
IMPACT OF MICRO FINANCE ON THE WOMEN EMPOWERMENT

Thangjam Ravichandra*

ABSTRACT

This study is concerned to find the impact of microfinance schemes on women empowerment, in terms of changes in income, savings, socio-economic status, and political participation. The study was conducted on a sample of 220 women beneficiaries of microfinance services of a leading MFI operating in Kerala state and the sample was selected by multi-stage cluster sampling.

The results of the study show that microfinance programs have created a positive impact to its beneficiaries. Majority of the respondents are engaged in various income generating activities because of the credit facilities provided by microfinance institutions. This resulted in a significant change in their income level and savings after participating in microfinance programs. This has helped them to earn income for their family and also enabled them to play an important role in their family and also in society.

Keywords: *Microfinance Schemes, Women Empowerment, Socio-Economic Status, Political Participation*

*Assistant Professor, Department of Professional Studies, Christ University, Bangalore, India

I. INTRODUCTION

The role of microfinance in India is increasing mainly because of the influence of two factors. The first is that microfinance meets the financial requirements of low income group of people. The second is that microfinance is considered as an important tool for financial inclusion by the policy makers in India. The microfinance sector was considered as a commercially viable solution to overcome various issues in attaining financial inclusion, reducing poverty level and empowerment of women has become the primary obstacle in achieving these goals.

However, the incidents that occurred in Andhra Pradesh, Kolar, and Ramanagaram in October 2010 have raised several concerns about the future of microfinance in India. After these incidents, the Reserve Bank of India (RBI) appointed the Malegam Committee, headed by RBI's Central Board Director, Y. H. Malegam, to study issues and concerns in the microfinance sector. The committee submitted its report in January 2011. Most of the problems identified in the Malegam Report are relating to the MFIs that are NBFCs. The Report indicates that MFIs are now becoming profit-oriented businesses, moving away from their social responsibilities such as meeting credit requirements of poor people and empowerment of women. They are providing loans for large amounts in order to make more profit, without considering the repayment ability of the borrower. Also, some MFIs are using illegal practices to recover their loans. The Committee recommended that there should be standardization in the manner in which micro finance institutions quote their interest rates, that there should be mandatory participation of microfinance institutions in credit bureaus, and that corporate governance norms should be followed by MFIs. The Committee also recommended that 75% of the loan amount disbursed by MFIs should be utilized for income generating activities, and that it is the responsibility of the MFI to provide training facilities and ensure that the funds are used properly.

The impact of microfinance schemes has been a very widely-studied area in recent years. Several recent studies have studied the impact of participation in microfinance schemes on women empowerment (Sarkar and Baishya, 2012; Prabhakara, 2012; Hosseini et al, 2012; Gowda and Manjula, 2012; Shanthi and Ganapathi, 2012; Das, 2012; Nessa et al, 2012). All these studies have highlighted the potential of microfinance institutions and microfinance services as a means to solve the financial constraints of women especially in rural areas. Microfinance services are availed in a big way by women across the country. Microfinance is considered as a powerful instrument for the women empowerment. This study extends the literature by investigating the

impact of microfinance services on rural women empowerment, socially, economically, and politically.

II. METHODOLOGY

The data for the study was collected through structured questionnaire which is distributed to women beneficiaries who have taken microfinance services from a leading MFI operating in Kerala. The sample size for the study was 220 microfinance beneficiaries, selected through multistage cluster sampling, in eight villages of Malappuram district, Kerala.

In order to analyse the impact of microfinance schemes on women empowerment, the questionnaire was structured in a way to measure three dimensions of empowerment, viz. the Social, Economic, and Political dimensions, as detailed below. The responses on each of these variables was collected on the basis of a five-point Likert scale.

