



THE ROLE OF MICRO FINANCE IN EMPOWERMENT OF RURAL WOMAN

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Abstract

The advent of Economic Reforms made globalization a mandatory phenomenon across the country although there seems to be some opposition in some parts of the world. Globalization has had a diverse impact on the perception of the role of “consumer” within the framework of building and sustaining competitive advantage. Free trade or the competitive market economy has been accepted as the primary economic policy across the world. Microfinance is a tool directed to reach those sections of the society who are deprived of access to the credit by banking organizations in most of the developing countries prior to 1950. The rural finance policy designed & adopted by many countries in the early 1950’s introduced subsidized credit through various institutions of the Government to reach rural segments.

Microfinance through SHG’s is recognised as an effective tool for rural development. The Women in the rural area is completely denied of any kind of status till in the recent past. Microfinance aims at addressing this issue by targeting the rural market and in specific to the rural women in empowering them by providing access to the Schemes of SHG’s. Micro finance is emerging as a powerful instrument for poverty alleviation, employment generation and Women empowerment.

The present paper is a conceptual analysis catering to the dimensions of Rural Women Empowerment (RWE) by considering and comparing the factors influencing the Rural Women Empowerment. The paper also attempts to develop a model to understand the complexities of RWE in order to sustain the competitive environment.

Key words: *SHG- Self Help Groups, RWE –Rural Women Empowerment, Micro Credit, Financial Inclusion, Competitive environment.*

INTRODUCTION

The advent of Economic Reforms made globalization a mandatory phenomenon across the country although there seems to be some opposition in some parts of the world. The borders between countries are disappearing resulting in enhanced levels of competition and also opportunities. Globalization has had a diverse impact on the perception of the role of “consumer” within the framework of building and sustaining competitive advantage of a company. Free trade or the competitive market economy has been accepted as the primary economic policy across the world.

“If we can come up with a system which allows everybody access to credit while ensuring excellent repayment - I can give you a guarantee that poverty will not last long, - Prof. Dr. Muhammad Yunus.”

In the context of above lines by Prof. Dr. Mohammod Yunus, It is rightly been expressed that everyone in this world get access to credit with guaranteed repayment poverty can be completely eradicated with a strong political intentions in framing policies relating to micro-credit. Microfinance is a tool directed to reach those sections of the society who are otherwise deprived of access to the credit by banking organizations in most of the developing countries prior to 1950. The rural finance policy designed & adopted by many countries in the early 1950’s introduced subsidized credit through various institutions of the Government to reach rural segments.

The advent of Liberalization, Privatization and Globalization has given space and opportunities for the growth and development of the livelihood strategies of the individuals. The socio, economic cultural change has made the weaker section prone to inadequacy of financing/capital, safety/security and other related aspects in the society. In this context basically the economic conditions of both the urban and rural population is found to be imbalanced such as gender equality, lifestyle adoptions, literacy, standard of living etc. The rapid growth of most of the East Asian economies showed that successful development accompanied by reduction of poverty with the increased standard of livings and even in process of democratization. The quality of life of the citizens of a nation



can be effectively improved by raising the standards of living of the people especially people from backward areas. Interestingly, women's crucial contribution in community development, social change and economic independence is highly stressed by many individuals, institutions and agencies

Education is an instrument of socialization is considered as a powerful catalytic agent for social change. The rural women is being deprived of the benefits especially which is available to the urban women and the men in specific, where microfinance institutions have recognized such needs and have come forward with innovative services to support the deprived section of the society favoring policies for empowerment of women, increasing their access to credit through Self Help Group's (SHG's) so that these sections of rural society would be able to acquire the capability and assets that can support and facilitate in realizing strategic gender needs. Micro Finance is dominated by the SHG', as the SHG's play a vital role in the process of financial inclusion.

Microfinance is a type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for development of rural women. Micro finance and SHGs are being effective in decrease in poverty, empowering women and creating awareness which will ultimately result in sustaining competitive environment and development of the nation. The micro financing main focus is to empower women.

