



**ROLE OF MICRO FINANCE IN WOMEN'S EMPOWERMENT (AN EMPIRICAL STUDY ON RURAL AREAS OF DELHI)**

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**ABSTRACT**

Micro finance being an anti poverty vaccine provides micro loans to the poor to facilitate them in generating income for their household. The credit so provided helps the poor to tap opportunities for livelihood and work their way out of poverty. The idea is to make easy loans available to the underprivileged strata of the society. They do not have a positive attitude towards bank loans because of the lengthy formalities involved. Though microfinance is helpful in reducing poverty yet the economic condition of a nation is not improved merely by uplifting the poor, the bad condition of women also needs to be given the required weight. We may live in the 21st century, but it's still a man's world out here. Women's contribution is still considered as an extension of household domain. A nation's economy cannot progress until every segment of the society is brought to the forefront and enjoys equal rights. Micro finance is necessary to overcome exploitation, create confidence for economic self reliance particularly among rural women. Microfinance Institutions with the help of SHGs have the potential to contribute to women's ability to earn income. The programmes initiated by MFIs can influence the economic empowerment. They are potentially very significant contributors to gender equality and women's empowerment. The paper is an attempt to throw some light on the miseries faced by rural women and the ways to overcome them after interacting with some respondents it was observed that they expect the NGOs to come up with training sessions in order that the skills of women are enhanced which in turn leads to psychological and social empowerment. The study is categorized into five sections: Section I gives the introduction of study, Section II gives the Literature Review, Section III provides research methodology, Section IV provides data analysis and findings, Section V gives the conclusion and suggestions.

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**SECTION I- INTRODUCTION**

Microfinance has gained huge importance worldwide in the realm of economic development. The vision of micro financial systems worldwide is to serve the impoverished segment, help in uplifting them out of poverty, and make them full participants in their country's social and economic development.

Women make up a large proportion of microfinance beneficiaries. Customarily, they have been unable to be an active participant in economic activity. Their rights are denied, opportunities restrained and voices silenced. Empowerment of women means to let women survive and let them live a life with dignity, humanity, respect, self-esteem and self-reliance.

Microfinance makes available to women with the funds they need to commence a business enterprise and actively

participate in the economy. It gives them self-confidence, develops their status and makes them more dynamic in decision-making, thus encouraging gender equality.

**Role of Microfinance in Women Empowerment**

Microfinance is a dominant tool to empower the poor women at international level and especially in developing countries. Microfinance activities give them resources to climb out of poverty. The evolution of microfinance is from Bangladesh since late 1970s and a very successful project named Grameen bank started by Mohd Yunus resulted into widening of microfinance activities. Microfinance services lead to empowerment of women by positively influencing their decision making ability at household level and their overall socioeconomic condition. By the end of the year 2000, microfinance services had reached over 79 million of the poorest of the world. Microfinance has the prospective to make a noteworthy contribution to gender equality and support sustainable livelihood and better working conditions for women. It has been well documented that an increase in

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women resources and a better access to credit facilities results in enhanced well being of the family especially children.

Currently, in most of the developing countries like India high emphasis is being laid on the development of women as entrepreneurs and their active participation in the development process of their country. Women can be successful and prove to be better entrepreneurs if given required favorable environment and provided with sufficient resources most importantly the required amount of capital. The studies of rural women have proved their business excellence. It is found that women are more reliable in credit utilisation than men but because of lack of access to assets they are often more exposed to poverty than males. There are several successful women organisations working for the overall upliftment of the rural women like Self Employed Women association (SEWA) established in 1972, The Working Women's Forum (WWF) in 1978, a govt. Organisation for women established in 1993, Mann Deshi Mahila Sahakari Bank Ltd. (MDMSB) in 1997 etc. Microfinance is not a magic wand, which can bring about far-reaching structural revolution for empowerment of women. The success of micro financing organizations in building up the organizational capacity of the poor women provides the basis for their social mobilization that many other class interventions have not been able to achieve. Various formal and informal organizations have been setup like banks, NABARD, RBI, MFIs, NGOs, SHGs, family, friends, moneylenders.

### **Concept of Empowerment**

Empowerment, in general sense, refers to the capability of people to gain understanding and control over personal, social, economic and political forces to enable them to take action for improving their life situations. It is the process by which individuals and communities are facilitated to take power and act effectively in gaining greater control, effectiveness, and social righteousness in changing their lives and their environment (Solomon, 1976; Rappaport, 1981, 1985; Minkler, 1992; Fawcett et al., 1994; Israel et al., 1994). Empowerment ranges from personal empowerment that can exist within the present social order. Thus this kind of empowerment would match to the right to make one's own choices, to increased independence and to control over economic resources. Empowerment implies increased participation in decision-making and it is this process through which people themselves feel to be capable of making decisions and the right to do so (Kabeer, 2001).

