CHAPTER – I

INTRODUCTION

1.1 INTRODUCTION

The Global Conference on Women’s Empowerment in 1988 highlighted empowerment as the surest way of making women, “partners” in development. Development on the other hand should ultimately become a process of empowerment. Empowerment is an active process enabling women to realize their full identity and power in all spheres of life.

In India, nearly half of the human capital are women, however, they are still the most deprived and neglected segments of society despite the constitutional guarantee for equal rights and privilege for men and women. Women are subjected to economic, cultural, social and political marginalization. Women are viewed as home makers and are not encouraged to undertake professions. In this context, women empowerment becomes a crucial position. Women empowerment is a multifaceted process encompassing the awareness of one’s self along with an increasing access to social, economical and political resources. It comprises an equally important component which is mobilization and organization of women into groups because these groups form true basis for solidarity, strength and collective empowerment.

Empowerment of women is a critical factor in the eradication of poverty as the women are the key contributors to the economy, combating poverty through both remunerative and unremunerative work at home, in the community and in the work place. Gainful employment has been viewed as a critical entry point for women’s integration in development. Women’s participation in income generating activities is believed to increase their status and decision making power. With employment, women do not remain as ‘objects’ of social change but become ‘agents’ of it. They cease from being ‘consumers’ of economic goods and services and turn into
‘producers’. They participate in social reproduction as well as in reproduction of labour for the next generation.

Finance is the lubricant, which oils the wheels of development. All economies rely upon the intermediary function of finance to transfer resources from savers to investors. In market economies, the third function is performed by commercial banks, financial institutions and capital markets. The innovative credit delivery system – Micro Finance is a breakthrough in the world of finance. It has changed the life of the poor especially women, not only by providing financial services such as micro savings and micro insurance, but also by imparting training in entrepreneurial development.¹

Many strategies and programmes have been designed and implemented for empowerment of women, which include efforts by the Government and Non Governmental Organization (NGO) agencies particularly to improve the accessibility of credit. Empowerment is a process which challenges traditional power equations and relations. Abolition of gender based discrimination in all institutions and structures of society and decision making process at domestic and public levels are referred to few dimensions of women empowerment.

1.2 SIGNIFICANCE OF MICRO FINANCE

Since formal credit institutions rarely lend to the poor, arrangements of special institutions become necessary to extend credit to those who have no collateral security to offer. Micro Finance, by providing small loans and savings facilities to those who have been excluded from financial services, has been promoted as a key strategy for reducing poverty all over the world. Micro credit has been defined as “Programmes that provide credit for self employment and other financial and business services (including technical assistance) to very poor persons” (Micro Credit Submit, 1997).

Now-a-days, Micro Finance represents something more than micro credit. It also refers to savings, insurance, pawns and remittances, in sum to a much wider range of
financial services. Thus, Micro Finance refers to the entire range of financial and non-financial services including skill upgradation and entrepreneurship development programmes, rendered to the poor for enabling them to overcome poverty.

Access to these facilities is seen as a way of providing the poor with opportunities for self reliance through entrepreneurship, cushioning the poor against economic shocks and providing a means of social empowerment for poor women in their communities. In most cases, Micro Finance programmes offer a combination of services and resources to their clients in addition to usual credit for self employment. This is also an effort to provide a bridge between formal financial market and the informal groups in the formal Micro Finance institutions.

The basic idea of Micro Finance is to give poor people who are willing to pull themselves out of poverty an access to economic inputs. The success model of the Grameen bank of Bangladesh attracts the attention of people from all over the world. Following the Grameen bank models, many developing countries have used the model of microfinance for financing the poor.

