

“MICRO FINANCE: A SIGNIFICANT CATALYST IN EMPOWERING INDIAN RURAL WOMEN”

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Abstract

The Government of India has been constantly trying to push the economic growth by launching various poverty alleviation schemes. But the desired targets could not be achieved because of various shortcomings in the system. This led to the beginning of Micro Finance in India. Micro Finance sector is largely controlled by various Self-Help Groups (SHG) through an efficient mechanism for providing financial assistance to the deprived in the rural areas especially women. This is because in the early nineties the female workers employed in several self-employment activities had to lose their sustenance due to the growth of liberalisation and globalisation. These groups supported people in building their combined self-help abilities leading to their empowerment particularly women. In the present paper, an attempt has been made to analyse several causes for women empowerment through micro financial schemes. Micro finance or micro credit is deemed to be a significant instrument for the enhancement of our economy. This paper endeavours to analyse the role and impact of micro finance in relation to increasing poverty and socio-economic empowerment of women in rural India. The paper throws light on the challenges and opportunities that micro finance has to face in rural India and also the functions of microfinance for the empowerment of deprived rural people. The paper also takes into consideration the financial inclusion in rural India and suggests various means to increase women empowerment. It summarises that microfinance has brought psychological and social empowerment among women. It also highlights the influence of micro finance which is commendable in bringing certainty, assurance, spirit, skill enhancement and empowerment among women. The role of SHG members is very evident in directing and motivating the women to take part in several social welfare activities with good co-operation.

Key words: Micro finance, Women empowerment, Self-Help Groups.

Introduction

The term microfinance is new to the economy and is usually used in addressing issues relevant to poverty alleviation, gender development, financial support to micro entrepreneurs, etc. It provides financial services to low income clients who conventionally lack the usage of banking services. The weaker sections of the society like women, SC, ST which are beyond the reach of formal institution, get assistance through microfinance. It is a tool of financial development that has majorly focused on women empowerment and eliminating poverty by rendering financial services which helps the poor to take up income generating activities. The taskforce on supportive 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 urban areas for enabling them to raise their income levels and improve living standards."

The term micro finance can be used in place of micro credit. However, micro credit refers to provision of loans in small quantities, whereas microfinance is a wider concept covering under its reach other financial services like saving, insurance, etc.

Brief History of Microfinance in India

Microfinance in India originated in 1974 in Gujarat with *Shri MahilaSewa* (Self-Employed Women's Association) *Sahakari* Bank. It started with the objective of providing banking services to poor women employed in the unorganised sector in Ahmadabad City, Gujarat. As for the updates on this bank, it is stated that the bank accommodates over 30,000 clients. It was based on the model of The Grameen Bank which was founded by Dr. Mohammad Yunus in the year 1983 who began experimenting in lending financial services to the poor women population in the village of Jobra, Bangladesh. He has served as a professor of economics at Chittagong University in the 1970s. This bank was unlike the lending cooperatives and the Credit Unions that had been around for years. Since the time the Grameen Bank was established, innovation in microfinance continued and financial services to the poor never stopped.

Microfinance later developed in the early 80s around the concept of Self-Help Groups (SHGs). SHGs are the informal bodies that would provide their clients with much-needed savings and credit services. During 1992, NABARD started linking SHGs to Indian Banks. Presently, the top five private sector MFIs reach more than 20 million clients in nearly every state in India and many Indian MFIs have been recognized as global leaders in the industry.

Need for Microfinance in India

Half of the Indian population is still deprived, of all banking services and doesn't possess savings bank account. Poor also require financial services to fulfil their needs like consumption, building of assets and protection against risk.

A majority of microfinance programs focuses on women with the definite goal of empowering them. There are various motivations for promoting women empowerment. Some debate that women are amongst the poorest and the weaker of the underprivileged and thus assisting them should be a priority. Whereas, other conceive that investing in women's abilities empowers them to make decisions which is a worthy goal in itself but it also contributes to better economic growth and development.

