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## A Review of Literature on Micro Finance and Women Empowerment

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### Abstract

Any strategy which aims to deal with the empowerment of the poor, that of women in particular, must be based on an understanding of and the ability to overcome the causes of the lack of power which lies behind it. A review of the literature suggests that there is much debate at the theoretical level as to what constitutes empowerment and how best it can be achieved. A large number of micro level studies have been undertaken so far by various scholars, institutions, NGOs, and sponsors of micro finance programmes highlighting the strengths and weaknesses of the programmes at international, national, and regional levels. The major themes of certain selected studies are reviewed in this paper. They are subdivided into four heads, viz. empowerment: conceptual analysis, micro finance at a glance, and impact of microfinance on women empowerment.

**Keywords:** Empowerment; Microfinance; Women empowerment; Sustainability; Self help groups; Gender mainstreaming.

### 1. Introduction

Women empowerment, as a basic parameter in measuring social development index, is gaining wider interests all over the world today. The various studies at micro and macro levels both in developed and developing nations bear testimony to this. As the problems and constraints faced by women are more or less the same all around (though there could be certain points of difference between developed and developing countries), it is worthwhile to examine the various approaches to women empowerment.

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### ***1.1 Empowerment: Conceptual Analysis***

With the concept of power, ideology, patriarchy and gender, we should be clear about the notion of empowerment. Empowerment is defined as the process and its result whereby the powerless or less powerful members of the society gain greater access and control over material and knowledge resources, and challenge the ideologies of discrimination and subordination, which justify this unequal distribution. Empowerment manifests itself as a changing balance of power in terms of resource distribution and changes in ideology, or ways of thinking [5]. According to her, women's empowerment, therefore, is the process by which women gain greater control over material and intellectual resources, and challenge the ideology of patriarchy and the gender- based discrimination against women in all institutions and structures of the society. She analyses the goals of empowerment as

- (i) change and transform the ideology and practice of women's subordination.
- (ii) Transform the structures, systems, and institutions, such as family, caste, class, ethnicity, and the social, economic, and political structures, the media, the law, top-down development models, etc., which have upheld and reinforced this discrimination.
- (iii) Gain access and control over material and knowledge resources.

The author identifies three approaches to women's empowerment: the integrated development approach, which focuses on women's survival and livelihood needs, the economic development approach, which aims at strengthening women's economic position, and the consciousness-raising approach, which organizes women into collectives that address the sources of oppression. To be effective, empowerment strategies must simultaneously address women's practical gender needs as well as strategic gender needs.

Women's empowerment is the transformation of the structures of subordination, including changes in the law, civil order, property and inheritance rights, and control over women's bodies and labour, and the social and legal institutions that endorse male control. They call for resources (finance, knowledge, and technology), skill training, leadership on the side and democratic process, dialogue, participation in policy and decision-making, and techniques for conflict resolution, if women are to be empowered. Empowerment should lead to capacity building and personal enrichment. It also should help them develop leadership qualities, entrepreneurship, and exposure to the outside world [39].

The subject of empowerment of women is deeply rooted in the globally determined and accepted goals of equality, development, and peace for all [26]. It is multidimensional and refers to the expansion of freedom of choice and action in economic, social, and political spheres to shape one's life. It also implies control over means and decisions. For women, such freedom is often curtailed due to gender inequality in the household as well as in the society.

Empowerment refers broadly to the expansion of freedom of choice and action to shape one's life [46]. It is the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control, and hold

accountable, institutions that affect their lives. The local terms associated with empowerment include self-strength, control, self-power, self-reliance, own choice, life of dignity in accordance with one's values, capacity to fight for one's rights, independence, own decision - making, being free, awakening, capability, etc.

An empowered woman will be one who is self-confident, who critically analyses her environment and exercises control over decisions that affect her life. It also enables women to look at problems differently, analyze environment and situations, recognize their strengths, alter their self-image, access information and knowledge, acquire new skills, and initiate action aimed at gaining greater control over resources of various kinds [34]. Women's strategic needs are defined as those required to increase their bargaining capacity, reduce violence against them, and make them gain more influence over decision-making [41]. Thus, for empowerment, women require a set of assets and capabilities at the individual level, such as health, education, and employment, and at the collective level to organize and mobilize, and take action in order to solve their problems [5].

