



Women empowerment and economic development through microfinance (A study of women of women's of rural area)

Dr. Gaurav Pant

Assistant Professor, Amrapali Group of Institutes, Kaladhungi Road, Shiksha Nagar Haldwani (Nainital) Uttarakhand, India

Abstract

Microfinance can play important role to resolve the problem of poverty in India. This paper measure the impact of microfinance on economic empowerment of women more specifically change in saving rate and change in corpus fund available with the groups formed under the group. To conduct the study 341 samples is selected from the three blocks of the district Almora of Uttarakhand. To measure the impact hypothesis is formed and tested with the help of SPSS and found that all the hypothesis formed rejected and concluded that there is a positive relationship between microfinance and economic empowerment of members of SHG.

Keywords: corpus fund, economics empowerment, self-help group, non-government organization

1. Introduction

Development of a country does not only refer to the development of infrastructure, innovations and technology but it is actually related to the development of each and every citizen in terms of their quality of life. A country will move on the development path if all the citizens are involved in the development process and enjoy good standard of living by having access to basic amenities of life such as food, clothing, housing, health, clean water, education, employment and good natural and social environment. But, if the people of a country are poor they will think about earning their livelihood only and their inclusion in the progress of nation will be miles away.

India is a developing country in which about 30 per cent of its total population still lives below poverty line. Total population of the country is 121.02 crore as per 2011 census, which is 17.5% of the total population of the world, as per 2011 census rural urban population ratio is 68.84 : 31.16. It means more than 2/3 of the total population still lives in rural areas; hence the prosperity of India lies in the prosperity of its villages. Even though the Indian Economy is experiencing a GDP growth rate of about seven percent, almost a third of the rural and a quarter of the urban population is still living below the poverty line. These poor people are malnourished and most of them are unemployed. Rural credit can be one important means in alleviation of poverty. A governing body of research from around the world shows that well developed and inclusive financial systems are associated with faster growth and better income distribution². Finance helps the poor catch up with the rest of the economy as it grows. Finance also helps extend the range of individuals, households and firms that can get a foothold in the modern economy, and it reduces damaging concentrations of economic power.

The need for rural credit in India had been recognized even before independence, by the erstwhile British Government as early as 1793 when it issued regulation for providing loans to farmers and subordinate tenants for various purposes. The measure initiated to reduce indebtedness and

regulating money-landing activities for agricultural purposes failed to provide a long-term solution. The Co-operative societies Act which was passed in 1904 to provide necessary legislative support to the financing of agricultural and regulating Credit in the interest of cultivators then signaled the entry of credit for agriculture from the institutional sector. Since then cooperatives have been the major institutional source for all agricultural loans. The rural credit system as we see today has evolved over the last five and a half decades. During this course, the system witnessed many reforms mainly based on recommendations of various committees and expert groups appointed by Government of India and RBI from time to time. The agriculture credit system received its first and significant policy directions from All India Rural Committee recognized the existence of co-operative structure and recommended state financial support for its strengthening. It also recommended the establishment of large sized multipurpose credit societies and nationalization of the Imperial Bank of India (Now known as State Bank of India) for extending banking services in rural areas.

Though these steps helped in augmenting the flow of agriculture credit to some extent, credit supply from the co-operatives did not match the demand for credit. Therefore the government intervened to encourage commercial banks to play a major role in providing agriculture credit by nationalizing major commercial banks in two branches, first in 1969 and later again in 1980. Nationalization had four goals : to prevent few corporations from controlling all the banks; to mobilize the savings of public(including from remote areas); to limit the concentration of wealth and economic power by using resources mobilized by banks to achieve egalitarian growth; and to pay more attention to priority sectors (agriculture and small industry). The other major development in agriculture credit from the supply side were establishment of RRBs in 1975, establishment of NABARD in 1982 and the ongoing financial sector reforms since 1992 to supplement the institutional mechanism. Further, the concept of local area bank was introduced in

1996-97. All these institutional development initiatives have contributed to strengthening the rural credit structure and initiate qualitative changes in credit delivery over time.