Growth of Micro-Finance in India

Microfinance in India is flourishing with a boom and welcoming maximum attention from the financial institutions, the Government and non-governmental organisation (NGOs), as an assistant that can modify the survival of the miserable poor. The basic purpose of microfinance is to financially empower women who form a heavy percentage of microfinance beneficiaries. Earlier women (particularly in those countries which are not fully developed) had not been able to easily take part in economic activities but microfinance has rendered women with the financial support which they required to commence a business venture and thus started contributing towards the economy. It has given them self-confidence, helped in improving their status and also enabled the women to readily take part in decision-making, thus promoting gender equality. According to Consultative Group to Assist the Poor (CGAP), long-standing Micro-Finance Institutions (MFIs) have been accounted a fall in violence with women since the beginning of microfinance.

In Asian, African and South American countries, microfinance became a vital development instrument for the reduction of poverty. It provides prompt and evident outcomes to the poor masses, particularly women. Microfinance, when prolonged to the masses, mostly women, in rural regions combined with encouraging processes like training, raw material supply and marketing of products directs to investment in micro enterprises. It provides opportunity to women to establish themselves as entrepreneurs, generating main or extra income to the family of women, leading to reduction in poverty and increasing development. This will boost inner confidence of women to proceed for ambitious

activities along with their social, economic and political empowerment and contributing towards development with her enhanced knowledge and awareness.

The field of microfinance has made substantial advancement as a trend in India, with the progressive assistance of RBI, NABARD, SIDBI and many NGOs. It also helped microfinance to grow as a giant.

Growth and performance of Self Help Groups (SHGs) has resulted in the commencement of a large number of such institutions in the country. In 1990, 30 SHGs were credited involving 10-15 women members. Within a year, there were 123 SHGs with total membership of 1559 women. A substantial attribute of this system was that a large number of women switched their borrowings from traditional moneylenders to SHGs at reasonable rates of interest. Along with the loan from Rashtriya Mahila Kosh (RMK) and their own savings, women groups have generated credit. Some of the evident characteristics of this scheme are a high percentage of repayment, utilisation of funds for income generating activities and creation of savings by women members in the SHGs.

Status of Microfinance in 2014

1. There is a huge progress of microfinance programme. The SHG–Bank Linkage Programme (SHG–BLP) has expanded substantially since it was first launched on a pilot scale in 1992. As on 31 March 2014, there were more than 74.30 lakh savings-linked SHGs. The total savings of these SHGs with banks amounted to `9897.42 crore.
2. The programme of SHG-BLP is being expanded with a view to covering all eligible poor rural households, with a focus on resource-poor states, providing livelihood opportunities to SHG members and covering the areas which have not been reached. Efforts are being made to revive dormant SHGs and prevent the functional ones from disintegrating, through measures such as capacity-building and hand-holding support.
3. There has been increased expenditure on promotional grants by NABARD during 2014-15. The institution had spent a sum of Rs.49.41 crore from the Financial Inclusion Fund (FIF) and the Women Self- Help Group (WSHG) Development Fund on various microfinance-related activities.
4. NABARD has continued to extend support to partner agencies/ Self-help Promoting Institutions including NGOs, RRBs, district central cooperative banks (DCCBs), FCs and Individual Rural Volunteers for promoting and nurturing SHGs. A grant assistance of Rs.88.36 crore was sanctioned to these agencies during 2014– 15.
5. NABARD has conducted 4402 training programmes and has kept up its efforts to train and build the capacity of the stakeholders in the microfinance programme. Through various programmes it has trained around 1.61 lakh individuals, including stakeholders, during the year.
6. NABARD was the lead programme agency for the implementation of the Priyadarshini Programme, which aims to empower women and adolescent girls through the formation and nurturing of about 12,000 SHGs in seven districts in the mid-Gangetic plains, over a period of eight years.

The growth of microfinance initiated by NABARD through its various programmes launched specifically for supporting the credit extension to deprived poor rural people (especially women) is clearly indicated by the data presented in Table 1 below. The table clearly shows that of the total number of SHGs existing today, almost half belong to Women SHGs accounting for 68% (approx.). this figure is clearly indicating the increasing participation and active role of women in microfinance.

