

Role of Microfinance Institutions in Women Empowerment

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ABSTRACT: The present study titled “Role of Microfinance Institutions in Women Empowerment” was conducted in Punjab state of India with the objective to study the role played by microfinance institutions in empowering women. The study was conducted with the scientific approach i.e deductive approach & inductive approach and the study found that the availability of basic services to the members was considerably to a satisfactory extent, but there is still a broad scope of further increasing the availability and access to the basic services. There was the strong opinion of members that savings were made for agriculture and food security but there was a very weak opinion in favor of that savings which were made for social security, education, medical, social ceremonies, emergencies assets building and income generating activities. This revealed that the SHGs have yet fulfilled the basic need of food through farming only and SHGs have to go a long way to fulfill the social needs also. The study concluded that awareness of the members about different processes and activities was considerably to a satisfactory extent, but there is still a broad scope of further increasing the awareness of members.

KEYWORDS: SHG Self Help Groups, Micro Credit, IGA: Income Generating Activities, NGO: Non Government Organizations

I. INTRODUCTION

Microfinance acts as a catalyst to organise the unorganised for social change. With the help of microfinance, unbanked women are able to mobilise their saving for credit to the peer group members and for self employment. Groups are generally formed with the members of their own choice having common interest to fight with poverty and to carry out some income generating activities. Across the globe and in India, the microcredit revolutions for the past few decades have proved that it is possible to deliver financial services to the poor women at a large scale. As a result, millions of household women today have access to services to manage household finance more efficiently. The 10th five year plan (2002-2007) had a main focus on capacity building, communication technology transfer, human resource development, women empowerment, education, micro credit and self help groups etc.

Current Scenario of MFIs

Today there are over 10,000 microfinance institutions that serve about 190 million families, meaning almost 950 million people with a family size of five (Daley and Harris, 2011). However, there are still about 2.5 billion people worldwide who lack access to banking services. The majority of unbanked is located in underdeveloped countries: 80% of adults in sub-Saharan Africa, 67% in the Middle East, 65% in Latin America, 59% in East Asia and South East, 58% in South Asia, 43% of adults in Eastern Europe and Central Asia and about 8% of adults in OECD (Organization for Economic Co-operation and Development) countries are unbanked (Chaia *et al*, 2009). Over 800 microfinance institutions now operates in India, reaching out to over 7.3 million clients, cumulatively disbursing over Rs. 8,000 cores in small loans. The compounded annual growth rate for outreach as well gross loan portfolio of the MFIs during last five years ranged between 45 percent to over

From the above discussion it may be concluded that microfinance is a very effective tool for the upliftment of the poor, in general and empowerment of women in particular. Advancing microfinance to the rural women through Self-Help Groups at reasonable terms and conditions made it possible for the rural poor as well as rural women to attain

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economic independence, social status and organizational skills which resultantly helping the women and poor function actively in the overall development of the society/nation. Microfinance supporting institutions have also emerged as a commendable tool for the generation of self-employment and hence to prevent the society from doing evils like drug addiction. Therefore, microfinance has acquired utmost importance particularly in the developing economy like India.