Even though the development of rural credit were initiated by the Government at different period of time, but still initiation was not sufficient, thus the institutional mechanism was felt and that time a concept of microfinance was arises.

2. Concept of microfinance

Microfinance may be defined as the "Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards". Further microfinance can also explained in the following way "Microfinance is purveying financial services from institutional sources in informally formal route, in a flexible, responsive and sensitive manner which otherwise would not have been possible for the formal system to provide such services because of low scale of operations, large clientele, frequency of transactions and high transaction cost"

The term microfinance is often used interchangeably with the term microcredit but both the terms have different meaning. Sinha (1998) ^[1] states "microcredit refers to small loans whereas microfinance is appropriate where NGOs and MFIs supplement the loans with other financial services (savings, insurance etc)". Therefore, microcredit is a component of microfinance in that it involves providing credit to the poor, but microfinance also involves additional non-credit financial services such as savings, insurance, pension and payment services (Okiocredit, 2005). Rutherford, et.al (2000) ^[2] and Arnedariz, et al (2005) ^[3] explained the difference between microfinance and microcredit, micro-credit referred specifically to small loans given to the poor people but microfinance was a broader term embraced effort to collect savings from low-income households, provide consumption loans and insurance along with micro-credit. It also helped in distributing and marketing clients output.

3. Literature Review

In his study entitled "A Study on Women Self-Help Groups in Andhra Pradesh", by Mohana Rao R.M33 (2000) ^[4] concluded that SHGs showed a positive impact on the households of the members in respect of building of self-confidence and social development skill and formation and social empowerment of members. J. Ritu, R.K. Kushawaha, and A.K. Srivastava (2003) ^[5] on the basis of their study, "Socio-Economic Impact through Self Help Groups", examined the functioning of Self-Help 25 Groups in Kanpur Dehat District. Twenty five women from Self-Help Groups were selected as sample for the study. Ten woman members from each self-help group and ten non-members from the same village were selected as respondents, to study the impact of the self-help groups on their socio-economic status. The results show that there is relationship between the self-help groups and the socio-economic status of women. (Lakshmanan 2001) ^[6] explained that the SHG is really a boon in the rural areas which gives financial autonomy to the rural women and makes them economically independent. (Madheswaran and Dharmadhikary 2001) ^[7], explained that although the loan amount is small, it helps in meeting the requirement of the poor and further concluded

that This is a better mechanism to reduce poverty gradually as against one time loan for productive asset, which may or may not lead to sustained increases in income.V. Puhazhendi, K. C. Badatya (Nov. 2002) ^[8], Attempts to assess the impact of micro finance distribution through SHG Bank Linkage programme implemented by NABARD since 1992 in eastern regions of the country. Study concluded that, The average value of assets worked out to Rs.5,827 during the post-SHG situation compared to Rs.4,498 during pre-SHG situation, an increase by 30 per cent, mean annual savings per household was worked out to Rs.952 during the pre-SHG situation, which increased by about 96 per cent to Rs.2103 during post SHG situation and average loan amount during the post SHG situation was worked out to Rs. 5,122, which was about 123 per cent more than the pre-SHG situation (Rs. 2,301). Puhazhendi, V., and K. J. S. Satyasai. (2000) ^[9], the study used a multistage stratified random sampling method to assess the impact of microfinance on socioeconomic conditions of 560 household members in 223 SHGs located in 11 states. They found that the average value of assets per household (including consumer durables and livestock) increased by 1.72 times in the post-SHG period from the level of Rs6,843 during the pre-SHG period. Average household saving, a meager Rs460 during the pre-SHG period, increased by 214 percent in the post- SHG period. The share of households among the SHGs living below the poverty line (42 percent) decreased to about 22 percent in the post-SHG period. With regard to employment performance, the study found that employment increased by 17 percent between the pre- and post-SHG periods. On empowerment, they found that involvement in SHGs had significantly contributed to the self-confidence of the participating women. C.K. Mehrotra (1997) ^[10] has made a comparative study of the State Banks Performance with Self-help Groups. In his view, the State Bank of India's financing scheme for Self-Help Groups has been quite encouraging. He states that the self-help groups may eventually be the only viable units of source on account of low transaction cost, high percentage of recovery and mobilisation of rural savings through the informal system. K.G. Karmakar (1997) ^[11] in his study "SHGs in Orissa: Some Conceptual Issues," studied the performance of the credit linkage of all the Self-Help Groups, the Non-Governmental Organisations and the Banks in Orissa up to March 1995. One of the findings showed that a few Non-Governmental Organisations started savings and credit programmes to the marine fishing folk through the Self-Help Groups. K.G. Karmakar (1999) ^[12] in his study "Rural Credit and Self-Help Groups: Micro Finance Needs and Concepts in India", examines the existing credit delivery system in India with special reference to the credit needs of the rural poor. In his study he focused on the availability, credit requirements and the problems faced by the tribal people in availing of it. It is felt that the setting up of micro-enterprises particularly in the non-farm sector would go a long way in reducing poverty in rural areas.