Table 1: Physical progress of SGSY in India since 1999 (Rs. in crores)

	ITEMS	1999- 00	2000-01	2001- 02	2002- 03	2003- 04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total/Avg.
1	SHG formed	292426	223265	434387	398873	392136	266230	276414	246309	306688	563530	389259	311314	233713	61924	4396468
2	Women SHG formed	176263	153285	296175	221085	233136	191666	213213	176712	231670	404972	292788	207280	153558	40949	2992752
	% of women SHGs	60.28	68.66	68.18	55.43	59.45	71.99	77.14	71.74	75.54	71.86	75.22	66.58	65.7	66.13	68.07
3	No. of SHG passed grade I	125402	214011	176002	189634	204987	219604	210639	222029	251163	322322	439275	280575	181070	73217	3109930
4	No. of SHG passed grade II	74234	101291	54040	94754	90673	105839	91920	156353	116878	138641	161496	171657	148138	48387	1554301
5	SHG taken up IGAs- Target	-	-	-	-	-	-	53876	77018	10636	138169	155288	185525	187821	178937	1081670
	Achievements	29017	26317	30576	35525	50717	68102	80130	137931	181386	114452	136411	312288	242948	85087	1530887
	% of SHG engaged in IGAs after Grade-II	39.09	25.98	56.58	37.49	55.95	64.34	87.17	88.22	155.19	85.55	84.47	181.93	164	175.85	98.49
6	SHGs swarojgaris assisted-Target	-	-	-	-	-	-	528757	770175	1060365	1381689	1552884	1855250	1878210	1789370	10816700
	Achievements	347912	318803	364676	414419	577532	788573	873485	1472066	1154269	1470032	1736214	1743726	1468796	407492	13137995
7	Individuals swarojgaris	-	-	-	-	-	-	330473	320906	292380	380981	269598	222093	102972	98101	2117504

	assisted-Target															
	Achievements	585956	687349	572792	411848	319363	327355	277631	219860	253503	291392	278136	296113	208321	30607	4760226
8	swarojgaris assisted-Special projects	-	-	-	-	-	-	-	-	291523	100451	70827	70147	0	0	532948
9	Total swarojgaris assisted-Target	-	-	-	-	-	-	859230	1091081	1352745	1762670	1822482	2177343	1981182	1887471	12934204
	Achievements	933868	1006152	937468	826267	896895	1115928	1151116	1691926	1699295	1861875	2085177	2109986	1677117	438099	18431169
	% of swarojgaris assisted	37.25	31.69	38.9	-	-	-	133.97	155.07	125.62	105.63	114.41	96.91	85.65	23.21	-
10	SC swarojgaris assisted	278980	310886	284040	249556	274893	352864	383124	600364	561052	601299	753640	734775	537667	127097	6050195
11	ST swarojgaris assisted	134944	137850	143619	130260	138909	149115	165407	241291	251783	274530	322142	361891	251337	45202	2748280
12	Total SC/ST swarojgaris assisted	413882	448376	427659	379816	413802	501979	548531	841655	812835	875829	1075782	1006666	789004	172299	8798475
13	Minorities swarojgaris assisted	-	-	-	-	-	-	-	60494	142399	275121	241866	244225	273355	39212	1276672
14	Women swarojgaris assisted	416690	409842	385891	382613	470740	606141	662764	1247132	1083905	1206513	1502285	1424059	1103553	349322	11251450
15	Disabled swarojgaris assisted	8529	6737	6059	6118	8504	12680	14793	31864	36113	42315	45869	40838	24505	4506	289430

% of SC/ST swarojgaris assisted	44.32	44.6	45.62	45.97	46.14	44.98	47.65	49.75	47.83	47.04	51.59	51.98	47.05	39.33	46.7
% of Minorities swarojgaris assisted	-	-	-	-	-	-	-	3.58	8.38	14.78	11.6	11.57	16.3	8.95	11.04
% of Women swarojgaris assisted	44.62	40.73	41.16	46.31	52.49	54.32	57.58	73.71	63.79	64.8	72.05	67.49	65.8	79.74	61.05
% of Disabled swarojgaris assisted	0.91	0.67	0.65	0.74	0.95	1.14	1.29	1.88	2.13	2.27	2.2	1.94	1.46	1.03	1.57

Source: Ministry of Rural Development, GOI.