The paper focuses on the role played by microfinance in women's empowerment, considering three main dimensions such as Psychological, Social and Economic. Micro finance is emerging as a powerful instrument for poverty alleviation, employment generation and Women empowerment. **The present paper is a conceptual analysis catering to the dimensions of Rural Women Empowerment (RWE) by considering and comparing the factors influencing the Rural Women Empowerment. The paper also attempts to develop a model to understand the complexities of RWE in order to sustain the competitive environment**

In India more than 400 million people are living below the poverty line. More than 60 million households are in rural India who is in need of Microfinance. As per the statistics of 1998, annual credit usage by these households was Rs. 4,65,000 million (\$ 10 billion). In rural areas, around 55% of the households had access to small loans through banks & more than 45% were still dependent on the informal sectors for their credit requirement in the year 2000. As per statistics available from NABARD (2003), more than 8.67 lakh SHG's in India are made successfully function, at the same time NABARD has a target of ensuring bank loans to one million SHG's by 2008 with an average membership of 17, leading to bank's outreach to 17 million members with the vast majority would be women, with an average size of Rs. 1766 per family, banks loans were made available to 11.6 million families in 2002-03. Apart from this, there are donor agencies like NABARD, SIDBI etc. there are 2800 partner NGO's working extensively in this field.

SELF HELP GROUPS (SHG's): AN OVERVIEW

The poorer section of the society has to be motivated and come together in terms of savings and dispensing small and unsecured loans at varying costs to different member based on their needs and requirements. The NABARD is playing as a catalyst by identifying and designing the Bank - SHG's link programme to bring the informal and weaker section of the society under the banking system.

SHG's are also taking a key interest and prominent role in solving the disputes of the social justice. It was observed that in olden days many of the individual's (women) had lot of issues related to cultural, ethical and ritual problem, where the women was deprived of the benefits of the society on par with the men. In this context it can be seen that the SHG's are not solving the social disputes but also helping the weaker women section to psychological and economically support themselves and their family. This in turn influences the economic development of the country.

Microfinance and Women Empowerment

Empowerment is measured by the degree of economic independence, women involvement in household decision making, decision making within the group and self-perception. The emergence of women entrepreneurs, their

contribution in the development of the Indian economy is evident. Microfinance programs have been targeting women with the explicit goal who are highly motivated for pursuing women empowerment. The women need to have an access to savings and credit to strengthen her to be empowered women. A numbers of agencies- Government as well as Non-government Organizations (NGO's) are involved in micro-finance development initiatives.

The women are connected now to the microfinance institutions to get access to micro credit through which they can start their small enterprises. the revenue generated by these small organizations take care of the needs of the family such as food, shelter, health care, education, savings etc. The bankers had a misconception about the Rural Women that they are not educated, lack Skill, Noncredit worthy hence they require such loans which are soft & at the subsidized rate of interest with longer period of repayments. This concept is been changed with the intervention of SHG's proving that Rural Women are more capable in handling the funds efficiently & also credit worthy in making regular the repayment of the funds. So timely availability of adequate credit is essential for them to undertake any economic activity rather than credit subsidy

In rural India, women lived in isolation due to inadequate access to basic services. As a matter of fact, it can be seen that in rural market women were in producing certain essential products such as handicrafts made of bamboo, homemade snack foods and some were engaged in retail trading, textiles and so on. The formation of Women's SHG has given them the physical mobility and also being accepted socially. This change has taken place over a period of time with the impact of SHGs on the social-economic status of women.

Microfinance programmes can be used as one the key strategy for women empowerment and overcome poverty. Micro finance institutions are playing a prominent in enhancing the income levels of the women, to be more independent economically, access to wider market through networking, change in the attitude and the perception in the household matters and in the community. Realizing the importance of microfinance, World Bank has also taken major steps in developing the sector. Formation of Consultative Group to Assist the Poor (CGAP) in 1995 as a consortium of 33 Public and private development agencies and establishment of Microfinance Management Institute (MAFMI) in 2003 are significant landmarks. MAFMI was established for meeting the technical and managerial skills required for microfinance sector.

The Problems and Challenges faced by Women in Rural area

The rural women face highly sophisticated society and challenging environment with many constraints such:

- Lack of knowledge about the market and profitability makes women not very clear about the type and choice of business to be taken up.
- Systematic working style as inadequate can be seen book-keeping.
- Relatives employed in the business activities increases social pressure to share benefits.
- Women face problem in understanding the product pricing due to the complex parameters involved in pricing the product.
- Lack of financial support and encouragement from family and relatives to take up business.
- High interest rates for the capital.
- Limitations on the market conduct and understanding the business cycle.
- Imposing of huge penalties in credit policies from credit providers.
- Problems faced between personal and professional life i.e., Social and Family responsibility – Work Life balance.
- Biased gender roles reinforced where women is given less prominence.