4. Objective

The major objective of the present study is to measure the impact of microfinance on the economic empowerment of those women who are the member of the self-help group under any of the scheme either promoted by NGO or state or central government or NABARD. To achieve this objective sub objective have been framed.

- To measure the impact of microfinance on change in saving rate and change in corpus fund available with the group after formation of group.

5. Hypothesis

After literature review mentioned above and more following hypothesis is formed.

H0: There is no relationship between saving made by the members at the time of joining the group and after joining the group.

H0: There is an insignificant relationship between microfinance and investment fund available with the group.

6. Research Design

This study is based on the primary data. For the purpose of the study data is collected from the participant of the microfinance and more specifically from those participants who are the member of the SHG. Participant covered under the study are belongs to the rural area of the district Almora of Uttarakhand. Three Block namely as Bhasiachhana, Lamgara and Dhauladevi is covered out of all the total blocks of the district. Out of the total group formed under the different scheme 334 groups considered for the purpose of the study which were selected purposely.

For analyzing the data MS office is used and chi square test and t test are used to measures the relationship between microfinance and economic development.

7. Data analysis and discussion

Economic Impact on the participant of the SHG

7.1 Status of saving per month at the time of formation of group level

Saving is the essential component of microfinance through SHG, each group from the date of its formation save some money regularly normally on monthly basis. Table 1 shows the status of saving of participant at the time of formation of group. To know the status of saving at the time of joining of the group five categories were designed namely 10-20, 21-50, 51-100,101-150,151-200 and it is found that 213 participants were deposit in the range of 10-20 the proportion of this range is maximum i.e 62.46%. 125 participants were saved in the range off 21-50 which is 36.65% of the total participant contribution. .88% of the participants are saving in the range of 51 to 100. From the table it can be inferred that maximum of the participant were saving in the range of 10 to 20, further also 88 participants which is maximum among the all are saving Rs. 10 on monthly basis at the time of joining the microfinance programme. It is observed during the study that each group decide in advance the monthly saving amount but it was done after considering the economic condition of each and every participant, in some of the cases it was found that if any member unable to deposit his proportion due to any reason than the remaining participant collect for the member who is unable to deposit his portion of saving. It is also observed that some groups follow the provision of penalty if the member did not deposit saving in time.