Note: All India target for per capita investment and credit subsidy ratio are Rs. 25000 and 3:1 respectively.

(-)Not Available.

*Average per year.

Microfinance as an Effective Instrument for Women's Empowerment and Poverty Alleviation

Microfinance is rising as an effective instrument for poverty alleviation in the new economy. In India, microfinance is dominated by Self Help Groups (SHGs) - Bank Linkage Programme, focused at rendering cost effective mechanism for giving financial services to the "unreached poor". The SHG programme has been successful in not only strengthening collective self-help capacities of the poor but also in meeting important needs of the rural poor, leading to their empowerment.

Credit for empowerment is about organizing people, specifically around credit and building capacities to handle money. The emphasis is on encouraging the poor to mobilize their own funds, and empowering them to leverage external credit. Women is learning to deal with money and circulate funds, improves women's capacities and confidence to intervene in local governance beyond the restricted goals of ensuring access to credit.

Before 1990's, Credit schemes for rural women were almost negligible. The concept of women's credit came into existence on the insistence by women orientated studies that showed the discrimination and struggle of women in having the access of credit. However, there is a visible gap in financing genuine credit needs of the poor particularly women in rural area.

The government schemes have acted to help the poor by applying various poverty alleviation programmes but with little success. Since the credit needs of the rural poor cannot be adopted on project case of organised sector, there appeared the need for an informal credit supply through SHGs. The rural poor with the help from NGOs have established their potential for self-help to protect economic and financial strength.

Building Empowerment with Focus on Poor Rural Women: Changing Gender Dynamics

Empowerment is a multi-dimensional social activity that assists people acquires control over their own livelihood, communities and in their society, by performing on matters that they define as significant. Empowerment takes place within sociological, psychological economic fields and at several levels, such as individual, group and community. Empowering women puts the limelight on education and employment which are an important element to sustainable development.

In India, the trickle down aspects of macro-economic policies have been unsuccessful in solving the problems of gender inequality. Women represent a sizeable section of the poverty-struck population and have been the vulnerable segment of society. They generally, come across gender specific obstacles to attain education, health, employment etc. Microfinance is the solution for the women below the poverty line.

This target group of women are provided with micro loans which are available solely and entirely for them. There are many causes for this: Within the poor section, the poor women are mostly deprived - they are defined by lack of education and access of resources, both of them is needed to help them work their way out of poverty and for attaining economic and social, mobility. Despite the fact that women's labour makes a vital contribution to the economy, but still they face acute difficulties in countries like India. The reason behind this is the lack of access to key resources and low social status. Women are proven to be the better managers of resources and better customers than men. Benefits of loans are spread wider among the household if loans are routed through women. The major concern of government is to bring women into the mainstream of national development, since women's empowerment is the key to socio-economic development. There are special sections for women in the

programmes of the ministry of rural development. Funds are assigned as "Women's Component" to control flow of adequate resources for the same.

Besides *Swarnagayanti Grameen Swarazgar Yozana* (SGSY), Ministry of Rural Development is applying other schemes having women's component. These are Integrated Rural Development Programme (IRDP), *JawaharRozgar Yojana* (JRY), *Indira Awas Yojana* (IAY), Accelerated Rural Water Supply Programme (ARWSP), Development of Women and Children in Rural Areas (DWCRA), Restructured Rural Sanitation Programme and National Social Assistance Programme (NSAP).

It would be very appropriate to mention here the benefits poor women have derived under various other schemes launched by the Government. The sericulture project in Javvadhuhills, Tamil Nadu under TDF (Tribal Development Fund) has proved to be very suitable for people of villages as a source of income for them, especially the women, as they can handle the entire process by themselves. Similarly, NABARD-assisted UPNRM (Umbrella Programme on Natural Resource Management) project, implemented through VIKSAT, is a huge step forward for the women as they can now draw loans for agricultural purposes. Their family, especially men have accepted and acknowledged their role not only in agriculture but also their contribution in improving their livelihood.

