio-Economic Transformation.**

### **Introduction**

Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. Microcredit emphasizes the provision of credit services to low income clients, usually in the form of small loans for micro enterprise and income generating activities.

Microfinance programs like the Self Help Bank Linkage Program in India have been increasingly promoted for their positive economic impact and the belief that they empower Women. Women empowerment is a process in which women challenge the existing norms and culture, to effectively promote their wellbeing. It is a comprehensive and much debated issue, it's a dynamic and multidimensional process Women in general are the most disadvantaged people in the rural regions of India.

The unique feature of microfinance programme is that it focuses on women for development. There are more than ninety per cent women clients under this programme. The basic idea is to empower women by providing them financial assistance and allowing them to earn an independent income, contribute financially to their households and generate self-employment. This economic independence is expected to generate increased self-respect, self-esteem, self-confidence and other forms of empowerment for women participants of the programme. The process of empowerment of the beneficiaries of the programme is not automatic, but depends upon many factors. These factors may be abilities, environment, initiative and status of women as group. Women participation in Self Help Groups have obviously created tremendous impact upon the life pattern and style of poor women and have empowered them at various levels not only as individuals but also as members of the family, community and the society as whole. They come together for the purpose of solving their common problems through self-help and

mutual help. The more attractive scheme with less effort is “Self Help Group” (SHGs). It is a tool to remove poverty and improve the women entrepreneurship and financial support in India.

In India Self-help groups represent a unique approach to financial intermediation. The approach combines access to low cost financial services with the process of self-management & development for the women who are SHG members. SHGs are formed by NGOs & Govt agencies. The participation of women in Self Help Groups (SHGs) made a significant impact on their empowerment both in social and economic aspects.

A self-help group consists of 10-20 members drawn from a relatively homogeneous economic class (i.e. poor), self-selected on the basis existing affinities and mutual trust; members meet regularly at a fixed time and place and pool their savings into a common fund from which they take need based loans. The group develops its own rules and regulations and sanctions for violations; the meeting procedures and processes, leadership change norms, intensive training and handholding, are designed to enable SHGs to function in a participatory and democratic manner. The objectives of the SHGs go beyond thrift and credit –and include the overall development of members in the social, political, cultural and economic arena; thus the SHGs are ‘credit plus’ institutions.. The basic objective of SHG is that it acts as the platform for members to provide space and support to each other.

### **Role of SHG**

Congruity with human nature enhances the relevance and utility of human development initiatives. The core of SHG bank linkage in India has been built around an important aspect of human nature - the feeling of self worth. Over the last ten years, it has come to symbolize an enduring relationship between the financially deprived and the formal financial system, forged through a socially relevant tool known as Self Help Groups (SHGs). An amazingly large number of formal and non-formal bodies have partnered with NABARD in this unique process of socio-economic engineering. What had started off in 1992 as a modest pilot testing of linking around 500 SHGs with branches of half a dozen banks across the country with the help of a few NGOs, today involves about 20,000 rural outlets of more than 440 banks, with an advance portfolio of more than Rs.1200crore(\$240m.) in microfinance lending to SHGs. Financial services have reached the doorsteps of over 8 million very poor people, through 500,000 SHGs, hand-held by over 2,000 development partners. Based on an economic paradigm - where poor women save regularly in a group fund, lend savings to members and finally link their fund to a bank for additional credit – SHGs form the backbone of good communication, governance and problem-solving in a community. While the model’s benefits are many, its financial activities sustain and motivate SHG members to address community-identified needs in a number of areas.

### **Examples of SHG initiatives in India can be Summarized as Follows**

1. Watershed Management (Water users groups, infrastructure maintenance)
2. Sustainable Farming and Forest (Sharing of improved techniques)
3. Income Generation (Encouragement and advice on individual activities of members)
4. Social Evil Eradication (Alcohol abuse, spousal abuse, excessive dowry)
5. Emergency Prevention (for recurring natural calamities)
6. Peace (Interfaith, interethnic, intercaste tolerance and conflict resolution)
7. Civil Society (Women members run for elected office)
8. Microfinance (Savings and credit)
9. Education (School for children, adult literacy)
10. Health/HIV/AIDS (Education, herbal medicine, stigma)

### **Self-Help Group Initiatives**

One of the advantages is its ability to shape-shift into the backbone of community-based emergency prevention program. The program relies on the community, through a variety of participatory exercises, to identify potential vulnerabilities and to develop plans to block a natural shock from becoming a wholesale emergency. CRS’ program asks partners to develop or identify strong self-help groups, group them into social clusters at the village

level, invite clusters to engage all members of a community, and then train the entire community in how to plan, prepare, and respond to future natural calamities.