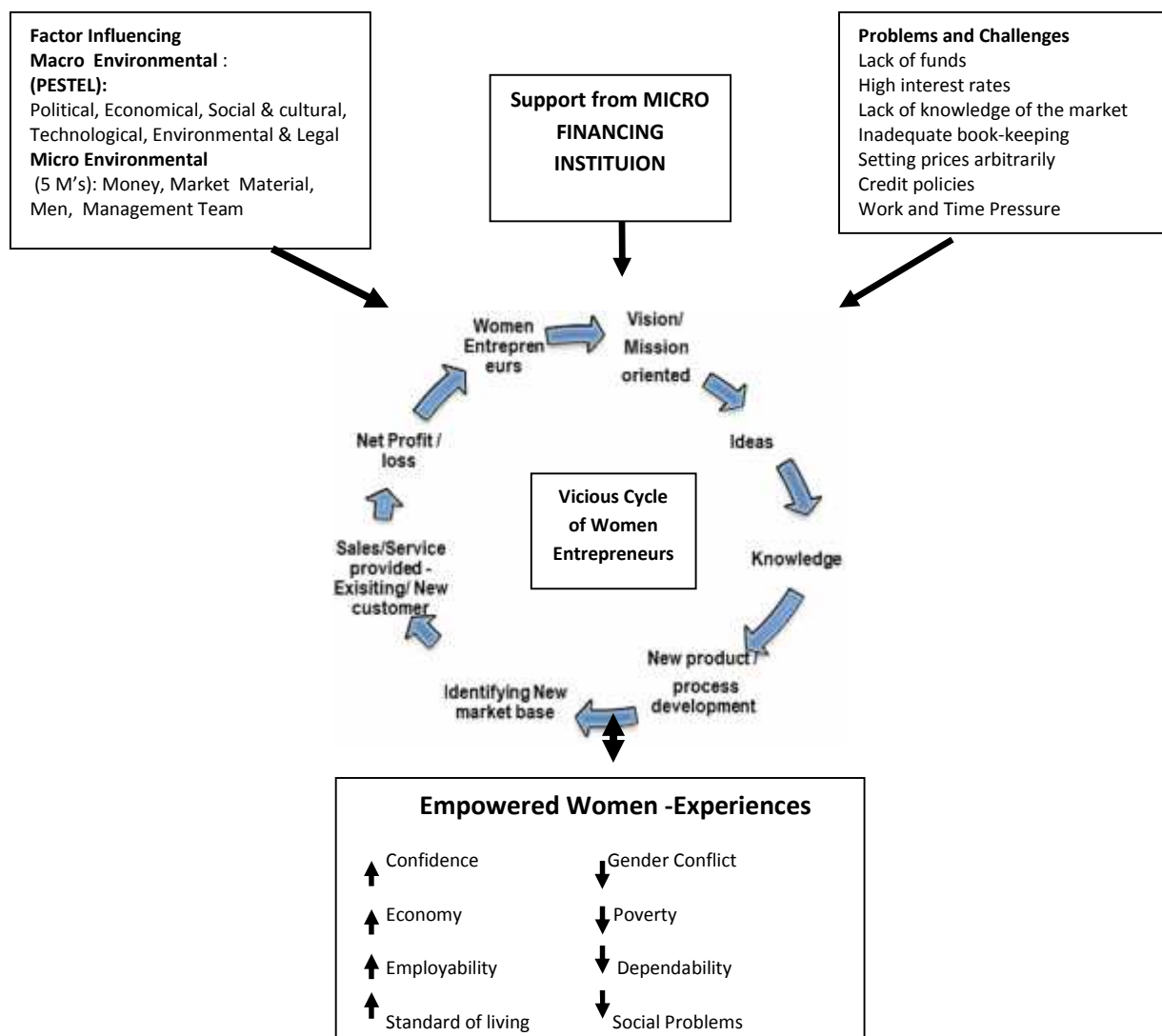
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In olden day, it was observed that the men were seen as the bread winner for the family and hence more importance was given to the male child. At the same time the girl child was under constant risk of being aborted during women pregnancy, deprived from going to school and getting educated in order to take care of her siblings (brothers and sisters). Girl child was always seen as a burden in the family so she was married at the young age

itself. A woman being part of family, also works in fields in agricultural areas and also take care of the household responsibilities, but still the contribution of women goes unnoticed. Their active participant as homemaker of the household is not reflected in National Income Statistics, thus, making their contribution unaccounted for. The influence of Micro financing will help women in boosting their confidence level and also help in rational decisions making, better status and standard of living, importance given in house hold matters. Micro finance is playing a prominent role in current scenario to overcome exploitation, increase confidence level among the weaker section of the rural population in context to rural women who are deprived of recognition among the social class.

