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**EMPOWERING WOMEN IN KERALA: ROLE OF MICRO FINANCE INSTITUTIONS**

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**ABSTRACT**

*In a country like India, where almost seventy per cent of the population is in the rural areas, with little or no access to the main stream financing options, micro-finance has a huge role to play and a huge population to uplift. Microfinance, thus simply brings the rural population closer to reaching a better life style by helping them with small credit amounts that they acquire with no collateral. The impact of microfinance on women's decision-making and empowerment has been the subject of several studies in the last two decades. Many of these quantitative studies have focused on the impact of microfinance—with a majority proving that microcredit increased the standard of living—raised awareness, aided decision making, and reduced poverty among rural beneficiaries. This study makes an attempt to know about the role MFI's in empowering women in all aspects of our economy. The result shows that a positive impact or changes have been taken place in the standard of living of women in our country with the introduction of various programmes through MFI's.*

**KEYWORDS**

micro finance, empowerment, women.

**INTRODUCTION**

Poverty eradication and women empowerment are the widely discussed topic all over the world. Microfinance is a novel economic development tool aimed at alleviating poverty through financial inclusion, socioeconomic empowerment, and self-sufficiency. Yet low-income families especially in rural areas need financial services to build their businesses and meet other necessities such as education and healthcare, and simple grants of aid are not a sustainable mechanism for the economic development of a community. As a result, rather than the formal financial sector, the poor generally address their needs through informal relationships that possess serious limitations. A range of institutions in public sector as well as private sector offers the micro finance services in India. They can be broadly categorized into two categories namely, formal institutions and informal institutions. The former category, that provide micro finance services in addition to their general banking activities are referred to as micro finance service providers. On the other hand, the informal institutions that undertake micro finance services as their main activity are generally referred to as Micro Finance Institutions (MFIs). The microfinance in India is mostly perceived through SHG-Bank linkage model and Micro-finance institution model. The Micro finance practices of these institutions primarily focused on women as their target group. They adopt group approach for achieving their targets. The group approach focuses on organizing the people into small groups and then introducing them to the facility of micro financing.

Microfinance programs have significant potential for contributing to women's economic, social and political empowerment. Access to savings and credit can initiate or strengthen a series of interlinked and mutually reinforcing 'virtuous spirals' of empowerment. A number of agencies:- Government as well as Non-government Organizations are, today involved in micro finance development initiatives. The role of Micro finance institutions (MFIs) is to provide small loans to the low income earners, creation of employment opportunities, capacity building to borrowers by offering different skills such as use of loans, entrepreneurship and managerial skills. Women need access to MFIs so that they can further raise their income.

Kudumbashree is a microfinance institution with a radical difference from its counterparts in the rest of the world and it has tremendous potential for enlarging freedom, and enhancing and widening the capabilities and choices of poor women in the state of Kerala. Kerala has a high female literacy rate of 92.09% and female labour force participation rate has been as low as 15.9% and has decreased over recent years. More than 15 lakhs of Kerala families are in poverty, with women and children being the prime victims of its negative socio economic effects. Thus, there is certainly more than sufficient demand in the state for the services of micro finance organizations aimed at alleviating poverty and empowering women. In Kerala, micro finance has become a novel and a vital strategy of poverty reduction. Government-based and NGO based micro finance systems exist side by side in the State. Both have played a dominant role in making micro finance a real movement in Kerala. The present study is an attempt to analyse empowering women through the micro finance institutions (MFIs) in Kerala and suggest some remedies.

**REVIEW OF LITERATURE**

A number of studies have been carried out by researchers and the agencies that have emphasized role of micro finance institutions on economic and social empowerment of women. Joseph Schumpeter (1934) has stressed upon the role of credit in breaking the so called vicious circle of poverty, and Hicks (1969) too deals with the role of financial intermediaries on growth and development.

In her study, Sylvie Bossoutrot (2010) says, in Russia, micro finance has emerged as a mechanism to support self-employment and small-scale entrepreneurship primarily in trade and services, which developed in response to the transition and collapse of large state-owned enterprises of the early 1990s. While micro finance in the developing world emerged to address the needs of largely uneducated and semiskilled workforces, in Russia as in neighbouring transition countries, it emerged as a vehicle to support a well-educated class of —new poor who turned to self-employment out of necessity.

Malathy Ramanathan (2004) narrates the story of Shri Mahila Griha Udyog Lijjat Pappad model, an attempt to make women economically self-reliant, thus paving the way for their concurrent empowerment in the other facets of their lives. The significant factor here is that Lijjat provides a beacon of light to the lower class women in India, irrespective of their caste, religion or region, a path towards better future. The capacity to earn one's livelihood and the resultant self-confidence was necessarily the first step in the ladder to empowerment.

