



## INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE AND MANAGEMENT

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**ROLE OF MICROFINANCE IN UPLIFTING WOMEN STATUS****DR. SHABANA****ASST. PROFESSOR****GURU GOBIND SINGH BUSINESS SCHOOL****YAMUNA NAGAR – 135 001****MRS. MANMINDER KAUR****ASST. PROFESSOR****GURU GOBIND SINGH INSTITUTE OF TECHNOLOGY AND MANAGEMENT STUDIES****YAMUNA NAGAR – 135 001****DR. R. K. MAHESHWARI, D. LITT.****READER****DEPARTMENT OF APPLIED ECONOMICS****UNIVERSITY OF LUCKNOW****LUCKNOW****ABSTRACT**

*Microfinance is now a proven strategy for reaching poor women. Microfinance both credit and saving has potential to improve the well-being of poor women in developing countries. Microfinance programme in India has been increasingly promoted to empower women. However, only a few studies examine the link between microfinance and women's empowerment. For the majority of women borrowers, microfinance helps in lifting women out of poverty and achieving economic and political empowerment with their homes, their village and their countries. The purpose of this article is to examine the contribution of microfinance and microfinance programme like Self-Help Group, Bank-Linkage to empower the women.*

**KEYWORDS**

Bank-Linkage Programme, Microfinance Programme, Self-help Group & Women Empowerment.

**INTRODUCTION**

Microfinance is emerging as a powerful tool, reaching out to poor household who have yet to be reached by formal finance sector. Microfinance is an effective intervention for poverty alleviation in early seventies for developing countries. The great visionary and Nobel Prize winner Prof. Md. Yunus has conceptualized this intervention to eradicate poverty. Credit is one of the most crucial inputs in the process of economic development. Development of economic, social and political dimensions is incomplete without empowerment of women. This inability of credit institutions to deal with credit requirement of poor particularly women has led to emergence of the microfinance. The micro credit summit campaign reports that 14.2 millions of the world's poorest women now have to access to financial services accounting for nearly 74 per cent of the 19.3 million poorest served women.

**CONCEPT OF MICROFINANCE**

The concept of microfinance can be described as by title of F.A.J. Borman's 1990 book, "Small, Short and Unsecured." Microfinance refers to small scale financial services such as micro-saving, micro credit and micro-insurance to the people who operate micro enterprises which generate income and allowing them to meet financial needs and emergency. These short term loans are enough to start or expand business, weaving baskets, raising chicken or buying wholesale product to sell in the market.

The aspect of microfinance has contributed to its success of its credit plus approach where focus has not only been on providing adequate timely credit to low income groups but to integrate it with other development activities such as community organizing and development, leadership, training, skill and entrepreneurship. The ultimate aim is to attain social and economic empowerment. The microfinance programme has major impact on improving living standard of poor people.

During the year 2007-2008, the idea has been presented under two models of microfinance involving credit linkage with bank.

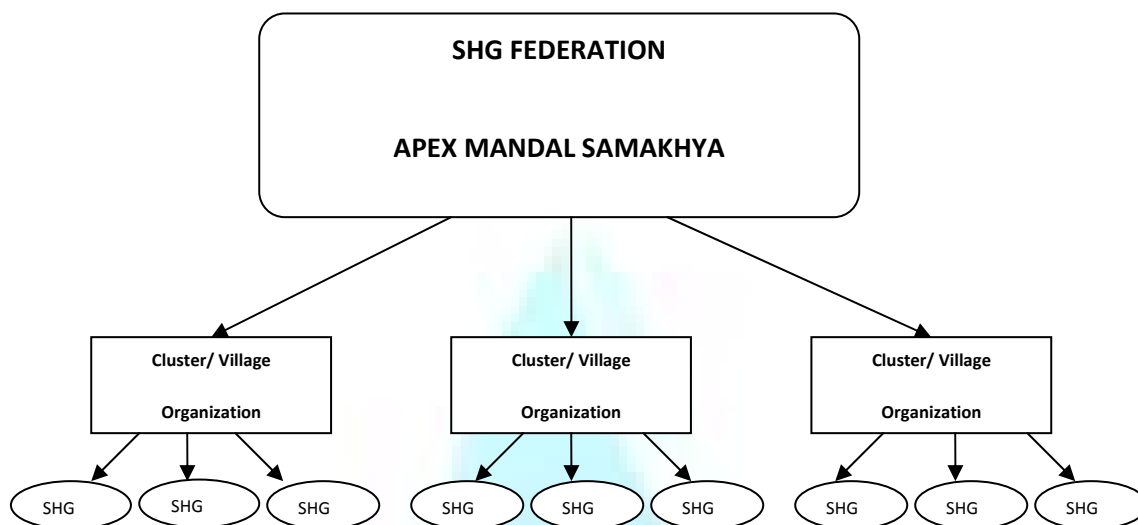
**1) SHG-BANK LINKAGE MODEL**

This model involves the SHGs financed directly by banking agencies viz commercial Banks (Public sector and private sector), Regional Rural Bank (RRBs) and cooperative Banks.