The empowerment of women has also ushered in social changes. In Motabandra, liquor is produced locally and sold in the open. The women collectively forced the local liquor trader to move his shop from the vicinity of a school, which has helped curb the consumption of alcohol by youngsters. This success has encouraged the WSHGs to speak out about other causes as well. For example, they have managed to persuade the District Collector to repair a bridge which had broken a long time ago. Chaitanya, a developmental organization established in Maharashtra in 1993, has developed a community platform through which domestic violence against women is addressed by 'legal jankars'. Not only does this platform have the advantage of being run locally, it has also proved to be a reliable support system for women in crisis.

Role of Microfinance in Moderating Poverty

The poverty alleviation paradigm underlines several NGOs incorporated poverty focused society development programmes. Poverty alleviation here is outlined in wider terms than market incomes to include increasing capacities and choices and decreasing the weaknesses of poor people. The primary emphasis of programmes is entirely on developing sustainable livelihoods, society development and social service activity like literacy, healthcare and infrastructure development. Reaching the poor is not only a concern but also the poorest. It is also being established that in several situations poor people desire assure savings facilities and consumption loans just as much as productive credit. Formal mainstream financial service institutions provides their services to all sections of all society but the poor faces barriers in gaining access to the services. This opportunity is provided to poor people in rural areas by Micro-Finance Institutions (MFIs) to have access to Micro-credit mainly through SHGs. SHGs are now being looked upon as trust worthy instruments for rural credit delivery. By offering access to financial services, micro-finance plays a vital role in the conflict against the several prospects of poverty. For example, income generation from a business assist not only the business activity flourishes but also adds to household income and its accompanying benefits on food security, children's education, etc. India, a country flooded with a population of about 1.18 billion has got the 2nd position in terms of population size in the world. 72.2% populations are currently living in rural areas troubled with very poor infrastructural facility resulting about 350 million are currently under the poverty line. Microcredit is a majorly discussed concept and practiced throughout the world to fight against poverty. People acquire

from MFIs and then apply that money for various income generation activities. If the borrowers actually use this microcredit to different income generation activities, they will be able to defeat poverty.

The disbursement of agricultural loans to women under UPNRM project has helped them on saving their men from the trap of traders who used to charge high rates of taxes from them.

What are Self-Help Groups (SHGs)?

Self-Help Group is a small voluntary association of poor people, rather from the same socioeconomic background. They get united for the intention of solving their common difficulties through self-help and mutual help. The SHG encourages small saving among its members. The savings are stored with a bank. This mutual fund is in the name of the SHG. It comprises of a group of three to eight persons on the condition that each of them would be assuming responsibility for the development of all. Mostly, the number of members in a single SHG does not exceed twenty. There are many SHGs working in India, some of them are- Roja, Sivasakthi, Senbakam, Suthanthiram, etc.

Microfinance with Self Help Group plays a vital role for encouraging women empowerment. It acts as an important tool to fight against poverty as well as means of encouraging the empowerment of the most vulnerable sections of the population, particularly women.

Microfinance institution started in India in 1980s through Self Help Groups (SHGs) model. There is approximately 3, 00,000 SHGs working in India. It is true that the concept of microfinance is yet to extend its wings all over India, but at the pace at which it is spreading its branches; very soon it will be reaching at the doorsteps of the poor houses. The concept of SHG is based on the following principles:

1. Self-help added with mutual help can be an effective instrument for the poor in their socioeconomic development.
2. Participative financial services management is more powerful and efficient.
3. Credit support is not the only requirement of poor, but also savings and other services.
4. For the banks, SHGs as clients result in wider outreach, lower transaction cost and much lower risk costs.
5. Small savings are contributed on a regular basis to create a common fund.
6. System of working is flexible.
7. Loans are provided mainly on trust with a bare documentation and without any security.
8. Amounts loaned are minute, regular and for fewer periods.
9. Failures are rare mainly due to group pressure.

Poverty alleviation and women's empowerment are both being addressed through microfinance programmes which are currently being encouraged as a key strategy. Before 1990s, credit schemes for women were nearly negligible. There were certain misconceptions about the poor people that they need loan at subsidized rates of interest on soft terms, they lack skills, capacity to save, credit worthiness and hence are not bankable. However, the experiences of many SHGs shows that rural poor are really efficient managers of credit and finance. Availability of timely and sufficient credit is important for them in their businesses rather than subsidies.