According to Rappaport empowerment is a construct that links individual strengths and ability, natural helping systems, and positive behaviors to social policy and social change (Rappaport, 1981, 1984). He has noted that it is easy to define empowerment by its absence but difficult to define it in action as it takes on different forms with different people and milieu. Czuba (1999) suggests that there are three components basic to the definition of empowerment: it is multi-dimensional, social, and a process. It is multi-dimensional in the sense that it occurs within sociological, psychological, economic, and other dimensions. Empowerment also occurs at various levels, such as individual, group, and community. Empowerment is a social process, since it occurs in relationship to others, and it occurs in continuity, therefore it's a process. Other aspects of

empowerment may vary according to the situation and people involved, but these three remain stable.

### **Self Help Groups (SHGs)**

Self-Help Groups is 'a homogenous group of rural poor voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute and emergent credit needs' (NABARD).

The SHGs comprise of people who do not have access to formal financial institutions. They act as the medium for the members to provide mutual space and support. It also helps the members of the group to learn to cooperate and work in a group environment. The SHGs provide savings mechanism as per the needs of the members. Small credit is extended to members in a cost effective delivery system.

The SHGs mainly contribute to the empowerment of poor women by involving them in some productive activity which in turn yields something to overcome their poverty. SHGs need credit support to carry out income-generating activities which the self-help groups undertake like marketing of commodities manufactured by them. NGOs assist the SHGs in procuring raw materials and also marketing of the products. SHGs aim at inculcating the habit of thrift, banking culture, that is, availing the loan and repaying the same over a given period of time and in the process gain economic prosperity. SHGs are mostly informal groups whose members pool their savings and surrender within the group on rotational or need basis. SHGs help micro-enterprises by women individually and as groups. The examples of activities carried out by groups are raising vegetables in the commonly owned land, ready-made garment making, developing model farms - integrating agriculture, horticulture and animal husbandry, cultivation of medicinal herbs, pot making, stone quarrying, sheep breeding, preparation of pickles, running canteens in Government offices, setting up mechanized dry cleaning centers, running public distribution outlets and so on. Concisely, the SHGs are involved in activities of Manufacturing, Trading and Agriculture. Self-Help Groups provide outside employment income, enhance self-dependency; boost women's autonomy and assertiveness, and raise women's prestige and status in such a manner that they have relatively better control over material resources.

## **SECTION II- REVIEW OF LITERATURE**

Gaiha & Nandhi (2007) in their study on empowerment through SHGs in Maharashtra found that savings mobilization through SHGs was highly successful. They also found that most of the loans taken by members of the SHG were being used principally for expenditure on education, health and production. However this involved putting in long hours by SHG workers in running institutions.

Vasanthakumari (2008) studied the role of MFI in empowering women in Kerala. Her research was based on a sample of micro entrepreneurs. This study revealed that these enterprises led three fold empowerment; economical, social, personal. The study suggested giving priority to the commercial feasibility of enterprises.

Malhotra (2002) in his study, constructed a list of the most frequently used dimensions of women's empowerment, drawn from the framework developed by various authors in different fields of social sciences. These frameworks recommend that

women's empowerment needs to occur along several dimensions which includes: economic, socio-cultural, interpersonal, legal, political, and psychological. It has been well-documented that an increase in women's resources results in the safety of the family, especially children. According to a more feminist perspective an increased access to financial services represent an opportunity for greater empowerment. Such organizations clearly perceive microfinance as a tool in the fight for the women's rights and independence.

Kumararaja (2009) studied the performance and the progress of SHGs in Tamil Nadu. It stated that there has been a balanced progress in the number of SHGs and the loan approved and recommended a regular check of the micro-credit disbursements. To SHGs.

Hulme and Mosely (1996) in his study reveals that access to microfinance has a positive impact especially on those who are closure to the poverty line than those farther to it. The impact increases as the members become old as they learn to invest in income generating activities.

Anitha and Revenkar in their paper (2007) studied rural development through the growth of micro credit in the period ranging from 1992-1993 to 2003-04, and agency-wise SHGs linked on March 31, 2004. They concluded that the success of SHGs not only had a positive impact on the economic status of women but also brought changes in their social status.

