

Microfinance Promoting Women Empowerment Through Self Help Groups In India

Paper Submission: 12/09/2021, Date of Acceptance: 23/09/2021, Date of Publication: 24/09/2021

Abstract

Women's potential cannot be identified or achieved unless their participation in economic growth and political democracy are equal to the males of the country. Hence micro-credits have been proved to be a significant force of liberation for women's struggles in exploitative social and economic conditions. A large number of activities are supported by microfinance institutions to provide basic help like start-ups for entrepreneurs to set small businesses and programmes of education to teach women the principles of investing and savings. This offers mental satisfaction to women and provides opportunity of women for diversion from routine work. It is also a sector in which many women earn their livelihood, and it is increasing rapidly in many industrialized nations. Many women support themselves and their families through the income they receive from their productive activities, providing support to family wellbeing. Microfinance nowadays aims at gaining high profits and also having major social impacts to uplift the country

Keywords: Women, Economic Growth, Micro-credits, Opportunity, Profits, Social Impacts.

Introduction

Microfinance all over the world is emerging today as an avenue for gaining financial services which helps people to uplift socially and economically in the society. Microfinance at present is being endorsed as a key intrusion by governments and development agencies across the civic spectrum for women and unprivileged people. Microfinance is also called as micro-credit, it means giving financial services to individuals with low income or who are unemployed. These banks provide services like insurance, savings, giving business and financial education. Promotion of women financial users is crucial for any development policy. Firstly, because female financial users have a significant contribution in the economic growth, not only because of their escalating numbers, but also through the development of innovative styles of businesses, which are more approachable to the changing economy, Promotion of women financial users is crucial for any development policy. Firstly, because female financial users have a significant contribution in the economic growth, not only because of their escalating numbers, but also through the development of innovative styles of businesses, which are more approachable to the changing economy, Millions of women at all income level both in urban and rural areas are initiating to set up enterprises or businesses. Women do their best to obtain the quality of opportunities in several ways that vary with time and society. Female entrepreneurship enables limited capital resources and available skills to be shared with women. It paved the way for the wider use of capital and mobilized the potential of women. Microfinance helps women to gain economic independence, which automatically gives rise to women empowerment. Individuals with low income level do tend to save, acquire credit, borrow and repay their debts. Most of the microfinance institutions focus on helping women and make them empowered.

A large number of activities are supported by microfinance institutions to provide basic help like start-ups for entrepreneurs to set small businesses and programmes of education to teach women the principles of investing and savings. This offers mental satisfaction to women and provides opportunity of women for diversion from routine work. It is also a sector in which many women earn their livelihood, and it is increasing rapidly in many industrialized nations. Many women support themselves and their families through the income they receive from their productive activities, providing support to family wellbeing. Women's active participation in entrepreneurial activities or businesses helps in the overall GDP of an economy and thus to the



Sweta

Guest Faculty,
Dept. of Economics,
Sabour College, Sabour
T.M. Bhagalpur University,
Bhagalpur, Bihar, India

development of the country. Women can gain confidence, power of decision making and have greater sense of control over their lives through starting and managing their own businesses.

Women's potential cannot be identified or achieved unless their participation in economic growth and political democracy are equal to the males of the country. Hence micro-credits have been proved to be a significant force of liberation for women's struggles in exploitative social and economic conditions. Microfinance nowadays aims at gaining high profits and also having major social impacts to uplift the country. Thus these institutions work on long term basis where it could attract investments and at the same time borrow. The MFIs work on 2 main factors:

1. Social impacts.
2. Financial sustainability.

It helps people to come out from debt traps. It's a dynamic process for people who are living on the edge of poverty. Microfinance helps people to make their lives more stable. These institutions not only focus on taking people out from poverty but also to teach them risk management. Microfinance based interventions have been proved very positive for women's welfare.

Thus microfinance investment is a better instrument which can be pushed forward for social changes in an economy as this would not only help in the growth and development of the country but will also help in the upliftment of an individual.