## ***1.2 Micro Finance at a Glance***

The Government initiated the Integrated Rural Development Programme (IRDP) in 1980-81 with the objective of directing subsidized loans to poor self-employed people through the banking sector. NABARD was established in 1982. In the same year, the Government also introduced the Development of Women and Children in Rural Areas (DWCRA) scheme as a part of IRDP. In 1991, India faced a balance of payment crisis. The foreign currency reserves fell to low levels, affecting the country's ability to meet foreign debt obligations. The crisis, however, propelled the government to introduce structural changes in the economy, commonly referred to as the Economic Reforms of 1991, gradually resulting in greater autonomy to the financial sector. As a result, new generation private sector banks such as UTI Bank, ICICI Bank, IDBI Bank (all established in 1994) and HDFC Bank (early 1995), emerged. The Narsimhan Committee report of 1991 also recommended phasing out interest rate concessions and around the same time, the Brahm Prakash Committee recommended reducing the state involvement in cooperative banks [10]. It was around this time that the first self-help groups (SHGs) started emerging in the country, mostly as a result of non-governmental organization (NGO) initiatives. The Mysore Resettlement and Development Agency (MYRADA) was one of the pioneers of the concept of SHGs in India. These SHGs were large enough for the banks to have transactions with, and were also very responsive and flexible to the needs of their members. While MYRADA did not directly intervene in the credit market for the poor, it facilitated 'banking with micro institutions established and controlled by the poor.' These early initiatives were largely responsible for the emergence of the modern MF sector in India.

### ***1.2.1 Demand and Supply in Micro Finance***

The demand or need for micro finance comes from the disadvantaged sections of the society, who are without access to services of formal sector financial intermediaries and are typically excluded from the formal banking system for lack of collaterals. In short, they are the poor and the very poor.

The effective financial services for the poor should entail mechanisms to turn savings into lumpsums for a wide variety of uses. There has been a growing consensus among MF practitioners that, in addition to credit, the poor

need an entire range of financial services including savings, insurance, and fund transfers[36]. Savings and, to an extent, insurance are mechanisms which allow the poor, individually or in groups, to save and build a resource pool which can be drawn upon during times of need. They enable the poor to smoothen their cash flows across time and space.

The MFIs have started to move beyond micro credit, micro enterprise loans, and savings products to insurance, housing, infrastructure and micro leasing loans. The demand is high for finance for purchase of land, infrastructure, and housing loan finance for shelter-related investments that is rarely made available for the poor households from the formal commercial sector [25].The micro finance sector is now entering into a new phase from the roots of social movement to a commercial industry and the practitioners and policy makers are increasingly focusing attention on the commercial aspects and viability of institutions. Commercialization is defined as having three essential elements: profitability, competition, and regulation. This implies that commercialization entails transformation into a pro-profit regulated entity that appears to be the final destiny of the micro finance industry [12]. It fosters greater competition allowing for an expansion of products and services, innovation in methodologies and lowering of costs. Empirical evidence suggests that commercially viable MFIs have been able to expand the outreach to wider geographical areas and to provide a more extensive range of financial services to their clients. One of the chief benefits that would be derived out of the transformation is the increased ability of mobilizing and intermediating, thus possibly leading to an increased outreach, development of enforcement, accounting, and performance standards, and, finally, paving the way for access to domestic and international money/capital markets for funds. According to Linda Mayoux, the alternative to the group-lending model is micro credit for individuals, as in Indonesia. Such institutions also locate geographically close to the borrower and screening of loans is based on personal knowledge (referred to as character-based lending). However, individual lending can be expensive and loans tend to be larger in order to reduce transaction cost per loan. Transaction costs can also be reduced over time as the lender learns more about a specific borrower through subsequent loans [24].

The International Monetary Fund [18] emphasizes how crucial the development of micro finance sector is for the overall financial sector development. It underscores that the attention is motivated by the IMF's interest in promoting stable economic growth and financial sector development, notably through adjustment and reform programmes supported by its Poverty Reduction and Growth Facility (PRGF). Micro finance institutions normally fall under the World Bank's purview, but the IMF must have an understanding of all aspects of PRGF-supported programmes. The micro finance sector must be robust enough to provide more benefits than problems and the design of measures directed at other parts of the financial systems must take into account the effects on micro finance institutions. The needs of the micro finance sector are to be factored into a wide range of IMF work, including the policy programmes it supports, its overseeing of the country's financial sectors and its technical assistance, especially that related to banking system.

Micro lending schemes have served millions of poor people; however, this does not, necessarily, mean that poverty has been reduced. Although disentangling the multiple factors that influence poverty is difficult, many practitioners have argued that the effects of credit are positive as long as clients repay loans and reborrow. A large majority of borrowers are continuing members (85 percent in the case of the Grameen Bank of

Bangladesh, as of 1994), although drop-out rates have been increasing in some programmes and many probably dropped out before they graduated out of poverty [35].

