



## IMPACT OF SKS MICROFINANCE ON WOMEN EMPOWERMENT AND POVERTY ALLEVIATION IN ODISHA

Mukti Kumar Nanda

*Research Scholar, Ravenshaw University, Cuttack, Odisha.*

### **Abstract**

*Microfinance programs help the economic and social uplifting of the poor people. The objective of this paper is to measure the impact of SKS Microfinance programs in women empowerment and poverty alleviation in Odisha by adopting a direct interview method. Impact assessment is the measurement of the income growth, assets growth and vulnerability reduction of the poor by the microfinance programs. It is a fact that an increase in women's income results in the well-being of the family. Of the 103 billion people who live in absolute poverty around the globe, 70 per cent are women and empowering those means to let women survive and let them live a life with dignity, humanity, respect, self-esteem and self-reliance. SKS Microfinance distributes small loans to poor women to start and expand simple businesses and increase their incomes. SKS Microfinance provides financial services only to women members of the company. The present study finds that there is a significant improvement in the income of the members after joining SKS microfinance and has brought happiness and peace in the family. Their poverty level has also reduced by participating in SKS Microfinance programs. The weekly meeting, training and hand holding by the staff of SKS Microfinance improved their literacy levels and enabled them to play an important role in domestic decision making. Thus this study concludes that SKS microfinance is playing a vital role in the social, psychological as well as economic empowerment of women in Odisha.*

**Keywords:** *Microfinance, Poverty, Livelihood, Empowerment.*

### **1.0 Introduction**

Microfinance holds a big promise to generate income and employment. This can alleviate poverty and empower the women in a developing country like India. The main objective of all microfinance program interventions shares the common goal of human development, specifically the economic and social uplifting of the poor people. The theme of this chapter pertains primarily to analysis the social impact of SKS microfinance programs. As opposed to studies on economic impact, information on social impact indicators is usually limited and descriptive and cannot be used as a basis for numerical reasoning, quantification, forecasting and making predictions of how microfinance programs transform livelihoods.

Impact assessment of microfinance refers to the assessment of how financial products and services affected the lives of the poor. It is the measurement of the income growth, assets growth and vulnerability reduction of the poor by the microfinance programs. The indicators for impact assessment are not limited to economic development but extended to developmental growth like health, education, empowerment, gender, etc. According to Panda (2009) , Impact Assessment is the structured study, which measures the impact on employment, income generation, nutrition, education, health, consumption, business development (micro entrepreneurship) and gender equity on MFIs clients.

This chapter tries to measure the impact of SKS Microfinance programs in women empowerment and poverty alleviation in Odisha.

### **2.0 SKS Microfinance-An Overview**

SKS was started in 1996 by a young entrepreneur, Vikram Akula. When pursuing his Ph.D. in Political Science at the University of Chicago, Vikram had the vision of starting a microfinance institution to uplift the poorer sections of the society in India. His dissertation was in the area of poverty alleviation strategies which focused on 'How to scale microfinance faster'. While studying in the US, Vikram realized that microfinance institutions could sustain themselves in the long run only by following a for-profit model.

After returning to India from the US, he faced lot of difficulty in starting a new microfinance organization as he couldn't raise the required funds. Finally, he started SKS by raising an initial amount of ₹ 2.36 million from 357 people (mostly from his family and friends). Vikram was inspired by Bangladesh banker Muhammad Yunus and SKS was established based on Yunus's Grameen Bank model. SKS was initially registered as SKS Society, a Non-governmental Organization (NGO), in 1997 and it started its operations in Tumnoor Village in Medak District, Andhra Pradesh, in 1998. SKS expanded its operations rapidly and in course of time, it won several awards for its achievements. Most of the money it received in the form of awards was also reinvested to fund the expansion of its operations.

By the year 2003, Vikram had arrived at the idea of converting SKS into a for-profit organization to fuel its growth. So he founded a private company called SKS Microfinance Pvt. Ltd. and five for-profit Mutual Benefit Trusts (MBTs). The



objective was to enhance the social and economic welfare of the company and MBTs' members. Vikram raised US\$ 500,000 in 2003 through donations via MBTs and invested the amount in SKS Microfinance Ltd. to become its sole owner.

In 2005, the Company was registered with and has since been regulated by the RBI as a Non-Deposit Taking Non-Banking Financial Company (NBFC-ND). In 2009, the Company became a public limited Company. The Company completed its initial public offering (IPO) and its equity shares were listed on Bombay Stock Exchange (BSE) Limited and the National Stock Exchange (NSE) of India Limited in August 2010. In November 2013, the RBI re-classified the Company as an NBFC-MFI permitting it to carry on the business of a Non-Banking Financial Company - Micro Finance Institution, a separate category of Non-Deposit Taking Non-Banking Financial Companies engaged in microfinance activities.