Review of Literature

An association is formed by the poor in their community to offer microfinance services to them. The associations which can form on the basis of gender religion or political cultural orientation of its members then gather capital and intermediates between banks, MFI, and its member. **Greenwood and Jovanovic (1990)**, in the study titled, "Financial development, growth, and the distribution of Income" addressed two important issues in economic growth theories in a single model: Relationship between economic growth and inequality and relation between financial structures and economic development. On the other hand economic development also provides means to financial development with ROSCAs. **Kempson (1998)**, in the study titled, "Savings and low income and ethnic minority households" argued that possibility of financial exclusion is more likely to occur in the lower income section of society than amongst others. **Goodwin et al. (2000)**, in the study, "Debt, Money management and access to financial services: Evidence from the 1999 PSE Survey of Britain," emphasized the role of level of employment of a country as another important factor of financial inclusion. Access to affordable financial services especially credit and insurance - enlarges livelihood opportunities and empowers the poor to take charge of their lives. **Beck et al. (2000)**, in the study titled, "Finance and the Sources of Growth" tried to evaluate empirically the relationship between level of financial intermediary development and economic growth. They observed a positive impact of financial intermediary development on the growth of total factor productivity which will lead to economic development. **Chavan and Kumar (2002)**, in their study titled, "Micro-Credit and Rural Poverty : An Analysis of empirical evidence" compared NGO led micro credit programme of various countries with state led poverty alleviation scheme and observed marginal improvement in member's income as a result of micro credit programme. **Puhazhendi and Satyasai (2002)**, in the study titled, "Micro-finance for Rural People: An Impact Evaluation", observed significant improvements in the savings of SHG members during post SHG situations. The programme also improves the borrowing pattern of SHG member households in terms of strengthening credit widening and credit deepening with SHG bank linkage model. **Sangwan (2008)**, in his study titled "Financial Inclusion and self help groups" studied the extent financial inclusion across various states. The study examined the role of SHG bank linkage programme in achieving financial inclusion. The study suggested a significant role of SHG led programme in achieving financial inclusion. Beside this, the study tried to examine the role of other factors like banking density, financial literacy and per capita income in achieving financial inclusion. **Sharma (2007)**, in the study, "Index of Financial Inclusion" through cross country empirical study examined a close relationship between financial inclusion and development and found a positive relation between financial inclusion and different socio-economic variables like income, inequality, literacy, physical infrastructures. **Sahoo et al. (2008)**, in the study, "Financial Inclusion-An Overview" had attempted to develop index of financial inclusion to examine the progress of financial inclusion and various determinants of financial inclusion using secondary data from various sources. In their study, they observed a MFI's services positive impact on infrastructure development, education; self help group formation on financial inclusion both from financial widening and deepening perspectives.

Review of literature provides us with a structured observation guide, including the factors of compliance in groups. Different cases of group lending in different cultures are analyzed. These include, in chronological order, traditional self-help associations based on rotating savings and credit (ROSCA); solidarity group lending schemes without legal joint liability. The present study is conducted to fill the gap between microfinance supporting institutes policies, procedures and products can contribute to women beneficiaries.

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III. RESEARCH METHODOLOGY

Punjab state is divided into the three agro-climatic zones as under:

Sub-Mountainous Zone: This zone includes Hoshiarpur, Ropar, Nawan Shehar and Mohali (Zone-I).

Central Plain Zone: This zone includes Amritsar, Gurdaspur (except Pathankot), Jalandhar, Kapurthala, Ludhiana, Patiala, Fatehgarh Sahib, Taran Taran, Moga and Sangrur (Zone-II).

South-Western Zone: This zone includes Bathinda, Mansa, Faridkot, Mukatsar, Ferozpur, Abohar and Barnala (Zone-III).

The selected SHGs came to 19, 42, 17 from Zone-I, Zone-II and Zone-III respectively about 50 microfinance supporting were selected for the study and one representative of each selected. Microfinance supporting institutions were taken for the purpose to examine their perception about the policies, procedures and products offered to the women beneficiaries. The list of selected microfinance supporting institution is given as under:

IV. ROLE PLAYED BY MICROFINANCE INSTITUTIONS

A survey of 50 microfinance supporting institutions like NGOs, private banks commercially facilitating microfinance, Government banks following different schemes for self help groups, progressive youth forum working for microfinance, Additional Deputy Commissioner-Development and Child Development Program Offices working in the rural were conducted to know the policies and procedures they follow.

1.1 Microfinance supporting Institutes offers Access to Basic Services

The respondents were asked to express the extent of availability of basic services to the members in terms of 'Majority', 'Some' and 'Never'. The attributes were given score in the order of 2, 1 and 0. The results are shown in Table 1.1.

Table 1.1
Access to Basic Services to Group Members

Areas of Services	Majority		Some		None		Mean
	No.	%age	No.	%age	No.	%age	
Maternity Services	5	10.00	45	90.00	0	0.00	1.10
Immunization of Child	46	92.00	4	8.00	0	0.00	1.92
Immunization of Mother	7	14.00	43	86.00	0	0.00	1.14
Children going to School	39	78.00	6	12.00	5	10.00	1.68
Access to PDS	9	18.00	41	82.00	0	0.00	1.18
Sanitation facility	4	8.00	46	92.00	0	0.00	1.08
Safe Drinking Water	10	20.00	40	80.00	0	0.00	1.20
Family Planning	42	84.00	8	16.00	0	0.00	1.84
Pension Scheme	0	0.00	46	92.00	4	8.00	0.92
AIDS	4	8.00	26	52.00	21	42.00	0.68
						F-ratio	7.75**

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The highest average score of awareness came to be 1.92 in case of immunization of child, followed by 1.84 in case of family planning and 1.68 in case of children going to school. This indicated that majority of the members were availing the facility of family planning methods and child school education.

