

## **THE IMPACT OF MICROFINANCE ON THE EMPOWERMENT OF RURAL WOMEN INDIA**

Dr. Abbanapuri Yakaiah (PDF)

Doctoral Fellow, Kakatiya University, Warangal, Telangana

### **ABSTRACT**

The main objective of microfinance scheme or programme is to provide opportunity for the poor to access financial services in order to engage in income generating activities. This as it were, would lead to economic empowerment of the poor women who are deprived of the paid jobs. However, there has been a debate in recent times on whether these MFIs really provide the opportunity for women who forms majority of the poor all over the world to access financial services thereby improving their welfare. The study therefore sought to assess whether products of MFIs have really contributed to the growth or otherwise of women entrepreneurs thereby empowering them economically. Simple random sampling techniques were employed in selecting the sample. The main research instruments used in the study were structured questionnaire and interview. The study revealed that even though MFIs have to some extent empowered rural women economically, its full benefit is yet to be realized by these women due to its high interest rate, inflexible payment schedule, group formation etc. Microfinance, the provision of financial services to the poor in a sustainable manner, utilizes credit, savings and other products such as micro insurance to help families take advantage of income-generating activities and better cope with risk.

**Keywords:** Women empowerment, Women Entrepreneurs, Women Problems, Women workforce, Self Help Groups

### **INTRODUCTION**

From the time India has been men-dominated country. In recent years, a great change in the life of women all over the world, influencing their attitudes, values inspiration, ways of feeling and acting for effective participation in all walks of life. One of the main enduring results of the recent social evaluation for women have been their liberation from their tradition Bound cultures both legally and politically by the virtue of various acts and status. These social change have been affected the urban educated women. They have come out of the four walls of their homes in

search of economic gain as well as fulfillment of their personal hopes and desires. By coming out of their homes in the gainful employment women have broken the traditional concept that working outside is offensive of them or that only under gross economic necessity they can work outside of home. It is an impact of modernisation when modernisation takes root in the society it is not only affect's the structure of that society but also the value and attitude that are held by members of that society. Women in India have outraged the fact that since hundreds of years they had been following the orders of men. They now know their rights and duties and with the spreading awareness amongst the women they are now no less than the men. They are walking with men at the same pace in each and every field. Women entrepreneurs throughout the world contribute to economic growth and the sustainable livelihood of their families and communities. Microfinance helps empower women from poor households to make this contribution. MFI women's groups should be utilized to promote and strengthen women's networks and not merely as a means of lowering program costs. Microfinance includes an understanding of the empowerment impact of MFIs, on women as an exclusive category; and on women in relation to men. In other words, it addresses the question of how much is the effect of MFIs on women due to the fact that they are women. Micro finance is an organized economic development strategy that offers several types of financial services, which includes the promotion of a savings culture, the provision of credit for working capital, training in business skills & the offering of other products such as relevant insurance policies although men, as well as women, face difficulties in establishing industrial enterprises women have many social and economic barriers to overcome because of centuries of exploitation and subjugation. Micro finance activities can give them a means to climb out of poverty and it could serve as a solution to help them to extend their horizon and offer them social recognition and empowerment.

### **OBJECTIVES OF THE STUDY**

The study generally attempts to find out the impact of micro financing on empowerment of women particularly those in the rural areas.

1. To identify some of the microfinance products (facilities or interventions) and specific packages available to small scale enterprises run by women in the rural areas.
2. To find out the impact of microfinance interventions/packages on the enterprises run by women entrepreneurs.
3. To examine the impact that microfinance interventions/packages for women have had on the families of these women.

### **RESEARCH METHODOLOGY**

The study used both survey and in-depth interview to gather primary data for the study. Simple random sampling was used to select respondents. The sample size was 150 and the population of interest comprises all micro/medium women entrepreneurs. They must engage in any form of economic activities for which they have accessed any microfinance products. The study area was limited to ten communities in warangal District. This area was purposively selected due to the poor nature of the women in these communities as a result of the construction of Akosombo dam that has deprived the people of their farmland thereby the women resorting to petty trading. The study focused only on the impact of microfinance on women empowerment. Statistical Package of the Social Sciences (S.P.S.S) Microsoft programme was used to analyse the data. Descriptive statistics was applied to group the information for easy comparison to draw conclusion.

## **LITERATURE REVIEW**

Micro finance encompasses the provision of financial services and the management of small amount of money through a range of products and a system of intermediary functions that are targeted at low income clients. It includes loans, savings, insurance, transfer services and other financial products and services. It thus consists primarily of providing financial services, including savings, microcredit, micro-insurance, micro-leasing and transfers in relatively small transactions designed to be accessible to micro enterprises and low income households (Asiama et al 2007).

