



## Economic empowerment of women through microfinance

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### Abstract

Microfinance plays a very important role in the dimension and upliftment of society and specially women. The active participation of women helps a development of family, society and state. Self-help Group (SHGs) is the key ingredients for economic empowerment. This paper aims at highlighting the concepts of empowerment with special reference economic empowerment of women and the parameter of economic women empowerment and role of microfinance in the same.

**Keywords:** present status, problem confrontation, oilseed cultivation

### Introduction

#### Women's Role in Economy

All over the world, the significant of women entry into the workforce over the past three decades has produced profound transformations in the organization of families, society, the economy, and urban life. Since the late 1950s, women's economic activities have been steadily increasing.

Women have always actively participated in their local economies. In Africa, for example, women produce 80 percent of the food and in Asia 60 percent and in Latin America 40 percent. In many cases, women not only produce the food but market it as well, which gives them a well-developed knowledge of local markets and customers. Especially in developing countries, not only to the labour force, but also their role as a significant income-source for the family.

Women, especially poor mothers, must divide their time between work "productive role" and family "reproductive role", and balancing all the demands. Time is valuable for these women, as their livelihoods depend largely on their ability to fulfil the multiple demands of the household and the marketplace.

In spite of the remarkable importance of women's participation, their jobs have been considered as an "extra income" to family survival or simply to improve its living conditions. Moreover, micro enterprises owned by women have been considered as a way to meet primary needs instead of a profitable source of income.

Women have had to fight against an adverse environment, which traditionally had been minimizing and exploiting their capacities. As a consequence of this reality, in some cases, women are just satisfied with the non-financial benefits, such as the psychological satisfaction of "social contact".

The micro finance is agenda for empowering poor women. Micro enterprises are an integral part of planned strategy for securing balanced development of the economy of the poor women. Rural women's participation in agro-based activities is much more than what statistics reveal. This is mainly due to the fact that most of the work done by the women at farm and

home is disguised as daily chores. Mechanization and easy availability of labour provide more time to energetic women to engage themselves in self-employment or entrepreneur ventures. Rural women are having human and nonhuman resources to take up an enterprise need one an innovative mind and motivation.

#### Objectives of the study

- The present paper highlights the concepts of empowerment with special reference economic empowerment of women.
- In addition to this paper also highlight the parameter of economic women empowerment and role of microfinance in the same.

#### Methodology

The Methodology applied was Secondary Data were used for this purpose.

Empowerment implies expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives (World Bank Resource Book). Empowerment is the process of enabling or authorizing an individual to think, behave, take action and control work in an autonomous way. It is the state of feelings of self-empowered to take control of one's own destiny. It includes both controls over resources and over ideology.

Empowerment can be viewed as a means of creating a social environment in which one can take decisions and make choice either individually or collectively for social transformation. It strength innate ability by way of acquiring knowledge power and experience.

Empowerment is a multi-dimensional social process that helps people gain control over their own lives communities and in their society, by acting on issues that they define as important. Empowerment occurs within sociological psychological economic spheres and at various levels, such as individual, group and community and challenges our assumptions about status quo, asymmetrical power relationship and social

dynamics. Economic Empowering of women puts the spotlight on employment which are an essential element to sustainable development.

### **Dimensions of women empowerment**

- Cognitive Empowerment: it involves the understanding of the subordinate condition and their causes and the ability to critically review one's experience in order to notice or identify the pattern of behavior which lead to dependence and hence reinforce subordination.
- Psychological Empowerment: is concerned with women feeling and the belief that they can change their submissive to serve and let the men in their lives makes all decision affecting them
- Economic Empowerment: involves the ability of women to engage in income generating activities which will give them independent income. It has been shown that financial dependence is a key source of subordination among the women.
- Political Empowerment: entails the ability to analyze a situation politically and also to mobilize for a social change

### **Why do we want to empower women?**

One argument which is often advanced is that women constitute nearly half of the available human resource; it would be advantageous to develop these resources not only for individual but also for societal and national development. Unless women's status is improved, the society would continue to deprive of the expertise of 50% of its populace.

However, there is a rethinking that women should be given the opportunities to realize their full potential and be made equal partner in sharing economic responsibility along with the men. Women should also be involved in the policy making and decision making.

It has been observed that various socio cultural factors have stunted the growth and development of women.

To develop them, microfinance is an important instrument which will help them to overcome their weaknesses in various fields. Microfinance programmes have improved upon the original methodologies and extended beyond the conventional thinking.