1.3 ROLE OF MICRO FINANCE INSTITUTIONS

Micro Finance provides financial services to the poor who do not have access to formal means of obtaining credit. A Micro Finance institution is usually an organization that acts as an interface between the formal credit delivery and institution and credit seekers, with an aim to assist the socio economic development of the poor and the marginalized people. Micro Finance received its impetus from three main sources which are as follows:

1. The Government
2. NABARD and
3. Small Industries Development Bank of India (SIDBI)

The Reserve Bank of India (RBI) controls the Micro Finance institutions through financial liberalization. It also regulates, supervises and undertakes the
division of responsibility of Micro Finance. NABARD oversees the linking programmes of banks to Self Help Groups (SHGs) and refinance for it and SIDBI lends to Micro Finance institution through SIDBI foundation for micro credit.²

1.4 MICRO FINANCE AND ITS MULTIFACETS

In many developing countries, capital market is at a rudimentary stage and commercial banks are reluctant to lend to the poor because of the lack of collateral security and high transaction costs. In order to fill this void, micro lending have emerged many traditional models all over the world in recent years. Informal and small scale lending arrangement have long been in existence in many parts of the world, especially in rural areas. They provide the rural population access to loan with their localities and cushion to adjust the economic fluctuations and foster co-operative and community feeling among the poor.

1.4.1 Micro Finance in Global Perception

There are different types of institutions mobilizing savings and lending money to local common groups, professions and neighbourhoods. These institutions which exist may be considered as the model of present day Micro Finance institutions. They are:

i. Rotting Saving and Credit Associations (ROSCAs)

ROSCA and voluntary associations where a lump sum fund, composed of fixed contribution from each member of the association is distributed, at fixed interval and as a whole, to each and every member of the association. In Asia, West Africa, the Caribbean and the South of United States, these traditional lending institutions are in existence.³

ii. The Co-operative Movement

The co-operative movement was first started in Western Europe, later it spread to North America and Asia in the mid 19th century and they are private Self Help
Organizations. They have great relevance and importance for the people of developing countries. Cooperative refers to an institutional framework to organize Self Help Groups among those who participate in it and been mainly confined to agriculture and largely for the supply of credit. Non-agricultural cooperatives are those located in urban areas. The global experience in the promotion of rural cooperatives in developing countries, most generally recognized success on a national scale is of those in Egypt, Taiwan and South Korea. In all these countries, cooperatives came up as a result of strong and sustained Government promotion efforts, conditioned by land reforms that produced agrarian systems with a predominance of small farms.

iii. The Credit Union System

Credit union is a co-operative financial institutions that began operating in developing countries in 1950s. Credit unions or saving and credit cooperatives are base level financial institutions, which provide savings and credit services to their individual members. As co-operatives, they are organized and operated according to basic cooperative principles.

Membership eligibility in a credit union has traditionally been restricted to groups of people who have some natural affiliation to and a common bond with one another. The credit union system that comes under the World Council of Credit Unions (WCCU) is made up of four different types of institutions viz., credit union, league, regional confederation and worldwide confederation. Among these, credit unions have 78 million members. Credit unions follow a ‘minimalist’ approach to credit delivery, the loans with easy repayment. Maintaining a diversified portfolio is another method followed for minimizing risks.

iv. Grameen Bank – The Pioneer

The pioneer institution of micro credit was the Grameen Bank of Bangladesh launched in 1976 by Professor Muhammad Yunus, an Economics Professor at
Chittagong University. The guiding principles have been to bring the bank to the people in the villages to replace collateral security by group liability and to give borrower a free hand in the use of loans, though group supervision is exercised out processing and repayment. The bank grants individual and group loan secured by a system of group guarantee. Every borrower is expected to repay the loan in weekly installment over a particular period. The members of Grameen bank are successful for number of aspects. They are:

a) Clear basic concept and guiding vision of the institution
b) Strong institutional identity
c) Charismatic and conscientious leadership of Prof. Yunus
d) Disciplined staff with a clear understanding of the norms of organization and its clientele.
e) Simple and transparent procedure
f) Two tier system of borrower group
g) No collateral security required from poor
h) Credit provided to the rural poor especially women who owned less than half an acre of land
i) Self reliance fostered among the poor by encouraging the habit of savings
j) Bank approached the needy instead of customers going to the bank

Inspite of all these factors, the presence of highly motivated, socially cohesive target group plays a very important role.