### ***1.2.2 Sustainability and Outreach of Micro Finance***

Discussing to the issues of sustainability, Yeron [19] says that the two most important objectives for a rural financial institution to be successful are financial self-sustainability and more outreach to the target rural population. Financial self-sustainability is said to be achieved when the return on equity, net of any subsidy received, equals or exceeds the opportunity cost of funds. According to him, on the other hand, outreach is assessed on the basis of the type of clientele served and the variety of financial services offered, including the value and number of loans extended, the value and number of savings accounts, the number of branches and sub-branches, percentage of total rural population served, the real annual growth of the rural financial institutions' assets over recent years, and the participation of women clients.

The view that there is a capital constraint to growth at either the national or the household level has been one of the cornerstones of post-war development strategies. The response was to make available cheap loans, whether at the macro level through the mechanism of multi-lateral and bi-lateral donors to national governments, or at the micro level through development finance institutions and related government programmes to households. The current emphasis on micro finance, and particularly micro credit, is thus an old debate with a new gloss. What is different in the latest chapter of this story is the idea that lending capital to poor people to alleviate household level capital constraints can be done in ways which ensure the sustainability of the institution delivering the service.

Previous experience with credit had generally been poor: repayment rates were low, interest rates were subsidized, and the cost of running the schemes was high because relatively small volumes of credit were delivered directly to individuals with high supervision costs and high rates of default.

Over the last 10-15 years, many initiatives across the world have evolved technologies for lending to poor people, which have overcome some of these failings. An example could be the finding that small but regular repayment of loan installments fitted better the ability of poor people to manage their credit than demands for the return of principal and interest as a lumpsum. A range of innovations in access methods, screening of borrowers and incentives to repay has helped raise repayment rates and present poor people as credit-worthy borrowers. Furthermore, poor people have been willing and *able to pay market interest rates for these loans*. The reputation of the Grameen Bank in these developments is widespread, but experience is more varied and includes, among others, the oft-quoted experiences of institutions such as BRI in Indonesia, BancoSol in Bolivia, and K-REP in Kenya [20].

Many financial institutions that focus on providing small loans have a high proportion of loans that go to women, often accounting for more than 80 percent of a portfolio. Many of these institutions have undertaken the targeting of women as an instrument to both empower women and to alleviate poverty. It is argued that more than lending to men, channelling credit to women is likely to improve nutrition, health, and educational

attainment. Moreover, the push to financial sustainability of micro finance institutions has also led to a push for lending to women because their repayment rates have proved to be higher [22].

Informal financial services for the poor have been around as long as money lenders and savings and loans associations have been there, but only in the last thirty years have governments, donors, and NGOs promoted them to reduce poverty and inequality. The conclusions of the development community are that access to micro finance services can help the poor start or expand business activities and can contribute to household income, with its benefits on food security, education and health. Micro finance can contribute to consumption and asset building, provide a safe haven for savings and facilitate income security for short-term needs and long-term welfare.

The implications of the shift in the 'technology' of delivering credit to poor people go further. The evidence that repayment rates are high means that the scheme itself starts to offer the prospect of becoming financially viable. This leads to a desire for scale in the operations of the scheme in order to reduce unit costs sufficiently to bring them into line with interest income. This potential for both scale and 'outreach' to large numbers of borrowers and for 'institutional viability' is at the heart of 'New World' thinking [29]. India's commitment to reducing poverty is reflected in the numerous initiatives it has taken, leading to the progress made over the last decades. But the country still faces major challenges to reduce poverty on a large scale [23]. Millions of poor people in rural areas, especially women, continue to suffer under the weight of extreme poverty, greater vulnerability, and lower social status than others. Targeting rural poverty, particularly among SC, ST and women, will better enable India to reach its full development potential in a sustainable manner.

Ruhul Amin, Stan Becker, and Abul Bayes attempted to explore the relationship between poor women's participation in micro credit programmes and their empowerment by using empirical data from rural Bangladesh [2]. This has been done by examining quantitative data collected from a representative sample of the female loanees as well as qualitative data from selected female loanees in five NGOs from rural Bangladesh. The authors compared NGO credit members from an NGO programme area with non-members from a non-programme area with respect to women's empowerment to examine whether or not variation in empowerment could be explained by the variation in memberships. Similarly, non-members of NGO programme areas were compared with non-members from non-programme areas in order to look at the diffusion effect of NGO credit membership on women's empowerment among non-members. The results show that the NGO credit members are ahead of the non-members in all three indices of empowerment irrespective of non-members' residence in programme areas or non-programme areas. Moreover, the non-members within the NGO programme areas show a higher level of empowerment on the autonomy and authority indices than do the non-members within the comparison areas. Overall, it is evident that part of the higher autonomy and authority indices in the NGO programme areas in contrast to the comparison areas is accounted for by the contribution of both NGO credit members and non-members in the NGO programme areas. Being empowered by their new sources of financial income and related credit-group supports, female recipients of NGO credits may have asserted their autonomy and authority vis-a-vis their husbands' restrictions and dominance in related household affairs.