The Company is one of the largest MFIs in India by Gross Loan Portfolio (GLP) as also number of borrowers and branches as on March 31, 2015, and the only microfinance Company to be publicly listed in India. The Company is primarily engaged in providing microfinance to economically weaker individuals in India, who are classified by the Company as its "Members". Further, the Company classifies Members whose loans are outstanding as "Borrowers".

The Company's core business is providing small value loans ( ₹ 2000 to ₹ 20,000) and certain other basic financial services to its Members. Its Members are predominantly located in rural areas in India, and the Company extends loans to them mainly for use in small businesses or for other income-generating activities like raising cows and goats in order to sell their milk, opening a village tea stall, opening of a vegetable shop etc. and not for personal consumption. These individuals often have no, or very limited access to loans from institutional sources of financing. The Company believes that non-institutional sources typically charge very high rates of interest.

In its core business, the Company utilizes a village-centric, group-lending model to provide unsecured loans to its Members. This model relies on a form of 'social collateral', and ensures credit discipline through peer support within the group. The Company believes this model makes its Members prudent in conducting their financial affairs and prompt in repaying their loans. Failure by an individual Borrower to make timely loan repayments will prevent other Members in the group from being able to borrow from the Company in future. Therefore, the group will use peer support to encourage the delinquent Borrower to make timely repayments or will often make a repayment on behalf of a defaulting Borrower, effectively providing an informal joint guarantee on the Borrower's loan.

In addition to its core business of providing micro credit, the Company uses its distribution channel to provide certain other financial products and services that its Members may need. The Company offers loans for the purchase of mobile phones and solar lamps. The Company also operates a number of pilot programs that it may gradually consider converting into separate business verticals or operate through subsidiaries, subject to satisfactory results of the pilot programs and receipt of regulatory approvals. The existing pilot programmes primarily relate to giving loans to its Members for the purchase of certain productivity-enhancing products such as sewing machines, bio-mass stoves and loans against gold as collateral. The Company intends to expand its involvement in these other financial products and services to the extent consistent with its mission, client-focus and commercial viability.

SKS Microfinance follows the Joint Liability group Model. The methodology involves lending to individual women, utilizing five member groups where groups serve as the ultimate guarantor for each member. Its approach is to provide financial services at the doorstep of members in villages and urban colonies. This allows the poor convenience and savings in terms of cost and time associated with travelling to mainstream banks and enables SKS staff to promptly and fully collect repayments. Its loans are designed for convenience with small weekly repayments corresponding to cash flows.

Borrowers undergo financial literacy training and must pass a test before they are allowed to take out loans. Weekly meetings with borrowers follow a highly disciplined approach. Re-payment rates on collateral-free loans are more than 99% because of this systematic process. SKS microfinance also offers micro-insurance to the poor as well as financing for other goods and services that can help them combat poverty.

SKS operates in 19 states in the country like Andhra Pradesh, Karnataka, Maharashtra, Odisha, Madhya Pradesh, Bihar, Uttar Pradesh, Rajasthan, Uttaranchal, Haryana, West Bengal, Jharkhand, Chhattisgarh, Gujarat, Kerala, Punjab and Delhi. SKS provides loans to women members in poor regions of India for a range of income generating activities. SKS offers insurance products and emergency loans to its members. It is an effective tool that can help reduce poverty and spread economic opportunity by giving poor people access to financial services, such as credit and insurance.



### 3.0 Literature Review

A majority of microfinance programs target women with the explicit goal of empowering them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. Whereas, other believe that investing in women's capabilities empowers them to make choices which is a valuable goal in itself but it also contributes to greater economic growth and development. It has been well-documented that an increase in women's resources results in the well-being of the family. A more feminist point of view stresses that an increased access to financial services represent an opening/opportunity for greater empowerment. Such organizations explicitly perceive microfinance as a tool in the fight for the women's rights and independence. Finally, keeping up with the objective of financial viability, an increasing number of microfinance institutions prefer women members as they believe that they are better and more reliable borrowers.

Hashemi et.al (1996) investigated whether women's access to credit has any impact on their lives.. Their results suggest that women's access to credit contributes significantly to the economic upliftment of women. They also found that access to credit was also associated with higher levels of mobility, political participation and involvement in 'major decision-making' for particular credit organizations.

