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## Analyzing the role of Micro finance in Women Empowerment: An empirical study

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### Abstract:

Popular and conventional discourses conceptualize poverty as an economic condition merely characterized by inadequacy of income to individuals or households. This is in fact a subsistence view of poverty. Recent thought and policy processes have gradually transcended such a mundane and dominantly growth oriented – poverty line - meaning of poverty. Nowadays poverty is a human condition that is more than mere material inadequacy. It is considered to be inadequacy of ‘capability’ and a condition of ‘disadvantage’. As an inadequacy of capability it is a condition of deprivation that results in making people incapable to fend and obtain their material as well as social entitlements needed for both subsistence and progress. Secondly the approach to poverty as a condition of ‘disadvantage’, identifies five types of disadvantages namely: ‘lack of assets’ covering material possessions (including resources), ‘physical weakness’ resulting from malnutrition and inadequate health care, ‘isolation’ resulting from information asymmetry – inability to access knowledge, ‘vulnerability’ due to social *de facto* absence of rights orchestrated structurally by centers of wealth and power and ultimately, ‘powerlessness’. In sum these modern approaches to the concept of poverty surely appear comprehensive consisting of “entitlements, empowerment, minority rights, protection of plural cultures and human development.” The commonality of both the perspectives is that poverty is not merely economic (material) but also social and political, that is poverty includes material and non-material deprivation. It implies the transition of the poverty concept from a growth perspective to a development perspective. Hence anti poverty policy prescriptions must visualize the condition of poverty and the poor in all the three dimensions and the process chosen and eventually implemented must accommodate all the three sets of challenges.

**Key words:** Challenges, Poverty, Material inadequacy, Women empowerment.

### **Poverty in Karnataka and with special reference to Bangalore:**

According to the Planning Commission of India, the poverty ratio based on Uniform Recall period is 27.5% for the whole country, 28.3% for rural areas and 27.5% for urban areas. On the basis of poverty line relevant to Karnataka, 20.8% of the rural population i.e. 75.05 lakh persons (Poverty Line: Rs. 324.17/=) and 32.6% of the urban population i.e. 63.83 lakh persons (Rs. 599.66/=) are below the poverty line.<sup>1</sup> It can be observed that although in absolute numbers there are less number of urban poor compared to the rural poor, the percentage of the urban population being poor is greater than the percentage of the rural population being poor. This could imply two trends namely, (a) greater income and wealth disparity in urban than in rural Karnataka and (b) possibility of a high migrant component in the urban poor of the state. In a socio-economic sense this can be visualized in the emergence of slums in the city amidst the flashy cosmopolitan wealth pie consequent to the boom in information technology as well as the service industry of which the state of Karnataka boasts.

### **Anti – poverty intervention: Self – Help Group and Microfinance:**

The United Nations' Millennium Declaration (2000), which spelt out the Millennium Development Goals (abbreviated as MDGs), poverty reduction – as against poverty alleviation – has assumed prominence in the international sphere. This has been supplemented by multilateral development agencies specially the World Bank where in its World Development Report (WDR) it has evolved workable strategies for the time bound objectives enunciated in the Millennium Declaration. Both the documents have adopted a broad view of poverty i.e. a development perspective.<sup>2</sup> Such a wide and inclusive approach, of the international community, to understanding poverty and poverty reduction that clearly sees the link between 'poverty and mainstream processes i.e. between growth and economic transition' and seeks for a simultaneous expansion of 'opportunity, empowerment and security' enjoins upon the power structures and civil society of the national economies where poverty is an explicit bane to evolve and implement anti-poverty intervention programmes that would enable the poor to liberate themselves from their disadvantage and incapability. Self help groups and Microfinance is such an initiative.

Self help groups and Micro finance are very closely linked in that the former is used as a medium to generate and distribute financial capability so as to help deprived people to move up the income ladder. In fact self help groups is one of the models of microfinance that is very popular in India, with the other being the Grameen Bank model popular in Bangladesh initiated by an outstanding economist Mohammed Yunus.<sup>3</sup> Microfinance is an organized way of creating income-generating capabilities with the poor without being inhibited by institutional rigidities and high cost of credit as well as the slim asset base of the poor. It consist of three basic activities namely, micro savings, micro credit and insurance. As the prefix 'micro' suggest these activities are on a small scale relative to the average size of these activities with respect to the non – poor. The challenges the poor face with respect to institutional and informal sources of finance as indicated above, is overcome when the poor's micro savings is

<sup>1</sup> *Poverty Estimates For 2004-05*, Government of India Press Information Bureau, New Delhi, March (2007).