Women Empowerment in India

Women Empowerment means women identifying their rights to which they were earlier kept away or were denied. Empowerment means allowing individuals to participate in the decision making process, participate in other economic activities without any restrictions or limitations. Empowerment also includes women's education which would further raise awareness and improve their status, giving training and making them literate. Women Empowerment is about allowing and equipping women to their decisions through different issues faced by them in the society. The process of sustainable development includes environmental protection, economic and social development and till women are not empowered this process of development cannot be achieved. Thus the need to empower women came from the centuries of discrimination and domination of men over women and also to change the patriarchy system of our country and give them equal status as men.

There are still places in India where empowerment of women is a foreign concept and suppression and gender discrimination still prevails. Since women are dependent on male to run their livelihoods they are considered to be a weak class. When women become financially independent that's when they are called empowered. Majority of world's population female are all poor in the context of empowerment. Women empowerment has positive effects on all the economic aspects like life expectancy, literacy rate, and increase in the GDP rate etc. If women are given proper resources and opportunities they can contribute more in the development process of our country. The different training programmes not only gives them confidence but also increases their social life for example communication vision increases which helps them to develop a bond with the family and the outside world.

The United Nations Organization defines Women Empowerment through five main components. These are as follows:

1. Rights of women to control and regulate their lives outside and within their home.
2. Right of women to have access to all the resources and have equal opportunities.
3. Right to women to contribute in the socio economic order.
4. Create a sense of self-worth among women.
5. Right of women to determine their choices.

Thus women empowerment is all about creating an environment where men and women are treated equally.

Development indicators for women empowerment in India may be grouped as follows:

Chart 1: Indicators of Women Development in India

PERSONAL DEVELOPMENT	ACADEMIC DEVELOPMENT	PROFESSIONAL DEVELOPMENT
> Self Esteem	> Study Skills	> Data Entry
> Health and Hygiene	> Goal Orientation	> Spoken English
> Critical Thinking	> Aptitude Testing	> Administrative Services
> Financial Management	> High School Scholarship	> Customer Support
> Interpersonal Skills	> College Counselling	> Interview Preparation
> Legal Rights	> College Scholarship	> Resume Support
> Conflict Management		> Etiquette and Grooming
> Stress Management		> Career Counselling

In the developing countries more emphases is given to women participation in different day to day activities. It is widely recognized that women apart from house hold activities also earn income in productive activities like working in factories, earning through small businesses or other industrial activities. It is also proven that women are better entrepreneurs and contribute more in the developing process of our country. Thus it is important to empower rural women so that they can be a part of human development procedures. Women to become entrepreneurs it is important that they have access to capital, managerial and technical markets. The essence of empowerment lies in the economic activities or participation of women at the grass root level.

Women Empowerment through Microfinance

Women account for half of the world’s population, and their contribution is a key variable in development in poor and developing economies. Unfortunately, due to gender inequality, discrimination, and social pressure that make them subordinate in all areas of life, they have limited opportunities to obtain positions of influence and power. Compared with men, they have fewer career choices and lower incomes. In addition, they also need to handle external activities through housework. Therefore, from this harsh social scene, the necessity of empowering Indian women arises. This makes the microfinance program an effective tool to help the poor, especially women, engage in self-employment at the micro level to reduce poverty and improve economic conditions. In the formal banking system, collateral must be provided to obtain financial assistance. Generally speaking, rural women have little or no property or assets to produce such collateral. Therefore, microfinance solves this problem by providing unsecured loans at home. Women with limited resources come together as an informal group. This has led to an increase in the number of personal loans, which provide banks with guarantees in the form of collective guarantees. Participation in the microfinance program has increased the profitability of poor women, thereby improving income, fixed assets, net working capital, and spending on food, medical facilities, and children’s education. Women’s participation in microcredit helps to generate social capital, thereby reducing domestic violence and making women financially independent and confident. Women’s self-esteem and overall status in the family and the wider community have improved. Women participating in microfinance programs can improve their ability to intervene in the family process. In addition, this will reduce male prejudice and promote the overall welfare of the family.