Table 1: Saving status of participant

S.N	Characteristics	Respondent	Category	Saving Amount per month	Number of Participant	%
1	Status of saving	341	10-20	10	88	25.81
2				15	73	21.41
3				20	52	15.25
4			21-50	21	21	.59
5				22	1	.29
6				25	42	12.32
7				30	25	7.33
8				35	32	9.38
9				40	11	3.23
10				45	9	2.64
11				50	3	.88
12			51-100	55	2	.59
13				60	1	.29
14			101-150	0	0	0
15			151-200	0	0	0

Source: Field Survey

7.2 Status of investment fund available at group level

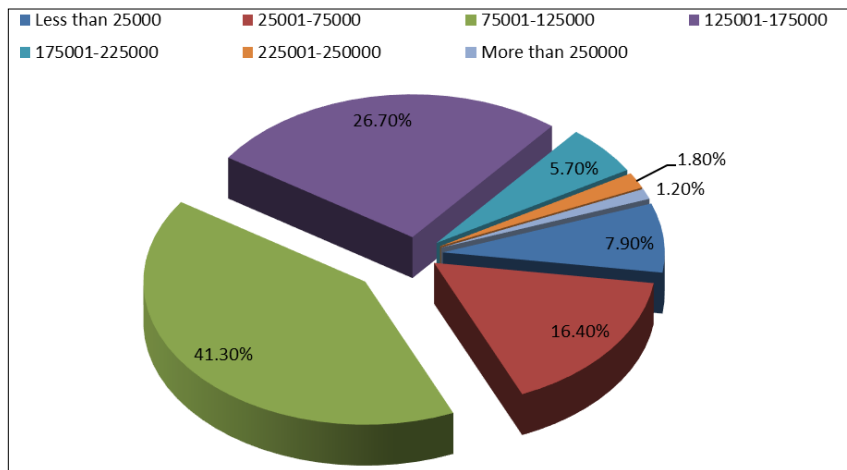
Table 2 shows the fund available at group level up to the date of collection of data. It is found from the study that a group have a investment fund which is normally more than the total saving of the group. Investment of the group includes saving made by the group members during the period, interest charged by the group on the interloaning from the group members, interest earned by the group from the saving account, penalty levied by the group on group members (penalty levied due to late return of loan, not participating on meeting, or any other reason mentioned in bylaws by the group), any fund received from any project and Cash Credit limit allotted by the bank. It is observed from the table that 27 group have a total investment fund lower than Rs. 25000 which is only 7.9% these are the

group who have no CC limit these groups are only depends upon the saving made by them. 16.4% of the group have a investment amount in the range of Rs. 25001 to 75000. The dominating range is Rs. 75001 to Rs. 125000, 141 i.e 41.3% of the total group have a investment amount in this range. 26.7 per cent of the group have investment amount more than Rs. 125001 but lower than Rs. 175000. Sixteen participants have a investment amount lower than Rs. 225000 and more than Rs. 175001. 1.8 % of the participants are those which are belongs in the range of Rs. 225001 to Rs. 250000 and 1.2 % of the group i.e 4 groups have a investment amount more than Rs. 250000. Group members can withdraw up to this amount from the group to start their enterprise or satisfying consumable needs.

Table 2: Status of availability of fund at group level

S.N	Characteristics	Respondent	Category	Number of Participant	%
1	Fund available for investment	341	<25000	27	7.9%
2			25001-75000	56	16.4%
3			75001-125000	141	41.3%
4			125001-175000	91	26.7%
5			175001-225000	16	5.7%
6			225001-250000	6	1.8%
7			>250000	4	1.2%