Raghavan and Saleena (2005) examine the socio economic impact of Kudumbashree projects on the rural and urban poor in salvaging from deprivation and creating gender equity. The study overviews the projects under implementation and also analyze the participatory mechanism of community involvement in the anti-poverty programme by highlighting the cases of Alappuzha and Malappuram models being the genesis of multifaceted Kudumbashree mission. The study also presents extended Kudumbashree programmes under operations along with some new programmes being launched most recently.

Kamdar Sangeeta (2009) in her study reveals that micro finance has to combine with other activities for reducing poverty. End results are better when micro finance is combined with an overall development programme. She comments that when micro finance is part of a programme which has a broader objective of developing livelihood activities; it positively reinforces empowerment of women. She concludes her paper with a note that micro finance activity should be a part

T.C. Chandrashekhara and S.C. Shrinivasan (2010) in their study state that micro finance can be a powerful instrument that initiates a cyclical process of growth and development. Micro finance activity improved access of rural poor to financial services both savings and credit. Increased access signifies overcoming isolation of rural women in terms of their access to financial services and denial of credit due to absence of collateral.

The study aims to examine the role of micro finance institutions (MFIs) have contributed to poverty alleviation and empowerment of women in Kerala.

'Empowerment' has been used to represent a wide range of concepts and to describe a proliferation of outcomes. women's access to savings and credit gives them a greater economic role in decision-making through their decision about savings and credit (see figure 1). When women control decisions regarding credit and savings, they will optimize their own and the household's welfare.

The diagram illustrates a conceptual framework for women's empowerment, organized into three main horizontal sections:

- Economic Empowerment (Top):** Includes boxes for "Saving and credit", "Repayment", and "Women's micro enterprise".
- Social and Political Empowerment (Middle):** Includes boxes for "Increased status and changing roles", "Ability to negotiate change in gender relations", "Women's networks and mobility", and "Wider movements for social and political change".
- Conceptual Framework (Bottom):** Includes boxes for "Women decision about saving and credit use", "Increased income", "Income under women's control", and "Increased wage employment for women".

Key relationships and flows include:

- "Saving and credit" leads to "Women decision about saving and credit use".
- "Women decision about saving and credit use" leads to "Repayment" and "Increased status and changing roles".
- "Women's micro enterprise" leads to "Increased income".
- "Increased income" leads to "Income under women's control".
- "Income under women's control" leads to "Increased wage employment for women".
- "Increased status and changing roles" leads to "Ability to negotiate change in gender relations".
- "Ability to negotiate change in gender relations" leads to "Wider movements for social and political change".
- "Wider movements for social and political change" leads to "Women's networks and mobility".
- "Women's networks and mobility" leads to "Income under women's control".
- Double-headed vertical arrows connect "Women decision about saving and credit use" to "Women's micro enterprise", "Increased income" to "Income under women's control", and "Increased status and changing roles" to "Ability to negotiate change in gender relations".
- Curved arrows indicate feedback loops from "Repayment" to "Saving and credit", from "Increased status and changing roles" to "Increased income", from "Wider movements for social and political change" to "Women's networks and mobility", and from "Wider movements for social and political change" to "Increased wage employment for women".

## DISCUSSION AND RESULTS

Microfinance is a grass-root development strategy that followed a trickle up approach to eradicate poverty. The group based approach of microfinance facilitates the poor to accumulate capital by way of small savings and also enables them to have easy access to formal credits for taking up micro enterprises, which will help them to come out of poverty. The joint-liability, strict discipline in providing credit and collecting repayments, and peer monitoring in borrower's activities in the microfinance system ensure better loan recoveries and productive utilization of credit.

In Kerala, microfinance has become a novel and a vital strategy of poverty reduction. Government-based and NGO-based microfinance systems exist side by side in the State. Both have played a dominant role in making microfinance a real movement in Kerala. Kudumbashree is the Government initiated microfinance programme in Kerala. It is a participatory, women-oriented poverty-reduction programme for eradicating absolute poverty from the State through microfinancing. Kudumbashree identifies the poor transparently and organizes them into a Community Based Organizations under the leadership of Local Self-Governments. It has adopted the strategy of convergent community action and self-help to enhance the capacity of the family to meet their basic needs. NGOs are the fore-runners of microfinance programmes in the State. They have made great strides in the promotion and growth of microfinance programmes in Kerala. They are actively involved in the formation of SHGs, capacity building, and linking with banks for income-generating activities. They work with poor to find ways to alleviate poverty. Kudumbashree experiment is built around three critical components – micro-credit, entrepreneurship and empowerment. Neighborhood groups, popularly known as NHGs, of women from poor families, identified on the basis of risk indices, have been formed all over the State. These women's collectives implement the various projects of Kudumbashree. In the light of the fact that anti-poverty programmes seldom reach the marginalized destitute, Kudumbashree has formulated a specific project with the assistance of the Central Government to reach out to the downtrodden and neglected all over the State. Over a hundred Panchayaths of the State have already come up with individual specific projects for destitute care and rehabilitation.