The Millennium Development Goals

The central theme of the Millennium Development Goals is to reduce poverty in all its forms by 50% by 2015. The fiscal measures implemented by the state through the financial system can make a significant contribution to strengthening this goal. When it comes to the poor, the importance of community organizations and non-governmental organizations in providing financial services to the grassroots to alleviate poverty is undeniable. Therefore, the state government, the formal financial system, and community organizations can be seen as the three pillars that must work together to accomplish this difficult task.

**Concept of Basic Self
–Help Group (SHG)**

Over the past 18 years, the Bank Liaison Program of the Self-Help Group (SHG) has become a well-known tool for bankers, development agencies, and even companies. In many respects, SHG has gone beyond the way of providing financial services as a channel, and has become a single point of contact for providing various services to the poor. After a period of development, the program has developed into a common carrier in the development process, which brings together important development programs. NABARD launched a pilot project in 1992 to connect 255 SHGs with banks. The program started on a small scale and realized the link between 6.95 million savings-related SHGs and 4.85 million credit-related SHGs, covering approximately 9.7 billion households. Through this plan, the formal financial system and the informal sector are combined. (NABARD)

SHG come in directly contact with the lending agencies members, under the basic SHG model generally women are involve, and they are mobilizing and organizing into self help groups. The size of SHGs is neither too lager, as exceeding 20 nor too small as less than 10. Besides performing saving and loan activity, SHG a serve as a forum for the poor rural women to,

1. Voice their opinions and take decisions
2. Interact with one another on group issues
3. Share their experiences
4. Exchange ideas and raises their voice on various social issues
5. Initiate to collective action on a wide range of social, personal and economic issues.

Each SHG selects its own leader, secretary and treasurer and hold regular meetings. Capacity building inputs are provided to SHGs by the NGOs, so that they become capable of functioning units in an independent and effective manner. Saving activity is compulsory feature of SHG activities. This saving activity permits accumulation of capital. The amount of money to be saved is fixed by the group members themselves.

After period of one or two months of consistent savings, the SHG start rotating their saving in the form of small internal loans for micro enterprises activity and other purpose including consumption, as may be decided by members. Most of the decisions making functions such as interest rates to be charged for internal loans, repayment schedule, fine for default etc. are left to the decision of the group.

Only those SHGs that have performed well in rotating internal savings, in the form of small internal loans are assisted with external funds through linkage with banks and other financial intermediaries. The NGOs act as promoters and catalysts, facilitating the establishment of the Microfinance system that is capable of bring economic, social, political and personal empowerment to the poor clients.

Progress of SHGs

The concept behind the SHG initiative is that self-help supplemented by mutual assistance can be a powerful tool for the socio-economic progress of the poor. The poor can save and they can also make money. The collective wisdom and peer pressure of the poor are valuable substitutes for collateral. NABARD not only played a key role in promoting SHGs, but also played an important role behind the SHG Bank Linkage Program. So far, the total amount of refinancing approved by NABARD is Rs 31.3 billion. SHG's performance is very encouraging. Members' repayment to SHG is very high, and the on-time payment rate hovers around 98%. Many of the expectations behind the basic ideas that formed SHG seem to have been fulfilled.

Table 1: The SHGs progress in 2009-2010:- (NABARD)

Progress under Microfinance- Savings of SHGs with Banks Agency-wise position as on 31 March 2010 (Amount Rs. In Lakh)				
Sr .	Name of the Agency	Total Savings of SHGs with	Out of Total-Under SGSY	Out of Total- Exclusive Women SHGs

