

## **Microfinance for Self-Help Groups Promote Women Empowerment**

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### **1. INTRODUCTION**

Microcredit or microfinance, is banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks. The reason being they are unable to offer sufficient collateral security. In general, the banks are for the people with money and not for the poor.

Microcredit plays an important role in fighting the multi-dimensional aspects of poverty. Microfinance increases household income, which leads to benefits such as increased food security, building of assets, and an increased likelihood of educating one's children, etc. Microfinance also paves way for self-empowerment of women. The term micro finance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development, etc. There is, however, no statutory definition of micro finance.

Most of the micro credit institutions and agencies all over the world focus on women in developing countries. Observations and experience shows that women are a small credit, repaying their loans and tend more beneficial to the whole family. Giving women the access to microcredit loans generates a multiplier effect that increases the impact of a microfinance institution's activities, benefiting multiple generations. Micro finance programs have significant potential for contributing to women's economic, social and political empowerment.

#### ***Definition of 'Microfinance'***

Micro finance is defined as "A type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Ultimately, the goal of microfinance is to give low income people an opportunity to become self - sufficient by providing a means of saving money, borrowing money and insurance".

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for delivery of financial services to clients are:

- Relationship - based banking for individual entrepreneurs and small businesses and
- Group - based models, where several entrepreneurs come together to apply for loans and other services as a group.

#### ***History of Microfinance***

The history of microfinancing can be traced back to mid 1800s, when the theorist Lysander Spooner was writing about the benefits of small credits to entrepreneurs and farmers as a way of getting the people out of their poverty. Over the past centuries, practical visionaries, from the Franciscan monks who founded the community - oriented pawnshops of the 15th century to the founders of the European credit union movement in the 19th century and the founders of the microcredit movement in the 1970s, have tested practices and built institutions designed to bring the kinds of opportunities and risk - management tools that financial services can provide to the doorsteps of poor people.

#### ***Characteristics of Microfinance Institutions***

The general characteristics of microfinance institutions are the following:

- To provide small loans to the rural poor for their working capital requirements.
- Nominal assessment of borrowers and investments as compared to commercial banks.
- These institutions require compulsory savings and group guarantees without any collateral security.

#### ***Features of Microfinance***

Some of the common features of microfinance are:

- Loan given without security to people who live below the poverty line
- Members of SHGs may benefit from micro finance
- Maximum limit of loan under microfinance Rs.25,000/-
- Terms and conditions of loans are decided on an equitable basis
- Microfinance is different from Microcredit - under the later; small loans are given to the borrower but under microfinance alongside many other financial services including savings accounts and insurance are also included. Therefore microfinance has a wider concept than microcredit.

#### ***Origin and Concept of SHGs***

A Self-help Group (SHG) is a small homogeneous group of low-income people who voluntarily come together to save small amount regularly, which are deposited in a common fund to meet emergency needs of its members i.e., to provide collateral free loans.

The basic ***principles*** of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, sprit of thrift, demand-based lending, collateral free, women friendly loan, peer-group pressure in repayment, skill training, capacity building and empowerment. The uniqueness of these groups lies in the fact that to a large extent they are self-supporting self-governing organizations free from bureaucratization and politicization. The process empowers the poor and enables them to control direction of own development by identifying their felt needs.

#### ***Women Empowerment***

Women Empowerment refers to increasing the spiritual, political, social or economic strength of the women community. It occurs when women achieve the desired control and participate in decision making which leads to better access to resources, and thereby, improve their socio-economic status. Their advancement involves the process of empowerment by which women achieve increased control over public decision making.

*Empowerment* is probably the totality of the following or similar capabilities:

- Having the capacity to take decisions
- Ability to gather resources and information for taking timely decisions
- Having a variety of alternatives to choose the best alternative
- Ability to exercise boldness in collective decision making
- To have a positive thinking in all aspects
- Ability to learn new skills for improving the power of individual and group
- Increasing one's positive self-image
- Involving in the process of growth with willingness to accept changes.