SHGs and Bank Linkages

This is the bank-led microfinance channel which was originated by NABARD in 1992. Under the SHG model the members, usually women in rural areas are inspired to form groups of around 10-15. The

members lend their savings in the group periodically and small loans are given to the members from these savings. For income generation purpose, these SHGs are offered with bank loans. The group's members assemble periodically when the new savings arrive, retrieval of past loans is made from the members and also new loans are paid out. This model is becoming more popular and is gaining success with time. Once the SHGs group becomes unfluctuating and is self-sustaining, it starts working on its own with some support from NGOs and institutions like NABARD & SIDBI.

Figure 1: SHG-Bank Linkage over recent three years till 2013

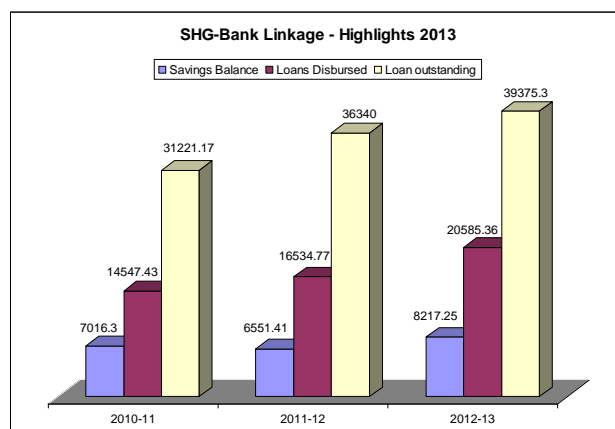


Figure 1 given above also indicates the overall progress under the SHG-BLP and MFI-Bank Linkage Programme as on 31 March 2013. The actual figures indicating the overall progress has also been shown in figures in Table 2 below.