Remarking An Analisation

N o.		Banks as on 31 march 2010					
		No. of SHGs	Saving Amou nt	No. of SHGs	Saving Amou nt	No. of SHGs	Saving Amou nt
1.	Commer cial Banks	40529 15	367389 .24	10881 60	83147. 57	33500 54	290057 .64
2.	Regional Rural Bank	18208 70	129937 .49	46237 0	26850. 40	12403 42	99686. 25
3.	Cooperat ive Bank	10794 65	122544 .16	14338 0	19264. 25	72004 0	60121. 86
	Total	69532 50	619870 .89	16939 10	129262 .22	53104 36	449865 .75

Three levels of self-help group development

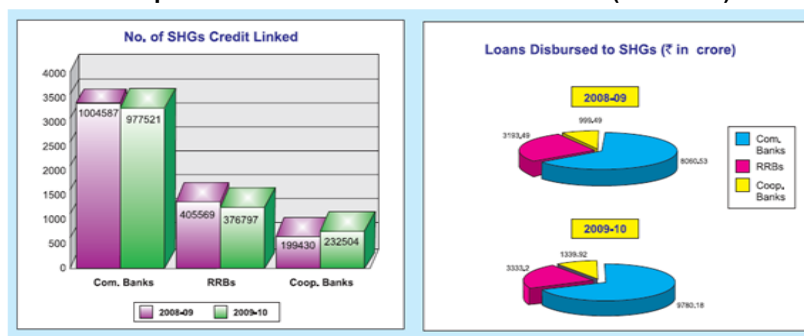
1. At the first level, households use microcredit to meet their "survival needs." Small savings and loans can serve as a buffer or smooth consumption in emergency situations, and even pay off debts in difficult times. Of liquidity.
2. On the second level, "livelihoods" are covered by microfinance, and households begin to use microfinance to diversify their income-generating activities or to meet the working capital needs of traditional activities.
3. At the third level, as households reach a stage where they can bear higher risks, microfinance will be used to invest in entrepreneurship or promote employment in one way or another and the budget is "sustainable."

SHG Bank Linkage Programme

The SHG-Bank Linkage Programme started as an Action Research Project in 1989. In 1992, the findings led to the setting up of a pilot project. The pilot project was designed as a partnership model between three agencies, viz., the SHGs, Banks and Non-Government Organizations:

1. SHGs were to facilitate collective decision-making by the poor and provide 'doorstep banking';
2. banks as wholesalers of credit, were to provide the resources;
3. NGOs were to act as agencies to organize the poor, build their capacities and facilitate the process of empowering them.

Graph 1: Status of SHGs in India 2009-2010 (NABARD)



Impact of SHGs

Once the structure and model of SHGs and SHG Bank Linkage are firmly established, the nature of the impact of SHGs can be more closely examined and evaluated. NABARD's latest estimate is that as of March 31, 2005, 1.6 million SHGs had benefited from approximately 69 billion rupees (NABARD, 2005). There is no doubt that through SHGs, financial services for the poor

have been better realized. Of course, the range of southern India is very good. However, in other parts of the country, the scope is limited.

In addition to SHG's financial analysis, non-financial areas such as social security and gender dynamics are also affected by the SHG movement. In fact, the fight against poverty is not a matter of numbers, but a matter of ideas and concepts. The following is an analysis of SHG's non-financial impact.

Politics

Political participation includes SHG's active participation in government, including local councils, Lok Sabha or Panchayati Rai institutions (PRI) (APMAS, 2005). One of the main benefits of SHG is the empowerment of women, which is evident in the number of women participating in public affairs.

SHG has both an inspiring effect and a funding effect. Through SHG, poor women develop better language and financial skills, which form the cornerstone of a higher level of self-confidence to participate in the world. In addition, SHG sometimes provides funding for the election activities of its candidates. SHGs not only strengthened their membership, but also played a strong political role as a group.

Social harmony

The composition of SHGs is sometimes entirely a specific social group or mixture. The impact of SHGs on social harmony is also mixed. Although it has been observed that mixed member groups have group leaders from various social groups.