The Grameen bank is a semi Government institution, 40 per cent of its share is held by the member borrowers, landless men and women and the rest held by the state. The bank has over 2,334,780 members of whom 2,220,160 (more than 95 per
cent) are women. It has disbursed over $2,408.30 million of credit and has accumulated the savings of the borrowers that amounts to nearly $176.90 million.

Grameen bank’s continuous expansion clearly shows that the poor are creditworthy and they can use loans productively. It has dispelled doubts about their promptitude and reliability as customers of commercial and public banks, if their services were made available to them under similar institutional arrangement with proper follow-up.

1.4.2 Micro Finance in India

In a vast country like India with multi class society and with heterogeneity in terms of religion, caste, language, agro economic climate and social systems, a single model approach may not be suitable to enhance financial services in these regions. It was on this background, numerous Micro Finance institutions and programmes of various types and structures emerged in India.

The institutions which engage in Micro Finance service in India are NGOs. In India, major steps towards enlisting the support of NGOs for rural development was taken while formulating the Seventh Five Year Plan. It was stated in the plan document that serious effort would be made to involve voluntary agencies in development programmes. During this plan period (1985-90), it gave a substantial role to NGOs particularly in the area of rural development and poverty alleviation.

In India, there are 15,000 registered NGOs and many more non registered informal groups. These organizations have touched the lives of an estimated number of 15 million persons. NGOs contributed significantly to the improvement of the quality, sustainability and effectiveness of social programmes by:

- Developing a experimental and innovative approach
- Promoting participation and community ownership
- Encouraging to undertake new programmes
• Reaching the unreached

NGOs in India use the same methodology for financing the poor. The famous NGOs in India are Mysore Resettlement Development Agency (MYREDA) in Karnataka, Self Employed Women’s Association (SEWA) in Gujarat, Friends of Women’s World Banking (FWWB) in Ahmedabad, Working Women’s Forum (WWF) in Chennai, DHAN Foundation in Madurai, Society for Helping and Awakening Rural Poor through Education (SHARE) in Andhra Pradesh and RDO in Manipur. In India, NGOs continue to work in very limited areas such as a few villages, a block or a district. Moreover, the distribution of effective NGOs is very uneven across the country. While the state of Gujarat has one NGO per 29,184 persons, Kerala has one NGO for 41,532 persons, in Madhya Pradesh, one NGO per 1,19,016 persons and one NGO for 1,02,313 persons in Rajasthan. Many NGOs enjoy strong community ties and are creditable and competent. There are several NGOs which are inexperienced and inefficient. NGOs often lack organizational and financial skills and need significant inputs with regards to capacity building.6

In India, there are three types of approaches engaged in Micro Finance services as given below:

1) The Grameen Bank Approach

Some NGOs follow the model developed by Grameen Bank of Bangladesh. They undertake individual lending but all the borrowers are members of group within which peer pressure is the key factor in ensuring payment. Each borrower’s credit worthiness is determined by overall credit worthiness of the group. Savings is a compulsory component of the loan repayment schedule but they do not determine the magnitude or timing of loan. Society for Helping and Awakening Rural Poor through Education (SHARE) in Andhra Pradesh and Nirdhan in West Bengal are examples of this model in India.
2) The Co-operative Societies Approach

In the co-operative banks, all the borrowers are members of the organization either directly or indirectly, being members of primary cooperatives or associations which themselves are the members of banks. Credit worthiness and loan security are functions of co-operative membership within which peer pressure is assumed to be a key factor. There is only a handful of cooperative credit societies in India devoted specifically for providing financial services to the poor.

3) The SHG Programme Approach

Self Help Group would essentially be formed for the purpose of empowering the poor women to take charge of critical decision converting their lives and improve its quality. The process adopted for formation of the group would evolve overtime. The operations of SHGs are based on the principle of revolving fund of the members own savings. External financial assistance augments the resources available to the group operated revolving fund. However, there are two distinct models which are emerging in the SHG led micro credit movement in India: an organic model and an affiliation frame model. An organic model ‘is based on bottom-up approaches, Mutually Aided Co-operatives Societies in Andhra Pradesh is an example for this model. The ‘affiliation frame’ is based on super imposed structural arrangement, the bank linkage programme of NABARD is one such example.