As against the opinions of the above mentioned scholars, Linda Mayoux in her article "From Vicious to Virtuous Circles - Gender and Micro Enterprise Development", provides a critical overview of gender and micro enterprise development in developing countries. She evaluates past and current experiences in micro enterprise development such as training credit and group production programmes and argues that most programmes have not made any significant impact on the income of poor women. One cannot assume, therefore, that micro enterprise programmes reduce gender inequality. The author contrasts two approaches to gender and micro enterprise development: the market approach, 'which aims to assist individual women entrepreneurs to increase their incomes'; and the empowerment approach, 'which aims to increase not only the incomes, but also the bargaining power of poor producers through group activities'. Highlighting the diversity of small scale sector on the one hand, and the complexity of the constraints posed by gender inequality and poverty on the other, she contends that devising a 'blueprint' for successful women's micro-enterprise development is unlikely. Furthermore, the success of micro enterprise development for women depends on transformation in the wider development agenda.

## **2. Impact of micro finance on Women Empowerment**

### ***2.1 Contributions of Self Help Groups***

Approaches to supporting women's productive activities have evolved over several decades. Prior to the 1970s, welfare-oriented approaches predominated. Grants were given for training and income-generating projects that emphasized the domestication of women. Projects tended to be small scale, under-funded and isolated from mainstream development. A shift by some agencies began in the late 1970s towards creating income-generating components of larger programmes. These programmes as a whole were given higher priority than isolated projects, and in some cases women were able to gain a better understanding of political and power structures. However, the income-generating components often received far less funding and priority than other components, and awareness of gender issues in the programmes as a whole was frequently missing. By the end of the decade, scattered evidence was revealing that an increasing number of poor women were creating their own jobs in small scale agriculture, manufacturing, services, and petty trade. Evidence also indicated that the smaller the business, the greater the chance of it being owned and operated by a woman.

One form of micro credit, popular in India, is given through the self help groups promoted by national and state governments and NGOs. An SHG, both by definition and in practice, is a group of individuals who, by free association, come together for a common collective purpose. In practice, SHGs comprise individuals known to each other, coming from the same village, community, and even neighbourhood. This means they are homogeneous and have certain pre-group social binding factors. Rimjhim echoes the same view in his article "Micro Finance through SHGs - A Boon for the Rural Poor"[7]. He states that easy access of poor to credit rather than cheaper rate of interest is the biggest need of the hour. Micro finance through SHGs has now become a modern economical weapon for the poor to fight against poverty. Many big and small institutions are taking part in this revolution of micro finance vigorously, but it still has a long way to go to become successful. According to him, the government started many programmes from 'Garibi Hatao' to IRDP enthusiastically but they were not able to achieve their objectives, because of poor follow up and lack of management and

participation from the government as well as the people. He suggests that co-ordination and cooperation between the government and the beneficiaries are essential to achieve ultimate results for such programmes.

The term SHGs is currently used to imply an economic entity that organizes its own economic functions, whereas the origins of nomenclature within the women's movements date back to earlier decades of women's quest for autonomy and assertion of reproductive rights. SHGs existing today are rarely of the kind that addresses issues of autonomy, being primarily a means to save for family well-being and poverty alleviation [30].

SHGs enhance the equality of status of women as participants, decision-makers, and beneficiaries in the democratic, economic, social, and cultural spheres of life. Dr Radhakrishnan has observed that "the progress of our land cannot be achieved without active participation of our mothers, wives, sisters, and daughters. In all stages of economic and social activities, involvement of women becomes essential." SHGs encourage the women to take active part in the socio-economic progress of our nation. Mahatma Gandhi, father of our nation, stated, "Women are the noblest of God's creation, supreme in their own sphere of activity". SHGs bring out the supremacy of women in moulding the community in the right perspective and explore the initiative of women taking up entrepreneurial ventures [15].

K Somasekhar and M Bapuji who have conducted a study on "the Empowerment of Women through SHGs: the Case of DWCRA in Andhra Pradesh", argue that SHGs have proved themselves to be a better source of credit to the poor women for different purposes [43]. They are formed as micro-credit network for promoting the socio-economic betterment of women as well as capacity building, micro entrepreneurship, collective action with the ultimate aim of empowering the poor women in different spheres. According to them, the participation of rural poor women in SHGs has not only enabled these women to meet their credit needs, but also resulted in general awareness, capacity building, self-confidence and courage which can be translated into empowerment. They also point out that the SHGs have improved the socio-economic conditions of the women to a large extent. As a result they have gained control over their labour and economic resources, reproductive choice, freedom to move and interact with others, improvement in leadership quality, etc.