Social justice

Social justice refers to the existence of moral and ethical behaviors in areas characterized by backwardness and abusive customs in history. SHG has occurred many times to resolve disputes between members and the community. There are now some cases where women, SHG members, participate in dispute resolution.

Basics of life

Basics of life, that is, one's economic activities, is an area that is vital to SHG. The loans obtained by SHG members are designed to improve their livelihoods so that they can obtain greater and more stable cash flow. In rural areas, livelihoods include agriculture, animal husbandry, dairy farming, and various other commodities and service activities. Interventions that introduce new livelihoods or improve existing livelihoods to bring better economic results are carried out by external agencies.

The formation of SHGs is one of the powerful tools and approaches to empower women and make women as good entrepreneurs. The credit services through SHGs have also proved to be a factor for removing poverty and making women empower. Thus through proper credit facilities given by SHGs women have extended their small businesses like embroidery, weaving, gem cutting, bee keeping, knitting and food processing. SHGs are self governed groups where decisions are taken collectively about marketing and production although it the duty of the group leader to identify the potentials of the members. Considering the expansion of the credit facilities of microfinance organizations and the pressure of reducing the rate if interest it has become important to take the services beyond the group lending procedures. The group mechanism is considered as collateral.

The recent report by NABARD states that they have covered ₹11 crore households with ₹87 lakh SHGs who have deposited over ₹19,500 crore and loans taken are more than ₹47,000 crore.

Microfinance institutions help in the following ways to uplift women through SHGs:

Economic Empowerment-

Microfinance helps in enhancing the income of women as a result access to credit facilities. It helps in generating employment opportunities for women, gives them a better understanding towards bank transactions and improves the control and access over resources

Social Empowerment

Microfinance helps in women gaining confidence, respect, and involvement in decision making, ability to have better communication powers and increase the mobility in the locality. It also imparts the training activities related to income generation, creates a sense of awareness among women and increases the literacy level.

Political Empowerment

Microfinance increases the role of women's participation in the local bodies, making decisions in the local government and involvement of women in the political campaigns or protest.

Objective of the Study

The goal of this research is to investigate the influence of microfinance on the economic and social development of impoverished women in rural India, as well as the role of microfinance in assisting SHGs in this respect. Aside from that, the following are objectives:

- (i) To understand women empowerment through microfinance initiatives.
- (ii) To investigate the function of SHGs in empowering women members.
- (iii) To make tangible recommendations for improving the overall functioning of SHGs.

Review of Literature

A review of the literature is an essential stage in every research work. A review of previous studies reveals the work done by particular academics and institutions, making it easier to begin with the undiscovered parts of the concerned study activity. Various research on the operation of Microfinance Institutions and Self Help Groups, particularly in rural regions, have been done at the micro and macro levels in India and overseas by various social scientists. While there is a wealth of research on microfinance and SHGs, it is discovered that the implementation of SHG-bank linkage is a relatively new phenomenon. Nayar (2005), Hietalahti and Linden (2006), Karlan and Jonathan (2009), Karmakar (2009), Goyal and Goel (2012), Eswar and Raghvendra (2014), Kondal's (2014), Selvakumar (2015), Lalitha and Vijayakumar (2016), Uma Devi and Lakshmi Narasaiah (2017) and others have performed study in this field. These studies were primarily concerned with the role of microfinance and its influence on the operation of SHGs. Similarly, well-known academics such as Singh and Usha Kumari (2007), Ramchandran and Balakrishan (2008), Kumar and Golait (2009), Rao and Radhika (2011), Jain and Jain (2012), Alikhan and Noreen (2012), Dahiya et al. (2014), Devi (2014), Kasthuri et al (2014), Ailaiah and P. Babu (2017) have published their findings and others conducted studies on women's empowerment through SHGs. The majority of research indicated that microfinance is a promising instrument for rural poverty reduction, and SHGs-bank connection not only empowers women but also aids in rural development.