1.4.3 Key Players of Micro Finance

New Micro Finance approaches have emerged in India over the past decade, involving the thrift, credit and other financial services and products, with the aim to raise income levels and improve living standards. The most notable players in spreading Micro Finance in the nation as whole is NGO supported by banks linked SHGs, recognized by RBI and NABARD.
1.4.3.1 Micro Finance and NGO

In India, a major step towards enlisting the support of NGOs rural development was taken while formulating the Seventh Five Year Plan. During this plan period, it gave a substantial role to NGOs, particularly in the areas of rural development. NGOs follow different methods to reach the poor. Those who follow the ‘grass root’ or the ‘bare foots’ approach have attracted a good deal of attention.

In Bangladesh and Pakistan, NGOs have developed national networks. But in India, NGOs continue to work in very limited areas. Moreover, the distribution of effective NGOs is very uneven across the country.

While many NGOs enjoy strong community ties and are credible and competent, there are several NGOs which are inexperienced, inefficient or stronger in rhetoric than in action. NGOs often lack organizational and financial inputs with regards to capacity building. A number of international NGOs are now working closely with national NGOs to strengthen the latter financially and through networking support.

1.4.3.2 Micro Finance and NABARD

National Bank for Agriculture and Rural Development (NABARD) is the apex financial body in India for rural development and agriculture through refinancing. The concept of self help group as one of the alternative caught the attention of NABARD during 1980s. An innovative scheme in rural delivery system launched by NABARD is the linking of SHGs of the poor with banks and bulk lending through NGOs.

The pilot project of linking the SHGs was introduced in the year 1992. Besides 100 per cent refinance support to the banks, NABARD provides policy guidance, technical and promotional support mainly for capacity building of NGOs and SHGs. External funding like bank credit is infused into the groups only after proper evaluation of the functioning and ascertaining their maturity. NABARD
provides refinance support to bank under linkage project. As per operational guidelines of NABARD, bank sanction savings linked loans to SHGs.

**1.4.3.3 Micro Finance and RBI**

In 1991-92, a pilot project for linking up SHGs with banks was launched by NABARD in consultation with the RBI. On its recommendation, the SHGs would be reckoned as a part of lending to weaker sections and such lending should be reviewed by banks and also at State Level Banker’s Committee (SLBC) at regular intervals. Banks were also advised that SHGs, registered or unregistered, which engaged with banks for the availment of credit facilities, are to be monitored by RBI. Monetary and credit policy statement of 1999 has attached the importance to the work of NABARD and public sector banks in micro credit. The banks were urged to make its efforts for provision of micro credit, especially linkages with SHG, either at their own initiative or by enlisting support of NGOs. The micro credit extended by the banks is considered as part of priority sector of lending and they are free to device appropriation loan and save products in this regard.

**1.4.3.4 Micro Finance and SHGs**

The Indian Micro Finance is dominated by SHGs and their linkage to bank. The NGOs play a vital role in making linkage between SHGs and banks.

The structure of rural financial market in India is dualistic consisting of both formal and informal financial intermediaries. The formal financial sector fails to render credit to the rural poor for income generating activities. To attain substantial development in rural area, innovative institutional set up is necessary which enables services to be expanded at reduced cost.

In order to give a new approach to rural finance, NABARD had introduced the Self Help Groups in 1992, by financing the small group. The new approach is known as micro credit. Micro credit programmes extend small loans to poor people for self employment projects that generate income and indulge them to save.
1.4.3.5 Micro Finance and Government Programmes

Government of India had initiated Integrated Rural Development Programme (IRDP) and Development of Women and Children in Rural Area (DWCRA) for reaching the poor with credit facilities. Later, it was found that these programmes failed to reach the needy due to various reasons. Therefore, the Government launched some other programmes as Rashtriya Mahila Kosk (RMK), Swarna Jayanti Shahari Rozgar Yojana (SJSRY) and Swarnajayanthi Grama Swarozgar Yojana (SGSY) to enhance the living conditions of the poor through self employment activities.