| Social | Economic | Political |
|--|---|---|
| status of family in society | income level | legal rights |
| ability to discuss freely with government officials/other institutions | savings | awareness about government programs and policies |
| literacy level | standard of living | undertake government or other procedures independently |
| ability to protect against social evils | access credit | clear view about political parties |
| awareness regarding health and sanitation | awareness about banking products/ financial schemes of government | participation in Grama Sabha meetings regularly |
| make independent decisions regarding personal issues | undertake banking transactions independently | awareness about policies of political parties |
| ability to express views | changes in assets (gold, electronic items, land etc.) | awareness about policies of local, state and central government |
| position in family | | cast vote independently |
| role in decision making | | participate in rallies and meetings of political parties |
| make decisions about children's requirements | | |
| make decisions about children's education | | |

III. FINDINGS

The various income generating activities taken up by women under microfinance schemes among the respondents are discussed in the following. The respondents were mainly engaged in eight types of income generating activities from the loan amount received from the MFI. The most prevalent was tailoring and laundry activities (18.2%), followed by agriculture/farming related activities (17.7%). Book binding (12.7%) and packing (11.8%) were also prevalent. Animal husbandry/cattle rearing or related activities (10.9%) and food related activities (10.9%) were also prevalent. Handicrafts (10.5%) and shops (7.3%) were relatively less prevalent. These are the various income generating activities carried out by women under microfinance schemes. The success of each activity is directly dependent upon the activities of the MFI, which provides training and skill development programs, and also helps in marketing the products made by the members.

Table 1: women empowerment: social, economic, and political

| | Mean | Std. Dev. | % (highly improved) | t stat | p-value |
|--|------|-----------|---------------------|--------|---------|
| Status of family in society | 4.49 | 0.797 | 94% | 27.759 | 0.000 |
| Literacy level | 4.43 | 0.833 | 93% | 25.425 | 0.000 |
| Discuss freely with government officials and other institutions | 4.43 | 0.860 | 91% | 24.626 | 0.000 |
| Health and sanitation | 4.39 | 0.812 | 89% | 25.408 | 0.000 |
| Make independent decisions regarding personal issues | 4.39 | 0.860 | 90% | 23.897 | 0.000 |
| Protect against social evils such as alcohol, sexual abuse, social injustice | 4.39 | 0.887 | 91% | 23.253 | 0.000 |
| Express views | 4.38 | 0.832 | 90% | 24.546 | 0.000 |
| Position in family | 4.36 | 0.878 | 88% | 22.973 | 0.000 |
| Role in decision making power | 4.34 | 0.900 | 87% | 22.096 | 0.000 |
| Make decisions about children's requirements | 4.31 | 0.909 | 83% | 21.359 | 0.000 |
| Make decisions about children's education | 4.30 | 0.957 | 84% | 20.218 | 0.000 |
| Income level | 4.57 | 0.740 | 95% | 31.425 | 0.000 |
| Savings | 4.53 | 0.761 | 94% | 29.767 | 0.000 |
| Standard of living | 4.51 | 0.785 | 95% | 28.599 | 0.000 |
| Ability to access credit | 4.44 | 0.788 | 93% | 27.024 | 0.000 |
| Awareness of banking products/other financial schemes of government | 4.43 | 0.827 | 93% | 25.594 | 0.000 |
| Undertake banking transactions independently | 4.42 | 0.859 | 90% | 24.559 | 0.000 |
| Change in assets (gold, electronic items, land etc.) | 4.41 | 0.853 | 91% | 24.580 | 0.000 |
| Awareness regarding legal rights | 4.45 | 0.806 | 92% | 26.593 | 0.000 |

| | | | | | |
|---|------|-------|-----|--------|-------|
| Awareness about policies of local, state and central government | 4.39 | 0.834 | 90% | 24.670 | 0.000 |
| Awareness about policies of political parties | 4.37 | 0.826 | 91% | 24.648 | 0.000 |
| Ability to undertake government or other procedures independently | 4.37 | 0.868 | 90% | 23.367 | 0.000 |
| Participation in Grama Sabha meetings regularly | 4.36 | 0.908 | 89% | 22.197 | 0.000 |
| Clear view about political parties | 4.35 | 0.906 | 90% | 22.028 | 0.000 |
| Participate in rallies and meetings of political parties | 4.35 | 0.891 | 88% | 22.405 | 0.000 |
| Awareness about government programs and policies | 4.34 | 0.874 | 88% | 22.746 | 0.000 |
| Ability to cast vote independently | 4.33 | 0.928 | 87% | 21.223 | 0.000 |