Table2: Overall Progress under SHG-Bank Linkage for last 3 years

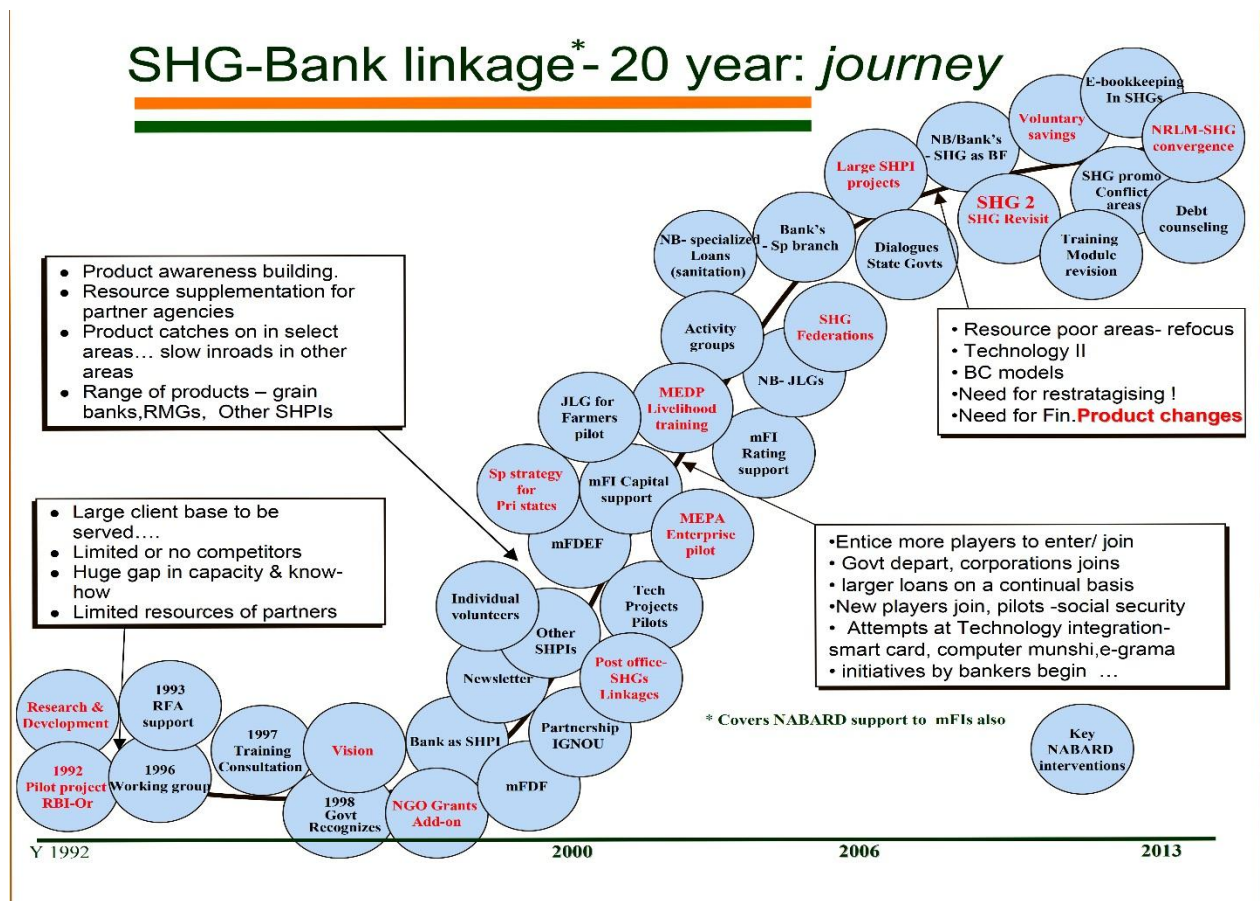
Particulars		2010-11		2011-12		2012-13	
		No. of SHGs (lakh)	Amount	No. of SHGs (lakh)	Amount	No. of SHGs (lakh)	Amount
SHG Savings with Banks as on 31 March	All Women SHGs	60.98 (14.8%)	5298.65 (17.8%)	62.99 (3.3%)	5104.33 (-3.7%)	59.38 (-5.7%)	6514.86 (27.6%)
	% of Women Groups to Total	81.7	75.5	79.1	77.9	81.1	79.3
Loans Disbursed to SHGs during the year	All Women SHGs	10.17 (-21.4%)	12622.33 (1.6%)	9.23 (-9.2%)	14132.02 (12.0%)	10.37 (12.4%)	17854.31 (26.3%)
	% of Women Groups to Total	85	86.8	80.4	85.5	85.1	86.7

Loans Outstanding against SHGs as on 31 Marc	All Women SHGs	39.84 (2.2)	26123.75 (13.4%)	36.49 (-8.4%)	30465.28 (16.6%)	37.57 (2.9%)	32840.04 (7.8%)
	% of Women Groups to Total	83.2	83.7	83.8	83.8	84.4	83.3

(Figures in the parenthesis indicates growth/decline over the previous year)

The linkage of SHG-Bank and their journey together is very apparent from the Figure 2 which is clearly showing a growth trend based on various supports and programmes over the past 20 years.

Figure 2: The growth of SHG-Bank linkage for 20 years



The path of growth was not as easy as it seemed to be. The SHGs had to face and tackle many problems and challenges in the spread of microfinance programmes. Discussed below are some of the problems and challenges faced by microfinance.

Problems and Challenges of Microfinance undertaken by Self-Help Groups (SHGs)

Though the demand for credit for agricultural purposes as well as institutional sources have expanded a great deal, moneylenders are still a major source of credit for investment purposes. Few other problems faced by SHGs have been enumerated as under:

1. Uncertainty of repayment

Loaning to few sections, particularly to the very poor, is enclosed by uncertainty about repayment. The poor's of rural areas tend to have irregular income paths and expenditure patterns, they also tend to be extremely open systems risks such as harvest failures or a decrease in commodity rates, and therefore, may experience actual difficulties providing loans. So banks have legitimate worry. When dealing with rural poor, and tend to assume such loans as risky.