Vinayamoorthy and Pithoda (2007) attempted to study the impact of SHGs in three villages of TamilNadu. A sample of 398 members of 20 SHG's was studied. The income, expenditure, savings of the members was examined and also the role played by the SHGs in providing the loan. They concluded that the SHGs were successful in upgrading the economic condition of the members.

Goetz and Sen Gupta (1996) carried out their research under three microfinance programs in Bangladesh. They found that 63per cent of the women loan holders had exercised partial, limited or no control in relation to loan use and concluded that they exercised little voice in the decision making.

Mayoux (1997) suggests that the impact of microfinance programmes on women is not always positive. Women who have set up enterprises with the help of MFIs benefit from small raise in income at the cost of heavier workloads and the pressure of repayment. Sometimes their loans are used by male members of the family to set up enterprises, or sometimes women end up merely being employed as unpaid workers with negligible benefit. It is further pointed that in some cases women's increased autonomy leads to the withdrawal of male support.

### SECTION III- RESEARCH OBJECTIVES

- To study the role of microfinance in empowerment of women in rural areas of Delhi.
- To analyse the empowerment which women get through SHGs
- To offer suggestions for betterment of women's empowerment through microfinance.

#### Research Methodology

**Sources of data:** The study is undertaken in rural areas of Delhi. Both primary and secondary data are used. Primary

data is collected through a structured questionnaire which was distributed to the women members who are engaged in Micro enterprises through microfinance. Secondary data was collected from various journals, articles, papers, NGO reports etc.

**Area of Sampling:** The study was conducted in the rural areas of Delhi through field survey to gain an insight of the benefits and challenges faced by women in SHGs.

**Sample Size:** 100 samples have been collected for the research from four villages of Delhi.

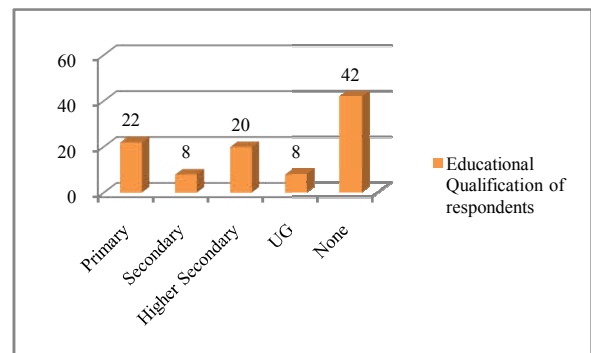
**Statistical tools:** Simple correlation coefficient and percentage analysis have been used to analyze and interpret the data.

#### Limitations of study

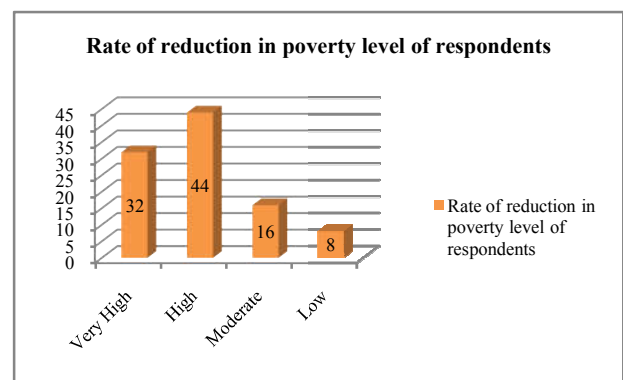
- The area covered by the study was small and the sample size taken was small too so the results may not match other areas
- The study was carried out in rural areas where the respondents were illiterate so it was difficult to find out answers to some sensitive questions.

### SECTION IV - Data analysis and interpretation

Graphical representation of data

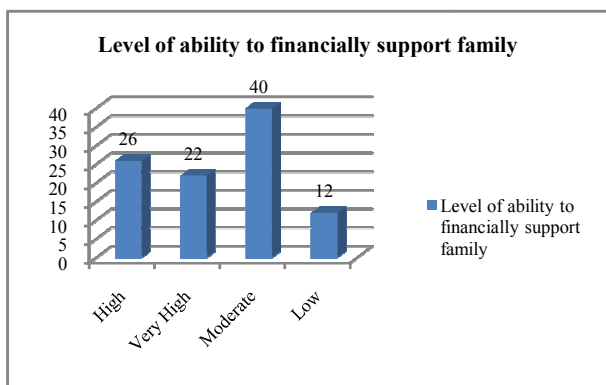


The graph interprets that 42% of the respondents of the study were illiterate and 22% had done primary education, and 20% had done higher secondary.