<sup>2</sup> Rao V M, *Towards Effective Poverty Reduction: A Global Perspective*, Working Paper: 155 (2004), Institute for Social and Economic Change, pp. 3 & 4.

<sup>3</sup> Sinha, Frances, *Access, Use and Contribution of Microfinance in India – Findings from a National Study*, Economic and Political Weekly, April 23<sup>rd</sup>, 2005.

itself used as a collateral to micro credit. However studies have shown that of the three activities insurance is still in its infant stages especially in the SHG model when compared to the Grameen Bank model.<sup>4</sup> It is appropriate to mention at this juncture that around the 1980s and 1990s several Asian and South American countries had begun to popularly adopt the microfinance model as a means of poverty reduction. The main reason is the phenomenal repayment rate of 95% plus by the borrowers or the borrowing groups.<sup>5</sup>

As mentioned earlier in India, self-help groups are the most popular vehicles for microfinance operations. Self-help groups are a voluntary association of poor people who come together to be enabled to solve or mitigate their problems through self-help and mutual help. The most important characteristics of these groups are: they are made of poor people, members background is relatively homogenous, the size of the group on an average is between 15 and 20 members, they have been initiated by the government or commercial banks or the NGOs providing the microfinance services and their policies as well as operations are very democratically conducted. Its democratic character is very prominently observable with respect to election of group leaders, in both ownership and control of financial services being in the hands of members, profit distribution and the inclusion of training as well as education that go beyond financial activities to creating competencies. In this sense it is claimed that self-help groups are akin to cooperatives though they do not have the legal status as the latter.<sup>6</sup> Ultimately the single most important quality of the self-help groups that help to sustain it as well as its activities and help its members to obtain capabilities is its voluntary nature. This character of the self-help groups also gives social capability to its members to access credit from formal sources. In fact the 'social collateral' of 'joint liability' compensates for the lack of physical collateral in the hands of the poor, reduces the transaction cost of the lenders, which usually is high due to inconvenient bureaucratic procedures and information asymmetry of the credit market and ultimately results in good repayment performance.

### Review of Literature:

**S. Usha Nandhini, Dr. P David Jawahar and Mr. M Shivachandran (July 2004)**, carried out a study on "Micro finance: Analysis of Monthly Cash Flows of Self Help Groups" in Karnataka especially Mysore and Bangalore. The main objective of the study was to examine the repayment pattern of the SHGs. The random sample method was adopted to collect primary data and the data was also collected from books maintained by SHGs. The main findings of the study are the source of funds for repayment of positive groups is indigenous moneylenders. Certain positive groups show repayment ability only due to high internal rotation and savings. Some groups have negative repayment because of lack of commitment and poor understanding among the group. The limitation of the study

<sup>4</sup> Sinha, Frances, *Access, Use and Contribution of Microfinance in India – Findings from a National Study*, Economic and Political Weekly, April, 23<sup>rd</sup>, @005.

<sup>5</sup> Bansal, Hema, *SHG-Bank Linkage Program in India – An Overview*.

<sup>6</sup> Harper, Malcolm, Berkhof, Andrews, & Ramakrishna R V, *SHG-Bank Linkage: A Tool for Reforms in Cooperatives*, Economic and Political Weekly, April 23<sup>rd</sup>, 2005.

are it has mainly concentrated on financial services especially repayment of loans by SHGs under Sanghamitra only, whereas the present study has a broader coverage.

**EDA Rural Systems (September 2004)** conducted a study for SIDBI Foundation for Micro credit on, “The Maturing of Indian Micro finance.” The main objective of this study is to find out the extent of reach of micro finance and the impact of micro finance on poverty reduction as well as women empowerment. The methodology consists a mix of quantitative and qualitative research methods spread over a relatively wide sample. The main findings of the study are group-based micro savings and micro credit are dominant micro finance models in India and that the relevance of the financial products to the needs of the poor are more important than just cheap loans. But the study is macro in character and the extent of generality of the conclusions is suspect. Besides this methodological gap, the study is also not clear about the impact of micro finance on poverty and about the non-economic impact of micro finance on women empowerment, even with respect to their traditional gender roles, which are the chief aims of the ensuing study.

