

Role of micro finance in women's empowerment (an empirical study in pondicherry region rural shg's)

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Abstract

Microfinance is a type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services. Micro finance through Self Help Group (SHG) has been recognized internationally as the modern tool to combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation. The main aim of microfinance is to empower women. In this paper the role played by Microfinance in women's empowerment are considered into three dimensions namely psychological, social and economical. The objectives of the study is i) to understand the performance of SHG's in Pondicherry region, ii) to analyze the freedom women members get in SHG's, iii) to study the problems women members face in SHG's, iv) to analyze the empowerment of the women psychologically, economically and socially and v) to offer suggestions for the betterment of women's empowerment in SHG's. The study is undertaken in rural areas of Pondicherry region. Both primary and secondary data's are used. Primary data is enumerated from a field survey in the study region. Secondary data is collected from NGOs' reports and other documents. The researcher has used percentage method, simple correlation coefficient, paired t test and cross tabulation for analysis purpose. Analysis showed that there is a gradual increase in the all the three factors among rural women's. From the interaction among the respondents it is noticed that some members are expecting the NGO to come up with more training sessions in income generating activities. All they need is a way to develop their skills and talents by participating in various training programs. There is a definite improvement in psychological well being and social empowerment among rural women as a result of participating in micro finance through SHG program.

Keywords: Microfinance, women's empowerment, Non Governmental Organization, Self Help groups.

1. Introduction

Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. Microcredit, or microfinance, is banking the unbankables, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without." (Gert van Maanen, Microcredit: Sound Business or Development Instrument, Oikocredit, 2004) is based on the premise that the poor have skills which remain unutilized or underutilized. Microcredit fits best to those with entrepreneurial capability and possibility. Ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money, borrowing money and insurance.

The main aim of microfinance is to empower women. Women make up a large proportion of microfinance beneficiaries. Traditionally, women (especially those in underdeveloped countries) have been unable to readily participate in economic activity. Microfinance provides women with the financial backing they need to start business ventures and actively participate in the economy. It gives them confidence, improves their status and makes them more active in decision-making, thus encouraging gender equality. According to CGAP, long-standing MFIs even report a decline in violence towards women since the inception of microfinance.

The most of the microcredit institutions and agencies all over the world focuses on women in developing countries. Observations and experience shows that women are a small credit risk, repaying their loans and tend more often to benefit the whole family. In another aspect it's also viewed as a method giving the women more status in a socioeconomic way and changing the current conservative relationship between gender and class when women are

able to provide income to the household. There are many reasons why women have become the primary target of microfinance services.

A recent World Bank report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard for all people. At a macro level, it is because 70 percent of the world's poor are women. Women have a higher unemployment rate than men in virtually every country and make up the majority of the informal sector of most economies. They constitute the bulk of those who need microfinance services. Giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution's activities, benefiting multiple generations.

NABARD (2005) explains that the Self Help Group is a group with "an average size of about 15 people from a homogenous class. They come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline in all of them. They also learn to handle resources of a size that is much beyond the individual capacities of any of them. The SHG members begin to appreciate that resources are limited and have a cost. Once the groups show this mature financial behavior, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. The groups continue to decide the terms of loans to their own members. Since the groups' own accumulated savings are part and parcel of the aggregate loans made by the groups to their members, peer pressure ensures timely repayments." In this paper the role played by Microfinance in women's empowerment are considered into three dimensions namely psychological, social and economical.

2. Review of Literature

Concept of empowerment: What do we mean by empowerment? When does the well-being of a person improve? Nobel Laureate Amartya Sen. (1993) explains that the freedom to lead different types of life is reflected in the person's capability set. The capability of a person depends on a variety of factors, including personal characteristics and social arrangements.

Malhotra (2002) constructed a list of the most commonly used dimensions of women's empowerment, drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that women's empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological.

The World Bank defines empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes.

According to Krishna (2003) empowerment means increasing the capacity of individuals or groups to make effective development and life choices and to transform these choices into desired actions and outcomes. It is by nature a process and/or outcome.

Microfinance and Women Empowerment: A majority of microfinance programs target women with the explicit goal of empowering them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. Whereas, other believe that investing in women's capabilities empowers them to make choices which is a valuable goal in itself but it also contributes to greater economic growth and development.