The average score on all other processes and activities was found to be nearer to one. This revealed that some of the members were availing the facilities maternity services, immunization of mothers, access to PAD, sanitation facility, safe drinking water, pension scheme and AIDS awareness.

Therefore, the availability of basic services to the members was considerably to a satisfactory extent, but there is still a broad scope of further increasing the availability and access to the basic services.

1.2 IMPACT OF MICROFINANCE SUPPORTING INSTITUTIONS ON THE WOMEN BENEFICIARIES

1.2 Impact on Decision-Making of beneficiaries

The respondents were asked to register their opinions about the decision making role in family affairs by different family members. They were asked whether there was any shift from male domination to female decision making capacities or not. Their opinions have been presented in Table 1.2

Table 1.2 Impact of SHG Membership on Decision Making Power in the Family Affairs

Family affairs	Before Group Formation			After Group Formation			Z-test (Before vs After)		
	Male	Female	Joint	Male	Female	Joint	Male	Female	Joint
Marriage of girls	38	8	4	27	17	6	2.31*	2.08*	0.67
%age	76.00	16.00	8.00	54.00	34.00	12.00			
Marriage of boys	39	9	2	29	18	3	2.14*	2.03*	0.46
%age	78.00	18.00	4.00	58.00	36.00	6.00			
Education of Children	41	7	2	31	16	3	2.23*	2.14*	0.46
%age	82.00	14.00	4.00	62.00	32.00	6.00			
Loan arrangement	50	0	0	40	10	0	3.33**	3.33**	0
%age	100.00	0.00	0.00	80.00	20.00	0.00			
Purchasing	32	12	6	21	19	10	2.20*	1.51	1.09
%age	64.00	24.00	12.00	42.00	38.00	20.00			
Saving	33	10	7	23	16	11	2.02*	1.37	1.04
%age	66.00	20.00	14.00	46.00	32.00	22.00			
Expenditure on festival	47	0	7	32	8	10	3.68**	2.95**	0.80

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%age	94.00	0.00	14.00	64.00	16.00	20.00			
Participation in meeting	39	4	7	28	11	11	2.34*	1.96*	1.04
%age	78.00	8.00	14.00	56.00	22.00	22.00			
Interaction with outsider	42	2	6	33	8	9	2.08*	2.00*	0.84
%age	84.00	4.00	12.00	66.00	16.00	18.00			
Asset building	40	5	5	30	13	7	2.18*	2.08*	0.62
%age	80.00	10.00	10.00	60.00	26.00	14.00			
IGAs	50	0	0	42	8	0	2.95**	2.95**	0
%age	100.00	0.00	0.00	84.00	16.00	0.00			
Income from SHGs initiated IGAs	34	10	6	22	19	9	2.42*	1.98*	0.84
%age	68.00	20.00	12.00	44.00	38.00	18.00			

In case of marriage of girls, there were 76.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 54.00 percent. On the other hand, the proportion of females increased from 16.00 percent before formation of the group to 34.00 percent after the formation of the group. The shifts from males to females were found to be significant as indicated by the calculated Z-values i.e. 2.31 in case of males and 2.08 in case of females. The joint decision making though increased from 8.00 percent to 12.00 percent but the increase was insignificant.

As much as in 78.00 percent of families, males dominated the decision making regarding marriage of boys before the formation of the group which declined to 58.00 percent after the formation of the group. The decline was significant ($Z = 2.14$). There was a significant increase in the proportion of families where females dominated the decision making regarding the marriages of boys. It increased significantly from 18.00 percent to 36.00 percent as indicated by the Z-value of 2.14. The joint decision making power remained the same.

In case of education of children, there were 82.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 62.00 percent. On the other hand, the proportion of females increased from 14.00 percent before formation of the group to 32.00 percent after the formation of the group. The shifts from males to females were found to be significant as indicated by the calculated Z-values i.e. 2.23 in case of males and 2.14 in case of females. The joint decision making though increased from 4.00 percent to 6.00 percent but the increase was insignificant.