1.4.3.5.1 Rashtriya Mahila Kosk (RMK)

Rashtriya Mahila Kosk (RMK) was set up on 30th March 1993 with a corpus fund of ₹ 31 crores with the major objective of meeting the credit needs of poor women. The objectives of RMK are as follows:

i) To facilitate credit to poor women for generation of unions through innovative methodologies

ii) To increase the efficiency of Government delivery mechanism and develop the viability of poor women

iii) To promote networking of grass roots level organization and entrepreneurship among women.

iv) RMK extend benefits about ₹.549,641 women through 1,244 NGOs during 2006-07. RMK extend Micro Finance by adopting a scheme to support the formation and stabilization of women’s SHGs. During 2006-07, ₹.18,714.84 lakh was sanctioned to SHG out of which ₹.14,987.72 lakh was disbursed. During the year 2010-11, ₹.12.78 crore was sanctioned benefiting 13,362 women out of which ₹.12.49 crore was disbursed.
1.4.3.5.2 Swarna Jayanthi Shahari Rozgar Yojana (SJSRY)

SJSRY launched on December 1997 subsumed with earlier poverty programmes as Nehru Rozgar Yojana (NRY), Urban Basic Services for Poor (UBSP) and Prime Minister’s Integrated Urban Poverty Alleviation Program (PMIUPAP). It provides employment to the urban unemployed or under employed people below poverty line. The scheme gives special impetus to empower and uplift poor women. SJSRY rests on a foundation of community empowerment. It is a top down implementation but it relies more on creating and promoting community based structure and organization of women.\(^8\)

1.4.3.5.3 Swarnajayanthi Gram Swarozgar Yojana (SGSY)

The self employment programme of IRDP, Training Rural Youth for Self Employment (TRYSEM), DWCRA, Genga Kalyan Yojana (GKY) and Million Wells Scheme (MWS) have all been merged into a single self employment programme called SGSY. The major objectives of the programme are

a) Focused approach to poverty alleviation

b) Group lending process

c) Overcoming problems associated with multiplicity of programmes

The scheme encourage the organization of rural poor into Self Help Groups for capacity building, planning of cluster activities and technological upgradation. As on November 2000, 3,71,003 Self Help Groups had come into existence under SGSY programme. During 2012, 8,19,537 SHG had come into existence under SGSY.\(^9\)

Although these programmes are laudable, they are not free from criticism. The new programmes such as SJSRY and SGSY have been saddled with the burden of subsidies. These programmes provide short term satisfaction but in long term it carries the risk of not only failure but also of corrupting the most sustainable Micro Finance system emerging in the country.\(^10\)
1.5 WOMEN EMPOWERMENT

Empowerment as a concept was introduced at the International Women’s Conference in 1985 at Nairobi. Women empowerment is an important process through which women are enabled to realize their full identity and power in all spheres of life. The World Bank Report (2001) defines women empowerment as the process of increasing the capacity of an individual woman or groups of women to make choices and to transform choices into desired actions and outcomes. Women empowerment in short, indicates a change from powerlessness to powerfulness, underprivileged to privileged enabling them to have control over their resources such as social, economic, political, intellectual and cultural.

Empowerment of women is essential to emancipate women from the social evils cast in the name of traditional and cultural customs. Women are marginalized over years together at various stages, and they are also branded as weaker and kept aside from reaching the front stage. In this context, empowerment is required to increase awareness and capacity building for their participation in the decision making and transformation action. This process enables women to make choice in personal life regarding education, employment and marriage. Providing various choices in women’s life depends on the support given by family members, institutional and community support. In the family, male person is considered as breadwinner, physical and financial assets are under his control and naturally power remains in his hands. Women being deprived of access to and control over resources are also denied of power. Even in the case of community, public property resources, institutions and political power is concentrated in the hands of men. Empowerment of women is adire need, but empowerment can not be limited to power alone. It is a larger and broader concept with vaster and different dimensions.