## *2.2. Impact on Poverty and Vulnerability*

In 'Margin to the Mainstream Micro Finance Programmes and Women's Empowerment: The Bangladesh Experience', Gita Sabharwal examines the nature of women's empowerment promoted by MFPs operating from the minimalist and integrated framework across Bangladesh. [37] It is based on a review of ten research studies carried out in the 1990s. The study is premised on a multidimensional empowerment framework. It views empowerment as a process having personal, economic, social, and political dimensions, with personal empowerment being the 'core' of the empowerment process. The study establishes that MFPs create empowerment-promoting conditions for women to move from positions of marginalisation within household decision-making process and exclusion within the community, to one of greater centrality, inclusion and voice. The social processes of MFPs strengthen women's self-esteem and self-worth, instil a greater sense of awareness of social and political issues, leading to increased mobility and reduced traditional seclusion of women. Most



importantly, MFPs enable women to contribute to the household economy, increasing their intra-household bargaining power. However, the study recognizes the limitations to the transformative capacities of MFPs, especially those operating from a minimalist framework, as economic empowerment doesn't always lead to a reversal in gender relationships. The study concludes by advocating an integrated approach, as it furthers the chances for credit to become an empowering means, by supporting a continuous process of institutional and legal change.

According to Goyal the lower status of women stems mostly from their low economic status and subsequent dependence and lack of decision-making power[14]. Therefore, we should ensure their role in decision-making and should foster self-reliance both socially and economically. Significant contributions towards women empowerment can be made by facilitating their direct participation in income generation activities and building decision-making capacity. Through a well-directed package of skill enhancement, credit facilities and educational inputs, women can discover their economic role and gain recognition in the society. Since its inception, the concept of micro credit has changed the lives of people. Access to capital on a scale appropriate to the needs of the poor has simply been revolutionary. Loans to the poor in an amount that enables them to start modest business or improves their lives in other ways have been a widely recognized success.

A good number of studies have been conducted to evaluate the impact of micro credit programmes on poverty reduction, driven partly by the donor community's needs to establish whether these programmes have been successful in meeting the poverty reduction targets. Hulme and Mosley examine the impact of micro finance programmes on income and poverty through the effects on productivity, technology, and employment [17]. Zeller et al. analyze the impact that microfinance programmes might have on food security[40]. Cohen and Sebstad examine the effects of the programmes on the risk management strategies of poor households, which affect the degree of their deprivation and vulnerability[38].

Many other studies have extended the scope of analysis to include intra-household dynamics and their impacts on individual well-being (that of women and children, in particular), the relationship between household and enterprise development, and the potential impacts on the wider community. With regard to the multi-dimensional aspects of poverty, effects have been studied not only in terms of changes in income and consumption levels, but also in terms of variations in vulnerability to risk, skill development, gender empowerment and participation in community networks. These studies, by and large, support the claim, with some cautious notes, that 'microfinance can have the potential to help many poor people improve their lives' [16].

However, the potential of micro finance and the success of established MFIs appear to be somewhat exaggerated by practitioners and donors. As Hulme argues, there is need for a much careful monitoring of these programmes by MFIs and the donors, with an acute awareness that micro credit could have both positive and negative impacts on loan recipients.

Firstly, as Hulme aptly reminds us, the other side of the 'micro credit' is 'micro debt'. This means, while micro debt can lead to improved incomes and reduced vulnerability for the poor, it could also lead to such a scale of

indebtedness that the poor find it hard to get out. There is a greater need for better understanding of real economic environments in which the poor conduct their income-generating activities and micro businesses. The targeted borrowers 'work in low-return activities in saturated markets' and they are subject to various shocks beyond their control. It has been reported that many indebted borrowers, who fail to generate returns sufficient to make a prompt repayment regularly, turn to money lenders for buying time. As Rahman and Goetz and Gupta report, borrowers from the Grameen Bank have had to sell household assets or their own food supplies, or have had to leave their homes in search for wage labour in an urban area to repay their loans [13].