Source: Field Survey



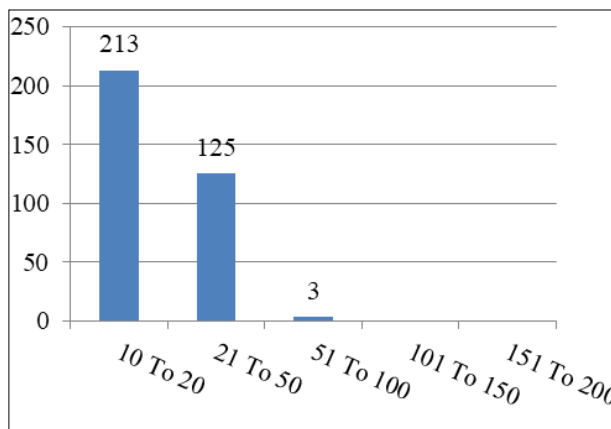
Source: Field Survey

Fig 1: Status of availability of fund

7.3 Economic impact and change in saving rate

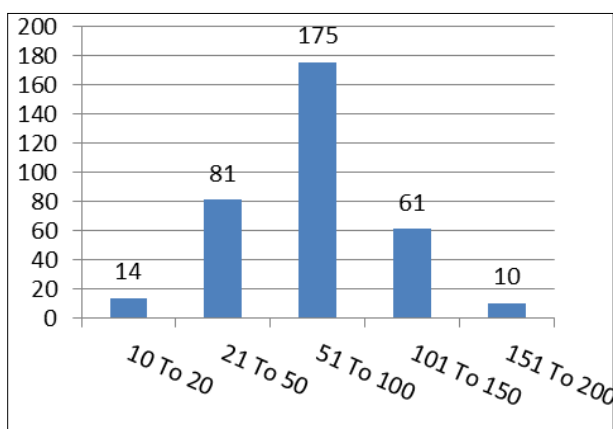
Saving is the primary requirement for the individual to become the member of the group under the SHG mode of microfinance. To know the change in saving at the time of joining the group and after joining the group, figure 2 and 3

shows the change in saving rate per month of the group members, data collected from the respondent related to saving per month is converted into four group 10-20, 21-50, 51-100, 101-150 and 151-200.



Source: Field Survey

Fig 2: Saving rate at the time data collection



Source: Field Survey

Fig 3: Saving rate at the time of joining the group

To measure the relationship between microfinance and savings of the group members an appropriate hypothesis is formed and tested, which is as follows.

H0: There is no relationship between saving made by the members at the time of joining the group and after joining the group.

Table 3: Change in saving rate

Variable	Period	Number of respondent	Mean	Std. Deviation	t statistic	P value
Change in saving rate	At the time of Joining the group	341	21.01	10.545	27.207	.000
	At the time of collection of data	341	70.57	36.344		

Source: Field Survey

Table 3 shows the change in saving rate of the respondent at the time of joining the group and at the time of collection of data or after joining the group. Table reflect that at time of joining the group mean value of saving rate is Rs. 21.01 and mean value of the saving rate of the same respondent after some time i.e at the time of collection of data is Rs. 70.57. It shows that respondent increased their saving rate and save more in comparison with the saving made by them at the time of joining the group. Standard deviation of the saving rate at the time of joining the group is 10.545 which is less than the SD of the saving collected at the time of collection of data, it shows that the deviation at the beginning time was very low which was increase later on, high deviation rate among respondent indicate that some group members increased their saving significantly however some does not increased it significantly. To measure the significance of microfinance on change in saving rate a hypothesis is

framed and tested by using paired t test. Result shows p value (two tailed) at 340 df is .000 which is less than .05 and also highly significant hence null hypothesis is rejected and concluded that there is a positive relationship between change in the saving rate and becoming a member of the group. Therefore statistical results prove that microfinance enhanced the saving rate of the members.

7.4 Economic Empowerment and Corpus Fund

Corpus fund enhanced the invest capacity of the individual members; through this a participant can start an enterprise which need large amount of fund. To measure whether the relationship between microfinance and corpus fund available with the group is positive or negative a hypothesis is framed and tested using appropriate tool as follows.

H0: There is an insignificant relationship between microfinance and investment fund available with the group.

Table 4: Investment fund available with the group

Variable	Options	Response	Percentage (%)	Chi Square Statistics	P value
Corpus fund available for investment	Less than Rs. 25000	27	7.9	415.246	.000
	25001 to 50000	25	7.3		
	50001 to 75000	56	16.4		
	75001 to 125000	141	41.3		
	125001 to 175000	91	26.7		
	175001 to 225000	16	4.7		
	225001 to 250000	6	1.8		
	More than 250000	4	1.2		

