

EMPOWERMENT OF WOMEN

THROUGH MICROFINANCE: A CRITICAL STUDY

OF POVERTY ALLEVIATION

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ABSTRACT

Alleviation of poverty through women's empowerment has become one of the important strategies in developing and underdeveloped countries of the world during the last few decades. The governments of underdeveloped and developing countries of the world tried hard to tackle the problem of poverty through various measures and policies in India also since the 1950s, the government experimented with many strategies to alleviate poverty and empower women both socially and economically. The provision of microfinance to the poor more especially to the women in the rural poor is an important factor on poverty reduction through empowerment. There has been signs of independence on the side of the women, on matters concerned with household expenditure on women. It is believed, contributes to poverty alleviation in different ways. First of all, the provision of savings facility to the members enables them to contribute small savings regularly and the savings amounts, thus accumulated, provide a sense of security to them and reduce their vulnerability. Micro credit fits to the group of financial services revolutions under the term microfinance; additional services according to microfinance are micro savings, money transfer vehicles and micro insurance. Micro credit is an innovation for developing nations. Micro credit is a service for poor people who are unemployed, entrepreneurs or farm owners who are not bankable. The focus of most microcredit companies and agencies around the world is on women in developing countries. This research paper highlights the various aspects of microfinance and its impact on women's empowerment and its goal of alleviating poverty

Keywords: *Microfinance, Women empowerment, Micro credit, Poverty alleviation, Per-capita income*

INTRODUCTION

Microfinance is well-defined as at all activity that includes the provision of financial services such as credit, savings, and insurance for low-income individuals, which goes well above the nationally defined poverty line, and the poor. Social value with the goal of creating individuals who fall below this poverty line. Creating social value includes the broader implications of poverty reduction and improving investment opportunities for the micro enterprise through insurance and savings to ease risk mitigation and consumption. Large-scale sectors provide microfinance in India, using a number of microfinance delivery methods. Since many banks in India, various actors have tried creatively to access financial services to the poor. Governments have also run national programs, NGOs have conducted donor fundraising activities for lending, and some banks have partnered with public organizations or provided little in the way of providing such services made the way.

The concept of Microfinance was introduced by Grameen Bank in Bangladesh and popularized by the Nobel Prize winner *Professor Muhammad Yunus*. *“I was surprised to notice a woman in the village, borrowing less than \$1 from the money-lender, on the condition that he would have the special right to buy all she produces at the price he decides. This, to me, was a way of recruiting slave labour. I decided to make a list of the victims of this money-lending “business” in the village next door to our campus. When my list by done, it had the names of 42 victims who borrowed a total amount of US \$ 27.”*

The *United Nation (UN)* – the organisation of all the countries of the world- declared the year 2005 “The UN year of Micro-credit”. In year 2006, Mr. Mohammed Yunus and the Grameen Bank Bangladesh, were awarded the Nobel Peace Prize “for their efforts to create economic and social development from below”. Microfinance is believed to be a tool of development that can be used to get rid of Poverty.

But now the term microfinance has become a world-wide movement as it was replicated in various countries. This Yunus modal of Microfinance has been introduced in India in the form of Self-help Groups (SHGs). This has resulted in a widespread appreciation of microfinance because it is an activity that targets poor, low-income people for providing financial services. Activities initiated in microfinance include group loans, individual loans, savings and insurance supplies, capacity building and agribusiness development services. Whatever the nature of the activity, however, the key to unifying all actors in the provision of microfinance is the formation of social value.

DEFINITION OF MICROFINANCE

Robinson describes microfinance as “small-scale financial services for both credit and deposits. People who provide farms or fish or herds. Run small or micro businesses where goods are manufactured, recycled, repaired or traded.” Providing services; working for wages or commissions; earning a small amount of land, renting vehicles, drafting animals, or machinery and equipment: and developing countries in both rural and urban areas to individuals and local groups.

The Asian Development Bank (ADB) describes microfinance as “providing a wide range of financial services, such as collections, loans, money transfers, and insurance to small businesses and households.”

The Consultative Group to Assist the Poor (CGAP) well-defined micro-finance as “a credit method that employs operational collateral substitutes to deliver and recover short-term working capital finances to micro entrepreneurs.”

