Abstract

Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, Microfinance scene is dominated by Self Help Group (SHGs)-Bank Linkage Programme as a cost effective mechanism for providing financial services to the “Unreached Poor” which has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self-help capacities of the poor, leading to their empowerment. Economic empowerment results in women’s ability to influence or make decision, increased self-confidence, better status and role in household etc. Micro finance is necessary to overcome exploitation, create confidence for economic self-reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure. This paper puts forward how micro finance has received extensive recognition as a strategy for economic empowerment of women. An effort is also made to suggest the ways to increase women empowerment.

I. INTRODUCTION

Empowerment implies expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives (World Bank Resource Book). Empowerment is the process of enabling or authorizing an individual to think, to behave, to take action and to control work in an autonomous way. It is the state of feelings of self-empowered to take control of one’s own destiny. It includes both controls over resources (Physical, Human, Intellectual and Financial) and over ideology (Belief, values and attitudes) (Batiwala, 1994). Empowerment is a multi-dimensional social process that helps people gain control over their own lives communities and in their society, by acting on issues that they define as important. Empowerment occurs within sociological psychological economic spheres and at various levels, such as individual, group and community and
challenges our assumptions about status quo, asymmetrical power relationship and social dynamics. Empowering women puts the spotlight on education and employment which are an essential element to sustainable development.

**2. EMPOWERMENT: FOCUS ON WOMEN**

In India, the trickle down effects of macroeconomic policies have failed to resolve the problem of gender inequality. Women have been the vulnerable section of society and constitute a sizeable segment of the poverty-struck population. Women face gender specific barriers to access education, health, employment etc. Micro finance deals with women below the poverty line. Micro loans are available solely and entirely to this target group of women. There are several reasons for this: Among the poor, the poor women are most disadvantaged—they are characterized by lack of education and access to resources, both of which is required to help them work their way out of poverty and for upward economic and social mobility. The problem is more acute for women in countries like India, despite the fact that women’s labour makes a critical contribution to the economy. This is due to the low social status and lack of access to key resources. Evidence shows that groups of women are better customers than men, the better managers of resources. Since women’s empowerment is the key to socio economic development of the community; bringing women into the mainstream of national development has been a major concern of government. The ministry of rural development has special components for women in its programmes. Funds are earmarked as “Women’s component” to ensure flow of adequate resources for the same. Besides Swarnagayanti Grameen Swarajgar Yojana (SGSY), Ministry of Rural Development is implementing other schemes having women’s component. They are the Indira Awas Yojana (IAJ), National Social Assistance Programme (NSAP), Restructured Rural Sanitation Programme, Accelerated Rural Water Supply programme (ARWSP) the (erstwhile) Integrated Rural Development Programme (IRDP), the (erstwhile) Development of Women and Children in Rural Areas (DWCRA) and the Jowahar Rozgar Yojana (JRY).

**3. CONCEPT AND FEATURES OF MICRO FINANCE**

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. 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” literally means “small”. But the task force has not defined any amount. However as per Micro Credit Special Cell of the Reserve Bank Of India, the borrowable amounts the limit of Rs.25000/- could be considered as micro credit products and this amount could be gradually increased up to Rs.40000/- over a period of time which roughly equals to 500$ – a standard for South Asia as per international perceptions.
The term micro finance sometimes is used interchangeably with the term micro credit. However while micro credit refers to purveyance of loans in small quantities, the term microfinance The word “Microfinance” terms as 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.

The other dimensions of the microfinance approach are:
- Savings/Thrift precedes credit
- Credit is linked with savings/thrift
- Absence of subsidies
- Group plays an important role in credit appraisal, monitoring and recovery.

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 Micro Finance Institutions (MFIs) in our country.

**IV. WOMEN EMPOWERMENT AND MICRO FINANCE: DIFFERENT PARADIGMS**

Concern 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 labour and women’s movements identified credit as a major constraint in their work with informal sector women workers. The problem of women’s access to credit was given particular emphasis at the first International Women’s Conference in Mexico in 1975 as part of the emerging awareness of the importance of women’s productive role both for national economies, and for women’s rights. This led to the setting up of the Women’s World Banking network and production of manuals for women's credit provision. From the mid-1980s there was a mushrooming of donor, government and NGO-sponsored credit programmes in the wake of the 1985 Nairobi women’s conference (Mayoux, 1995a). The 1980s and 1990s also saw development and rapid expansion of large minimalist poverty-targeted micro-finance institutions and networks like Grameen Bank, ACCION and Finca among others. In these organizations and others evidence of significantly higher female repayment rates led to increasing emphasis on targeting women as an efficiency strategy to increase credit recovery. A number of donors also saw female-targeted financially-sustainable micro-finance as a means of marrying internal demands for increased efficiency because of declining budgets with demands of the increasingly vocal gender lobbies. The trend was further reinforced by the Micro Credit Summit Campaign starting in 1997 which
had ‘reaching and empowering women’ as its second key goal after poverty reduction (RESULTS 1997).

V. MICRO FINANCE: INSTRUMENT FOR WOMEN EMPOWERMENT

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost effective mechanism 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 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. Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor. Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women’s capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Before 1990’s, credit schemes for rural women were 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 certain misconception about the poor people that they need loan at subsidized rate of interest on soft terms, they lack education, skill, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experience of several SHGs reveals that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy.

6. 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, thus 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).

Other shortcomings includes,

1. **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.
2. **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.
3. **Reinforcement of traditional gender roles**: lack of economic empowerment: Micro finance 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 men withdrawing their contributions to certain types of household expenditures.

**VII. CONCLUSION AND SUGGESTION**

Numerous traditional and informal system of credit that was already in existence before micro finance came into vogue. 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 questions or ways in which both empowerment and sustainability aims may be accommodated. Failure to take into account impact on income also has potentially adverse implications for both repayment and outreach, and hence also for financial sustainability. An effort is made here to present some of these aspects to complete the picture. A conclusion that emerges from this account is that micro finance 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 solution 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 behaviour 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 overcome 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.

Nevertheless ensuring that the micro-finance sector continues to move forward in relation to gender equality and women’s empowerment will require a long-term strategic process of the same order as the one in relation to poverty if gender is not to continue to ‘evaporate’ in a combination of complacency and resistance within donor agencies and the micro-finance sector.

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 starting point to look at what we know so far about ‘Best Practice’ in relation to micro-finance for women’s empowerment and how different institutions can work together.

It is clear that gender strategies in micro finance 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 actively promote gender equality and women’s empowerment. Moreover the focus should be on developing a diversified micro finance sector where different type of organizations, NGO, MFIs and formal sector banks all should have gender policies adapted to the needs of their particular target groups/institutional roles and capacities and collaborate and work together to make a significant contribution to gender equality and pro-poor development.

VIII. REFERENCES


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