
ROLE OF MICROFINANCE ON WOMEN EMPOWERMENT THROUGH SELF HELP GROUPS IN INDIA

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Abstract

Women are characterized by lack of education and access of resources and they have been the helpless section of the society especially in the backward and rural areas of India . Before 1990's credit schemes for rural women were almost negligible. The concept of women's credit was almost negligible. The concept of women's credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having the access of credit. These days Microfinance is an emerging tool for the overall upliftment of rural women. The empowerment approach is the most recent and is aimed at empowering women through greater self-reliance and internal strength. Since women empowerment is the key to socio-economic progress of the community; bringing women it mainstream of national development has been a major concern of government. Microfinance is necessary to overcome exploitation, create confidence for economic self reliable of the rural poor women. The article focuses on the contributions made by Self-Help Groups in support of rural women and in expanding their businesses.

Introduction

Empowerment is the process of authorizing an individual to think, behave, take action and control work in an independent way. It is the state of feelings of self-empowered to take control of one's own destiny. It includes both controls over principles (Belief, values and attitudes) and over resources (Physical Human, Intellectual and Financial). Empowerment can be viewed as a means of creating a social environment in which one can take decisions and make choice either individually or collectively for social revolution. It strengthens innate ability by way of acquiring knowledge power and experience.

Concept and Features of Microfinance

The term Microfinance is of recent derivation and is commonly used in addressing issues related to poverty lessening, financial support to micro entrepreneurs, gender development etc. There is, however, no statutory definition of Microfinance. The taskforce on Supportitative Policy and Regulatory Framework for Microfinance has defined microfinance as "**Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or areas for enabling them to raise their income levels and improve living standards**".

The mantra "Microfinance" is banking through groups. The essential features of the approach are to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode.

Basically groups can be of two types:

Self Help Groups (SHGs): The group in this case does financial intermediation on behalf of the formal institution. This is the predominant model followed in India.

Grameen Groups: In this model, financial assistance is provided to the individual in a group by the formal institution on the strength of group's assurance. In other words, individual loans are provided on the strength of joint liability/co obligation. This microfinance model was initiated by Bangladesh Grameen Bank and is being used by some of the Microfinance Institutions (MFIs) in our country.

Women Empowerment and Microfinance: Different Paradigms

Concerns with women's access to credit and assumptions about contributions to women's empowerment are not new. From the early 1970s, women's movements in a number of countries became increasingly interested in the degree to which women were able to access poverty focused credit programmes and credit cooperatives. In India organizations like Self- Employed Women's Association (SEWA) among others with origins and affiliations in the Indian labor and women's movements identified credit as a major constraint in their work with informal sector women workers.

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

- ***Poverty Reduction Paradigm***

The poverty alleviation paradigm underlies many NGO integrated poverty targeted community development programmes. Poverty alleviation here is defined in broader terms than market incomes to encompass increasing capacities and choices and decreasing the vulnerability of poor people.

- ***Financial Sustainability Paradigm***

The ultimate aim is large programmes which are profitable and fully self supporting in competition with other private sector banking institutions and able to raise funds from international financial markets rather than relying on funds from development agencies. The main target group, despite claims to reach the poorest, is the bankable poor: small entrepreneurs and farmers. This emphasis on financial sustainability is seen as necessary to create institutions which reach significant numbers of poor people in the context of declining aid budgets and opposition to welfare and redistribution in macro-economic policy.

- ***Feminist Empowerment Paradigm***

The feminist empowerment paradigm did not originate as a northern imposition, but is deep rooted in the development of some of the earliest micro-finance programmes in the south, including SEWA in India. It currently underlies the gender policies of many NGOs and the perspectives of some of the consultants and researchers looking at gender impact of microfinance programmes.

Microfinance Instrument for Women Empowerment

Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, Microfinance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme aimed at providing a cost effective instrument for providing financial services to the "unreached poor". Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has

been successful in not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment.

Before 1990's credit schemes for rural women were almost negligible. The concept of women's credit was almost negligible. The concept of women's credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having the access of credit. However, there is a perceptible gap in financing genuine credit needs of the poor especially women in the rural sector.

There are many successful women organizations working for the overall upliftment of the rural women like:

- Shri Mahila Griha Udyog Ijjat Papad (1959),
- Self Employed Women association (SEWA) established in 1972,
- The Working Women's Forum (WWF) in 1978,
- Rashtriya Mahila Kosh (RMK), a govt. Organisation for women established in 1993,
- Mann Deshi Mahila Sahakari Bank Ltd. (MDMSB) in 1997 etc.

The government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Most of them are target based involving lengthy procedures for loan disbursement, high transaction costs and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women's empowerment.

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 knowledge of the market and potential profitability.
- Making the choice of business difficult.
- Inadequate book-keeping.
- Employment of too many relatives which increases social pressure to share 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 (many customers cannot pay cash; on the other hand, suppliers are very harsh towards women).

Shortcomings

- **Burden of meeting:** Time consuming meetings, in particular in programmes based on group lending and time consuming income generating activities without reduction of traditional responsibilities increase women's work and time burden.
- **New pressures:** By using social capital, in-group lending/group collateral programmes, additional stresses and pressures are introduced, which might increase vulnerability and reflect disempowerment.

- **Reinforcement of traditional gender roles:** Microfinance assists women to perform traditional roles better and women thus remain trapped in low productivity sectors, not moving from the group of survival enterprises to micro-enterprises. There is evidence of household expenditures.

A conclusion that emerges from this account is that Microfinance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programmes. 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 without imposing unbearably high cost of monitoring its end use upon the lenders. A promising way out is to provide multipurpose loan or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income. Careful research on demand for financing and savings behavior of the potential borrowers and their participation in determining the mix of multi-purpose loans are essential in making the concept work. The organizations involved in micro credit initiatives should take account of the fact that:

- Credit is important for development but cannot by itself enable very poor women to surmount their poverty.
- Making credit available to women does not automatically mean they have control over its use and over any income they might generate from micro enterprises.
- In situations of chronic poverty it is more important to provide saving services than to offer credit.
- A useful indicator of the tangible impact of micro credit schemes is the number of additional proposals and demands presented by local villagers to public authorities.

India is the country where a collaborative model between banks, NGOs, MFIs and women's organizations is furthest advanced. It therefore serves as a good point to look at what we know so far about 'Best Practice' in relation to Microfinance for women's empowerment and how different institutions can work together. It is clear that gender strategies in Microfinance need to look beyond just increasing women's access to savings and credit and organizing self help groups to look strategically at how programmes can vigorously promote gender equality and women's empowerment. Moreover the focus should be on developing a diversified Microfinance sector where different type of organizations, NGO, MFI's and formal sector banks all should have gender policies adapted to the needs of their particular target groups/institutional roles and capacities and team up and work together to make a significant contribution to gender equality.

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