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Relation of Microfinance with Women Empowerment

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***Abstract*-** Microfinance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment**.** The objective of this study has been to understand the role played by microfinance in the development and empowerment of women in the areas of Rural Karnataka, and also analyze the steps being taken by the NGOs to empower the women in these areas.

I. INTRODUCTION

Microfinance in India

"Where once the poor were commonly seen as passive victims, microfinance recognizes that poor people are remarkable reservoirs of energy and knowledge. And while the lack of financial services is a sign of poverty, today it is also understood as an untapped opportunity to create markets, bringing people in from the margins and give them the tools with which they can help themselves."[1]

Microfinance as defined by Reserve Bank of India (RBI) is "the provision of thrifts (saving), credit and other financial services and products of very small amounts to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards"

The role prescribed for financial sector in India to achieve developmental goals dates to pre independence days. There were many sectors that needed to be identified and improved, like more information should be provided about the services and products offered through microfinance programs(Microloans, Savings Accounts, weir transfer and remittance, etc.), the savings sector, where in the people not able to earn a fixed income, were helped in choosing a savings plan for themselves. The credit rates were to be looked into and made feasible for the low income holders to be able to afford to take a loan and improve their standard of living or to support their trade/agricultural activities.

The agriculture credit department was set up in 1935 by the Reserve Bank of India to promote rural credit. In its early days, the government of India sought to promote rural credit by strengthening the cooperative institutions. The need to replace costly informal credit with institutional credit was strongly felt as the All India Rural Credit Survey report of 1954 found that informal sources accounted for 70% of rural credit usage, followed by cooperatives (6.4%) and commercial banks (0.9%). [2]

The government initiated the Integrated Rural Development Programme (IRDP) in 1980-81. The objective of IRDP was to direct subsidized loans to poor self employed people through the banking sector. The National Bank for Agriculture and Rural Development (NABARD) was established in 1982. In the same year the government established Development of Women and Children in Rural Areas (DWARCA) scheme as a part of IRDP. It was around this time that the first Self Help Groups (SHGs) started emerging in the country mostly as a result of NGO activities. The NGO MYRADA was one of the pioneers of the concept of SHGs in India. These SHGs were large enough for the bank to have transactions. The SHGs in turn were also very responsive and flexible to the needs of their members. The SHGs were a step in that direction. Thus, seeds were sown for the modern microfinance sector in India to emerge.

As the Small Scale industries form the foundation for the development of growth in employment, the Small Industries Development Bank of India SIDBI Foundation for Micro Credit (SFMC) was launched by the Bank in January 1999 for channelizing funds to the poor in line with the success of pilot phase of Micro Credit Scheme. MFIs are provided annual need based assistance. One of the unique features of the scheme is the comprehensive Capacity Building Support being provided to the MFIs/ NGOs to expand their operations as well as to increase their efficiency.

II. WOMEN EMPOWERMENT

In India and other Asian countries the majority of SHGs consist of women because, in these countries, Self Employment through Microfinance was perceived as a powerful tool for emancipation of women. It has been observed that gender equality is a necessary condition for economic development. The World Bank reports that societies that discriminate on the basis of gender are in greater poverty, have slower economic growth, weaker governance, and lower living standards.[3]

The NGOs support the SHGs and these SHGs specially concentrate on the development of women in the rural area with the help of the SHGs. The total population of women in India is 496,453,556 out of which 135,565,591 stay in rural areas, where the development rate is slow when compared to the urban area. Hence they require many such upliftment programs to improve their standard of living. It is also seen that the literacy rate among women in India is 53.7% that is 224,154,081 are literate out of the total women population of 496,453,556 and the literacy rate in the rural India is 46.1% these statists show that the NGOs should provide microfinance services in the rural areas.