**Piyush Tiwari and S. M. Fahad-** developed a concept paper, “Micro finance Institutions in India.” The paper emphasizes the need to increase access to credit for the poor rather than merely giving soft loans, by examining several ‘innovative institutional mechanisms’ developed across the world meant to enhance such accessibility. It discusses the conceptual framework of micro finance institutions in India and also attempts to incorporate the lessons learnt from the experiences of such institutions across the world. The prognosis of the authors’ analysis is that micro finance positively contributes to poverty alleviation programmes. However the analysis is yet to be substantiated by empirical field data and is limited to income dimensions of poverty. Thus the present study is an attempt to empirically analyze SHGs and micro finance’s contribution to alleviation of both income centric and non-income centric forms of poverty.

### **Statement of the problem:**

Urban poverty invariably associated with poor quality of housing, often in overcrowded unsanitary slums settlements and with ill health, lack of access to a wider range of services including health, education. People need access to cash to cover the high cost of living in urban areas than rural areas. Poor people’s needs are – survival, security and quality of life. Self-help group approach is the key element in social mobilization. The micro finance project intervention in terms of formation and stabilization of SHGs for extending credit support and promotion of thrift to promote viable economic activities. Against this background the present study has been carried out in Bangalore City to assess the impact of SHGs a saving and income of the urban poor.

- Is SHGs an impetus to save and thereby create capital for the poor?
- What is the role of SHGs in household income?
- Does women’s role as a member of SHGs translate into empowerment for them?

## Objectives

The *specific objectives* of the study are:

- To study the impact of SHGs on the household's economic condition as a means of supplementary income.
- To study the role of SHGs on women empowerment with special reference to child care (education and health).

## Data Collection:

*Primary data* was collected through structured questionnaire schedule. Also some qualitative data are collected through group discussions and personal interview.

## Method of Analysis:

The data processing is done by using SPSS package and statistical techniques like cross tabulations, mean, are used so as to draw viable conclusions.

## Limitations of the Study:

The limitations of the study are:

1. As a micro level study the conclusions drawn may not be generalized.
2. The study is confined only to the three slum areas in Bangalore city.
3. The information collected is based on the memory of the members of the SHGs.

## IMPACT OF SHGs ON ECONOMIC CONDITION

Many scholars & researcher have recognized the importance Micro finance in women empowerment. The Self-Help Groups act as a network between micro finance and women empowerment. Thus, the study of SHGs in economic condition & women empowerment has vital implications in the analysis of the study.

Getting attached to the SHGs needed kind of awareness and motivation, when they join the SHGs the continuation also play a vital role, there are various reasons for discontinuation of the members. Majority of the members are motivated by friends, which includes neighbors', this is because the members of the group come in contact with non members and give a positive feedback about the working of the SHGs, automatically non- member get motivated. Self-motivation is only 15 percent, whereas family members & NGO workers plays a minor role in motivation.

When a member joins the group, it is responsibility of each of them to get acquainted with working of SHG, which indicates high level of participation by the members. If the majority of the members have fair enough idea about rules & regulation, saving of the group, member loan taken and so forth, is the indication of active involvement by the members. The awareness level is may be bad, good & very good. Those members have very good response has high level of awareness.

The main objective of the SHGs is to generate saving and lend it to the needy people. This helps to generate their own fund among the members, also lend the same at concessional rate to the group members.

Skill generation is important component of the SHGs, as it helps the member to utilize the credit in a fruitful manner. The members don't have any idea about the activities or the in which they have invest, the training help them to solve this problem. The members received training in different areas like – Cookery, maintenance of account, tailoring and self – employment.

Women empowerment has got the momentum in recent past, the participation of women in all walks of life is essential. The SHGs has given women a ground where in they come together, save some money which helps them to solve their day to day expenses, member get training exposure through the SHGs. Thus, SHGs has made a positive impact on women empowerment. In this part we deals with impact of SHGs on women empowerment with special reference to childcare (health & Education) and comparison of the status member with regard to improvements in their status.

The SHGs membership has improved their status, as it gives exposure, generate saving, training which helps women to improve upon their status in the society. Comparative picture given by the member before joining the SHGs and after becoming a member, shows that 72 percent of the members their socio-economic status has improved. This clearly indicates that the SHGs membership has improved the status of women and helped for empowerment. 69 percent of the members have indicated that they got good recognition in the community because of the SHGs membership. Almost 99 percent of the members are happy with the cooperation given by the other members in the group. Thus, from the analysis we can conclude that, SHGs membership has helped the members to improve upon the socio-economic status, recognition in community, which is the clear indication empowerment of women through SHGs.