**2) MFI BANK LINKAGE MODEL**

This model covers financing of micro finance institutions (MFIs) by banking agencies for on lending to SHGs and other small borrowers covered under microfinance sector. SHG is a group of about 10 to 20 people, usually women from similar class and region who come together to form saving and credit organization. They pooled financial resources to make small interest bearing loan to their members.

Figure 1 : SHG MODEL



(Source: www.apmas.org)

The assessment of microfinance programmes indicates that it helped expansion of public services, creation of employment opportunities, acceleration of agriculture production and infrastructure development. In India too, formal financial system has been meeting social and economic objectives because it has been unable to reach the poor household and particularly women. All this give rise to concept of microcredit for the poorest segment along with a new set of credit delivery techniques, with the support of NGO an informal sector comprising SHG started mobilising saving of their members and lending these resources among the members on a microscale.

**GROWTH OF MICROFINANCE IN INDIA**

During the financial year 2007-2008, microfinance in India through its two major channels-SHG-linkage-bank and MFI served over 33 millions India up by 9 million over the previous financial year and 4 out of 5 microfinance clients in India are women.

Table: 1 Growth of Microfinance in India

| Items                                     | 2002     | 2003     | 2004     | 2005     | 2006      | 2007      | 2008                         |
|---|----------|----------|----------|----------|-----------|-----------|------------------------------|
| No of new SHGs provided with Bank loan.   | 4,61,478 | 7,17,360 | 1079091  | 1618456  | 22,38,565 | 29,24,973 | 34,77,965                    |
| No of new SHGs financed during the year.  | 1,97,653 | 255882   | 3,61,731 | 5,39,365 | 6,20,109  | 6,86,408  | 5,52,992                     |
| Rate of growth of loans to new SHGs (%)   | 32       | 29       | 41       | 49       | 15        | 11        | (-)16 decline                |
| No of SHGs Receiving repeat loans         | 41,413   | 102,391  | 171,669  | 258,092  | 344,502   | 457,410   | 1,86,883<br>Provisional data |
| Rate of growth of repeat loan             | 91       | 147      | 68       | 50       | 33        | 33        | Data incomplete.             |
| Proposition of repeat loans to total loan | 17       | 29       | 40       | 32       | 36        | 40        | 11                           |
| Bank loan disburse during year            | 545      | 1,023    | 1,855    | 2,994    | 4,499     | 6643      | 4,228                        |
| Of which disbursed to new group (crores)  | 453      | 691      | 1,158    | 1,727    | 2,330     | 3,044     | 2,542                        |
| of which disbursed as repeat loan (cr.)   | 92       | 332      | 698      | 1,268    | 2,169     | 3,599     | 1,686                        |
| Average loan size new                     | 22,919   | 27,005   | 32,013   | 32,019   | 37,574    | 44,343    | 45,960                       |
| Repeat loan size                          | 22,215   | 32,425   | 40,660   | 49,130   | 62,960    | 78,682    | 90,195                       |

(Source: NABARD Report 2007-2008)

The table 1 depicts the growth and working of MFIs and SHGs in India. At present, about 800 MFIs and 22 lakhs government backed SHGs are the principal source of microfinance. The MFIs draw their capital mostly from private banks, SIDBI and foreign investors. The SHG is an informal association of 10-20 poor women who contribute small amounts into saving pool. The SHG can lend money to its members, helping them to engage in some income generation activities.

As per the provisional information made available by National Bank for Agriculture and Rural Development report 2007-2008 which is shown in table 1 that number of new groups credit-linked with banks declined to 0.552 million during the year 2008, compared to 0.68 million group in 2007. The cumulative number of groups that have borrowed from a bank at least once has increased to 3.48 million by end of March 2008 from 2.92 million, at same time last year. The extent of finance availed by these new SHGs amounted to Rs. 42.28 billion. The average loans to new groups increased by Rs. 1,520 to Rs. 45,900 and to existing group increased by Rs. 11,500 to Rs. 90,100 when compared to previous year. The number of groups that have availed during 2007-2008 could be around 0.58 million and the amount of loans availed were around Rs. 40 billion.