#### **The Numerous benefits of approach include**

- ***Increased ability of communities to prepare for recurrent natural hazards***  
When properly trained, women leaders gain the confidence and skills required to mobilize their communities and local government resources to reduce the impact and adverse effects of natural disasters on poor households.
- ***Increased strength of self-help groups through emergency prevention measures.***  
Since the process is participatory and requires good decision-making, groups improve their problem-solving skills in the process of preparing against natural disasters. And thus strengthens the groups
- ***Inclusion of the whole community.***  
One repeated criticism of self-help groups is that they usually consist only of women; men in the community often feel left out. However, women are to engage the entire community, and thus motivate men to improve community infrastructure and cropping patterns.
- ***Increased capacity to plan.***  
Upon completion of the disaster preparedness process, communities submit formal micro plans to local government officials in order to mobilize public resources. Emergency management breathes new life into participatory learning techniques. Despite the best of intentions, many PRA exercises lead nowhere. They lack purpose or enjoin the community to adopt a purpose that is not a priority. Communities do care about emergencies and enjoy the opportunity to start managing their response. This benefit leads to confidence and overall interest in planning.
- ***Increased use of local resources.***  
There is plan that calls for mobilizing community labour and savings to help prevent and respond to emergencies. It also calls for banks and businesses to play an active role in supplying groups with credit and needed supplies

#### **Why Self-Help Groups?**

To protect themselves from emergency, communities must organize. They must have Good systems for decision-making, good communications among all community members, the ability to catalyze local resources (both government and non-government) and the skills to shore up their family and community holdings. To create the kind of civic life needed to make these benefits possible, CRS and partners use the self-help group (SHG) model. Women, under the guidance of an NGO animator or field worker, gather together at least once per month and deposit an agreed upon amount of savings into a group fund. Typically, savings range from 5 rupees to 50 rupees with each group deciding what money it can spare. If, after six months, a group demonstrates that members have 100% on-time loan repayment, regular savings, high meeting attendance, the group may borrow from a local bank.

Through NABARD (National Bank for Agriculture and Rural Development), local state-owned banks, commercial banks, and credit unions may obtain reasonably-priced Funds to on lend to groups. India's system of 150,000 bank branches makes credit truly accessible, even for the most remote communities. Each rupee of savings mobilized by a group allows the group to access up to 4 rupees in credit at a very reasonable 2% annual interest rate. Serving more than 7 million marginal families in India, this Scheme is so successful that some banks offer a higher leverage (up to 10 rupees for each rupee saved) and forego refinancing. They have quickly realized that these Groups are excellent customers, and in many cases better than their traditional clients. SHGs democratically set their own interest rates on inter-group loans ensuring the interest rate is affordable to members. Members decide for what purposes they will use loans. Uses vary from investment in small businesses to purchasing needed household items. Low cost, multi-purpose loans remove groups from the grip of local moneylenders. In fact, a former CRS partner in Karnataka documents that interest charged by moneylenders has dropped from 120% to less than 40% per annum due to the Competition of self-help groups. While the impetus

for forming an SHG is economic, women soon realize that the social benefits they derive from group membership are as important as the financial ones. In most communities in rural India women do not participate fully in decision-making processes, leaving them bereft of confidence and the power to make important changes in their lives. Limiting the potential of half a community's members prevents the whole community from moving forward. SHGs by dint of intrinsic dynamics and the money which accrues to members offer women the chance to make decisions, gain power over local resources, and ultimately build confidence. This confidence is precisely the catalyst needed to move communities forward on social problems. Some of CRS' partners have reported reductions in the occurrence of rape, alcoholism, murder, dowry abuse, and spousal abuse in communities with strong SHGs. Without external inputs self-help groups find themselves managing many social issues. SHGs, when properly formed and linked to one another, are able to provide a broad range of social benefits to members and even to entire villages. Women a much greater voice in household and community decisions groups take on community-wide social problems such dowry and alcohol abuse and attract resources to build roads, bring in electricity and supply credit from government and private institutions. These groups make ideal platforms for launching a emergency prevention program. Women are confident, organized and have funds saved to invest in protective measures for the households.

### **Socio-Economic Transformation and Microfinance Intervention: Issues and Evidences**

#### Socio-economic Transformation Model

Microfinance Intervention → Economic Transformation → Increased Well-being  
→ Social Transformation

Socio-economic transformation and microfinance intervention is one of the major areas of Impact assessment studies. Any rural intervention programme not transforming livelihood can be marked as a failure, and this is true in case of microfinance also. Although "socio-economic transformation" is a popular phrase in rural economies, specific issues pertain, particularly in the case of microfinance. This is because microfinance is profiled not only in terms of contributing to economic gains but is also considered as a strategic weapon for gender mainstreaming, social transformation and capacity building of women, in particular.

A major area of concern is the dimension of socio-economic transformation which poses as a major inquiry. Questions remain on the potency and sustainability of microfinance for socio-economic transformation.. onetheless, despite the questions, microfinance can play as a major tool for financial inclusion and inclusive growth through full realization of its potential. The world over microfinance oriented financial inclusion provides a special focus on women. They pose as a major clientele. There are good reasons to target women. Gender equality turns out to be good for everybody. The World Bank reports that societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance, and a lower standard of living (*World Bank, 2001*). Disproportionately represented amongst the poorest in society, discrimination in the formal labour market, more vulnerability of women headed households and the higher repayment rates on loans and contributions to family well-being are some of the rationales put forward for providing loan to women (*Mayoux 1999a*).