Brooke Ackerly's research of three micro credit organizations in Bangladesh - Grameen, BRAC, and Save the Children - like others could not assess the wealth/income effect of credit versus other sources of capital on empowerment [1]. However, as a comparative study, it has been able to document the differences in productive roles that women adopted as a result of participating in a credit programme. Durgam Rajasekhar and Naila Kabeer through their researches on a small number of micro credit programmes in India (Kerala and Andhra Pradesh) and Bangladesh, highlight some of the emerging findings on empowerment [21]. One of the common points in the two researches is that micro credit may not be the most appropriate strategy for assisting the poorest social strata. To use micro credit effectively, the borrower needs to have complementary resources, such as some land, capital, education, or knowledge and experience of how to run an enterprise. Successful borrowers are often able to rely on skills accumulated in some prior entrepreneurial experience, or on a certain level of education. Kabeer, who has studied an enterprise-oriented credit programme - the Small Enterprise Development Project (SEDP) - that does not address itself to the poorest strata of the society, emphasises this point.

Kabeer's research in Bangladesh (on SEDP) suggests that many women who took loans have reported many changes in their lives, which could be deemed as empowering. These changes have been linked to their level of participation in the programmes and included: an improved sense of self respect due to a feeling of independence; higher levels of political activity; an improvement in their social position as their levels of assets or incomes rose; an increase in household decision making; bank accounts and land in their own names; and higher levels of investment in their daughters' education. This finding may be seen as challenging deep-seated social norms and being truly transformative.

Secondly, as Hulme observes, it is hard even for 'poverty-focused' MFIs to provide credit facilities to the 'hard core' of the poor. The poorer segments of the poor are usually excluded from group lending, because not many want to share joint liability with them. Even when they join MFIs at the inception as targeted clients, they are often the first to drop out through loan cycles. Marr Ana documents the case of communal banking programmes in Peru, where group dynamics engendered by the joint-liability micro credit programmes have had significant negative impacts on the well-being of participants[3]. In her case study, tension between financial and organizational sustainability has been built up to such a scale that it has produced a fundamental instability of the system, leading to the fracturing of groups and greater exclusion of the poor.

### *2.3 Gender Equity and Well-being*

A growing literature examines the impact of micro finance, credit in particular, on gender relations. Goetz and Sen Gupta writing on Bangladesh, demonstrate the fact that women belong to the schemes and have access to loans does not mean that they retain control once the funds are inside the household. Mayoux drawing together a range of evidence from South Asia and Africa demonstrates the variety of effects - both positive and negative - on women, intra-household gender relations and women's relations to the wider community and society that are evidenced in practice. This leads to the, perhaps unsurprising, conclusion that transactions around micro finance are located within existing sets of gender relations both within the household and within the wider society. Like most interventions, it is necessary to specifically orient micro finance interventions towards addressing aspects of these relations in order to have systematically positive impacts on gender relations for most women, most of the time. Yet again, this means that it is the way in which an intervention is implemented that matters.

The most widely cited series of studies on gender-differentiated impacts of micro finance, and one that takes special care to control selection bias, was conducted by the World Bank based on data collected during 1991-92 from 87 villages in Bangladesh. The study found that welfare impacts on the household were significantly better when borrowers were women. For every Bangladeshi taka lent to women, the increase in household consumption was 0.18 taka, compared to 0.11 taka when borrowers were men. Only when women borrowed was there a large and important effect on the nutritional status of both sons and daughters. Assets, other than land, also increased substantially when women borrowed. Similarly, it was only when women borrowed that education of girls (rather than just boys) increased. Men, on the other hand, tended to take more leisure as a result of borrowing. Other studies have more directly attempted to assess impact on empowerment.

#### *2.4. Economic Empowerment*

Micro finance goes well beyond savings and loans. It also means access to social security, healthcare, housing, and even more fundamental needs such as employment and education. True economic empowerment means that one has the ability and opportunity to earn money, options for using that money, and mechanisms by which one can ensure that the money is used in the most useful manner possible. Murugaiah argues that without economic empowerment, the development of women is an empty promise. Plans [26], policies, legislations, and laws provide only the philosophical blueprint for directing the progress of the society. Translated into practical terms, these plans fructify only when women receive economic power in their hands. Operationally, women's empowerment calls for creating a political, economic, and social environment, which enables their equal access to and control over means that are critical for leading socio-economically productive and healthy lives.