In all the 100 percent families, males dominated the decision making regarding arrangement of loan before the formation of the group which declined to 80.00 percent after the formation of the group. The decline was significant ($Z = 3.33$). There was a significant increase in the proportion of families where females dominated the decision making regarding the arrangement of loan. It increased significantly from zero percent to 20.00 percent as indicated by the Z-value of 3.33. The joint decision remained at zero level before and after the formation of the group.

In case of making different purchases, there were 64.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 42.00 percent. The decline was significant ($Z = 2.20$). On the other hand, the proportion of females increased from 24.00 percent before formation of the group to 38.00

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percent after the formation of the group, but the increase was statistically non-significant ($Z = 1.51$). This was due to the fact that the joint decision making also increased from 12.00 percent to 20.00 percent, though insignificant.

As much as in 66.00 percent of the families, males dominated the decision making regarding making saving before the formation of the group which declined to 46.00 percent after the formation of the group. The decline was significant ($Z = 2.02$). There were insignificant increases in the proportions of families where females and joint decision making regarding making savings dominated. It increased from 20.00 percent to 32.00 percent in case of females and 14.00 to 22.00 percent in case of joint decision making.

In case of making expenditure on festivals, there were 94.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 64.00 percent. The decline was highly significant ($Z = 3.68$). On the other hand, the proportion of females increased significantly from zero percent before formation of the group to 16.00 percent after the formation of the group ($Z = 2.95$). The joint decision making also increased from 14.00 percent to 20.00 percent, though insignificant.

As much as in 78.00 percent of the families, males dominated the decision making regarding participation in meeting before the formation of the group which declined to 56.00 percent after the formation of the group. The decline was significant ($Z = 2.34$). There were significant increases in the proportions of families where females dominated regarding participation in meetings. It increased from 8.00 percent to 22.00 percent ($Z = 1.96$). The joint decision making also increased from 14.00 percent to 20.00 percent, though insignificant.

In case of interaction with outsiders, there were 84.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 66.00 percent. The decline was significant ($Z = 2.08$). On the other hand, the proportion of females increased significantly from 4.00 percent before formation of the group to 16.00 percent after the formation of the group ($Z = 2.00$). The joint decision making also increased from 12.00 percent to 18.00 percent, though insignificant.

As much as in 80.00 percent of the families, males dominated the decision making regarding assets building before the formation of the group which declined to 60.00 percent after the formation of the group. The decline was significant ($Z = 2.18$). There was significant increase in the proportion of families where females dominated regarding assets building. It increased from 10.00 percent to 26.00 percent ($Z = 2.08$). The joint decision making also increased from 10.00 percent to 14.00 percent, though insignificant.

In case of IGAs, there were 100.00 percent males who dominated in the decision making before the formation of the SHG but after formation of the group it reduced to 84.00 percent. The decline was significant ($Z = 2.95$). On the other hand, the proportion of females increased significantly from zero percent before formation of the group to 16.00 percent after the formation of the group ($Z = 2.95$). No joint decision making was found in this regard.

As much as in 68.00 percent of the families, males dominated the decision making regarding income from SHG initiated IGAs before the formation of the group which declined to 44.00 percent after the formation of the group. The decline was significant ($Z = 2.42$). There was significant increase in the proportion of families where females dominated regarding income from SHG initiated IGAs. It increased from 20.00 percent to 38.00 percent ($Z = 1.98$). The joint decision making also increased from 12.00 percent to 18.00 percent, though insignificant.

Overall, it may be concluded that MFIs are playing a significant role in facilitating, as they are reaching out to the rural poor. Many of them operate in a limited geographical area, have a greater understanding of the issues specific to the rural poor and enjoy greater acceptability amongst the rural poor and have flexibility in operations providing a level of comfort to their customers.

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V. CONCLUSION

Strong evidence that micro finance supporting institutions contribute to women's empowerment was observed. One consistent finding was increased self-confidence and increase self-esteem. Another was women's increased participation in decision-making at home and at work place. Women's increase in their decision making has improved her position and they are able to take decision in the areas of family planning, children's marriage and sending their children to school. World Education, also found that the combination of education and credit put women in stronger position to ensure equal access for female children to food, schooling and medical care (UNDP, 2000). Some of the cases showcased increased ability to make purchasing choices, manage household funds, and manage enterprise funds as a cashier.

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