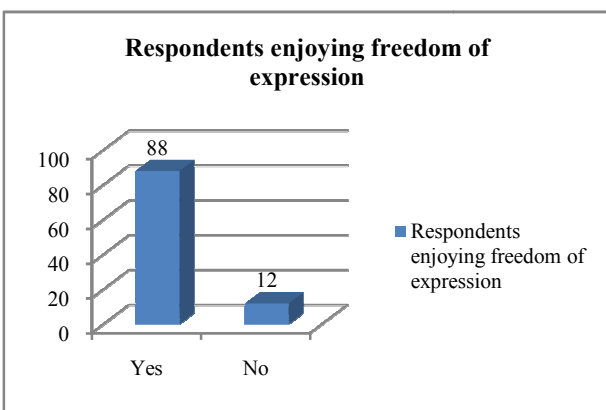
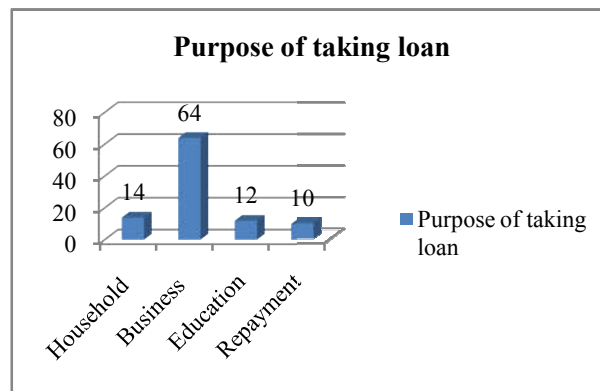


44% of the respondents believe that by associating with SHGs their poverty has reduced noticeably and 32% have a high impact of poverty reduction through SHGs. Only 16 and 8% of the respondents have moderate and low impact on their poverty.

26% of the SHG members are highly capable of financially supporting their family. 22% are very high followed by 40% with moderate support and 12% with low support.



92% of the respondents have decision making powers in their family matters.

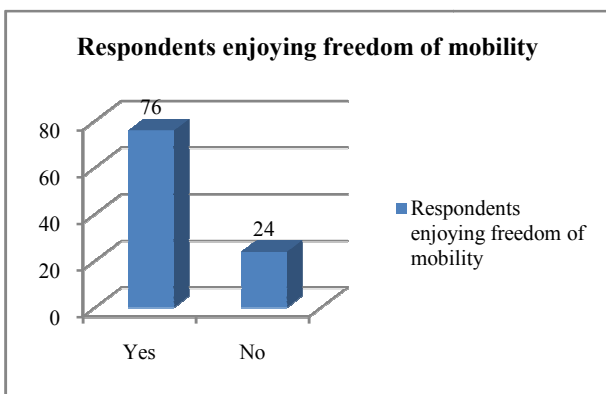


A majority of 64% members utilized the loan funds for setting up their business for generating regular incomes. Only 14% used them for household needs, 12% for education of their children and only 10% used them for repaying their existing loans.

**Correlation between improvement in literacy level and awareness in children education**

Variables		Awareness in children's education	Improvement in literacy level
Awareness in children's education	Pearson Correlation	1	0.413
	Sig.(2-tailed)		.000
	N	50	50
Improvement in literacy level	Pearson Correlation	0.413	1
	Sig.(2-tailed)	.000	
	N	50	50

88% of the members are free to voice their opinions and only a small percentage of 12% women are not free to express in groups and family

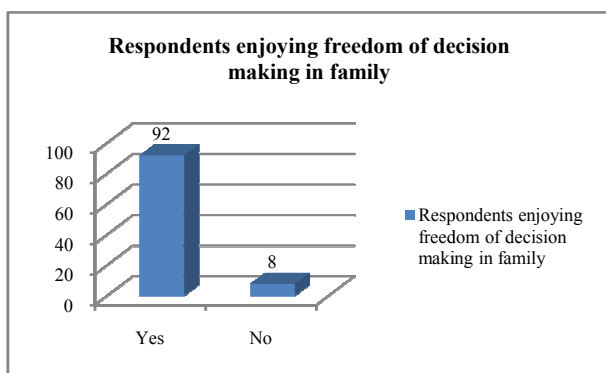


Correlation between literacy level and awareness in children education is highly positive which means that on improving the literacy levels the awareness also increases.

