

Role of Micro Finance in Women's Empowerment (A Study on Rural Area of Patna India)

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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 economic. The study is undertaken in rural areas of Patna 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 books, website, and relevant 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.

Introduction

Microfinance

Microfinance, according to Otero (1999, p.8) is "the provision of financial services to low-income poor and very poor self-employed people". These financial services according to Ledgerwood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001, p.339) define microfinance as "the attempt to improve access to small deposits and small loans for poor households neglected by banks." Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

Microcredit

In the literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Sinha (1998, p.2) states "microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs¹ supplement the loans with other financial services. A microfinance institution (MFI) according to Microfinance Information exchange (MIX) is an organization that offers financial services to the very poor (2005). The UNCDF (2004) state that there are approximately 10,000 MFIs in the world but they only reach four percent of potential clients, about 30 million people. The Microcredit Summit Campaign Report (Microcredit Summit, 2004) however states that the 2,931 microcredit institutions that they have data on, have reported reaching over 80 million clients. Despite the lack of clear data on the sector, it is

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accepted that a wide variety of implementation methods are employed by different MFIs, with the Grameen Bank (2000) having identified fourteen different microfinance models.

History of Microfinance

Microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2001) and Otero (1999). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programs. These often resulted in high loan defaults, high loss and an inability to reach poor rural households (Robinson, 2001).

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.

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.

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, others 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. 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.

Statement of the Problem

In today's scenario more women are engaged in income generating activities. 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. 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 participate in the microfinance.

Objectives of the Study

1. To study the performance of SHGs in Patna rural area
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.

Research Methodology

Sources of Data: The study is undertaken in rural areas of Patna 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 Patna are taken for study. Areas covered under the study are

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 Patna region.

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

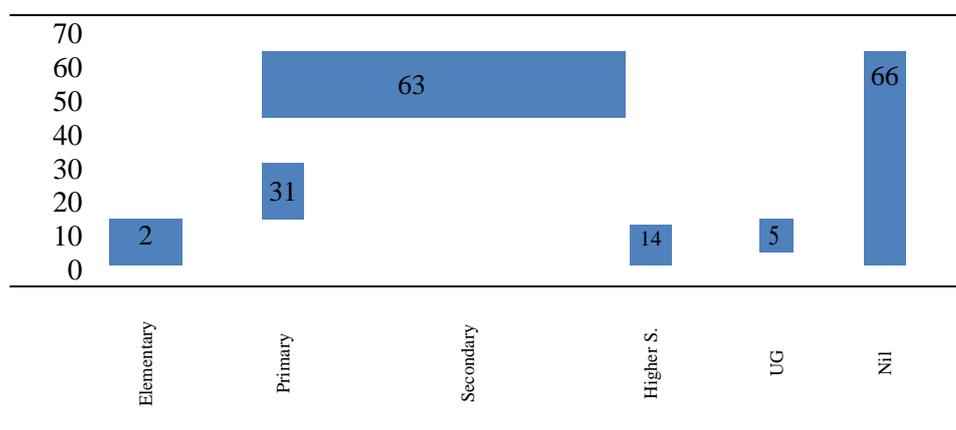
Method of Data Collection: A structured interview schedule was prepared by the researcher and used for collecting data from the rural SHG women members who are engaged in Micro enterprises through microfinance.

Limitations of the Study

- The study is confined with the rural areas of Patna. 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

The data analysis used percentage method, simple correlation coefficient, paired t-test and cross tabulation for analysis purpose.



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

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 %) agree d 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

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

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

Variables		Reduce in poverty level	Improvement in standard of living
	Pearson Correlation	1	.373**
Reduce in poverty level	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: 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	
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

Variable	Age of respondents								Total
	20-30		31-40		41-50		51-60		
	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	
Improvement in skill	93	0	30	0	38	0	20	0	
Improvement in literacy level	76	9	22	11	18	13	7	25	
Awareness in children education	78	7	40	7	18	10	10	11	
Awareness about the environment	84	1	38	2	31	0	21	4	
Happiness and peace in family	83	3	38	1	29	2	23	2	

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

Research 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.

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 cooperation. 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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