With the rise of neighbourhood groups (NHGs) at the sub Grama Sabha level known as Ayalkoottams, a new dimension to decentralisation and participation has been added in the state. Even though the formation of the NHGs is not mandatory, more and more Panchayaths are found to be favourably disposed to their formation thereby adding to growth in associational life in Kerala. Unlike many of the traditional organisations owing allegiance to political parties of which dense networks already exist, these new institutions are largely non-political, although not altogether free from the influence of dominant political groups (Chathukulam, John, 2002). The role of women is vital and productive in state economy. The poor people of Kerala, especially women, have already accepted Kudumbashree as their own movement. It is envisaged as a process and delivery mechanism for the poor who gives importance to health, nutrition, education, employment and economic status and social improvement of a family.

Figure 1 outlines the different features between formal banking channels and micro finance channels. In contrast to formal banking, micro credit is characterized by small size, shorter loan duration, emphasis on thrift, and the absence of collateral security and informal procedures. In the absence of collateral security and formal documents there can be little legal recourse against defaulters. Peer group pressure, however, has proven even more effective than loan repayment mechanisms in the formal banking system. While the banking system is a purely commercial organization, the lower tiers in the micro finance system are social organizations and motivated by non-economic objectives.

**FIGURE 1 COMPARISON OF MICRO FINANCE AND FORMAL BANKING**

Characteristics	Micro finance	Formal banking
Size of loan	Small size of credit	Medium/large credit
Duration of loan	Short duration	Medium and long duration
Thrift	Emphasis on thrift as well as loan	Focus on loan only
Screening and monitoring	Group formation and informal methods	Formal procedures
Enforcement of repayment	Peer pressure and weekly repayment	Collateral and legal pressures for repayment
Nature of organization	Social organizational form	Commercial organizational form
Motivation	Self help motivated	Profit motivated
Outreach	Access to poor without collateral (All members)	Access limited

The two main economic functions of Micro Finance Institutions are savings and credit. As credit organisations, they have solved the problem of how to extend credit to those who have no assets to pledge. The system of group guarantee combined with individual responsibility is the innovation that has enabled credit to be extended to hundreds of millions of poor, assetless women around the world. While credit is the main function of MFI, from which they earn an interest income or service charges, MFIs begin with the promotion of savings. Most institutions require a period of regular savings before individuals and groups can graduate to receiving credit.

NABARD categorized three types of Micro Finance Institutions: (i) **Not-for Profit MFIs**: it includes (a) Societies registered under Societies Registration Act, 1860 or similar State Act; (b) Public Trusts registered under the Indian Act, 1882; (c) Non-Profit Companies registered under Section 25 of the Companies Act, 1956; (ii) **Mutual Benefit MFIs**: it includes (a) State Credit Co-operatives; (b) National Credit Co-operatives; (c) Mutually Aided Co-operative Societies; and (iii) **Non-Banking Financial Companies (NBFCs)** registered under the Companies Act, 1956.

## CONCLUSION

Women empowerment is critical to the process of development of the economy. It plays a crucial role in the alleviation of poverty and in the all round progress of the nation. Among the various measures targeted towards women empowerment, the provision of micro finance assumes great importance. Evidences from successful experiments testify that micro credit has helped to improve the status of women and has enabled the poor to expand and diversify their enterprises and also to increase their income. Organisation of women into Self Help Groups is an effective way for the provision of micro finance and women empowerment. The SHGs offer the most powerful, cost effective and yet democratic, transparent model for micro financing and women empowerment. It is evident from the present study that the Kudumbashree project in Kerala has been instrumental in the economic, political, social/cultural, personal and familial empowerment of members through micro financing. The thrift and credit activities of Kudumbashree at the NHG level have enhanced their saving habits and access to credit. It has played a significant role in freeing them from the clutches of unscrupulous money lenders. Micro enterprises have also been able to open up avenues for the economic empowerment of women. In spite of the different constraints and challenges, the Kudumbashree project has the potential to transform the entire economy of the State. In order to achieve greater success in the empowerment of women and for the better functioning of the Kudumbashree project, various suggestions made in the study may be effectively implemented.

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