NABARD has well-defined microfinance as “providing utilities, credit and other financial services and small quantities of products to the poor in rural suburban or urban areas so that they can increase their income levels and improve their quality of life.” The reserve bank of India (**RBI**) uses the same definition.

REVIEW OF LITERATURE

NABARD (1989) led survey on SHGs in 11 states along with other Indian members of the Asian and Pacific Regional Agricultural Credit Association (APRACA). The study informed that when a SHG was promoted by a SHPI, it generally composed only members of the weaker sections. In contrast, whenever a SHG emerged on its own, it commonly included members of the poor as well as not-so-poor households. The study also shown that it was easier to form women’s groups by providing those required health care and other facilities and gradually involving them into other activities than male groups.

Muhammad Yunus, (2003) who won the Nobel Peace prize and popularized the benefit of microloans, donor countries and international charitable organizations were eager to help, if millions can help themselves to escape poverty. Another realization was that the poor often had to cope with irregular or seasonal income and must develop the habit of savings to build the capability of consumption smoothing. Microcredit transformed into microfinance because many microcredit programs also require their clients to demonstrate regular savings habit. With very high recovery rate of microloans and high profitability private equity poured into the sector

Narasaiah (2004) in his study mentioned that the change in women's contribution to society is one of the striking phenomena of the late twentieth century. According to him micro-credit plays a significant role in empowering women.

Savitha, V. (2012) analysed the role of SHGs in promoting women entrepreneurs in Mysore District of Karnataka. The primary data from twenty SHG have been collected by a survey for 160 respondents, whereas secondary data has collected from books, journals and annual reports. Percentage method was used to analyse the data. While selecting self- help groups the criteria adopted here is that the SHG should have a linkage with banks. The structured questionnaire was personally administered by direct contacts with members. Special care has been taken to avoid bias in their answers to various questions and encouraging them to answer queries. It was found that SHGs have served the cause of women empowerment through their own enterprise by getting support.

Maurya, Harikesh (2014) studied the impact of microfinance on poverty eradication in Pratapgarh district of Uttar Pradesh state. Both primary and secondary data are used.. It was found that SHGs have been performing better as providers of financial services in terms of augmenting savings, lending and entering loan recovery. Finally, it can be concluded that microfinance has played a very significant role in the development of Uttar Pradesh by achieving its goals like increment in savings and borrowing patterns, improving economic conditions, reduction in poverty, educational development, employment growth, and developed social conditions of people.

OBJECTIVES OF THE STUDY

- To study the microfinance and women empowerment in India
- To study the role of microfinance and its development process in India
- To study the current status of microfinance in SHG-BLP
- To study the microfinance on poverty alleviation in India

RESEARCH METHODOLOGY

This is a descriptive research paper based on secondary data. Data have been found out from different websites, books, research paper, journals, annual general reports of Microfinance, periodicals, internet and various online site that provide the related information for the study collected. Simple calculation, graph and tables are used by researcher to explain the facts and finding the results.

MICROFINANCE AND WOMEN EMPOWERMENT

As a micro and small business women, women have become an important target group for microfinance programs. As a result, providing access to microfinance facilities is not only a prerequisite for poverty alleviation but is also considered as a strategy for empowering women. In developing countries such as India, microfinance is playing a vital role in promoting gender equality and empowering women so that they can live a dignified standard of living.

The study showed by the FINCA Client Poverty Assessment discovered that 81 percent of the clients questioned were women, and set up that food security in their village banking clients was 15 percent higher than that of non-clients. The report also shows that more than 11 percent of the client's children attend school, which increases the health care benefits by 18 percent. Consumer housing security is reported to be 18 percent higher than non-clients. The assessment concluded that microfinance improved the wellbeing of women clients and their families. Microfinance has a positive effect on the empowerment of women by creating an "empowerment indicator".

These indicators can be based on the following factors:

- Relative freedom from authority within the family
- Political and legal wakefulness
- Participation in political activism and protests
- To admittance to markets and information
- They become more self-assured
- They get a better control of the funds
- Capability to make larger purchases
- Participation in major household choices
- They can challenge systemic gender inequalities
- Economic security- facilitates poor women in making them economic agents of change by increasing their income and efficiency
- Freedom of movement

ROLE OF MICROFINANCE AND ITS ACTIVITIES

The microcredit of the microfinance programme was first launched in the year 1976 in Bangladesh with the promise of lending to the poor without any guarantee, eliminating poverty and eliminating human creativity and efforts of the poor. Studies of microfinance effects have shown:

- ✓ Microfinance helps poor households meet basic needs and protects them from risks.