Conclusion

Some valuable lessons can be learned from the following successful microfinance business experience. India is said to be one of the industrialized countries. It is undeniable that alleviating poverty and reducing income inequality must be the top priority. In this context, the impressive achievements of the SHG Bank Linkage Program in providing financial services to the rural population have brought a glimmer of hope. As an integral part of the poverty reduction plan, microfinance can help solve the problem of insufficient housing and urban services.

Microcredit is an important factor in improving the well-being of poor women. In addition, some impoverished women use loans to start businesses and get rid of poverty. The microfinance intervention through the SHG program is recognized worldwide as an effective tool to reduce poverty and improve the socio-economic status of poor rural women in India. Recently, microcredit provided through networks of cooperatives, commercial banks, regional rural banks, NABARD, and NGOs is mainly a supply-side approach. As part of NABARD's pioneering initiatives, RBI monitoring and supervision, and the Indian government's subsidy policy, India's SHG bank linkage program is rapidly expanding its scope of influence.

Women occupy an important position in the family. In the past, they were only regarded as the carriers of children who undertake all housework. With the microfinance system, rural women feel that they are more dignified and receive equal economic contributions in the family. It not only has a

positive effect on a woman's physical health, but also affects her mental and emotional state. We should not forget that most of India lives in its villages. By empowering rural women economically through the SHG based on microfinance, we will further realize the dream of a fully developed country.

References

1. .Agrawal, H.G.(2018). *Empowerment of Women through Self Help Group –A Case Study of Baswara District (Rajasthan)*. *International Journal of Research and Innovation in Social Science*. II(II),2454-6186.
2. Athar, A. and S. Labhane. (2016). *Role of microfinance and SHG in the development of rural India and the association women empowerment*. *Journal of Management and Research*.
3. Baghel, D. (2015), *Socio-Economic Development of Women through Self- Help Groups with reference to Chhattisgarh*. *Journal of Humanities and Social Science*. 20, 10, 67-79.
4. Kaur, P. and R. Kaur. (2015). *Empowering rural women through self-help groups in India*. 11th National Conference on "Role of Skill Development in Employment Generation: A National Issue". 5,1.
5. Nithyanandhan, S.H.;Mansor, N. *Self Help Groups and Women's Empowerment*. *Inst. Econ*. 2015, 7, 143–164.
6. Samal, S. *Role of Self-Help Groups in The Empowerment of Women: A Revolution in Power Equations and Gender Relation*. *Int. J. Appl. Res*. 2015, 1, 625–628.
7. Bhatt, A.M, I.A. Wani, A. Ahrar and M. Ahmad (2014). *Empowerment of Women through Self-Help Groups in Madhya Pradesh: A Sociological study*. *Journal of Humanities and Social Sciences*.19, 1, 80-94.
8. Gupta, D. (2014). *The Impact of Microfinance on Rural Development and Poverty Alleviation in India*. *International Journal of Business Management and Research*.4, 4, 81-88.
9. Ansari, S.A. *SHG Bank Linkage Programme in India: An Overview*. *Int. Refereed J. Arts Sci. Commer*. 2011, 1, 12–19.
10. NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (2010) *Report on the Status of Microfinance in India*.
11. N. Tejmani Singh, "Microfinance Practices In India: An Overview", *International Review of Business Research Papers*, Vol. 5 No. 5 September 2009 Pp. 131-146
12. Debadutta Kumar Panda, "Participation in the Group Based Microfinance and its Impact on Rural Households: A Quasi experimental Evidence from an Indian State", *International Review of Business Research Papers*, Vol. 5 No. 5 September 2009 Pp. 131-146
13. NABARD, "Status of Microfinance in India 2009 – 2010"
14. Garikipati, S. *The impact of Lending to Women on Household Vulnerability and Women's Empowerment: Evidence from India*. *World Dev*. 2008, 36, 2620–2642.
15. Thanuja Mummidi, "Women and Income Generating Activities: Understanding Motivations by Prioritising Skill, Knowledge and Capabilities", *Rural Microfinance and Employment project*, 2007.