Gender differences are core in World Bank lending. They are relevant for poverty alleviation. Thus understanding the responsibilities and roles of women and men among various income groups will help borrowers plan and implement effective development strategies. Attention to gender issues such as inequality in accessing resources is essential to achieving the Bank's mandate of poverty alleviation and economic growth (Moser, 1999). As a result of this structural inequality, at women's rights convention held in Seneca Falls, New York, 1848 participants created a modified version of the declaration of independence. They called it the declaration of sentiments and resolutions. Some of the excerpts read "We hold these truths to be self-evident that all men and women are created equal... The history of mankind is a history of repeated injuries... on the part of men towards women, having in direct object the establishment of an absolute tyranny over her: He has compelled her to submit to laws in the formation of which she had no voice. He has monopolized nearly all profitable occupations, and from those she is permitted to follow, she receives but a scanty remuneration. He closes against her all the avenues to wealth and distinction which he considers most honorable to himself. He has endeavored in every way that he could to destroy her confidence in her own powers, lessen her self-respect and to make her willing to lead a dependent and object life. In view of their social degradation and in view of the unjust laws above mentioned and because women do feel themselves aggrieved,

oppressed and fraudulently deprived of the most sacred rights, we insist that they have immediate admission to all the rights and privileges which belong to them as citizens of the world" (emphasis added); (Newman, 2004). Anthropologists and sociologists agree that most societies around the world devalue women to some extent.

### **POLICY APPROACHES TO WOMEN EMPOWERMENT**

Throughout the World and Third World in particular, in the past twenty or so years, there has been a proliferation of policies, programmes and projects designed to assist low income women. These approaches are classified under Women in development (WID) and gender and development (GAD). WID approach views women as the problem and thus focuses on women. The aim of this framework is to achieve more efficient and effective development by integrating women into the development process. Some strategies for achieving this include development of women's projects, integrated projects, increase women's productivity, increase women's income and increase women's ability to look after households. This framework enhances practical gender needs (PGN); the needs women identify in their socially acceptable roles in society. Gender and development (GAD), on the other hand focuses on the relations between men and women, unequal relations of power (rich and poor, women and men) that prevent equitable development and participation, empower the disadvantaged women and at the same time address women's strategic interests or needs. GAD approaches attempt to meet strategic gender needs of women. They are the needs women identify because of their subordinate position to men in their society. Meeting strategic gender needs help women to achieve greater equality. Some of the WID/GAD policy approaches include Welfare, equity, antipoverty, efficiency, empowerment and equality. Welfare approach is the earliest of all which functioned between 1950 and 1970. Its original purpose was to bring women into development as better mothers. Equity is the original WID approach used in the 1975-1985 UN Women's decade. Its purpose is to gain equity for women who are seen as active participants in development. It challenges women's subordinate position. Antipoverty is a second WID approach, a fine-tuned version of equity adopted in the 1970s onwards. Its purpose is to enhance the productivity of low-income women. Mayoux (2006) seeks to link micro finance with this approach when she explained that microfinance should target the poor who are mostly women.

### **ECONOMIC AND POLITICO-ORGANIZATIONAL CHALLENGES**

The central issue here is whether the economic goals of efficiency and sustainability of MFIs are rationally compatible with the goals of empowerment. There are arguments pro and con. Those who support a finding of compatibility have argued that targeting women is in fact more judicious, because:

- (i) Women's repayment rates are higher than men's;
- (ii) Women are more cooperative; and
- (iii) Awareness of what clients have and what they need and empowering them can actually increase sustainability, because MFIs can offer loans that are appropriate and sustainable.

### **SHAKTI ENTREPRENEUR PROGRAMME**

One in eight people on the planet lives in an Indian village. Hindustan Unilever's Shakti Entrepreneurial Programme helps women in rural India set up small businesses as direct-to-consumer retailers. The scheme equips women with business skills and a way out of poverty as well as creating a crucial new distribution channel for Unilever products in the large and fast-growing global market of low-spending consumers. The Shakti network reached 600 million consumers. For micro finance programme to be cost-effective in bringing about the empowerment of women, it would require:

- Business training,
- Education & Literacy,
- Balancing family and work responsibilities,
- Giving experience in decision making,
- Control and participatory governance in their micro finance programmes.

Micro finance programmes, thus, has been very successful in reaching women. This gives micro finance institution an extra-ordinary opportunity to act intentionally to empower women and to minimize the potentially negative impacts some women experienced.

### **SOCIO-DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS**

#### **Sex and Age:**

Sex is a very important factor to consider when conducting research into micro financing. It is important because the area basically serves the interest of the informal sector dependents. These are mostly women. Given the nature of the research topic, the target group was women who had benefitted from microfinance. As such the respondents were mainly women apart from the few male key informants. In all 150 female respondents were selected for the study. In Ghana and perhaps in many developing countries, gender equality in the distribution of benefits is yet to be possible. According to Jones et al, (2004: 330) "a widespread stereotype of women is that they are nurturing, supportive and concerned with interpersonal relations". In the light of these most corporate bodiessuch as microfinance institutions more tend to target women. Microfinance institutions more often than not delight in transacting business with women because of their

credit worthiness (Mayoux, 2006). It is against this background that unisex (female) was used in the survey. This afforded the researcher the opportunity to examine how microfinance as poverty reduction strategy targets the vulnerable group, -women. This helped the researcher to achieve the objective on whether there are any specific packages for women enterprises.

