

Evolution of Microfinance on Women's Empowerment

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Abstract: Microfinance is considered as a vital development tool in most developing countries. In particular, it has been targeted towards women as an empowerment tool. They generate self-employment opportunities in rural areas. The credit support should make available to rural entrepreneurs through the SHGs in the form of micro-loans, who otherwise are often considered non-bankable by the financial sector. The contribution of SHGs in changing the social, political and economic status of rural women.

Keywords: Microfinance; Women empowerment; Self-Help Group (SHG).

1. Introduction

Micro finance has emerged as a major hope for the millions of rural/urban poor for dealing with 'poverty and dignity'. Poverty is a multi-sectoral problem and does not fit into any one of the sectors. The concept of SHGs is the most exciting discovery in the context of micro finance. The Indian micro finance scene is dominated by SHGs and their linkage with banks. Owing to the importance of micro finance and SHGs in the eradication of poverty and in the empowerment of women, this chapter is devoted to analyse the role of both in women empowerment.

A. Micro Finance and Women Empowerment

In India, the concept of micro finance was introduced by NABARD in the nineties to bridge the gap between demand and supply of funds in the lower rungs of the Indian economy. It aims at the eradication of rural and urban poverty through the linkage of SHGs with Micro Finance Institutions.

B. The Concept of Micro Finance

Micro finance is a concept that is helping the poor to avail of the opportunities for economic growth. In India micro finance has fueled the efforts of rural development, women empowerment and wealth generation by providing small-scale savings, credit, insurance and other financial services to poor and low-income households. Micro finance thus serves as a means to empower the poor and provides a valuable tool to help the economic development process.

C. Significance of Micro-finance

- Micro finance revolution is increasingly demand-led as contrasted to the supply-led State sponsored rural credit.

- Micro finance is profitable for banks/micro finance institutions adopting a profit centric approach with customer-friendly savings and loan products.

D. SHGs for Women Empowerment

SHGs have become a powerful instrument in providing access of banking services to poor and also in mobilising their small savings. The programme of micro financing through SHGs with the intervention of NGOs and the support from the government has shown many positive impacts on rural poor women which leads to their empowerment. The impacts of micro finance through SHGs are described below:

Table 1
Comparison of Micro Finance and Formal Banking

Tools	Micro	Banking
Size of Loan	Tiny	Huge
Duration	Short	long
Monitoring	Group formation	legal
Repayment	Monthly repay	Collateral
Organization	Social	Commercial
Motivation	Self-help motivated	Profit
Outcome	Accessible to poor members	Access limited

E. Increased Savings

SHGs have helped to generate and collect small savings from rural women who were hitherto considered incapable of having any capacity to save. The regular savings, though they are small, provide a fund for rural poor women to fall back on when in need, otherwise they will have to depend on hand outs from others. The SHGs inculcate the habit of regular savings among poor women, which has been instrumental for their empowerment.

F. Access to Credit

The SHGs have extended the credit facility to the needy women/households who are having no assets to pledge. The system of group guarantee combined with individual responsibility is the innovation that has enabled the credit to be expanded to millions of poor and asset less women across India. The SHGs have facilitated the rural women to fulfil their credit requirements both for meeting emergent consumption needs as well as small production requirements. This has been achieved without requirements of collateral, complex loan and at a low transaction cost. Access of women to credit facilities ultimately

result in their empowerment.

G. Regular Repayment of Loans

The SHGs have been able to build social collateral and peer pressure to ensure that payments come on time. Non-Performing Assets (NPA) is a non-issue in SHGs-Bank linkage programme. The SHGs have been successful in building an impersonal market relation between financial intermediaries and the clients by breaking the earlier patron-client relation. The ethic of repayment of SHGs has radiated beyond that circle in the economy, as there has been an improvement in overall loan recovery of commercial bank branches in areas where SHGs have been functioning. They had large NPAs mainly out of government's poverty alleviation programmes. But with the spread of SHGs even these NPAs are reported to have come down by as much as 80 per cent. As a result, banks are ready to provide more loans to the needy women through their self-help groups. This has created confidence in them, which leads to their empowerment.

H. Small Scale Operation

The SHGs collect savings and advance loan of a meagre scale. As on March 2019, advances by SHGs formed only 0.15% of outstanding priority sector loans and 0.5% of accounts of scheduled commercial banks. There is a need for upscaling their activities. The performance of SHGs cannot be measured primarily in terms of the repayment rate and continuity and sustainability. The upscaling of their financial services warrants the consideration of certain vital development issues like efficiency, productivity, and opportunity cost of using the financial resources.

I. Lack of Sustainability and Self Sufficiency

The majority of the SHGs are too small. The scale of their

business is not viable as the members are very poor. The group found to be self-sufficient and sustainable usually, is formed by the better off among the poor people, who are just above the poverty line. A few studies suggest that the SHGs that are financially self-sufficient and sustainable tend to be those that do not serve the poorest borrowers. Many of the SHGs still depend on subsidy or grant from the donor agencies or on concessional funds from external agencies

J. No Security

The SHGs work on mutual trust and confidence of the members. The deposits of the SHGs are not secured or safe. The SHGs are not allowed to accept deposits from nonmembers either. Further, SHGs do not have any statutory redressal mechanism to resolve disputes.

K. Poor Impact on Income and Employment

The SHGs are successful in imbibing banking habits among their members. But the impact of micro financing on the income, employment and levels of living of their members are marginal.

2. Conclusion

Microfinance generates self-employment opportunities in rural areas. The credit support should be made available to rural entrepreneurs through the SHGs in the form of micro-loans, who otherwise are often considered non-bankable by the financial sector. The contribution of SHGs in changing the social, political and economic status of rural women.

References

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