Holvoet (2005) finds that in direct bank-borrower minimal credit, women do not gain much in terms of decision-making patterns. However, when loans are channeled through women's groups and are combined with more investment in social intermediation, substantial shifts in decision-making patterns are observed. She finds that 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.

Mayoux (1997) further discusses that the impact within a programme also varies from woman to woman. These differences arise due to the difference in productive activities or different backgrounds. Sometimes, programmes mainly benefit the women who are already better off, whereas the poor women are either neglected by the programmes or are least able to benefit because of their low resource base, lack of skills and market contacts. However, poorer women can also be more free and motivated to use credit for production.

Mayoux (2001) also warns about the inherent dangers in using social capital to cut costs in the context of other policies for financial sustainability. The reliance on peer pressure rather than individual incentives and penalties may create disincentives and corruption within groups. Reliance on social capital of women clients along with increasing emphasis on ideals on strict economic accounting at the programme level require increased voluntary contribution by the members in terms of time and effort. It has been noted that those putting in voluntary contributions also expect to be repaid in the form of leadership of the group etc.

Traditionally, the impact of microfinance projects was assessed by the changes in the income or wellbeing of the clients. Mansell-Carstens, cited in Rogaly (1996, p.103) argues that such a focus is flawed because respondents may give false information. It is also very difficult to ascertain all the sources of income of a client, so a causal effect is difficult to establish, and it is also difficult to establish what would have happened if the loan was not given. Therefore a broader analysis is needed that takes more than economic impact into consideration (Wrenn, 2005).

Livelihood security consist of economic and social conditions, therefore, when analysing the impact of microfinance, social impact must be assessed. Kabeer (2003, p.106) states that wider social impact assessment is important for an organisation's internal learning process, as an MFI should be aware of the "full range of changes associated with its efforts and uses these to improve its performance". She considers social impact to relate to human capital such as nutrition, health and education, as well as social networks. Impact must be assessed on each of these issues if a true picture of the impact of microfinance is to be obtained.

According to Dunn (2002) and Cohen and Bourjorjee (2003), Impact Assessment (IA) for microfinance can be carried out at three different levels i.e. household level, enterprise level and individual level. Similarly the study by Hallen (2010), microfinance contributes to a positive social impact on three different levels: personal/household level, community level, and regional level.

Zohir and Matin (2004, p.301) make a similar point when they state that the impact of microfinance interventions is being under-estimated by "conventional impact studies which do not take into account the possible positive externalities on spheres



beyond households". They propose that impact should be examined from cultural, economic, social and political domains at individual, enterprise and household levels (2004).

#### 4.0 Objective of the Study

The objective of the study is

1. To assess the impact of SKS Microfinance on Women empowerment and poverty alleviation in Odisha

#### 5.0 Scope of Study, Sources of Data and Methodology

This study is confined to a single MFI, i.e. SKS Microfinance Ltd and the period of the study is from 2012-13 to 2014-15. The study has been conducted in five specific districts such as Keonjhar, Mayurbhanj, Balasore, Bhadrak and Jajpur. A sample of 500 borrowers of the company from these districts has been randomly selected and data have been collected using direct interview method. The data have been presented in respective tables and interpreted accordingly.

#### 6.0 Impact Of SkS Microfinance On Women Empowerment And Poverty Alleviation In Odisha

What do we mean by empowerment? 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. However, the full accounting of individual freedom goes beyond the capabilities of personal living. For example, if we do not have the courage to choose to live in a particular way, even though we could live that way if we so chose, can it be said that we do have the freedom to live that way, i.e. the corresponding capability? Another important point made by Sen (1990) is that for measurement purposes one should focus on certain universally-valued functioning, which relate to the basic fundamentals of survival and well-being regardless of context. Taking the example of universally valued functioning like proper nourishment, good health and shelter, Sen asserts that if there are systematic gender differences in these very basic functioning achievements, they can be taken as an evidence of inequalities in underlying capabilities rather than differences in preferences.

Empowerment can range from personal empowerment that can exist within the existing social order. Thus this kind of empowerment would correspond to the right to make one's own choices, to increased autonomy and to control over economic resources. Empowerment signifies increased participation in decision-making and it is this process through which people feel themselves to be capable of making decisions and the right to do so.

Malhotra et. al (2002) constructed a list of the most commonly used dimensions of women's empowerment, drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that women's empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. Since these dimensions cover a broad range of factors, women may be empowered within one of these sub-domains. They give the example of "socio-cultural" dimension which covers a range of empowerment sub-domains, from marriage systems to norms regarding women's physical mobility, to non-familial social support systems and networks available to women.