To provide such microfinance services in the less developed regions the development of Grameen Bank took place. The origin can be traced back to 1976 when Professor Muhammad Yunus, Head of the Rural Economics Program at the University of Chittagong, launched an action research project to examine the possibility of designing a credit delivery system to

[1] Kofi Annan

2 Bottom of Pyramid: Solution for social and economic development.

[23] World Bank Engendering Development: Through Gender Equality in Rights and Resources

provide banking services targeted at the rural poor. The Grameen Bank Project (Grameen means "rural" or "village" in Bangla language) came into operation with the following objectives:

- Extend banking facilities to poor men and women.
- Eliminate the exploitation of the poor by money lenders.
- Create opportunities for self-employment for the vast multitude of unemployed people in rural Bangladesh.
- Bring the disadvantaged, mostly the women from the poorest households, within the fold of an organizational format which they can understand and manage by themselves.

Number of Branches (Cumulative)

Up to 2004, the cumulative number of branches was 1,358. Up to 2008, this figure reached 2,539. It represents an increase of 86.97% from 2004 to 2008 and an average annual growth of 17.39% during the five-year period. Growth of number of branches in 2008 is 2.34% over the previous year.

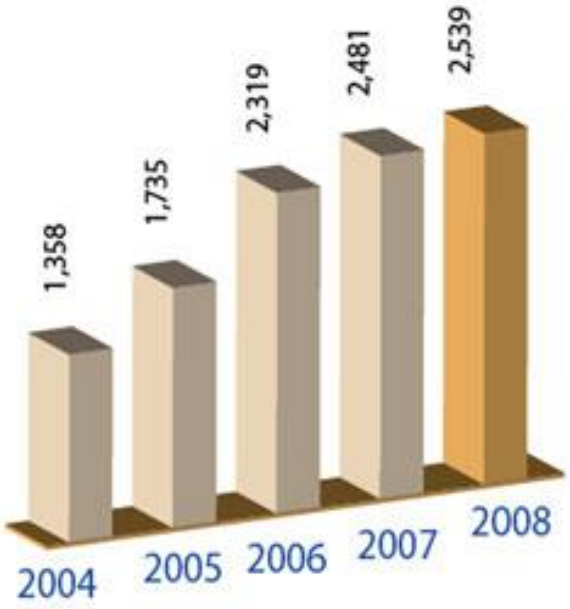

Chart 1: Number of Branches
Source: http://www.grameen.com/index.php

Number of Villages Covered (Cumulative)

Up to 2004, the cumulative number of villages covered was 48,472. In 2008, this figure stood at 83,566. It represents an increase of 72.40% from 2004 to 2008 and an average annual growth of 14.48% during the five-year period. Concurrently, with the increase in the number of branches there was a 3.58% increase in the number of villages covered compared to the previous year 2007

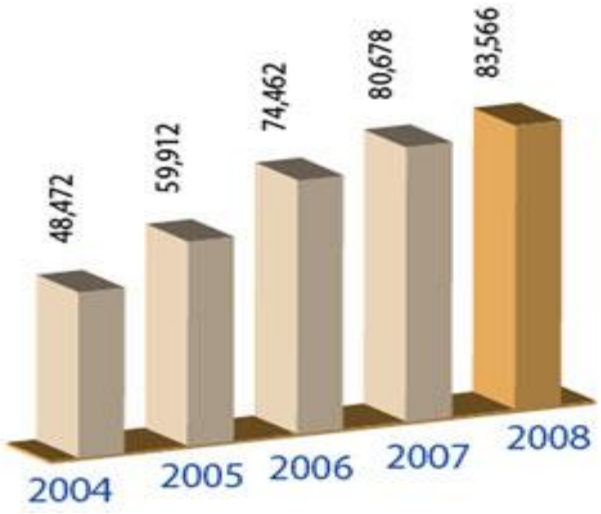

Chart 2: Number of Villages Covered
Source: http://www.grameen.com/index.php

Number of Borrowers per Branch (year-end)

In 2008, the number of borrowers per branch (year-end) was 2,460, a 0.89% decrease compared to the previous year. In 2007, the number stood at 2,482, a 3.39% decrease compared to the previous year.