## Comparison of status, recognition in family &amp; cooperation of the Members

| Name of Slum   | JJ Nagar  |            | J.C. Nagar |            | Valmiki Nagar |            | Total      |            |
|--|-----------|------------|------------|------------|---------------|------------|------------|------------|
|  | Nos       | %          | Nos.       | %          | Nos.          | %          | Nos.       | %          |
| <b>How do you compare your socio economic status</b>       |           |            |            |            |               |            |            |            |
| Very bad   | 0         | 0.0        | 3          | 7.5        | 0             | 0.0        | 3          | 2.5        |
| Average  | 2         | 5.0        | 3          | 7.5        | 5             | 12.5       | 10         | 8.3        |
| Good   | 4         | 10.0       | 6          | 15.0       | 10            | 25.0       | 20         | 16.7       |
| Very good  | 34        | 85.0       | 28         | 70.0       | 25            | 62.5       | 87         | 72.5       |
| <b>Total</b>   | <b>40</b> | <b>100</b> | <b>40</b>  | <b>100</b> | <b>40</b>     | <b>100</b> | <b>120</b> | <b>100</b> |
| <b>Recognition in the community</b>                        |           |            |            |            |               |            |            |            |
| Very bad   | 0         | 0.0        | 2          | 5.0        |               | 0.0        | 2          | 1.7        |
| Bad  | 0         | 0.0        | 1          | 2.5        |               | 0.0        | 1          | 0.8        |
| Average  | 2         | 5.0        | 2          | 5.0        | 12            | 30.0       | 16         | 13.3       |
| Good   | 11        | 27.5       | 4          | 10.0       | 3             | 7.5        | 18         | 15.0       |
| Very good  | 27        | 67.5       | 31         | 77.5       | 25            | 62.5       | 83         | 69.2       |
| <b>Total</b>   | <b>40</b> | <b>100</b> | <b>40</b>  | <b>100</b> | <b>40</b>     | <b>100</b> | <b>120</b> | <b>100</b> |
| <b>The co-operation and encouragement by other members</b> |           |            |            |            |               |            |            |            |
| Yes  | 39        | 97.5       | 40         | 100        | 40            | 100        | 119        | 99.2       |
| No   | 1         | 2.5        |            | 0          |               | 0          | 1          | 0.8        |
| <b>Total</b>   | <b>40</b> | <b>100</b> | <b>40</b>  | <b>100</b> | <b>40</b>     | <b>100</b> | <b>120</b> | <b>100</b> |

Source: Primary survey

To summarize, there is positive relation between the date of inception of SHGs and the membership. Majority of the members motivated to join SHGs by friends. Members have fair enough idea about the working of the SHGs and they are also participating in the process. Members got training in activities like cookery, which has helped them for skill development. the SHGs has made the positive impact on the child care and education, the members found that their socio-economic status has gone up, recognition in the community also improved. There is high level of cooperation among the SHG members. Thus, SHGs has created a positive impact on urban poor women and helped them in getting recognition in community. This proves our hypothesis “Self- Help Groups has made a positive impact on women empowerment”.

### Findings of the study:

- The inception of SHGs has a vital bearing on saving & credit creation. Older the SHG higher is the saving and higher is the performance.
- Whereas the size of the SHGs has apposite relation with the saving, higher the members larger are the saving and via-a versa. Thus, there is relation between size of SHGs and its inception.
- The comparative analysis of SHG loan and bank loan indicates that banks are providing which is higher than the loan given by SHGs and repayment is higher as compared to SHGs.
- The members received training in different areas like – Cookery, maintenance of account, tailoring and self – employment.
- SHGs have made a positive impact on women empowerment. Childcare is concerned, 62 percent of them have very good response. Child education is concerned around 43 percent of the women taking the decisions, followed by 29 percent by husband, 27 percent by other family members.

- There is a positive relation between childcare and child education. The husband for medical expenses almost 72 percent makes but in case for payment.
- 72 percent of the members their socio-economic status has improved. This clearly indicates that the SHGs membership has improved the status of women and helped for empowerment.
- 69 percent of the members have indicated that they got good recognition in the community because of the SHGs membership.
- Almost 99 percent of the members are happy with the cooperation given by the other members in the group.

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