The World Bank defines empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

Of the 103 billion people who live in absolute poverty around the globe, 70 per cent are women. For these women, poverty does not just mean scarcity and want. It means rights denied, opportunities curtailed and voices silenced. Empowerment of 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.

Micro-finance programmes not only give women and men access to savings and credit, but reach millions of people worldwide bringing them together regularly in organized groups. Although no 'magic bullet', they are potentially a very significant contribution to gender equality and women's empowerment, as well as pro-poor development and civil society strengthening. Through their contribution to women's ability to earn an income these programmes have potential to initiate a series of 'virtuous spirals' of economic empowerment, increased well-being for women and their families and wider social and political empowerment. Micro finance services and groups involving men also have potential to question and significantly change men's attitudes and behaviors as an essential component of achieving gender equality.

A more feminist point of view stresses that an increased access to financial services represent an opening/opportunity for greater empowerment. Such organizations explicitly perceive microfinance as a tool in the fight for the women's rights and

independence. Finally, keeping up with the objective of financial viability, an increasing number of microfinance institutions prefer women members as they believe that they are better and more reliable borrowers.

The microfinance in India developed with the objective to provide loan facilities to the weaker section people. Among the various measures targeted towards women's empowerment, the provision of microfinance or small credit assumes crucial importance. Earlier microfinance studies also described the impact of microfinance in women empowerment. Financial assistance to women has helped them to acquire self-confidence and autonomy, to make crucial decisions, and to participate enthusiastically in income-generating activities. Sen (1999) stated that empowerment is an expansion in individual's agency i.e. expansion in one's ability to act and bring about change, whose achievement can be judged in terms of her own values and objectives.

Kabeer, quoted in Mosedale (2003, p.2) states that women need empowerment as they are constrained by "the norms, beliefs, customs and values through which societies differentiate between women and men". She also states that empowerment refers to the "process by which those who have been denied the ability to make strategic life choices acquire such an ability", where strategic choices are "critical for people to live the lives they want (such as choice of livelihood, whether and who to marry, whether to have children, etc)" (Kabeer, 1999, p.437).

Therefore, microfinance cannot empower women directly but can help them through training and awareness-raising to challenge the existing norms, cultures and values which place them at a disadvantage in relation to men, and to help them have greater control over resources and their lives. Similarly, SKS microfinance also provides tiny loan facilities to the poor woman who wants to be self dependent and their main objective is to uplift the weaker section of the society (Singh, 2013).

This study has been conducted by collecting data from 500 women members and borrowers of SKS Microfinance of Odisha spread over 5 districts such as Mayurbhanj, Keonjhar, Balasore, Bhadrak and Jajpur over a period of 3 years starting from financial year 2013 to 2015 and the findings of this research are presented in the following tables.

**Table 1, Gender Ratio of the Respondents**

Male/Female	Number	Percentage
Male	0	Nil
Female	500	100%
Total	500	100%

**Table 2, Age of the Respondents**

Age Group	Number	Percentage
20-30	55	11%
31-40	385	77%
41-50	60	12%
Total	500	100%

**Table 3, Economic Status of the Respondents**

APL/BPL	Number	Percentage
APL	0	Nil
BPL	500	100%
Total	500	100%

**Table 4, Increase in Income of the Respondents**

Income	Number	Percentage
Increased	495	99%
Not Increased	0	0%
Can Not Say	5	1%
Total	500	100%

**Table 5, Economic Development of the Respondents**

Economic Status	Number	Percentage
Improved	485	97%
Not Improved	5	1%
Can Not Say	10	2%
Total	500	100%

**Table 6, Poverty Level of the Respondents**

Poverty Level	Number	Percentage
Reduced	455	91%
Not Reduced	30	6%
Can Not Say	15	3%
Total	500	100%

**Table 7, Literacy Level of the Respondents**

Literacy Level	Number	Percentage
Improved	430	86%
Not Improved	60	12%
Can Not Say	10	2%
Total	500	100%

**Table 8, Role in Decision Making of the Respondents**

Role in Decision Making	Number	Percentage
Improved	480	96%
Not Improved	10	2%
Can Not Say	10	2%
Total	500	100%

**Table 9, Awareness on child education of the Respondents**

Child Education	Number	Percentage
Improved	460	92%
Not Improved	25	5%
Can Not Say	15	3%
Total	500	100%

**Table 10, Overall Feedback on SKS Microfinance of the Respondents**

Overall Feedback	Number	Percentage
Satisfied	480	96%
Not Satisfied	15	3%
Can Not Say	5	1%
Total	500	100%

The data presented in the above tables from 1 to 10 can be summarized as below.