One of the primary sources of risk experienced by rural moneylenders in their transactions with respective rural clients is a decline in commodity rates below production cost levels, and this risk proves to be all the more evident in the lack of effective price disclosure and credible national commodity rates.

2. Deficiency of credit information

Difficulties caused by uncertainty are aggravated by the absence of dependable information on the former credit history of the borrowers.

In India there are a lot of sources to gather credit information, but none of these concentrates on rural, small borrowers. Credit information of such borrowers is hard to find because majorly the rural poor depend on moneylenders and other informal lenders, and it is not the concern of such lenders to forward on a borrower's favourable credit repayment status to other financiers. The inaccessibility of credit information has decreased the amount of lending in India, due to performance risk measures are unreachable, and the current risk management activities of banks are to check loan amounts. Finer credit information could immediately modify the amount of financing accessible to rural borrowers.

3. Transaction costs

In rural India the transaction costs of lending are very high, mostly because of the small loan size, high-frequency of dealing in rural finance, vast geographical area and non uniformity of borrowers, widespread illiteracy. For private sector banks, their absence of a rural branch network is an extra problem. The value of financial services tends to be small due to the given extent of rural poverty in India. The minute size of rural loans in India effecting in a high due diligence cost per loan, aggravated by the non-uniformity of the borrowers making it hard for formal financiers to include such costs. After the loans are granted, the administrative cost shoots up due to the geographical spread of customers in rural India and widespread illiteracy. Financiers have to attain a delicate trade-off between minimising collection costs and the loan default rate. Limited or no price discovery makes credit risk assessment of rural borrowers more problematic, and credit information on such borrowers is non-existent.

4. Weak legal framework

Government failed to develop and impose a legal and regularly framework conducive to rural finance, so that contract renegotiation, contract enforcement and contract design remain weak making it even more problematic for financiers to lend borrowers with correct incentives for repayment. Recent enactment of the securitisation and asset reconstruction law (2002) has assisted in amending the legal framework for recovering bad loans, by making out-of-court settlements on non-performing loans and creating alternate methods of dispute resolution between creditors and debtors, the law does not cover small loans.

5. The importance of collateral

One way in which a financier can minimise the risk of losing his money to uncertainty is by demanding collateral - valuable assets that the financier can hold in case the borrower fails to repay. Collateral decreases the risk of uncertainty, as the lender can regain some, or all, of his loan in the event of default. In case the borrower defaults in the proceeds of loan, she will lose the collateral thus the borrower will find it costly to put the valuable collateral at stake. The expected loss of her collateral also makes the borrower think twice before investing in risky ventures. Collateral's twin effects, of stopping defaulters from applying for loans and decreasing the borrower's incentive to take unreasonable risks, make it a valuable instrument in promoting lending. One of the major problems faced by India's rural poor is that they do not have fixed collateral or their plots are so small that it cannot be mortgaged. Another barrier is that collateral can only give security to lenders in a surrounding where households have suitable titles to their assets, and the legal system makes it comparatively straightforward for lenders to implement contracts and acquire collateral; the legal system in India makes collateral registration, and its repossession by the financier, a long and difficult process.

Conclusion

The study concludes that group association and approach to financial services surely brings positive changes among group members leading to their socio-economic empowerment. However, there is a necessity of employing long-term loan policy measures to empower women in its true sense. Some significant issues such as awareness, viability and training of the group activities requires to be addressed in order to strengthen women empowerment process through micro financing. Microfinance program has turned out as one of the most significant programs in India as developing countries are experiencing initial capital difficulty in investments and Micro-Finance system is rendering financial facility through SHGs. It is clear from the above discussion that various programs are flourishing through Commercial Banks, Co-operative Banks and Regional Rural Banks with the help of NABARD. Commercial Banks are performing a significant role in providing loan facilities to SHGs through SHG-Bank Linkage Programs in India. But unfortunately, majority of SHG members are utilising loans to unproductive intentions this leads to indebtedness. The members should utilise loans to productive purposes, in order to improve and empower the economic conditions of the women in India. This study summarises that poor, discriminated vulnerable women if join the groups, can be retrieved out of poverty. So, conducive environment is required to be formed in the country to give boost to concern self-help-groups.

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