#### ***Women's Empowerment and Microfinance***

The common issues with women's access to credit and assumptions about contributions to women's empowerment are nothing new or of recent origin. From the early 1970s women's movements became increasingly interested in the degree to which women were able to access poverty-focused credit programs and credit cooperatives. Micro-

finance for women has recently been seen as a key strategy in meeting not only Millennium Goal on gender equality, but also poverty reduction, health, HIV/AIDS and other goals.

Microfinance is promoted as an entry point in the context of a wider strategy for women's economic and socio-political empowerment which focuses on gender awareness and feminist organization. The main focus of programs as a whole is on developing sustainable livelihoods, community development and social service provision like literacy, healthcare and infrastructure development.

### ***Women and Microfinance***

Microfinance experts generally agree that women should be the primary focus of service delivery. Evidence shows that they are less likely to make a default in payment of their loans. Although men, as well as women, face difficulties in establishing an additional enterprise, women have barriers to overcome. Among them are negative socio-cultural attitudes, legal barriers, practical external barriers, lack of education and certain personal difficulties.

In spite of this, for women and especially for poor women, micro enterprise ownership has emerged as a strategy for economical survival. One of the most essential factors contributing to success in micro entrepreneurship is access to capital and financial services. In this context, credit for micro enterprise development has been a crucial issue over the past two decades. Research has shown that investing in women offers the most effective means to improve health, nutrition, hygiene, and educational standards for families and consequently for the whole of society. Thus, a special support for women in financial and non-financial services is necessary.

Regarding limited access to financial services, women depend largely on their own limited cash resources or, in some cases, loans from extended family members for investment capital. Operating their business requires the women to become skilled in dealing with suppliers, marketers and customers. Learning to negotiate business hurdles improves their decision-making ability. As they become more confident, they are likely to become more involved in their communities and local institutions. Gradually, these skills can migrate to social and political circles so that women become more adept at advocating for themselves and their families.

### ***Problems and Challenges***

Surveys have shown that many elements contribute to make it more difficult for women empowerment through micro businesses. These elements are:

- Lack of market knowledge and potential profitability, making the choice of business difficult.
- Inadequate book-keeping.
- Employment of too many relatives which increases social pressure to share the benefits.
- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually ruin their business.

### ***Self-help Groups Facilitate Women Empowerment***

Self-help groups are generally facilitated by NGOs, and increasingly advise and train members in a variety of income-generating activities. For micro finance program to be cost-effective in bringing about the empowerment of women, it would require the following:

- Providing business training
- Investing in women's general education and literacy
- Providing guidance in balancing family and work responsibilities

- Providing a forum for dialogue on social and political issues, such as, women's rights and community problems
- Giving women the exposure to take part in decision – making
- Promoting women's ownership, control and participatory governance in their micro finance programs.

## 2. OBJECTIVES OF THE STUDY

The overall objective of the present study is to analyze the economic empowerment of women through SHGs. It covers various aspects of microfinance, the problems and perspectives of SHGs and suggests several measures for women empowerment.

- To understand the importance of Micro finance
- To study the income, expenditure and savings of the members after joining SHGs
- To know the role of NGOs and SHGs in providing rural credit
- To suggest appropriate policy intervention for the effective performance of SHGs.

## 3. METHODOLOGY

This study is compiled with the help of the primary data collected with the help of specially prepared interview schedule. The schedule includes questions related to the general information about the need and importance of micro finance, the income, expenditure, savings and loan schemes available to SHGs' members and the understanding of women empowerment. Totally 60 respondents were selected by using simple random sampling method. The sample size was 1/3 of the total members (180) in the SHGs. This is purely a descriptive study with not complicated models and tools; only percentage and average method were used for the analysis.

## 4. ANALYSIS AND INTERPRETATIONS

The present study is related to the economic empowerment of women through SHGs and brings out the meaning and importance of micro finance. Nowadays women are involved in almost all fields and have showed their strength in the field chosen by them.

### *Age Group of Members of SHGs*

Age Group	No. of Respondents	Percentage
Less than 20	6	10
20 - 30	15	25
30 - 40	29	48
Greater than 40	10	17
<b>Total</b>	<b>60</b>	<b>100</b>

Age and socio-economic activities are inter-related with one another. The young and middle age group people can actively participate in the socio-economic activities, which is true in the activities of SHGs. Around 48% of the respondents in SHGs are in the age group of 30 - 40 years which is the right time period for empowering them.