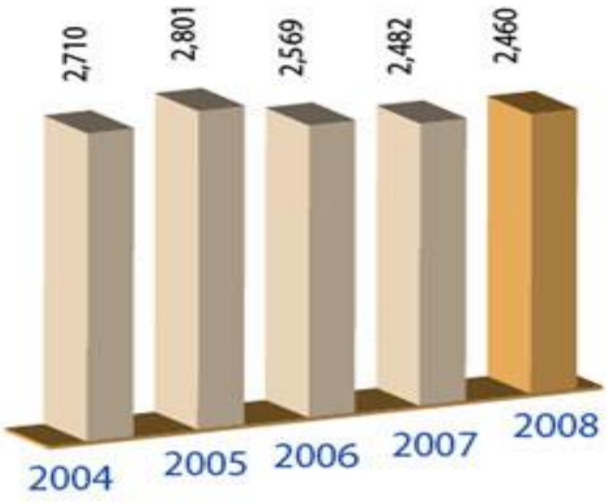

Chart3: Number of Borrowers per Branch
Source: http://www.grameen.com/index.php (last 5yrs of Grameen Bank)

Growth of Membership (Cumulative)

Up to 2004, the cumulative number of members was 4.06 million. In 2008, this figure stood at 7.67 million. It represents an increase of 88.94% from 2004 to 2008 and an average annual growth of 17.79% during the five-year period.

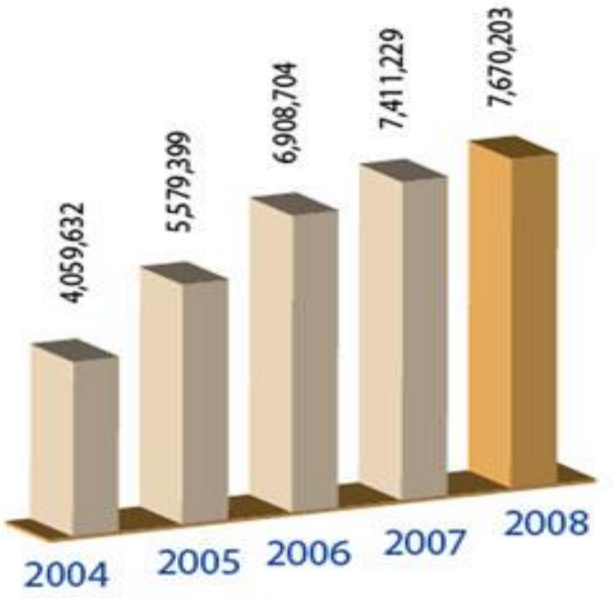

Chart4: Growth of Membership
Source: http://www.grameen.com/index.php

Percent of Women Members

Historically, the majority of members of Grameen Bank have been women. The years under consideration are no exception. The percent of women members throughout 2002 to 2003 was within close proximity of the 95% mark, from 2004 to 2005 is 96%, in 2006 to 2007 is 97% and in 2008 it remain same i.e., 97%.

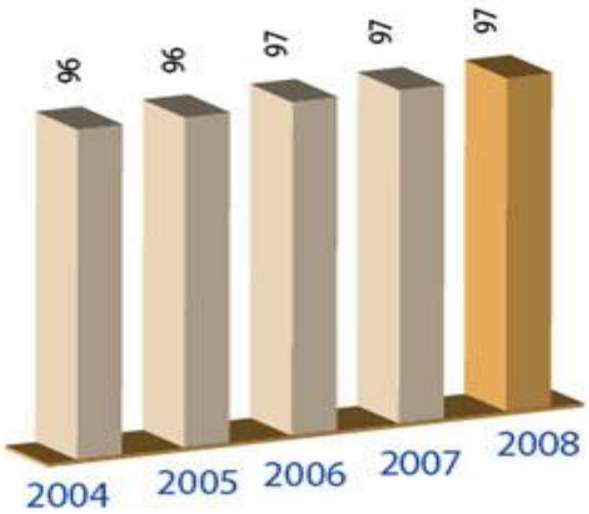

Chart 5**: Percent of Women Members**
Source: http://www.grameen.com/index.php

III. Analysis of a NGO

A study was conducted at a NGO in Bangalore, which operates in Gulbarga, Mysore and Mandya districts. A sample size of 50 groups was taken, and the study shows that out of 682 members 650 are women this indicates that the NGOs focus is on women development. Out of these 650 women 320 women are literate, that is 49% of the women in the groups can read and write, but the level of literacy is unknown. These NGOs should provide microfinance services in these areas and also work towards increasing the literacy among the women by opening schools for the children and also by providing adult education.