The empowerment of women is achieved at two levels such as individual and collective.
Individual level empowerment is the individual level of indicator by which women can carry out their life plans or can lead a dignified life in accordance with their own values and criteria. This implies empowering individuals by giving them “greater choice” and helping them to seize opportunities. The main objective is to improve their ‘quality of life’ in a long run.

Collective level empowerment implies empowering society through “gender equality within society” and strengthening of social justice. Organized members put in place mechanism, systems and structures guarantee women and men with the same opportunities and rights when planning their lives.

1.5.1 Aspects of Empowerment

The aspects of empowerment are discussed under four concepts such as :

a) Assets

This concept refers to greater economic power in terms of material assets such as income, land, tools or technology. This aspect is not only restricted to the economic factors such as wealth but also certain services such as loans, better health, information and markets.

b) Knowledge and Know-how

This aspect means having more practical and intellectual knowledge or skills, enabling a person or community to make the most of opportunities. It refers to management of people (leadership quality), techniques, learning as well as the development of thought and reason as critical analysis skills. Know-how highlights the importance of applying knowledge or the ability to translate one’s knowledge into action or resources.

c) Determination

Determination refers to power within, psychological strength or spiritual power: one’s values and fears, self confidence and self perception. It is the ability and
will to make one’s own choice for the future, the awareness of one’s own life plan as well as the challenges facing one’s community. The concept of will includes the two elements of state of mind (being) and the ability to use it towards others (knowing how to be).

d) Capacity

Capacity means having opportunity to make decision, taking on responsibility, be free to act and use one’s resources (assets, knowledge and will). Decision making encompasses several aspects:

- The ability to make one’s own decisions; the ability to take part in decision making, the ability to influence decision making and control those who make decisions on one’s behalf
- The ability to make decisions for others and show authority
- Working to develop a society means contributing to social change at an individual and collective level

1.5.2 Essential Features of Empowerment Process

The process of women empowerment involves the following:

- The capacity to question traditional beliefs and practices and develop a critical approach to one’s environment
- Developing a positive self image and recognizing one’s strength, including valuing one’s existing knowledge and skills
- Exploding myths, misconceptions and stereotypes about women in society
- Critically analyzing the structures of oppression and exploitation
- Becoming aware of one’s rights as an equal citizen and a woman
- Defining and sharing one’s strengths and weaknesses with other women
- Building strong collectives through which individual and collective problems could be identified and addressed
- Learning to organize, building and functioning as collective unit, including collective decision making, collective action, critical reflection and collective accountability

1.5.3 Women’s Development in the Five Year Plans

Realizing the importance of women development, Government of India after independence enshrined the principles of gender equality and justice in the preamble and number of other legislature and legal measures were initiated towards women’s development. Women’s development began mainly as welfare oriented programme in the First Five Year Plan (1951-56). The Central Social Welfare Board was set up in the year 1953, and it undertook a number of welfare measures through the voluntary sector.

The Second Five Year Plan (1956-61) has organized the women into Mahila Mandals to act as the local centers at the grass root level for the development of women.

The Third (1961-66) and Fourth Five Year Plans (1969-74) have accorded a high priority to the education of women and have introduced measures to improve the material and child health services, including the supplementary feeding for children and for the nursing mothers.¹¹

The Fifth Five Year Plan (1974-79) had made a shift in the approach to women’s development from ‘welfare’ to ‘development’ to cope with the several problems of the family and the role of women. The new approach aimed at an integration of the welfare activities with that of development services.

The Sixth Five Year Plan (1980-85) had made a landmark in the history of women’s development by including a separate chapter in the plan document and by adopting a multi disciplinary approach with a three thrust on health, education and employment.
In the Seventh Five Year Plan (1985-90) the developmental programmes for women were continued with the main objective of raising their economic and social status to bring them into the mainstream of national development. A significant step in this direction was to identify and promote the beneficiary oriented programmes for women in the different development sectors, which extended direct benefits to women.

The Eighth Five Year Plan (1992-97) which was launched in the year 1992, had made a shift from ‘development’ to the ‘empowerment’ approach. It promised to ensure that the benefits of development in the different sectors did not by-pass women and women should be enabled to function as equal partners and participate in the developmental process.