Women are typically targeted for microfinance initiative around the globe because studies indicate that involving women in microfinance ventures often plays a role in increasing gender equality within a country. Efforts to reduce gender inequality can be linked to positive effects within a country. World Bank Report demonstrates that countries and societies with high levels of gender inequality and discrimination against women often have the following attributes: high property levels, low economic growth and weak governance. Additionally providing women with access to finance resources help increase the stability of the family unit (Cheston and Kuhn, 2002).

In "Microfinance and the empowerment of Women", Linda Mayouse (2001) identifies three distinct models outlining reasons to target women.

#### MODEL-1: FINANCIAL SELF SUSTAINABILITY

In order to create overall market growth, women are targeted for microfinance initiatives because of their proven high loan repayment rates when compared to men. Economic empowerment to women provides the necessary access to resources to enable individuals to make their own decisions and become self reliant.

#### MODEL-2: POVERTY ALLEVIATION

According to poverty Alleviation Model, organizations promote microfinance as a mean of alleviating poverty and fostering community development. The poverty alleviation model target women because of their characterizing level of poverty and responsibility for maintaining and running the family unit.

#### MODEL 3: FEMINIST EMPOWERMENT

The feminist empowerment model is most indirect of three models because its overall goal is to promote economic, social and political empowerment among women.

### MICROFINANCE AND WOMEN ENTREPRENEURSHIP

The microfinance industry has given more attention to the women's need for saving services and other finance services. According to women employment survey conducted by NGO, 60 per cent of the women have greater power over family, planning, buying and selling property and sending their children to the school. Studies from all part of world have found that increasing self esteem of women is among good consequence of microfinance. This has not only increased their self-esteem of confidence but also their status at home. Indian women clients of Rashtriya Seva Samiti (RASS) found that their contribution helped them in earning greater respect from family.

A few studies commissioned by NABARD indicate that the programme has emerged as largest microfinance network in the world with impressive statistics (Kropp and Suran, 2002 and Seibal and Dane 2002). The programme has enabled more than 350 lakh poor women in the country to gain access to microfinance facility from formal banking system (Economic Survey, 2007-2008).

Table 2 Progress of SHG Bank Linkage to empower women in India

| Year    | New SHG financed by banks |        |                   | Bank Loan (Rs. Crores) |            |                         |
|---------|---------------------------|--------|-------------------|------------------------|------------|-------------------------|
|         | Number                    | Growth | Cumulative Number | Amount                 | Growth (%) | Cumulative Amount (cr.) |
| 2002-03 | 2,55,882                  | 29     | 7,17,360          | 1,022.34               | 87         | 2,048.68                |
| 2003-04 | 3,61,731                  | 41     | 10,79,091         | 1,855.53               | 81         | 3,904.21                |
| 2004-05 | 5,39,365                  | 49     | 16,18,456         | 2,994.25               | 62         | 11,397.55               |
| 2006-07 | 6,86,408                  | 11     | 29,87,441         | 6,643.19               | 47         | 20,113.52               |
| 2008-09 | 1,26,068                  | --     | 30,51,41          | 2,072.78               | --         | --                      |

(Source: Economic survey 2007-2008)

Table 2 shows the progress of SHG- Bank -Linkage from 2002 to 2008. The cumulative member of SHG-Bank linkage has increased from the figure of 7, 17,360 as on 2002-03 to 30, 51,041 as on 2008-2009. The cumulative bank loan has also witnessed rapid growth from Rs. 2,048.68 Cr. in 2002-03 to 20,113.52 Cr. as on 31st Dec. 2008.