Source: Field Survey

Investment means the fund which includes savings at group level, CC limit given by the bank, Interest earned from the bank, Interest earned from inter loaning, penalty leaved by the group on the member for not attending meeting or late payment of loan and any grant provided either by the NGO or by the Government. These corpus funds show that how much an individual member can invest. Table 4 shows that 7.9 per cent members have a limit less than Rs. 25000 these are the group which do not have a CC limit, 25 groups have a investment fund in the range of more than Rs. 25000 but less than Rs. 50000. 56 group i.e 16.4 per cent of the group have an investment fund in the range of Rs. 50001 to Rs. 75000. 141 groups which are 41.3 per cent of the total respondent group member have a limit of investment in the range of more than Rs. 75000 and less than 125000. 26.7 groups have a investment limit in the range of Rs. 125001 to Rs. 175000. 16 groups have an investment limit of Rs. 175001 to Rs. 225000, 6 groups have a investment limit in the range of Rs. 225001 to Rs. 250000 and 4 group have a limit of investment more than Rs. 250000. To measure whether there is any significant relationship between microfinance and investment limit of the individual a hypothesis is framed and tested by using chi square test, it was found that the p value at 7 df. is .000 which is less than .05 hence we reject the null hypothesis and accept alternate hypothesis and concluded that there is an significant relationship between microfinance and investment capability of the microfinance. Now it can be inferred that microfinance increase the investment capability of the participant.

Conclusion

Empirical study conducted to write this paper shows that there is a positive impact of microfinance on the economic

empowerment of the rural poor women of the district Almora of Uttarakhand. To measure the economic impact two major factors were consider i.e Change in saving rate (at the time joining of the group and after joining of the group) and change in corpus fund available with the group for the purpose of investment (at the time of joining of the group and after joining of the group). After analysing the data it is found that both the factors i.e change in the saving rate and corpus fund available with the SHG group members are positively related with the microfinance and both the hypothesis rejected and concluded that both are significantly related with microfinance.

References

1. Sinha S. ‘Micro-Credit’ Impact targeting and sustainability’ IDS bulletin. 1998; 29:4.
2. Rutherford S. ‘The poor and their money’ New Delhi: Oxford University, 2000.
3. Armendariz, Beatriz, Morduch, Jonathan. “The Economics of Microfinance”. The MIT press, Cambridge, USA, 2005.
4. Rao Mohanan S. Micro Credit and Empowerment of Women – Role of NGOs”, Yojana. 2000; 44(2):21-28.
5. Ritu J, Kushawaha RK, Srivastava AK. Socio-Economic Impact through Self-Help Groups, Yojana. 2003; 47(7):11-12.
6. Lakshmanan S. Working of Self-Help Group with Particular Reference to Mallipalayam Self Help Group, Gobichettipalayam Block, Erode District, Tamil Nadu, Indian Journal of Agricultural Economics. 2001; 56(3):457.
7. Madheswaran S, Dharmadhikary A. Empowering Rural Women through Self Help Groups: Lessons from Maharashtra Rural Credit Project, Indian Journal of

- Agricultural Economics. 2001; 56(3):427-43.
8. Puhazhendi V, Badatya KC. SHG-Bank Linkage Programme for Rural Poor – An Impact Assessment, National Bank for Agriculture and Rural Development, Paper presented at the Seminar on SHG-bank Linkage Programme at New Delhi, 2002.
 9. Puhazhendi V, Satyasai KJS. Microfinance for Rural People: An Impact Evaluation. NABARD, Mumbai. Cited in Purna Chandra Parida & Anushree Sinha Performance and Sustainability of Self-Help Groups in India: A Gender Perspective Asian Development Review. 2000; 27(1):2-3.
 10. Mehrotra CK. Linkage Banking–State Bank’s Experience, State Bank of India, Monthly Review. 1997; 36(2):63-71.
 11. Karmakar KG. SHGs in Orissa: Some Conceptual Issues”, Prajnan, Journal of Social and Management Sciences. 1997; XXVI2:123-131.
 12. Karmakar KG. Rural Credit and Self-Help Groups: Micro Finance Needs and Concepts in India”, Sage Publications, New Delhi, 1999, 1-374.