Sheela Purohit in her article 'Micro Credit and Women Empowerment', describes the success story of two NGOs in Andhra Pradesh [32]. According to her, there are certain misconceptions about the poor people that they need loan at subsidized rates of interest on soft terms; they lack education, skills, capacity to save, credit-worthiness; and, therefore, are not bankable. Nevertheless, the experiences of several SHGs reveal that the 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. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of the organized sector, there emerges 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. It is true that sustainability of any development initiative is possible only when the participants change their role from passive recipients to active owner-managers. The experience of both the NGOs has proved it through commitment to work, sincere efforts to share the benefits of development, and active involvement of several sangam members. The model further proves the facts that the poor are bankable and that timely access to credit can bring about changes in the lives of thousands of poor women. The sangams have been successful in obtaining loans on reasonable terms with simple procedures. They have also been instrumental in motivating many members who were earlier idle, in taking up some economic activity. Thus, the experience of this model is a source of inspiration for many other poor women with similar socio-economic conditions.

### *2.5 Social and Political Empowerment*

It is not only economic exploitation, but socio-cultural oppression that has led to women's subordinate status, argues Ramesh C Srivastava [46]. Subordination of women in all walks of life manifests itself in the marginalisation of women in the economy. What the nation requires today is socio-economic development of the country with the participation of women. For this, according to him, the potentialities and capabilities of women have to be fully tapped. Equality and dignity of women should be maintained at any cost to seek their full cooperation in the process of nation-building.

The group process followed in most micro finance programmes helps members in improving their self-esteem. SHG members gain respect within their households as well as in society. Participation in SHGs improves the members' ability to deal with stressful situations. Empirical studies show that group participation also helps members in improving their assertiveness in terms of their increased desire and their ability to protest against socially undesirable habits such as drinking, gambling, and violence against women. Their decision-making roles within their households and within the society increase. As majority of micro finance clients are women, its impact on their social status is most marked. There is evidence to suggest that micro finance increases opportunities for women to save in their own names. It also encourages them to be more mobile within and outside their villages. It improves their access to information, and has a positive impact on their self-worth [31].

The Self Employed Women's Association of Ahmedabad (SEWA) has been rendering yeoman service for the upliftment and empowerment of women. Ankit Mehta and Sachi Trivedi in their article "The Emerging Face of Subaltern Women in India: A Case Study of SEWA" say that the NGOs managed by women play a crucial role in safeguarding the interests of women workers in the unorganized sector. The authors argue that SEWA's deep commitment to the Gandhian values has enabled it to broaden its social base and raise the socio-economic status of women. Coming across castes and communities, the movement, with an efficient organizational structure, has scaled new heights in serving the under-privileged women. The two-decade-old SEWA movement has succeeded in blending tradition with modernity in women's occupational cultures without distorting Gandhian values.

Soundari and Sudhir in their work 'Self Help Groups for Sustainable Rural Development: A Case Study of SHGs in Dindigul District of Tamil Nadu', reveal that SHGs ensure the 'we-feeling' among the members achieving the group cohesiveness and accord a social identity to the Dalit women. According to them, membership in the SHGs enables the women for collective bargaining while keeping up their dignity and also to become agents of social change and economic development of the community through decentralized means of empowerment. They suggest that specific efforts should be made to promote SHGs for rural Dalit women at the grassroots level. The training given to them will bring out vibrant changes in the lives of rural Dalit women [44].

Vasudeva D Rao takes a more realistic stand. In his paper entitled "Empowerment: Concepts and Clarity", he says that the empowerment of women is a long drawn process, and that the result cannot be achieved overnight. However, sincere efforts made by SHGs have brought out significant results. Empowerment has been reflected in women's elevated status within the household, community and village [33].

Sabyasachi Das writes about how micro credit has become an alternative source of credit for the poor who, earlier, were considered as non-bankable [8]. This system not only provides credit, which is the most important input for development, to the poorer sections of the society, but also aims at their capacity building. The phenomenal growth of SHGs indicates that the weaker sections of the society are also capable of sharpening their micro entrepreneurial skills with the help of their own savings and additional bank credit, as needed. At this point, micro credit - SHGs integration could be the way for overall rural development vis-a-vis poverty alleviation.

## *2.6. Impact on Thrift*

Micro finance is making a significant contribution to both the savings and borrowings of the poor in the country. The main use of micro credit is for direct investment. There is, of course, some fungibility, depending on household credit requirements at the time of loan disbursement, despite MFI insistence on loan use for enterprise, which is the most pronounced in the Grameen model. The performance of the SHG model is exceptional in providing a saving-based mechanism for internal group credit to meet household needs. This mechanism also serves to facilitate access to credit by poorer clients, who are more likely to need small amounts of credit for immediate household purposes but appear less creditworthy for larger MFI loans [42].

