Research paper
Impact Factor (GIF) 0.314

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

AN ATTEMPT TO EMPOWERING RURAL PEOPLE THROUGH MICRO-FINANCE

M.Chittibabukannan*   Dr.R.Prabhu**

Ph.D Research Scholar, SNR Institute of Management Studies and Research, SNR Sons College, Coimbatore, India.
Assistant Professor, Department of Business Administration, Government Arts College (Autonomous), Coimbatore, India.

INTRODUCTION

Women constitute almost half of the country's population, which has been deprived of self-respect and subjugated into existence at the whim and mercy of the male.

Over the year, Women have accepted her role in society as housewife and mother as well an inferior expendable commodity, whether sold off to stranger or a source of dowry for her husband's family. There is general acceptance of the various ways in which women contribute to society and economy. The World Bank has suggested that empowerment of women should be key aspect of social development programs. The empowerment is not essentially political alone in fact; political empowerment will not succeed in the absence of economic empowerment. The scheme of micro financing though Self Help Groups (SHGs) has transferred the real economic power in the hands of women and considerably reduced their dependence on men.

Self-help groups are increasingly accepted as agent by social changes, development and empowerment among the women. SHG's approach represents a paradigm shift from development toward empowerment. The SHG's are considered as the agents of transformation through the mobilization, organizations, banking in situation and voluntary organizations follow self-help approach to active rural development and empowerment of the women in India. The banking institutions channelize their credit to poor through the SHG's.

SELF HELP GROUP

A small economically homogeneous and affinity group of poor people, preferably same socioeconomic background. Who have volunteered to organize themselves into a group for eradication of poverty of the members. They agree to save regularly and convert their savings into a common fund known as the Group Corpus. The members of the group agree to use this common fund and such other funds that they may receive as a group through a common management. Generally, the number of members in one self-help group does not exceed twenty.

EMPOWERMENT: FOCUS ON POOR WOMEN

In India, the trickle down effects of macroeconomic policies have failed to resolve the problem of gender inequality. Women have been the vulnerable section of society and constitute a sizeable segment of the poverty-struck population. Women face gender specific barriers to access education health, employment etc. Micro finance deals with women below the poverty line. Micro loans are available solely and entirely to this target group of women. There are several reason for this: Among the poor , the poor women are most disadvantaged –they are characterized by lack of education and access of resources, both of which is required to help them work their way out of poverty and for upward economic and social mobility. The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economy. This is due to the low social status and lack of access to key resources. Evidence shows that groups of women are better customers than men, the better managers of resources. If loans are routed through women benefits of loans are spread wider among the household. Since women's empowerment is the key to socio economic development of the community; bringing women into the mainstream of national development has been a major concern of government.

CONCEPT AND FEATURES OF MICRO FINANCE

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".

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.

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.

The need of microfinance lies with the disadvantaged sections of the society who do not have access to services of formal sector financial intermediaries and are typically excluded from the formal banking system for lack of survival. They need micro-finance to undertake economic activity, smooth consumption, mitigate vulnerability to income shocks in times of illness and natural disasters, increase savings and support self-empowerment. In such conditions Microfinance works as the ray of hope for the poor and the very poor population of the country.

MICROFINANCE FULFILLED FOLLOWING NEEDS OF THE RURAL POOR

Credit facilities to Rural Poor

Usually rural sector depends on non-institutional agencies to fulfill their financial requirements. Micro financing has been successful in taking institutionalized credit to the doorstep of poor and have made them economically and socially sound. Not only that but it also aims towards creating 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.

Poverty Alleviation

Accessing small amounts of credit at reasonable interest rates give poor people an opportunity to set up their own small business. They can earn more, build their assets, and cushion themselves against external shocks. Poor households use microfinance to move from everyday survival to planning for the future: they invest in better nutrition, housing, health, and education, which will be enough to take those availing Microfinance facility out of poverty.

Basically groups can be of two types

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.

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'S EMPOWERMENT AND MICRO FINANCE: DIFFERENT PARADIGMS

Concern with women's access to credit and assumptions about contributions to women's empowerment are not new. From the early 1970s women's movements in a number of countries became increasingly interested in the degree to which women were able to access poverty-focused credit programmes and credit cooperatives. In India organizations like Self- Employed Women's Association (SEWA) among others with origins and affiliations in the Indian labour and women's movements identified credit as a major constraint in their work with informal sector women workers.

The problem of women's access to credit was given particular emphasis at the first International Women's Conference in Mexico in 1975 as part of the emerging awareness of the importance of women's productive role both for national economies, and for women's rights. This led to the setting up of the Women's World Banking network and production of manuals for women's credit provision. Other women's organizations world-wide set up credit and savings components both as a way of increasing women's incomes and bringing women together to address wider gender issues. From the mid-1980s there was a mushrooming of donor, government and NGO-sponsored credit programmes in the wake of the 1985 Nairobi women's conference (Mayoux, 1995).