1. SKS Microfinance provides financial services only to women members of the company.
2. 77% of the borrowers belong to the age group of 31-40. In other words, the company extends loans to mid age women considering their level of energy for the purpose for which they have taken loans.
3. All the borrowers belong to BPL (Below Poverty Line) category.
4. 99% of the respondents told that there is a significant improvement in the income after joining SKS microfinance. This means there has been a significant improvement in economic empowerment of the women borrowers.
5. 97% of respondents accepted that SKS Microfinance has brought economic development directly and indirectly and thus happiness and peace in the family bringing social harmony and discipline.
6. 91% of the respondents reported that poverty level has reduced by participating in SKS Microfinance programs. This indicates a reduction in poverty level of the women members by participating in the various microfinance programs.
7. 86% of the respondents agreed that SKS Microfinance improved their literacy levels. This is the result of weekly meeting, training and hand holding by the staff of SKS Microfinance.
8. 96 % respondents said that they play an important role in decision making and they were consulted for making important decisions of the family indicating social empowerment of the participants of the programs.
9. 92% of the respondents believed that SKS Microfinance improved their awareness on child education. This has been accomplished by continuous counseling by the field officers of SKS Microfinance.
10. 96% of the borrowers are happy to be associated with SKS Microfinance Limited. This shows the company's commitment to help them out of the present economic condition and give them a livable life.



Thus it can be concluded from the above study that microfinance is playing a vital role in the social, psychological as well as economic empowerment of women in Odisha. SKS Microfinance loans and its productive utilization found to be having a profound role and impact on women empowerment. The empirical findings of the study suggest that SKS microfinance has a profound influence on the economic status, decision making power, knowledge and self worthiness of women participants of the institution in Odisha.

Though different studies conducted at various levels show different conclusions, it can be acknowledged from the present study that despite of bottlenecks, microfinance can help the poor for a better living and play a positive role in women empowerment.

### 7.0 Conclusion and Suggestions

This particular study reveals that women clients have experienced improved status and gender relations in the home after they join SKS microfinance programs. Women's financial contributions helped them earn greater respect from their husbands and children. They negotiate husband's help with housework, and avoid family quarrels over money. The study also found increased respect from and better relationship within extended family and in-laws. Women received more respect from their communities than they did before joining the SKS microfinance programs. It is also found that women are taking greater roles in giving advice within the community, organizing for social change, and participating in community meeting because they are now able to contribute financially to community need and activities such as funerals. The study also found increased political participation by the women under study, including involvement in civic action and women clients being elected to office.

However, for microfinance program to be effective in empowering the women, it further requires:

1. Providing business training
2. Investing in women's general education and literacy
3. Providing guidance in balancing family and work responsibilities
4. Providing a forum for dialogue on social and political issues, such as, women's rights and community problems
5. Giving women experience in decision making
6. Promoting women's ownership, control and participatory governance in their microfinance programs

Microfinance programs, thus, has been very successful in reaching out to women and their empowerment in Odisha. This gives microfinance institution an extra-ordinary opportunity to empower poor women and to minimize the potentially negative impacts some women experience.

### References

1. Zaman, H. (2000). Assessing the Poverty and Vulnerability Impact of Micro-Credit in Bangladesh: A case study of BRAC. World Bank
2. Seibel, H.D., (2003). History Matters in Microfinance. International journal of Microfinance and Business Development.
3. Bakhtiari, S. (2006). Micro-finance and Poverty Reduction (Some International Evidence). International Business & Economics Research Journal.
4. Bali Swain (2006). Can Microfinance Empower Women? Self-Help Groups in India
5. Brownstein, L., Fleck, P., Shetty, R., Sorensen, J., & Vadgama, V. (2007). Pathways out of Poverty, Microfinance to Empower Sub-Saharan Africa. Discussion paper series university of Mennesota.
6. Shastri, R.K., (2009). Micro-finance and Poverty Reduction in India (A Comparative Study with Asian Countries). African Journal of Business Management
7. Ali, A., & Alam, M.A., (2010). Role and Performance of Micro-credit in Pakistan. International Journal of Business.
8. Chandarsekar, K.S., & Prakash, C.S.S. (2010). The role of information communication technology in women empowerment and poverty eradication in Kerala. APJRBM
9. Durrani M, Usman A, Malik M, Ahmad S (2011). Role of Microfinance in reducing Poverty : A look at Social and Economic Factors . International Journal of Business and Social Science.
10. Owusu J, Akanbasian A, Anyesepari A(2013). Microfinance Schemes and Poverty reducing among Women in Northern Region of Ghana . International Journal of Humanities and Social Science.