- ✓ The use of financial services by low-income households leads to improved domestic economic well-being and business stability and growth.
- ✓ With the help of women's economic corporations, microfinance empowers women, thereby promoting gender equality and improving domestic welfare.
- ✓ The level of services are related to this length of access to financial services for clients.

Activities in Microfinance

- **Micro Credit:** This is a small amount of money that a client lends to a bank or other institution. Micro credit can be offered, without collateral, to an individual or through collective credit.
- **Micro Savings:** These are depository services that help someone save a small amount of money for future use. Often without the minimum balance requirements, these savings accounts allow households to save on unexpected expenses and plan for future expenses.
- **Micro entrepreneurs:** These are the people who own small scale businesses known as micro enterprises. These businesses usually employ less than 5 people and can be based out of the home. They can provide a single source of family income or supplement other types of income. Common micro-business activities include retail knit sewing workshops, carpentry shops and market stalls.
- **Micro insurance:** This is a system through which people, businesses and other organizations pay for risk sharing. Access to insurance enables traders to focus more on the growth of their business while minimizing property, health or other risks affecting their ability to work.
- **Remittances:** These are the transfers of money from people from one place to another, usually along the border and between family and friends. Compared to other capital resources that can fluctuate depending on the political or economic climate, remittances are a relatively stable source of funds.