Table 3 Growth of SHG linked credit programme women client (State wise)

| Name of State    | 2004  | 2005  | 2006  | 2007  | 2008   | Growth rate in 2008 |
|------------------|-------|-------|-------|-------|--------|---------------------|
| Assam            | 10706 | 31234 | 56449 | 81454 | 107098 | 31                  |
| Bihar            | 16246 | 28015 | 46221 | 92339 | 93410  | 29                  |
| Chhattisgarh     | 9796  | 18569 | 31291 | 41703 | 60763  | 46                  |
| Gujarat          | 15974 | 24712 | 34160 | 43572 | 46526  | 7                   |
| Himachal Pradesh | 13228 | 17798 | 22920 | 27799 | 31899  | 15                  |
| Jharkhand        | 12647 | 21531 | 30819 | 37317 | 42605  | 14                  |



| Name of State            | 2004          | 2005          | 2006           | 2007           | 2008           | Growth rate in 2008 |
|--------------------------|---------------|---------------|----------------|----------------|----------------|---------------------|
| Madhya Pradesh           | 27095         | 45106         | 52125          | 70912          | 83336          | 18                  |
| Maharashtra              | 38535         | 71146         | 131470         | 225856         | 326425         | 45                  |
| Orissa                   | 77588         | 123256        | 180896         | 234451         | 307591         | 31                  |
| Rajasthan                | 33846         | 60006         | 98171          | 137839         | 173192         | 26                  |
| Uttar Pradesh            | 79210         | 119648        | 161911         | 198587         | 236929         | 19                  |
| Uttarakhand              | 10908         | 14048         | 17588          | 21527          | 24679          | 15                  |
| West Bengal              | 51685         | 92698         | 136251         | 181563         | 228395         | 26                  |
| <b>Total</b>             | <b>397461</b> | <b>667761</b> | <b>1005272</b> | <b>1324917</b> | <b>1764856</b> | <b>28</b>           |
| <b>Percentage growth</b> | <b>59</b>     | <b>68</b>     | <b>51</b>      | <b>37</b>      | <b>28</b>      |                     |

(Source: NABARD 2007-2008)

According to the table 3, NABARD has been emphasizing on the SHG-Bank-linkage programme in the priority states as they account for 70% of the country's rural poor population table discloses SHG-Bank-linkage programme in 13 priority states. There has been increase in the number of SHGs credit linked to banks from 3, 97,464 as on 31st March 2004 to 1764856 as on 31st March 2008. The member of SHG linked credit programme during the year has recorded significant increase in the state of Assam, Bihar, Chattisgarh, Madhya Pradesh, Maharashtra, Orissa and West Bengal on the hand, the states of Uttaranchal, H.P. and Jharkhand have shown relatively less growth. Thus, it is clear from data available from the level of microcredit has increased over the years.

Microfinance programme enables women to secure greater levels of decision making power within the family unit. It is a result of women's increased economic opportunity and control over their finances. This in turn provides women with new skills, information and organisation capacity building (i.e. an expanded network of people). As a result of social and political empowerment are able to improve their status within their community.

### CHALLENGES TO WOMEN

Microfinance has been successful in supplying production loans to women who run tiny business but on other side, these initiatives occasionally produce negative effects. Kantor, Dunn and Arbuckle (2000) also find that an increased success in business due to microfinance may reduce the women's household decisions. Women who successfully utilized their financial resources and build thriving entrepreneurial ventures frequently themselves working longer hours and often harder than they have in the past. This change in workload may lead to poor health, exhaustion and overwork.

The problem of male influence is one of the most difficult challenges related working with women as microfinance clients. According to Mayoux (2001) women serve as intermediaries between lending institutions and their male relatives. Rather than using the loans to start small business, women actually turn the money over to their husband or other male relatives. Though loan is sanctioned in name of women, but often it is expropriated by men and other family member and women is not strong enough to resist it. It has been observed that after disbursement of loan women does not know how to use it. Certain cultural factors hamper their ability to develop enterprises access microfinance and draw benefit from it. The domestic responsibilities of women consume the major portion of time and to spend on this enterprise. Mayoux effectively summarizes the potential negative effects of microfinance programmes. Evidence indicates that those who cast the benefit from microfinance and may be even further disempowered, are those who are already the poorest and/or most disadvantaged by ethnic group and/or who are abused group and/or who are abused within household (Mayoux, 2001, 15). It is also clear that while these can be significant benefits to encourage in order empowering women, considerable cost also exist.

### CONCLUSION

It is concluded that microfinance has proved to be successful in empowerment of women reducing dependency on money lenders, easy access to credit to their members and savings and moderate economic benefits. There has been tremendous growth in the progress of SHG-Bank-linkage. NABARD's SHG-Bank-linkage programme has been a major effort to connect thousands of SHGs across the country with formal banking system. Till the recent past, microfinance programmes have confined themselves to distribution of loan to women but receipt of a loan and utilization of loan is guarantee of improving economic status of women.

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