### *Reasons for Joining SHGs*

Reasons	No. of Respondents	Percentage
To avail loans	24	40
To promote savings	13	22
To gain social status	18	30
Other reasons	5	8
<b>Total</b>	<b>60</b>	<b>100</b>

The major aim of the SHGs is to promote savings and to provide credit to member for productive and consumption purposes. This is true because many people (40% respondents) join SHGs for availing loans and promote their personal savings, in addition to getting a social status.

***Aim of Microfinance***

<b>Aims</b>	<b>No. of Respondents</b>	<b>Percentage</b>
High level of flexibility and closeness to the community	14	23
Foster environmental and cultural friendly environment	22	37
Promote general awareness	10	17
Enhance welfare measures	9	15
Other reasons	5	8
<b>Total</b>	<b>60</b>	<b>100</b>

The study is based on one of the key ideas that remain strong within development discourse: the idea that microfinance has significant inherent advantages over other types of development organizations, which is often expressed in terms of their high level of flexibility and closeness to the community (23% respondents). The aim of microfinance is to foster environmental and cultural friendly development in the area of income generation through development of micro enterprises (37% respondents). Next in importance is the aim to promote general awareness (17% respondents), followed by welfare measures (15% respondents).

***Benefits derived by SHGs (Multiple Responses)***

<b>Benefits</b>	<b>No. of Respondents</b>
Habit of savings	24
Economic independence	30
Self-confidence	18
Social cohesion	14
Freedom from debt	21
Additional employment	11

Many members of SHGs accept that they have derived many benefits after joining the group. They also came up with innovative ways of improving their status and the society as a whole. The members (30 respondents) agreed that they derived economic independence after joining SHGs.

***The Future of Microfinance***

Microfinance has emerged as one of the leading solutions to alleviate poverty. There are roughly 1,200 microfinance organizations in the world serving 72 million people - primarily poor women who had previously lacked access to formal financial services to help them to create a better future for their families. Microfinance relies heavily on leaders in the field to manage the complexity of the unpredictable work environment. The availability of women with required skills is very less and there will be a growing demand for such skills in the coming years.

The challenge was to create a scalable and affordable learning solution that would develop the required skills for enhancement of women community. "Traditional training" solutions would not work in the current scenario of many challenges. Microfinance is, at heart, about providing financial services to people who are un-served, or under-served, by the formal banking system.

In the last 15 years, 130 million people across the world have been benefited by microfinance. Over this period, microfinance has been praised for its power to increase financial inclusion and lift people from their existing poverty level. But it has also been heavily criticized, with some lenders being accused for their profit motive.

**5. CONCLUSION**

Viability of micro finance needs to be understood from a dimension that is far broader in looking at its long-term aspects too. Very little attention has been given to empowerment aspects or ways in which both empowerment and sustainability considerations may be accommodated. The state government is also making an effort to assist SHGs by providing timely funds or grants for various development programs. Moreover the focus should be on developing a diversified micro finance sector where different type of organizations, NGO, MFIs and formal sector banks should have policies adapted to the needs of their particular target groups and work together to make a significant contribution to gender equality and economic development.

Micro finance programs should provide women with detailed tailor-made products through suitable methods, which can propose competitiveness to their business and their families. Though microfinance has helped in providing social and economic empowerment, it cannot eradicate poverty by itself. Good governance, security, health, education and financial inclusion all work hand - in - hand at poverty alleviation. Availability of credit may be a trigger for growth but the credit amount, by design, is too low to eradicate poverty. The government thus has adopted a multi - pronged strategy to provide credit to the economically backward, with microfinance positioned strategically as a livelihood generator. With the steady growth in reach of microfinance, the self help groups and their federations provide the social space and the political power that the poor need to overcome these hurdles. The scope for expansion in the sector remains the major drawback for socially inclined profit - motive organizations and non - profits organizations.

In Today's context there is an enhanced position where women contribution in the field of entrepreneurship is increasing at a noteworthy rate. A conclusion that emerges from this study is that micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programs. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low-income borrower. The study concludes that microfinance brought psychological and social empowerment than economic empowerment. All they need is a way to develop their skills and talents by participating in various training programs.

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