FEMINIST EMPOWERMENT PARADIGM

Micro-finance is promoted as an entry point in the context of a wider strategy for women's economic and socio-political empowerment which focuses on gender awareness and feminist organization. As developed by Chen in her proposals for a sub sector approach to micro credit, based partly on SEWA's strategy and promoted by UNIFEM, microfinance must be Part of a sectoral strategy for change which identifies opportunities, constraints and bottlenecks within industries which if addressed can raise returns and prospects for large numbers of women. Possible strategies include linking women to existing services and infrastructure, developing new technology such as labour-saving food processing, building information networks, and shifting to new markets, policy level changes to overcome legislative barriers and unionization.

POVERTY REDUCTION PARADIGM

The poverty alleviation paradigm underlies many NGO integrated poverty-targeted community development programmes. Poverty alleviation here is defined in broader terms than market incomes to encompass increasing capacities and choices and decreasing the vulnerability of poor people.
The main focus of programmes as a whole is on developing sustainable livelihoods, community development and social service provision like literacy, healthcare and infrastructure development. There is not only a concern with reaching the poor, but also the poorest.

FINANCIAL SUSTAINABILITY PARADIGM

The financial self-sustainability paradigm (also referred to as the financial systems approach or sustainability approach) underlies the models of microfinance promoted since the mid-1990s by most donor agencies and the Best Practice guidelines promoted in publications by USAID, World Bank, UNDP and CGAP.

The ultimate aim is large programmes which are profitable and fully self-supporting in competition with other private sector banking institutions and able to raise funds from international financial markets rather than relying on funds from development agencies. The main target group, despite claims to reach the poorest, is the 'bankable poor': small entrepreneurs and farmers. This emphasis on financial sustainability is seen as necessary to create institutions which reach significant numbers of poor people in the context of declining aid budgets and opposition to welfare and redistribution in macro-economic policy.

Policy discussions have focused particularly on setting of interest rates to cover costs, separation of micro-finance from other interventions to enable separate accounting and programme expansion to increase outreach and economies of scale, reduction of transaction costs and ways of using groups to decrease costs of delivery. Recent guidelines for CGAP funding and best practice focus on production of a 'financial sustainability index' which charts progress of programmes in covering costs from incomes.

PROBLEM AND CHALLENGES

Surveys have shown that many elements contribute to make it more Difficult for women empowerment through micro businesses. These elements are:

- Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.
- Inadequate book-keeping.
- Employment of too many relatives which increases social pressure to share benefits.

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually ruin their business (many customers cannot pay cash; on the other hand, suppliers are very harsh towards women).

CHALLENGING ECONOMIC EMPOWERMENT

However impact on incomes is widely variable. Studies which consider income levels find that for the majority of borrowers income increases are small, and in some cases negative. All the evidence suggests that most women invest in existing activities which are low profit and insecure and/or in their husband's activities. In many programmes and contexts it is only in a minority of cases that women can develop lucrative activities of their own through credit and savings alone.

It is clear that women's choices about activity and their ability to increase incomes are seriously constrained by gender inequalities in access to other resources for investment, responsibility for household subsistence expenditure, lack of time because of unpaid domestic work and low levels of mobility, constraints on sexuality and sexual violence which limit access to markets in many cultures.

CONCLUSIONS AND SUGGESTIONS

Numerous traditional and informal system of credit that were already in existence before micro finance came into vogue. Viability of micro finance needs to be understood from a dimension that is far broader- in looking at its long-term aspects too .very little attention has been given to empowerment questions or ways in which both empowerment and sustainability aims may be accommodated. Failure to take into account impact on income also has potentially adverse implications for both repayment and outreach, and hence also for financial sustainability. An effort is made here to present some of these aspects to complete the picture.

A conclusion that emerges from this account is that micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programmes. The organizations involved in micro credit initiatives should take account of the fact that:

- Credit is important for development but cannot by itself enable very poor women to overcome their poverty.
- Making credit available to women does not automatically mean they have control over its use and over any income they might generate from micro enterprises.

REFERENCES

1. Fisher, Thomas and M.S. Sriram ed., 2002, Beyond Micro-credit: Putting Development Back into Microfinance, New Delhi: Vistaar Publications; Oxford: Oxfam
2. Mark Schreiner (2001), "Microfinance in Rural Argentina", Microfinance Risk Management and Center for social Development, Washington University, St Louis
3. Mahajan, R.K. and D. Bansal. 2009. 'Microfinance and Women Empowerment: A Case Study of Punjab',The Microfinance Review, 1(1): 84–104.
4. Sarumathi s and Mohan k (2011), "Role of Microfinance in women Empowerment", Journal of Management and Science, Vol1. No 1
5. Gyanendra Mani and T. Sudheer. 2012. 'Two Decades of SHG-Bank Linkage programme: Different Facets', The Microfinance Review, and IV (1):137–56.