There was a high perception of social empowerment with participation in microfinance schemes. Most of the respondents (more than 80%) perceived improvement in all the aspects of social empowerment. The highest perception of improvement was with respect to status of family in society. There was also a very high perception of improvement in literacy level and ability to discuss freely with government officials and other institutions. There was a high perception of improvement in health and sanitation, ability to make independent decisions regarding personal issues, and protection against social evils. There was also a high perception of improvement in their ability to express their views, their position in family, their role in decision making power, ability to take decisions on children's requirements, and their ability to take decisions on children's education. Thus, participation in microfinance programs has improved the social empowerment of women.

There was a high perception of economic empowerment with participation in microfinance schemes. Most of the respondents (more than 90%) perceived improvement in all the aspects of economic empowerment. The highest perception of improvement was with respect to income level, followed by savings, and standard of living. There was also a very high perception of improvement in ability to access credit, awareness of banking products and other financial schemes, ability to undertake transactions independently, and change in assets. Thus, participation in microfinance programs has improved the economic empowerment of women.

There was a high perception of political empowerment with participation in microfinance schemes. Most of the respondents (more than 85%) perceived improvement in all the aspects of political empowerment. The highest perception of improvement was with respect to awareness of

legal rights, followed by awareness about policies of local, state, and central government. There was also a high perception of improvement in awareness about policies of political parties, ability to undertake government or other procedures independently, and participation in Grama Sabha meetings. There was a high perception of improvement in awareness about political parties, participation in rallies and meetings of political parties, awareness about government procedures and policies, and ability to cast vote independently. Thus, participation in microfinance programs has improved the political empowerment of women.

There was found to be a shift from informal sources of credit (money lenders, relatives/family, friends, and others) to formal savings instruments (banks/post office/government institutions, and MFIs), with 95.7% of respondents who earlier preferred informal sources of credit have shifted to formal sources of credit. There was also found to be a shift from informal savings instruments (money lenders, investing in gold/silver/etc., cash at home, and others) to formal savings instruments (banks/post office/government institutions, and MFIs), with 85.4% of respondents who earlier preferred informal savings instruments have shifted to formal savings instruments. There was found to be a clear shift in the income level, with a significant increase in income as result of participating in microfinance programs ($z_{cal} = 12.668$, $p = 0.000$), with no improvement of income level in only 8.7% of cases. There was also found to be a clear shift in savings, with a significant increase in savings as result of participating in microfinance programs ($z_{cal} = 12.144$, $p = 0.000$), with no improvement of savings in only 13.2% of cases.

IV. DISCUSSION

The results of the study suggest that microfinance programs have created a positive impact for its beneficiaries. Majority of the respondents are engaged in various income generating activities because of the credit facilities provided by microfinance institutions. This has helped them to earn income for their family and also enable them to play an important role in their family and also in society. There has been a significant improvement in their income and savings after participating in microfinance programs.

Microfinance has also reduced women's dependence for informal financial sources. Before joining microfinance programs, majority of women were depending upon informal financial sources for availing loans or to meet their financial requirements. On the other hand, after joining microfinance programs, they became more aware about the benefits that they receive from

formal financial sources, and also the illegal practices followed by informal sources. This made them shift from depending informal sources to formal financial sources. This was also same in the case of savings. Before joining microfinance programs majority of women were putting their savings into informal financial instruments. On the other hand, after joining microfinance programs, they shifted towards formal financial instruments.

It was also found that microfinance programs have empowered women socially, economically, and politically. Most of the respondents (more than 80%) have indicated there was a significant improvement in their social, economic and political empowerment after joining microfinance programs.

To conclude, microfinance schemes have helped women to become “more creative, intelligent, innovative, proactive, inclined toward planning, and better organized.” They gain self-confidence and, with that, an increased ability to make decisions and mold their own lives. Microfinance builds mutual trust and confidence among women, which will encourage them to approach formal financial institutions to meet their various financial requirements. Thus, microfinance programs are an important strategy for women’s empowerment.

V. REFERENCES

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