### **Parameter for women economic empowerment**

1. Enhancing self-esteem and self-confidence among the women
2. Building a positive image of women by recognizing their contribution to economy.
3. Developing and fostering decision making and action through collective process through SHG
4. Providing information knowledge and skills required for economic independence
5. Enhancing access to legal literacy and information to their right and entitlement in the society

### **Women and microfinance**

Although men, as well as women, face difficulties in establishing an additional enterprise, women have barriers to overcome. Among them are negative socio-cultural attitudes,

legal barriers, practical external barriers, lack of education and personal difficulties.

In spite of this, for women and especially for poor women, microenterprise ownership has emerged as a strategy for economical survival. One of the most essential factors contributing to success in micro entrepreneurship is access to capital and financial services. For various reasons, women have had less access to these services than men.

In this context, credit for microenterprise development has been a crucial issue over the past two decades. Research has shown that investing in women offers the most effective means to improve health, nutrition, hygiene, and educational standards for families and consequently for the whole of society. Thus, a special support for women in both financial and non-financial services is necessary.

Regarding limited-access to financial services, women depend largely on their own limited cash resources or, in some cases, loans from extended family members for investment capital. Smaller amounts of investment capital effectively limit women to a narrow range of low-return activities which require minimal capital outlays, few tools and equipment and rely on farm produce or inexpensive raw materials.

In general, women need access to small loans (especially for working capital), innovative forms of collateral, frequent repayment schedules more appropriate to the cash flows of their enterprises, simpler application procedures and improved access to saving accounts.

Surveys have shown that many elements contribute to make it more difficult for women in small businesses to make a profit. These elements are:

- Lack of knowledge of the market and potential profitability, thus making the choice of business difficult.
- Inadequate bookkeeping.
- Employment of too many relatives which increases social pressure to share benefits.
- Setting prices arbitrarily.
- Lack of capital.
- High interest rates.
- Inventory and inflation accounting is never undertaken.
- Credit policies that can gradually run their business (many customers cannot pay cash; on the other hand, suppliers are very harsh towards women).

### **Micro finance instrument for women's empowerment**

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the “unreached poor”. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment.

Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether micro credit is most effective approach to economic empowerment of poorest and, among

them, women in particular. Development practitioners in India and developing countries often argue that the exaggerated focus on micro finance as a solution for the poor has led to neglect by the state and public institutions in addressing employment and livelihood needs of the poor.

Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women's capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions.

Before 1990's, credit schemes for rural women were almost negligible. The concept of women's credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having the access of credit. However, there is a perceptible gap in financing genuine credit needs of the poor especially women in the rural sector. There are certain misconception about the poor people that they need loan at subsidized rate of interest on soft terms, they lack education, skill, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experience of several SHGs reveals that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activity rather than credit subsidy.

The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Since most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self-help to secure economic and financial strength. Various case studies show that there is a positive correlation between credit availability and women's empowerment.

### Problem and challenges

Surveys have shown that many elements contribute to make it more Difficult for women empowerment through micro businesses. These elements are:

Lack of knowledge of the market and potential profitability, thus Making the choice of business difficult.

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### Other shortcomings includes

1. **Burden of meeting:** Time consuming meetings, in particular in programmes based on group lending, and time consuming income generating activities without reduction of traditional responsibilities increase women's work and time burden.
2. **New Pressures:** By using social capital, in-group lending/group collateral programmes, additional stresses and pressures are introduced, which might increase vulnerability and reflect disempowerment.
3. **Reinforcement of traditional gender roles:** lack of economic empowerment: Micro finance assists women to perform traditional roles better and women thus remain trapped in low productivity sectors, not moving from the group of survival enterprises to micro-enterprises. There are evidence of men withdrawing their contributions to certain types of household expenditures.

### Conclusions and Suggestions

A conclusion that emerges from this account is that micro finance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programmes. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrower without imposing unbearably high cost of monitoring its end use upon the lenders. A promising solution is to provide multipurpose lone or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income. Careful research on demand for financing and savings behavior of the potential borrowers and their participation in determine the mix of multi-purpose loans are essential in making the concept work.

India is the country where a collaborative model between banks, NGOs, MFIs and Women's organizations is furthest advanced. It therefore serves as a good starting point to look at what we know so far about 'Best Practice' in relation to micro-finance for economic women's empowerment and how different institutions can work together.

It is clear that gender strategies in micro finance need to look beyond just increasing women's access to savings and credit and organizing self-help groups to look strategically at how programmes can actively promote gender equality and women's empowerment. Moreover the focus should be on developing a diversified micro finance sector where different type of organizations, NGO, MFIs and formal sector banks all should have gender policies adapted to the needs of their particular target groups/institutional roles and capacities and collaborate and work together to make a significant contribution to women empowerment.

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