**Correlation between reduction in poverty level and improvement in standard of living**

Variables		Reduction in poverty level	Improvement in standard of living
Reduction in poverty level	Pearson Correlation	1	0.201
	Sig.(2-tailed)		.000
	N	100	50
Improvement in standard of living	Pearson Correlation	0.201	1
	Sig.(2-tailed)	.000	
	N	100	50

76% of the SHG members have the freedom to move, which proves that they are socially mobile.



There is a positive correlation between poverty reduction and increase in the standard of living. This implies that on reducing poverty the standard of living does not raise.

**Findings**

- It is found that by the use of microfinance loans, the literacy level of women has augmented. This will have a positive impact on the education of their children as well.
- The main aim of providing loans through SHGs is to uplift the poor. And after the survey it is quite evident that the SHGs have been successful in improving the poverty levels of the respondents.

- A major percentage of respondents are capable of extending financial support to their families though the amount may be less. This shows that the provision of micro loans to women participants has made them self reliant that they are able to contribute towards the family income.
- As large as 88% of the members are free to express their opinion in the matters relating to family and in group. Microfinance intervention has made them voice their opinion in matters like pursuing job, using own income, healthcare etc. This shows that women are socially empowered. Moreover they are independent in moving freely to banks, offices and other places for social reasons.
- It is found that majority of the members have utilised their funds in setting up new businesses to start income generating activities. Only the availability of finance is not enough, ensuring its proper employment brings success. Some members have also used the funds in education. This shows that the level of awareness is increasing and they have realized the importance of literacy. Therefore the women members are motivated to educate their children as well.
- Microfinance programs by extending financial support and training to women participants have made them learn new income generating activities and also expanding their enterprises. This has made them self worthy and confident.
- The members agree that they have experienced improvement in psychological well being and social empowerment as a result of participating in micro finance through SHG program.
- The women expressed that they are not aware of all the training programmes organized by the NGO with which they can enhance their knowledge regarding income generating activities.
- Majority of the respondents expressed that their awareness about environment improved after taking part in micro finance programs actively.
- Correlation between literacy level and awareness in children education is highly positive which means that on improving the literacy levels the awareness also increases.
- Also there is a positive correlation between poverty reduction and increase in the standard of living. This means that on reducing poverty the standard of living does not raise. It is because standard of living is affected by some other factors as well. A change in all the factors raises the living standard.
- NGOs should prepare proper course curriculum for training the SHGs and hire experienced professionals for training the members.
- More efforts for spreading awareness amongst rural poor should be made in order to ensure maximum participation. This can be done through advertisements in television, films, journals, magazines and newspapers.
- The banks providing loans to SHGs should simplify their formalities to ease the lending procedure.
- More emphasis should be given on enhancing the literacy levels of participants so that they are open to learn more than one trade.
- SHGs should put efforts on training the members on social issues like health, sanitation for developing the village.
- The SHGs manager should have complete knowledge of the aid provided by government to SHGs so that complete facilities can be availed for the development of the members and their village.
- Since majority of women are unaware of their legal rights so education should be given to enhance their awareness.
- Members should be given some sort of training to use funds properly in order to avoid wastage of resources.

## **CONCLUSION**

The research undertaken addresses the role of microfinance on empowering poor women in the rural areas of Delhi. It is found that the economic conditions are affected positively after joining the self help groups. Various development programs have helped in bringing about changes in the lives of rural women. The study finds out that SHGs empower women at individual, household, group and community level. Not only do the SHGs provide credit, they also mobilize and organize women on the basis of strength and collective action which leads to empowerment. Though extension of credit augments the economic condition yet the institutions and banks involved in microfinance activities need to adopt the strategies suiting the requirements of people of varying regions. The researcher presents this study with the hope of drawing the attention of concerned authorities to take steps to provide the required support to the SHGs. It is apparent that an involvement of voluntary organizations for social mobilization, micro finance will be successful in enlarging its scale and become a rational movement. An active intervention of government for promoting and facilitating the SHGs addressing such issues is the need of the hour. It is thus important that the micro credit programs be viewed as a complement and not as a replacement for effective policies for securing national and international development of women.

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## **SECTION V - CONCLUSION AND SUGGESTIONS**

### ***Suggestions***

The contribution of the Self Help Groups has been positive towards the progress of rural women. Based on the findings of study following suggestions can be given which can further facilitate the members of SHGs by improving the working of SHGs.

- More support should be extended by the government to the NGOs to help them in opening their bank accounts.

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