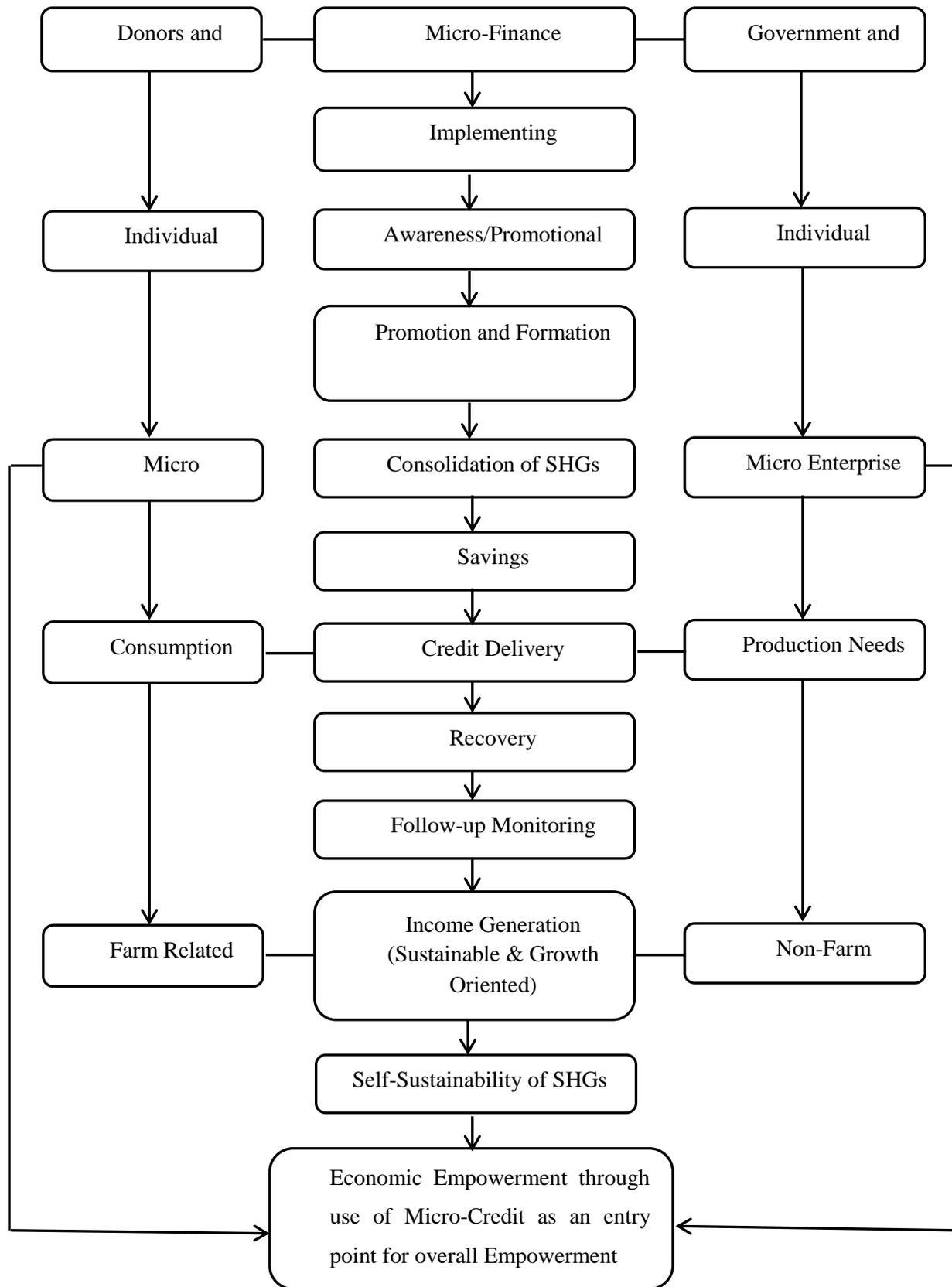
Table: 1.1

ENTITIES IN MICROFINANCE

Self-help Group (SHG)	Microfinance Institutions (MFIs)
<ul style="list-style-type: none"> • Introduced by NABARD through SHG Bank Linkage Program. 	<ul style="list-style-type: none"> • Emerged in the late 1990s to tie together social and commercial funds.
<ul style="list-style-type: none"> • Largest outreach to microfinance clients in the world. 	<ul style="list-style-type: none"> • Today the number of Indian MFIs has increased and crossed 1000.

Figure: 1.1

DEVELOPMENT PROCESS THROUGH MICROFINANCE



CURRENT STATUS OF MICROFINANCE IN SHG - BANK LINKAGE PROGRAMME (BLP)

Financial inclusion is one way of empowering people to access social and economic justice. Among the various models, the SHG - Bank Linkage Programme (BLP) helped extensively to empower the poor, especially rural women, through providing savings and credit windows from banks. The programme is being expanded with a view to covering all eligible poor rural households, with a focus on resource-poor states, providing livelihood opportunities to SHG members and covering the areas which have not been reached. Efforts are being made to revive dormant SHGs and prevent the functional ones from disintegrating, through measures such as capacity-building and hand-holding support. In close coordination with the NRLM, an attempt is being made to form and nurture groups by involving NGOs, community- support system for promoting and nurturing SHGs is being suitably incentivized.

Table: 1.2

OVERALL PROGRESS UNDER SHG-BANK LINKAGE PROGRAMME

(Number in lakh/Amount ₹crore)

Financial Year	SHGs Saving with Banks as 31 st March		Loan Disbursed to SHGs during the year		Loan outstanding against SHGs as on 31 st March	
	Total SHGs No.		No. of SHGs extending Loans		Total No. SHGs Linked	
	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
2006-07	41.60	3512.71	11.05	6570.39	28.94	12366.49
2007-08	50.09	3785.39	12.27	8849.26	36.25	16999.91
2008-09	61.21	5545.62	16.10	12253.51	42.24	22679.84
2009-10	69.53	6198.71	15.87	14453.03	48.51	28038.38
2010-11	74.62	7016.30	11.96	14547.03	47.87	31221.17
2011-12	79.60	6551.41	11.48	16534.77	43.54	36340.00
2012-13	73.18	8217.25	12.20	20585.36	44.51	39375.30
2013-14	74.30	9987.42	13.66	24017.36	41.47	42927.52
2014-15	76.97	11059.84	16.26	22782.31	44.68	51545.46
2015-16	79.03	13631.39	18.32	37286.90	46.73	57119.23
2016-17	85.77	16114.23	18.98	38781.16	48.48	61581.30
2017-18	87.44	19592.12	22.61	47185.88	50.20	75598.45
2018-19	100.14	23324.48	26.98	58317.63	50.77	87098.15

Source: Status of Microfinance in India Report (NABARD) 2018-19

The SHGs saving in Banks in from 2006-07 to 2018-19 shows a tremendous growth. The SHG saving at bank in the year 2006-07 was ₹3512.71 crore raised to ₹23324.48 crores in 2017-18. Similarly, loan disbursed by SHG in year 2006-07 was ₹6570.39 crores which raised to ₹58317.63 crore in 2017-18, which shows almost nine times increase in loan disbursed. The loan outstanding in 2006-07 was ₹12366.49 crore raised to ₹87098.15 crore in 2017-18.