It has been well-documented that an increase in women's resources results in the well-being of the family, especially children (Mayoux, 1997; Kabeer, 2001; Hulme and Mosley, 1997). A more feminist point of view stresses that an increased access to financial services represent an opening/opportunity for greater empowerment. Such organizations explicitly perceive microfinance as a tool in the fight for the women's rights and independence.

Finally, keeping up with the objective of financial viability, an increasing number of microfinance institutions prefer women members as they believe that they are better and more reliable borrowers.

Ranjula Bali Swain (2007) "Can Microfinance Empower Women? Self-Help Groups in India" concluded many strides have been made in the right direction and women are in the process of empowering themselves and NGOs that provide support in financial services and specialized training, have a greater ability to make a positive impact on women empowerment.

Susy Cheston, Lisa Kuhn in their article titled 'Empowering Women through Microfinance' concluded Microfinance has the potential to have a powerful impact on women's empowerment.

Ranjula Bali Swaina and Fan Yang Wallentin (September 2009) in their article 'Does microfinance empower women? Evidence from self-help groups in India' concluded that their study strongly indicate that SHG members are empowered by participating in microfinance program in the sense that they have a greater propensity to resist existing gender norms and culture that restrict their ability to develop and make choices.

3. Statement of the Problem

In olden days women were restricted to take part in any social activities and not given roles in decision making in her family. The situation was even more worsening in rural and remote areas. Now the situation has been changed. She is given freedom to do what she wishes. In today's scenario more women are engaged in income generating activities. This is because of NGO and other financial institution came forward to provide microfinance to poor women. They believe that a woman is the small credit risk and often benefits the whole family. The main aim of microfinance is to empower women. This induced the researcher to focus more on the empowerment of rural women who participates in the microfinance.

4. Objectives of the Study

1. To study the performance of SHGs in Pondicherry rural region.
2. To study the problems women members face in SHG.
3. To analyze the freedom women members get in SHG.
4. To analyze the empowerment of the women psychologically, economically and sociologically.
5. To offer suggestions for the betterment of women's empowerment in SHG.

5. Research Methodology

Sources of Data: The study is undertaken in rural areas of Pondicherry region. Both primary and secondary data's are used. Primary data is enumerated from a field survey in the study region. Secondary data is collected from NGOs' reports and other documents. One NGO is selected and six Self-Help Groups promoted by that NGO in rural areas of Pondicherry are taken for study. Areas covered under the study are:

1. Suthukeni
2. Lingareddipalayam
3. Thirukanur
4. Solai nagar
5. Kakilapatu
6. Chettipet

Sampling Method: Cluster sampling and area sampling is followed. Since the members are large in number they are divided by groups and randomly selected for data collection.

Sample Size: 181 samples have been collected for the research from all the six rural areas of Pondicherry region.

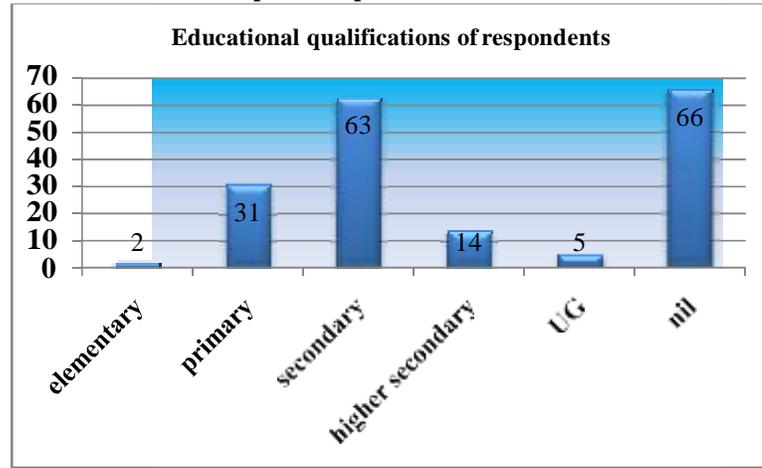
Statistical tools used: Simple correlation coefficient, paired t test, cross tabulation and percentage analysis has been used to analyze and interpret the data.

Method of Data Collection: A structured interview schedule was prepared by the researcher and used for collecting data from the rural SHG women members who are engaged in Micro enterprises through microfinance.