The Ninth Five Year Plan (1997-2002) has identified the urgent need to review and synthesize all the existing policies and programmes designed for empowerment of women. Adoption of women’s component plan to ensure benefits and developmental sectors do not by-pass women and not less than 30 per cent of the funds flow to them from all women related sections.

Efforts were put into action to eliminate all forms of discrimination so that some these special initiatives were followed.

- Setting up of a “Task Force on Women” to review the existing women related and women specific legislations and also to suggest enactment of new legislations and amendments wherever necessary.
- Launching of Sarva – Shakti to create an enabling environment for empowerment of women through setting up of self reliance groups.
- Adoption of a National Policy for empowerment of women to remove all types of discrimination against women and to ensure gender justice.
- Celebration of the year 2001 as women’s empowerment year to create awareness among women and to remove negative thinking.
Recasting of Indira Mahila Yojana as Swayamsidha in order to organize women into self help groups for undertaking various entrepreneurial ventures.

Other initiatives during this plan include stress on Shakti Purasakars, Domestic Violence Bill and Swadhar to extend rehabilitation services for women in different circumstances.

The Tenth Five Year Plan (2002-2007) aimed at empowering women through translating the recently adopted National Policy for Empowerment of Women into action and ensuring survival, protection and development of women and children. To fulfill these objectives, the following commitments were made during this plan.

- To create an environmental development.
- To ensure the access of health care, quality education, career and vocational guidance, employment to women.
- To build and strengthen partnerships with civil society particularly women’s organizations, corporate and private sector agencies.
- To strengthen legal system in order to eliminate all forms of discrimination against women.
- To eliminate all forms of violence against women and girl child.
- Mainstreaming a gender perspective into the development process.

Keeping in view the role of women in national development, the allocation to Department of women and children has been enhanced to ₹13,780 crores during the Tenth Five Year Plan.

The Eleventh Five Year Plan (2007-2012) recognized the need for women’s agencies. At the same time, it ensured the survival, protection and all round development of children of all ages, communities and economic groups. In ensured at least 33 per cent of the direct and indirect beneficiaries of all Government schemes are females.
The Twelfth Five Year Plan (2012-2017) has suggested the following measures to strengthen SHGs as a means of achieving women’s empowerment.

- To assess the existing institutional capacity for the development, implementation and monitoring of women related programmes and gender mainstreaming with qualitative analysis for improved effectiveness.
- To strengthen the role of women in Governance.
- To propose measures and initiatives in promoting women empowerment.

1.6 WOMEN AND MICRO FINANCE

There is an urgent necessity to improve the status of women by well conceived, planned development programmes which would have active community participation based on the women’s needs in order to emancipate and empower them. The physical strength and alleged dominance of men has been an important factors in controlling women’s freedom to action.

Links between Micro Finance and women’s empowerment are viewed as optimistic, though it is limited by design, cost effective in eliminating poverty and a misplaced diversion of resources. Micro Finance programmes range from small scale self help groups to large poverty eliminating programmes. Every model may vary in its delivery, group functions, structures and complementary services. There are three approaches to Micro Finance and women empowerment, the financial sustainability approach, the integrated community approach and the feminist empowerment approach. However, program evaluations reveal the need to question the assumptions underlying all three approaches. In most programs, women are benefited to a limited degree. Many women do not have a control over finance and loan. Most women are paid low for the work they are engaged in resources and time invested in economic
activity are limited by women’s responsibility in household chores and unpaid domestic work.

Women gain a lot from Micro Finance because it gives them an independent means of generating wealth and becoming self reliant in the society. And since it is women who run the household, a higher standard of living for women ensure better governance and a healthier and better future.

1.7 MICRO FINANCE – AN INNOVATIVE TOOL FOR WOMEN EMPOWERMENT

The programmes for upliftment and empowerment of the poor especially the rural women depend on rural credit institutions. This leads to the birth of Micro Finance credit scheme. Micro Finance is distinctly different from poverty alleviation schemes but it is a better tool for eradication of poverty through the formation of various organizations and enterprises.