**Table 1: Age Of Respondents Age**

Age (Years)	Frequency	Percentage (%)
Below 20	5	3.3
20 – 29	29	19.3
30 – 39	82	54.7
40 – 49	26	17.4
50 +	8	5.3
Total	150	100

A cursory observation of the age distribution of the respondents shows that 77.3% of the respondents were youth (below 40years) while 22.7% were 40 years and above. This was not a coincident but an indication of the young women’s interest in engaging in income generating activities to earn their livelihood. It also showed the preparedness of young ladies to access microfinance product.

**Marital Status and Number of Children:**

**Table 2: Marital status of respondents**

STATUS	FREQUENCY	PERCENTAGE
Married	62	41.3
Unmarried	38	25.4
Divorced	24	16.0
Widowed	26	17.3
Total	150	100

Source: Researcher’s Fieldwork

A critical look at the figures in Table 2 shows that 62(41.3%) of those interviewed were married, 24(16.0%) divorced, 38(25.4%) unmarried and 26 (17.3%) widowed. Even though 41.3% of the respondents were married as against 25.4% who were not married, this situation does not take away the fact that a lot of the respondents were without husbands. This is inferred from the table above where 58.7% of those interviewed did not have husbands. Perhaps a quotation from

Merger (2005: 302) would help explain why majority of the respondents were without husbands. Traditionally, women have been expected to perform household duties centering on child rearing and domestic functions. Men, on the other hand have been expected to leave the home to work, with the primary responsibility for supporting the family economically and protecting its members – men exercise supervisory roles over the women.

**Table 3: Number Of Children**

<b>Number of Children</b>	<b>Frequency</b>	<b>Percentage (%)</b>
1 – 2	38	25.3
3 – 4	73	48.7
5 – 6	23	15.3
7 and above	10	6.7
No child	6	4.0
Total	150	100

Source: Researcher’s Fieldwork

From the Table 3, it is observed that as many as 48.7% of the micro entrepreneurs interviewed had between 3 to 4 children whereas 25.3% had 1 to 2 children and 6.7% and 4.0% had 7 or more and no child respectively. It is concluded that about 96.0% of those interviewed were mothers of at least a child. This demonstrates the social impact of microfinance on Ghanaian societies.

**Microfinance Intervention Available to Small Scale Women Enterprise:**

This section attempted a discussion of the actual views of the respondents on the subject matter of the study. It was expected that the discussion would lead to the discovering of the real impact of microfinance on small scale enterprises of women in the Asuogyaman District of the Eastern Region. The discussion was done in relation to the views expressed by the respondents,

**Table 4: The Time Respondents Started Accessing Micro Product**

<b>TIME (WHEN)</b>	<b>FREQUENCY</b>	<b>PERCENTAGE</b>
Below 2002	13	8.7
2002-2003	11	7.3
2004-2005	62	41.3
2006-2007	28	18.7
2008-2009	15	10.0
2010-2011	21	14.0

Total	150	100.0
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Source: Researcher's Fieldwork

From the table, it is observed that majority of the respondents started to benefit from micro financing in 2004 /2005. This sharp increase in the number of women, even men in microfinance can be attributed to the Ghana poverty reduction strategy which sensitizes micro entrepreneurs especially the women on the role of microfinance as poverty reduction strategy. Even though the percentage decreased from 41.3 in 2004 /2005 to 18.7% in 2006/2007, the decrease in the percentage was not worrying. However, from 2008 to 2009 only 15(10.0%) respondents indicated that they accessed the facilities during this time. This trend can also be linked to the global economic meltdown which weakened economic activities during that period. So women entrepreneurs could not gather momentum to go for such facilities.

## **CONCLUSION**

There is no doubt that the last few years saw a gold rush in the Indian microfinance industry. This should necessarily be followed by a period of moderation & sound consultation not only on the pros and cons of microfinance, but also on the pros and cons of trusting so completely a credit-based poverty reduction strategy to the neglect of more critical structural and institutional solutions. Women's groups are useful vehicles for non-financial service delivery, such as literacy and health programs. Groups also encourage linkages between women and other active community associations and the larger civil society network as a whole.

## **SUMMARY OF FINDINGS**

The study also revealed that the inflexible payment schedule coupled with the conditions attached to the granting of credit as well as high interest rate make it impossible for the women to enjoy the full benefit of the microfinance interventions. They therefore believe that microfinance institutions profit at their back. This implies that women entrepreneurs are working for microfinance institutions which they took loans. That notwithstanding, majority of the women said that microfinance has helped them to pay their wards school fees, pay utility bills, eat balance diet, etc thus improving on their standard of living. The study therefore, concluded that even though microfinance to some extent has empowered the women economically; its full benefit is yet to be enjoyed by women entrepreneurs who are basically found in the informal sector. It also discovered that loans or credit increased output of these women enterprises. However, this increase in output could not be translated into any substantive profit to have any impact on women enterprises. It was also found that apart from the financial intermediation services provided by the MFIs, they also render social services such as literacy and training as well as building team spirit in these entrepreneurs. It was also revealed that majority of the

women have been able to cater for their families as compared with the time that they had not assessed any microfinance product thus improving their families living standard.

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