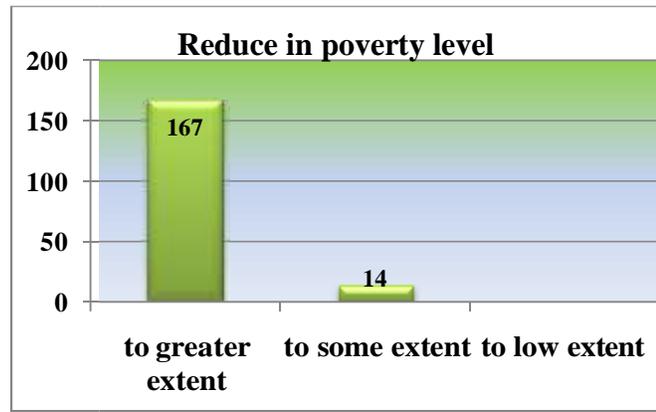
4. Limitations of the Study

- The study is confined with the rural areas of Pondicherry. Hence the results may not be applicable to urban area SHG members.
- The data was collected only from those who engaged in income generating activities.

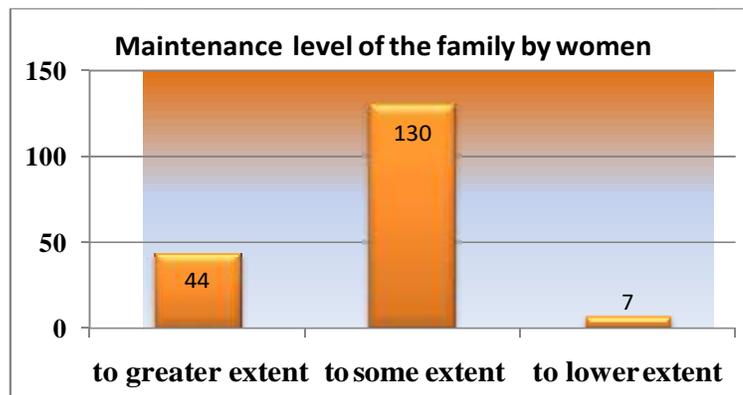
DATA ANALYSIS AND INTERPRETATION
Graphical Representation of Data



36.5 % of the women are illiterate and the next majority of the women have done up to secondary education



92% of the women stated that microfinance has reduced their poverty level to a greater extent.



130 respondents out of 181 said that they can able to maintain their family to some extent followed by the 44 respondents who accepted to greater extent they can able to maintain their family after joining in SHG.

Table 1: Percentage of Respondents Empowered Socially

Expressing opinions freely			
Sl. No	Options	Frequency	Percent
1	Yes	179	98.9
2	No	2	1.1
Total		181	100.0

179 out of 181 respondents agreed they can able to express their opinions freely both in group and in family.

Table 2

Moving independently			
Sl. No	Options	Frequency	Percentage
1	Yes	164	90.6
2	No	17	9.4
Total		181	100.0

164 respondents are moving independently without the help of family members to banks, government offices and other places which indicate the social mobility.

Table 3

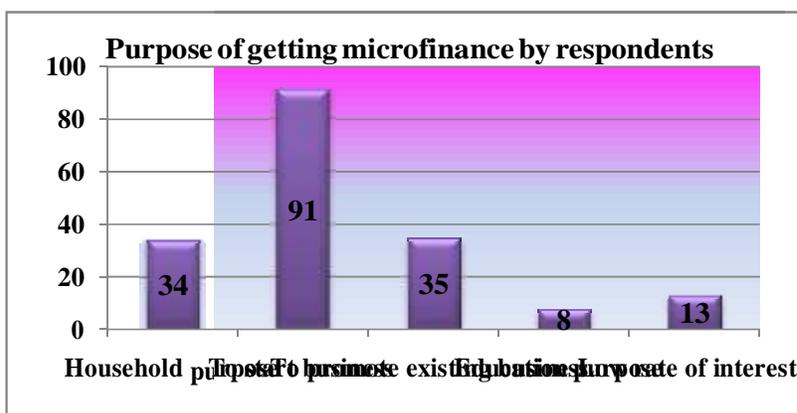
Role of decision making in family			
Sl. No	Options	Frequency	Percentage
1	Yes	176	97.2
2	No	5	2.8
Total		181	100.0

Most of the respondents (97.2 %) agreed they play a vital role in decision making in their houses.

Table 4

Purpose of getting microfinance by respondents			
Sl. No	Options	Frequency	Percentage
1	Household purpose	34	18.8
2	To start business	91	50.3
3	To promote existing business	35	19.3
4	Education purpose	8	4.4
5	Low rate of interest	13	7.2
Total		181	100.0

GRAPHICAL REPRESENTATION OF DATA



91 respondents got microfinance to start new income generating business followed by to promote their existing business.