A study conducted on the above NGO reveals the relations between the various characteristics of the groups and the different aspects that can be considered while providing microfinance benefits to these groups. The main criteria of relations are the age of the group, i.e., for how many years these groups have been functioning and the literacy rate among the group members.

a. Age- Literacy:

The SHGs that have been active for more than 2yrs have more members who are literate; the literacy among these groups is between 60-100% whereas the groups that have been functioning for less than 2yrs have literacy of only 30-59%. This analysis shows that the groups that have been associated with the organization for longer period of time have improved on its literacy rate. All the SHGs have at least 2% of the members are literate and it is ensured that all the group leaders are capable of reading and writing to be able to communicate effectively with the agents.

Table1: Crosstab of Age of the SHG and the Literacy rate
Source: Author

Table 2: Chi-Square test of Age of SHG and Literacy Rates.
Source: Author

Table 3: Symmetric measures test to check the strength of the assumtion
Source: Author

The assumption is that the literacy rate among the women will improve as the SHGs work for a longer period of time with the organization, the null hypothesis is positive and the value of assumption is greater than the required minimum value. The strength of the assumption is also above average. The literacy rate to the number of years the SHG has been active is μ =0.060

b. Age-Level of Savings:

A group which has been functioning for more than 2yrs shows more than 62% in the level of their savings. Whereas the group that have been functioning for less than 2yrs have a saving of only 10%, where as the groups that exists only from past one yr have a saving of 12% . This indicates that the SHGs that have

been active for more than 2yrs have better savings and have benefited from the savings plan of the organization.
The level of savings also influences the desire of the members to continue to be a part of the SHG. The analysis shows that when the savings are more than 90% about 68% of the members are willing to continue in the SHG. When the saving is above 90% about 8% of the total amount of the interest earned on the savings is saved by the group and 2% is shared by the group among themselves.

Table 4: Crosstab of Age of SHG and Levels of Savings
Source: Author

Table 5: Chi-Square test of Age of SHG and Levels of Savings
Source: Author

The null hypothesis assumes that the level of savings will increase as the SHGs works for a longer time with the organization. Null hypothesis: The increase in the level of savings to the SHG being active for a longer period of time is μ =0.261

c. Age- Utilization of Savings:

The loans lent out to these SHGs are used for various activities based on the needs of the members of the group. The group leader helps decide as to how the loan amount will be distributed and used. The money is used for activities like, agricultural and irrigation purposes or for petty business activities. The money generated after investing the loan amount into these activities is used for the repayment of the interest amount and the rest are set aside for savings.

The study reveals that the SHGs that are functioning for more than 2yrs utilize the savings completely.100% utilization of these savings will lead to optimum usage of the purpose of the loan and fulfill the needs of the members of the group. The SHGs that have been functioning for less than 2yrs utilize their savings only up to 50-100% this proves that the more experienced group is, the better are the saving plans and utilization of these are made to the fullest.

Table 6: crosstab of Age of SHG and Utilization of Savings
Source: Author

Table 7: Chi-Square test of Age of SHG and Utilization of Savings
Source: Author

Table 8: Symmetric measures test to check the strength of the assumption
Source: Author

The null hypothesis assumes that the longer the SHGs functions the more it will be able to save and utilize the savings made by them. The symmetric measures show that the strength of the assumption is very good. Null hypothesis: Better utilization of the Savings to age of the SHG is μ =0.150

d. Literacy- Awareness about Bank:

In order to be able to perform the bank procedures literacy is required. Members who come under the 60-100% literate category are very comfortable performing the bank related activities; about 48% of the members come under this category. These members help the other less-literate or illiterate members who also constitute 48% of the group, with the bank procedures like pass book entry, saving ac details, documents and forms entry, etc. and explain to them the savings plans and benefits of savings.