In the above table: 1.2 shows SHGs saving with banks, in year 2006-07 the saving deposited in bank was ₹3512.71 crore, the deposits increased by 7.8% in 2007-08 and reached to ₹3785.39 crore. In successive years there was increasing trend and the amount in saving account was ₹23324.48 crore with the growth rate of 19.05% during 2017-2018 respectively. Loan disbursed to SHGs in 2006-07 was ₹6570.39 crore, the amount increase by 11.0% in 2007-08 and reached to ₹37286.90 crore. In 2017-18 amount was ₹58317.63 crore with the growth rate of 23.59%. Table also showing data about loan outstanding against SHGs and that amount in 2006-07 was ₹12366.49 crore, the amount increase by 25.3% in 2007-08 and reached to ₹87098.15 crore in 2017-18 amount was ₹87098.15 crore with the growth rate of 15.21% in this way.

Table: 1.3

OVERALL PROGRESS UNDER SHG-BLP IN WOMEN SHGs

(Number in lakh/Amount ₹crore)

Financial Year	SHGs Saving with Banks as 31 st March		Loan Disbursed to SHGs during the year		Loan outstanding against SHGs as on 31 st March	
	Total SHGs No.		No. of SHGs extending Loans		Total No. SHGs Linked	
	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
2016-17	73.22	14283.42	17.16	36103.16	42.84	56444.24
2017-18	73.90	17497.86	20.75	44558.74	45.49	70401.73
2018-19	85.31	20473.55	23.65	53254.04	44.61	79231.98

Source: Status of Microfinance Report (NABARD) 2018-19

In the above table: 1.3 shows the SHG saving of women in Banks in from 2016-17 to 2018-19 shows a tremendous growth. The SHG saving at bank in the year 2016-17 was ₹14283.42 crore raised to ₹20473.55 crores in 2017-18. Similarly, loan disbursed by SHG in year 2016-17 was ₹36103.16 crores which raised to ₹53254.04 crore in 2017-18, which shows almost 1.5 times increase in loan disbursed. The loan outstanding in 2016-17 was ₹56444.24 crore raised to ₹79231.98 crore in 2017-18.