Table 5: Correlation between improvement in literacy level and awareness in children education

Variables		Improvement in literacy level	Awareness in children education
Improvement in literacy level	Pearson Correlation	1	.503**
	Sig. (2-tailed)		.000
	N	181	181
Awareness in children education	Pearson Correlation	.503**	1
	Sig. (2-tailed)	.000	
	N	181	181

The correlation between Improvement in literacy level and awareness in children education is **.503** which is a high significant positive correlation indicating that Improvement in respondent’s literacy level leads to awareness in children education.

Table 6: Correlation between reduce in poverty level and improvement in standard of living

Variables		Reduce in poverty level	Improvement in standard of living
Reduce in poverty level	Pearson Correlation	1	.373**
	Sig. (2-tailed)		.000
	N	181	181
Improvement in standard of living	Pearson Correlation	.373**	1
	Sig. (2-tailed)	.000	
	N	181	181

The correlation between reduce in poverty level and improvement in standard of living of respondents are positively correlated. But reduction in poverty level doesn’t leads to higher standard of living.

PAIRED t – TEST

Hypothesis:

H₀ : There is no difference in mean income of respondents before and after joining SHG.

Table 7: Paired t test table

Income	Mean	N	Std. Deviation	Std. Error Mean
Income of respondents before joining SHG's	1016.20	181	730.507	54.601
Income of respondents after joining SHG's	1512.85	181	889.626	66.494

Table 7.1

Mean	SD	Std. Error Mean	t	df	Sig. value
-496.648	690.579	51.616	-9.622	180	.000

Since the probability value is 0.000 (p<0.01), we reject the null hypothesis and conclude that mean salary after joining SHG is significantly higher than the mean salary before joining SHG. Thus the microfinance is significantly increasing the salary of the respondents.

Table 8: Cross tabulation of psychological variables with different age groups

Variables	Age of respondents								
	20-30		31-40		41-50		51-60		TOTAL
	Yes	No	Yes	No	Yes	No	Yes	No	
Self confidence	85	0	40	0	31	0	25	0	181
Improvement in courage	90	0	35	0	36	0	20	0	181
Improvement in skill	93	0	30	0	38	1	20	2	181
Improvement in literacy level	76	9	22	11	18	13	7	25	181
Awareness in children education	78	7	40	7	18	10	10	11	181
Awareness about the environment	84	1	38	2	31	0	21	4	181
Happiness and peace in family	83	3	38	1	29	2	23	2	181

It is evidenced from the table microfinance brought psychological well being among rural women. Micro finance has made a very good impact on the age group of 20 - 30. Age plays a vital role in psychological well being of rural women.

5. Findings

- It is noticed that all the respondents agreed that micro finance brought courage and self confidence and improved their skill and self worthiness.
- It is found that microfinance improved the literacy level of rural women improved awareness on children education to high level of respondents.
- Majority of the respondents expressed that their awareness about environment improved after taking part in micro finance programs actively. Maximum number of respondents accepted that microfinance has brought economic development directly and indirectly happiness and peace in the family.
- Women are economically and socially empowered after joining SHG and getting micro finance as 92 percent reported that poverty level reduced by participating micro finance program.
- As far as the self help group is concerned they don't face any type of problems or compulsions from leaders or from other members in the group. Women are given full freedom to express their opinions.
- It is also noticed that most of the women are not aware of the trainings organized by the NGO. The NGO shall actively take part in various trainings sessions provided to all women members wherein they can gain more knowledge about the various income generating activities.

- There is appreciable development in coordination between groups and within group leaders and decision making among respondents. There is a significance improvement in the income of the respondents after joining SHG.
- There is a definite improvement in psychological well being and social empowerment among rural women as a result of participating in micro finance through SHG program.

6. Conclusion

The rural area Self Help Groups are performing well. The study concludes that microfinance brought psychological and social empowerment than economic empowerment. Impact of micro finance is appreciable in bringing confidence, courage, skill development and empowerment. The SHG members feel free to move with their groups and leaders. It leads them to participate on various social welfare activities with good co operation. While interacting with the respondents, it is noticed that some members are expecting the NGO to come up with more training sessions in income generating activities. All they need is a way to develop their skills and talents by participating in various training programs.

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