Access to credit can contribute to a long-lasting increase in income by means of a rise in Investments in income generating activities and to a possible diversification of sources of Income; it can contribute to an accumulation of assets; it can reduce the vulnerability due to Illness, drought and crop failures, and it can contribute to a better education, health and housing of the borrower.

- In addition, microfinance can contribute to an improvement of the social and economic situation of women (*Hermes and Lensink, 2007*).
- Microfinance has an economically significant impact on female social capital, economic empowerment and political participation, frequent attendance in village meetings, intake of protein and consumption (*Deininger and Liu, 2009*).

- SHGs helped reduce vulnerability to drought, encouraged entrepreneurial behaviour and livelihood diversification and improved social capital (*Garikipati 2008*).
- Increased access to microfinance contributed to poverty reduction and financial Sustainability, economic empowerment, increased well-being and social and political empowerment thereby addressing goals of gender equality and empowerment (*Mayoux and Hartl, 2009*)
- Microfinance is making head way in its efforts for reducing poverty and empowering women in particular (*BLCDRA, 2005*).
- Microfinance organizations attempt to address the dual phenomenon of institutional exclusion and adverse exploitation by reaching out to the needs of the core poor (*Kabeer, 2005*).
- In a study conducted in Lakhipur village of Assam it was found that the women members of the SHGs were empowered and this enabled them to purchase and own assets like cows, goats and buffaloes (*Srivastava, 2005*).
- When loans are channelled through women's groups and are combined with more investment in social intermediation, substantial shifts in decision-making patterns are observed. This involves a remarkable shift in norm-following and male decision making to more bargaining and sole female decision-making. The effects are even more striking when women have been members of a group for a longer period and especially when greater emphasis has been laid on genuine social intermediation. Social group intermediation had further gradually transformed groups into actors of local institutional change (*Holvoet, 2005*).

The underprivileged when provided with access to finance put it into effective Use, and resulted in positive outcomes. Micro-finance as an intervention transforms the socioeconomic levels of the clients, particularly women.

### **Opportunity - The Road Ahead**

There are still large sections of the population without access to financial services. A conservative estimate for example suggests that just 20% of low-income people have access to them. Thus, there is an urgent need to widen the scope, scale and outreach of financial services to reach the vast un-reached population.

Ultimately the key players are banks, banks as partners in the linkage programme and emerging MFIs. Banks through their rural branches have played and continue to play an important role in providing financial services to the poor on a stand-alone basis. Banks need to introspect on the quality and coverage of these portfolios. Further as key stakeholders in the **Bank-SHG linkage programme**, they, together with other partners need to take forward the good work they have been doing. The SHG – Bank Linkage Programme has done well, has made a tremendous contribution to “scale” and is on a high growth path. However, the programme is confronted with many challenges and this need to be addressed through appropriately structured policies and strategies. In so far as MFIs are concerned it is recognized that they hold significant potential. However, MFIs need to be challenged to make an increasing contribution to “scale” consistent with cost, sustainability and efficiency of operations.

Finally let all deliberate the issues involved and come up with appropriate recommendations for policy formulation. We are living through challenging and upbeat times. Yet anyone who has worked in the field of development knows the ‘highs’ and ‘lows’ of working in this sector. Thus hope for the best with the entrepreneurial spirit to be ignited through the help of SHG's & microfinance in India.

### **Conclusion**

There is no dearth of studies which show that with the help of microfinance the status of a woman improves in the family; she earns greater respect in the family than before; she participates in the decision-making and community meetings; and she gets freedom to move for the betterment of the micro-business. It may be due to the fact that women become able to contribute financially to the family. In fact, microfinance programme increases economic, social, and political empowerment. Microfinance programme may be an important programme but not a panacea

to end all the problems that poor face. Hence, the programme beneficiaries must efficiently use the financial support to start small businesses that will help in uplifting standard of life and empowerment of women.

## References

### Textbooks

1. Microfinance redefining the future by V S Somanath
2. “Micro credit & Microfinance” by Hari srinivas

### Journals

1. Kabeer, N. 1998. Can't buy me love? Re-evaluating gender, credit and empowerment in rural Bangladesh. IDS Discussion Paper No. 363. Institute of Development Studies, Sussex.
2. Kabeer, Naila. 1999. Resources, Agency, Achievements: Reflections on the Measurement of Women's Empowerment. Development and Change Vol. 30, Institute of Social Studies, Oxford, UK.
3. Mayoux, L. 1998. Participatory learning for women's empowerment in microfinance programmes: Negotiating complexity, conflict and change. IDS Bulletin, 29(4), 39–50.
4. Mayoux, L. 1999. Questioning virtuous spirals: Microfinance and women's empowerment in Africa. Journal of International Development, 11, 957–84.

### Website

1. [www.chronicpoverty.org](http://www.chronicpoverty.org)
2. [www.microfinancegateway.org](http://www.microfinancegateway.org)
3. [www.oecd.org](http://www.oecd.org)