In the context of micro finance, SHGs are voluntary groups engaged in collective saving and thrift activities for the purpose of securing credit. The 1990s saw a proliferation of women SHGs across India, particularly in the South [27]. These groups were designed as a strategy not only for poverty alleviation, but also for increasing women's access to resources and their household decision-making. Hence, the basis of the SHG is the mutuality and trust in depositing individual savings in group funds. Once the initial trust is established, the incentive or motivation for a member is the access provided to financial services through the common pool fund, which is higher than the individual fund saved. Even though, conceptually, the micro finance-based SHG is fairly simple, its management in a sustainable manner is quite complex and investment intensive.

Pandian and his colleagues analyze the impact of micro-credit on the Sedapatti block at Maduari District, Tamil Nadu. 191 SHGs and a hundred women beneficiaries who have availed micro credit have been selected using non-random sampling method from various villages [9]. From their studies it is found that 59% of the women belong to petty business units. According to Pandian and Eswaran, micro credit generates savings, which help the poor women to get relieved from the clutches of the money lenders. It helps them to organize their own business and production units and also to break social, cultural, and religious barriers to equal development of women and participation in the decision making process in democratic institutions. They are also of the opinion that micro credit, which has provided the rural poor access to finance without the burden of collaterals through SHGs, has empowered the women folk economically and socially. Though the credit provided is micro in nature, it has produced macro changes in the lives of the women who have received it.

P. Mahendra Varman has made an attempt to examine whether there is any association between the growth of SHGs and the increase in female bank accounts, and whether SHGs have a tendency to influence account holdings in formal banks. For this, two villages of Tamil Nadu - Kavarayapatty and Pottapatty – have been selected [47]. The study has revealed that banking habits are a positive function of the years of experience of micro finance programmes through SHGs. The analysis also reveals that being a member in SHGs and more importantly, having leadership experience in SHGs, greatly influence the bank account holding. Leadership experience in SHGs improves an individual's banking habits much more than simple membership. If the leadership position of each SHG is systematically rotated over appropriate time such that each one in the group has a leadership experience, people will have more exposure to formal banking system.

Examining 'Micro-Credit Interventions by the Third Sector as a Tool for Empowerment of Poor Women in India', Swati Banerjee focuses on a variety of social, economic, political, and cultural issues [4]. Such interventions through their premise of intended objectives – material, social, and human inputs, and extended outcomes - entail interplay of people/institutions at various levels, including the public sphere of policy makers and organizations, and the private sphere of the institutions of family etc. By focusing on the private sphere, they not only challenge inherent gender equations but also act as a tool for empowerment of women. The study attempts to examine these processes by focusing on women's self-help micro-credit groups and drawing their links with the intra-household relationships and power equations.

In 'Role of Self Helps Groups in Empowerment of Women', Rekha R. Gaonkar argues that both the 'market' and the 'State' have failed to safeguard the interests of the poor, especially women. In recent years, civil society organizations like NGOs, Self-Help Groups (SHGs), Mutual Organizations, and such other voluntary organizations have emerged as important links between the poor and the formal system [11]. The study aims at evaluating the role of SHGs in the empowerment of women. It also gives a comparative analysis of the working and impact of the Self Help Groups in India and the Grameen Banks in Bangladesh in the process of development and empowerment of women. The impact of SHG organizations on women is mainly analyzed in terms of income, savings, and standard of living. The study reveals that through the SHGs, voluntarily formed by the women, they save whatever amount they can every month and mutually agree to contribute to a common fund to be lent to the members for meeting their productive and adhoc credit needs. These groups are linked to the banks once their activities are stabilized. Besides focusing on entrepreneurial development of the

beneficiaries, the SHGs undertake the responsibility of delivering non-credit services such as those related to literacy, health, and environmental issues. The SHGs have made a lasting impact on the lives of the women particularly in the rural areas of Goa. Their quality of life has improved a lot. There is an increase in their income, savings and consumption expenditure. This shows an improvement in their standard of living. The women have gained self-confidence. They have got the opportunity to improve their hidden talents after joining the SHGs. They can speak freely in front of large groups of people. They have recognition in the family and society. SHGs have also given women a greater role in household decision-making. Besides, the SHGs have created better understanding between the members of the different religious groups as the members of SHGs belong to different religions. This is a welcome change to have understanding and tolerance towards the members of other religions, particularly in a country like India where there is a diversity of religions and castes.

### **3. Conclusions**

It is revealed from the survey of the empirical literature that most of the studies deal with either the role or the impact of governmental organisations and NGOs, donor agencies, and self help groups in empowering women through micro financing in different parts of the world. While some have labelled this as revolutionary and new paradigm for development, others ponder over the real impacts of micro credit. The evidence with respect to the impact on women's status and well-being is mixed. Most of all the works reflect on the positive impact of micro credit on rural women. They also reveal how the goal of women empowerment can be achieved, and suggest some corrective measures to overcome the problems in this regard.

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