The role of micro financing in empowering the rural women is presented in the chart-1 below. The chart is self-explanatory; it is presented in the model of Input, Process and Output. The micro and macro environmental factors such as PESTEL, 5Ms, the support from micro financing institutions and the problems faced by the women acts as input for the vicious cycle of women entrepreneurs where the women faces many challenges in converting her ideas into business through coming out with innovative product or service. In the process the enrichment of knowledge takes place. As a outcome in women, there is an increasing rate in the employability, economical status of the women, confidence level increases at the same time there can be seen a decrease in the poverty, gender inequality, and also overcomes the social problems faced by women due to knowledge enrichment.

CHART - 1: The Role of Micro Finance in Empowerment of Rural Women



Source: Author (↑ - Increase; ↓ - Decrease);

Adapted from Mrs. Shailaja M.L. and Dr. Pankajakshi R. (2014) “5E’s to Capitalize on Women Empowerment”, in *International Research Journal of Management & Humanities* (Listed in ULRICH & CABELL Directory, TEXAS, USA), ISSN No. 2347-3274, Volume 2, Issue 2, September 2014, Pg: 318-328.

The Impact of Microfinance in Empowerment of Women

Emergence of Microfinance has brought out the transformational change in the role and the value of women such as:

- i. Microfinance has reduced the poverty, increase in income and enabled the poor to accumulate saving and build assets.
- ii. It has contributed to a reduced dependency on money lenders and other sources of financing.
- iii. It has enabled households to spend on education and acquire knowledge for themselves and their family members.
- iv. It has empowered women in household decisions by enhancing their contribution to household income.
- v. The support of micro financing will decrease the child mortality, improvement in maternal health and the ability of the poor to combat disease through intake of nutritious food, better housing and health status.
- vi. It has facilitated research in the provision of financial services for the poor.
- vii. It has given way for the business stakeholders to be creative and innovate to offer better product/ services.

Microfinance has helped to develop their skills and talents by participating in various training programs, improvement in psychological well-being and social empowerment among rural women through SHG program.

Strategies opted by the Micro finance Organizations to meet the demands of Rural Market (Rural Women)

The strategies to be adopted in designing the rural development policy have to be framed keeping in view of the issues like:

- Create awareness about Microfinance and its benefits.
- Access to markets through networking gives wider experience of the world outside the home.
- The training programmes have to regularly conducted to develop technical expertise and managerial skills.
- Educating the individuals to have better understanding about the opportunities available in the market.
- Insurance facility provided in order to protect the lives and livelihoods of the individuals to cover risk.
- Tax concession and other Finance, Infrastructure other related entrepreneurial benefits has to extended to the needy.
- There should be flexibility in the credit instrument.
- Information accessibility and possibilities for development of other social and political roles.
- Attitudinal change is essential among women and awareness created in the society towards the role of women.

The ultimate objective of rural development was the eradication of poverty and improving the quality of masses. In formulating rural development policy the whole approach has been fundamental and has been targeted towards removal of poverty. NGO's play a vital role in forming and nurturing of the SHG's, is essential to strengthen them and their resources so that they should increasingly undertake this work. They suggested that the banks and other financial institutions and state government should come forward to help the rural poor through the SHG's and provide liberalized credit facilities at cheaper rates of interest. The NGOs should actively take part in various trainings sessions provided to all women members wherein they can gain more knowledge about the various income generating activities

CONCLUSION

The Indian Finance sector especially Rural Finance is at the crossroads as the demand for finance is abundant but the profitability criteria of Micro finance institution & banking organizations are restricting them to tap this opportunity. Microfinance can be used as an instrument that fits the needs of broad range of the society inclusive of middle income, low income and below poverty line population. It has created awareness among the individuals

through participation in microfinance programs which has brought not only the economic development but also improved the literacy level of rural women, better standard of living.

The Rural women are facing some of the problems in becoming successful entrepreneurs like pricing issues, lacking technical skills, low education level, marketing the product, raising of funds etc. Among them some of the key issues such

as funds raising, capital investment, increasing profitability are taken care by the Microfinance Institutions & NGO's operating in the rural areas but in few other areas like the development of technical skill & entrepreneurial activities they require the training program's which are to be organized in collaboration with government agencies like NABARD, administration of Gram Panchayat's, Government literacy program's etc. The rural women are Socio-economically and psychologically empowered after joining SHG & Bank Link programme and getting access to the Micro Credit in turn has reduced the poverty, but also the women entrepreneurs have proved their commitment in achieving their objectives.

Microfinance has played a vital role in enhancing the morale of the women, bringing confidence, courage, skill development, increase their potentiality, out of box thinking. It has brought psychological, Socio-cultural and economic empowerment.

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