Table 9: Crosstab of Literacy rate and Awareness about the Banks
Source: Author

Table 10: Symmetric measures test to check the strength of the assumption
Source: Author

The null hypothesis assumes that the higher the literacy rate is the more will be the awareness about the banking procedures among the members of the SHGs. The strength of this assumption is also well above the average.

The various tools that microfinance offers are:

- Microcredit
- Savings A/c
- Insurance facilities
- Fund Transfers

Microfinance helps in Women Empowerment by providing:-

Ability to save and access loans- the loans provided to the SHGs is distributed among the members of the group; this money is utilized in agriculture and small businesses. Independent incomes and modest savings have made women self confident and helped them to fight poverty and exploitation.

Opportunity to undertake an economic activity- with the money provided the members cultivate their lands or start small business, this gives them a chance to undertake economic activities.

Awareness- the members are more aware about local issues in and outside their village, they are familiar with the MFI procedures and the savings a/c helps them to learn about the banking transactions. This builds their confidence and spreads awareness.

Skills enhancement- in order to be able run the small scale business or become an entrepreneur the women develop various skill sets, that help them in conducting these business and earning money.

Decisions making within the household- with the generation of income through these businesses, the women are able to have a better hold on their family and also can take a

stand and present their opinion. This builds their status in the family.

Role in community development activities- the SHGs allot group oriented tasks to the members, these tasks are usually related to development of the society and enhancing the lives of the people in the community.

IV. Conclusion

The role prescribed for financial sector in India to achieve the women developmental goals can be met by the means of Microfinance, an increase in the growth of membership in the Grameen Bank of 88.94% from 2004 to 2008 and an average annual growth of 17.79% during the five-year period indicates that the rural financing being supported and spread through the SHGs is being appreciated and is effective. These SHGs are achieving tremendous success in educating the rural women about the benefits of saving money and helping them to become financially independent. They are also creating awareness about the banking system and procedures and developing entreprunarl skills among the women which helps them to earn a living and improve their standard of living.

References

[1] http://www.grameen-info.org
[2] http://www.grameen.com/index.php
[3] http://www.rbi.org.in/home.aspx
[4] www.microfinanceindia.org
[5] www.bhorukawelfare.org

Authors

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Appendix

Table1: Crosstab of Age of the SHG and the Literacy rate

age of SHGs * Literacy Crosstabulation

			Literacy			
			60-100%	30-59%	<30%	Total
age of SHGs	> 2yrs	Count	21	16	2	39
		% within age of SHGs	53.8%	41.0%	5.1%	100.0%
		% within Literacy	95.5%	61.5%	100.0%	78.0%
		% of Total	42.0%	32.0%	4.0%	78.0%
	1-2 yrs	Count	1	4		5
		% within age of SHGs	20.0%	80.0%		100.0%
		% within Literacy	4.5%	15.4%		10.0%
		% of Total	2.0%	8.0%		10.0%
	<3 yrs	Count		6		6
		% within age of SHGs		100.0%		100.0%
		% within Literacy		23.1%		12.0%
		% of Total		12.0%		12.0%
Total		Count	22	26	2	50
		% within age of SHGs	44.0%	52.0%	4.0%	100.0%
		% within Literacy	100.0%	100.0%	100.0%	100.0%
		% of Total	44.0%	52.0%	4.0%	100.0%

Table 2: Chi-Square test of Age of SHG and Literacy Rates.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.034[a]	4	.060
Likelihood Ratio	11.606	4	.021
Linear-by-Linear Association	4.437	1	.035
N of Valid Cases	50		

a. 7 cells (77.8%) have expected count less than 5. The minimum expected count is .20.