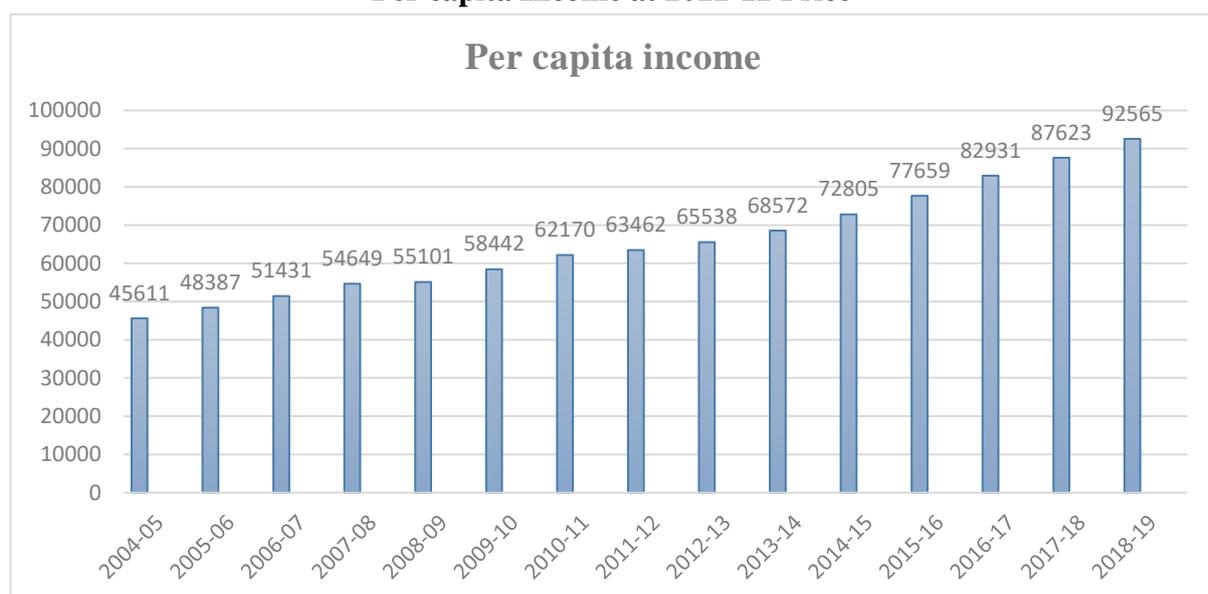
IMPACT OF MICROFINANCE ON POVERTY ALLEVIATION IN INDIA

Microfinance is a powerful means of alleviating poverty and empowering women in the new economy. There are two dimensions to the impact of microfinance. First of all, it generally facilitates SHGs members and increases their income, which helps to strengthen their livelihoods, increases self-confidence in the management of microfinance programs in India, microfinance is dominated by the SHGs and MFI Bank Linkage Program, which aims to provide an effective mechanism for providing financial services to the poor. Microfinance for poverty and women has become widely known as a strategy for poverty alleviation and economic empowerment. However, there is considerable gap for empowerment and alleviation of poverty, financing the needs of the real credit of the poor, especially women. Rural poverty can be reduced by launching an income generating program with a focus on micro-credit as the primary input for economic development. Microfinance is a powerful tool for innovative and hardworking micro entrepreneurs to start any small business. With the proceeds of these small businesses, micro-credit borrowers hope for a better quality of life, health care, education, nutrition and better future for their family.

DATA ANALYSIS & INTERPRETATION

From the previous studies it's found that micro finance helps poor people by provide loan for lift them from the poverty line. By that they increase there per capital income and reduce the poverty percentage. This study focused on per capital income and poverty relevant data. On the basis of that the finding of the study has been elaborated.

Figure: 1.2
Per capita Income at 2011-12 Price



Source: Central Statistics Office (CSO) Report 2018-19

In the above figure: 1.2 shows that the per-capital income of India is uninterruptedly growing, but after 1990's the rate of per-capital income rises more because SHG provide money as a loan to the poor people for self-employment. By that poor people get employment, rises per-capita income and lift him from poverty line. On the basis of that observation it may be say that microfinance may be one of the factors to rise per-capital income and negative relation between per capital income and population under poverty line.

Table: 1.4**PERCENTAGE OF POOR IN INDIA**

Year	Poverty Ratio in Percentage (%)		
	Rural	Urban	Total
1993-94	50.1	31.8	45.3
2004-05	41.8	25.7	37.2
2009-10	33.8	20.9	29.8
2011-12	25.7	13.7	21.9
2017-18	29.6	9.2	22.8

Source: Planning Commission, NSO

In the above table: 1.4 shows, it is observed that percentage of poverty in India is continuously reduced. In 1993-94 poverty percentage in India is 45.3%. In rural area the poverty is 50.1% and in urban area the poverty is 31.8%, its shows that rural area is more affected by poverty. But the rate of poverty in India is decline because SHGs provide money as a loan to the poor people for self-employment. Impact of microfinance on poverty line is showing in above table: 1.4 in 1993-94 poverty percentage in India is 45.3% according Tendulkar committee method, the percentage of poverty decline by 8.1% and reached to 37.2% in 2004-05. In 2009-10 poverty percentage is 29.8%; 2011-12 is 21.9% and 2017-18 is 22.8%. On the basis of data, we found that the providing of microfinance by SHGs and MFIs helps to reduce the poverty population in India.

CONCLUSION

There are many poverty alleviation programs implemented in India for poverty alleviation, but the desired results may not yet be achieved. The results of this research paper will help to understand the relationship between poverty alleviation and microfinance on the one hand, and on the other hand, the results of this research paper will discuss the impact of poverty reduction programs on poverty reduction through microfinance in India will also be highlighted. Microfinance has become more widespread in the past three decades, as it has been useful in

alleviating poverty. Creating self-employment opportunities is one way to tackle poverty and solve unemployment problems. There are more than 27 crore people below the poverty line in our country and microfinance activities can provide them with an opportunity to get out of poverty. Microfinance can be a solution to help expand their horizons and offer them social recognition and empowerment. The microfinance scheme has been found to be an effective means of raising the poor above the poverty line, enabling them to increase their employment opportunities and lend to them. In the present study found that microfinance is an essential factor for live a better life by rise per-capita income and reduce and lift up the population under poverty-line.

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