Table 3: Symmetric measures test to check the strength of the assumption

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Contingency Coefficient	.391	.060
N of Valid Cases		50	

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

Table 4: Crosstab of Age of SHG and Levels of Savings

age of SHGs * Level of savings Crosstabulation

			Level of savings		
			.00	> =90%	Total
age of SHGs	> 2yrs	Count	8	31	39
		% within age of SHGs	20.5%	79.5%	100.0%
		% within Level of savings	100.0%	73.8%	78.0%
		% of Total	16.0%	62.0%	78.0%
	1-2 yrs	Count		5	5
		% within age of SHGs		100.0%	100.0%
		% within Level of savings		11.9%	10.0%
		% of Total		10.0%	10.0%
	<3 yrs	Count		6	6
		% within age of SHGs		100.0%	100.0%
		% within Level of savings		14.3%	12.0%
		% of Total		12.0%	12.0%
Total		Count	8	42	50
		% within age of SHGs	16.0%	84.0%	100.0%
		% within Level of savings	100.0%	100.0%	100.0%
		% of Total	16.0%	84.0%	100.0%

Table 5: Chi-Square test of Age of SHG and Levels of Savings

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.686[a]	2	.261
Likelihood Ratio	4.387	2	.112
Linear-by-Linear Association	2.323	1	.127
N of Valid Cases	50		

a. 3 cells (50.0%) have expected count less than 5. The minimum expected count is .80.

Table 6: crosstab of Age of SHG and Utilization of Savings

age of SHGs * Utilisation of Savings Crosstabulation

			Utilisation of Savings		
			>100%	50-100%	Total
age of SHGs	> 2yrs	Count	38	1	39
		% within age of SHGs	97.4%	2.6%	100.0%
		% within Utilisation of Savings	79.2%	50.0%	78.0%
		% of Total	76.0%	2.0%	78.0%
	1-2 yrs	Count	4	1	5
		% within age of SHGs	80.0%	20.0%	100.0%
		% within Utilisation of Savings	8.3%	50.0%	10.0%
		% of Total	8.0%	2.0%	10.0%
	>3 yrs	Count	6		6
		% within age of SHGs	100.0%		100.0%
		% within Utilisation of Savings	12.5%		12.0%
		% of Total	12.0%		12.0%
Total		Count	48	2	50
		% within age of SHGs	96.0%	4.0%	100.0%
		% within Utilisation of Savings	100.0%	100.0%	100.0%
		% of Total	96.0%	4.0%	100.0%

Table 7: Chi-Square test of Age of SHG and Utilization of Savings

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.793[a]	2	.150
Likelihood Ratio	2.489	2	.288
Linear-by-Linear Association	.113	1	.737
N of Valid Cases	50		

a. 4 cells (66.7%) have expected count less than 5. The minimum expected count is .20.

Table 8: Symmetric measures test to check the strength of the assumption

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Contingency Coefficient	.108	.745
N of Valid Cases		50	

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.

Table 9: Crosstab of Literacy rate and Awareness about the Banks

Literacy * Awareness abt the banking procedure Crosstabulation

			Awareness abt the banking procedure		
			> 80% members have delt with banks	30-80%	Total
Literacy	60-100%	Count	20	2	22
		% within Literacy	90.9%	9.1%	100.0%
		% within Awareness abt the banking procedure	47.6%	25.0%	44.0%
		% of Total	40.0%	4.0%	44.0%
	30-59%	Count	20	6	26
		% within Literacy	76.9%	23.1%	100.0%
		% within Awareness abt the banking procedure	47.6%	75.0%	52.0%
		% of Total	40.0%	12.0%	52.0%
	<30%	Count	2		2
		% within Literacy	100.0%		100.0%
		% within Awareness abt the banking procedure	4.8%		4.0%
		% of Total	4.0%		4.0%
Total		Count	42	8	50
		% within Literacy	84.0%	16.0%	100.0%
		% within Awareness abt the banking procedure	100.0%	100.0%	100.0%
		% of Total	84.0%	16.0%	100.0%

Table 10: Symmetric measures test to check the strength of the assumption

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Contingency Coefficient	.115	.718
N of Valid Cases		49	

a. Not assuming the null hypothesis.

b. Using the asymptotic standard error assuming the null hypothesis.