The peculiar disadvantages faced by women are due to relative lack of assets such as human, natural, physical, social and financial. Distribution of human assets such as the capacity for basic labour, skills and good health is heavily based against women. They work longer hours than men in every country. Women carry 53 per cent of the total burden of work in developing countries and 51 per cent in industrial counters. Most of their work remains unpaid, unrecognized and undervalued.

In the developing countries, ownership of natural assets such as land has tend to be heavily biased in favor of the male members of the family. Land is a very important asset, but women and men do not have equal rights to land in most settings. Women’s right to use land is generally denied. Even where local norms give women strong rights to use land, women acquire those rights through men – so these rights are precarious, contingent on a woman’s marital status. Some customary laws give sons the exclusive right to inherit the land.
Access to physical assets such as infrastructure is restricted by institutional barriers. Social assets such as network of contacts and reciprocal obligations that can be called in times of need and political influence over resources are also low for women. Lack of access to financial assets such as savings and formal credit is another stumbling block to their progress.

The women empowerment and eradication of poverty under Micro Finance schemes are made possible through the formation of Self Help Groups (SHGs), Neighborhood Groups (NHGs), Area Development Societies (ADS) and Community Development Societies (CDS) and Micro Enterprises under ‘Kudumbasree projects’. Micro credit refers to small loans available to low income individuals to sustain self employment or start up very small business. Micro credit fund is a pool or loan capital generated to initiate micro entrepreneurs in their activities, generally with alternative collateral guarantees and monitored repayment system. The loans may serve as working capital to cover day to day expenses as seed capital to start up business or as investment capital to purchase fixed assets.

It may be an independent operation, part of an integrated economic development. It is only the moral guarantee of the SHGs that is provided as a security. Micro Finance plays an important role in the upliftment of women in rural areas. Needless to say that providing Micro Finance to the poor women through an organized set up has become essential. As many as hundred countries are reported to have adopted the concept of credit.

The percentage of women below poverty line is higher in rural areas than in urban areas; NABARD micro credit programmes correct the imbalance by instituting an overall arrangement provision of a wide range of financial services to women thereby lending to their social, political, psychological and economic empowerment.

Micro Finance to SHGS has been paving the way for opening up a large number of mini ventures in rural areas, which has not only generated gainful occupation but has also provided scope for the transformation of rural society.
The group formation and the development is not a spontaneous process. NGOs play a crucial role in the formation and promotion of groups. A NGO helps to have close friendly, grass root level familiarity with poor women. It propagates the message of self help among the prospective beneficiaries, motivates and organizes the groups to nurture them and train them in thrift and credit management and income generating activities. Micro credit system for employment serves as an integral part of the SHG mechanism. The directions from the RBI, NABARD and commercial banks have clearly mentioned the need to recognize the SHG as a potential tool of Micro Finance.

The RBI has launched the programme of linking SHGs with lending institutions like commercial banks so that the credit requirement of the SHG can be properly attended to through the commercial banks. NGOs form good catalysts of Micro Finance, either by guaranteeing loan taken by women SHGs or loans taken by NGOs on behalf of the SHGs. In each phase of SHGs, the NGOs play a different role like initiators, promoter, facilitator, administrator and financial intermediary and also a self help promoting institutions.

During initial stages with guidance of NGOs, the group collects its own funds in the form of compulsory savings. The NGOs at this stage establishes a linkage with the banks and assists the groups to deposit its savings through formal introduction. The credit fund, if it comes from an outside source, is disbursed to individual members according to agreed criteria and the group undertakes joint liability for debts of each members. Thus, the joint liability provides incentives or compels the group to undertake the burden of selection, monitoring and enforcement that would otherwise fall on the lender.

As employment opportunities all over the world are decreasing, entrepreneurship is seen as the one way to lift women out of poverty. Experience shows that most of the poor women invest money wisely and make sound decisions to maximize returns. Access to savings and credit facilities helps poor women to make
comparatively larger investment and allows to take advantage of profitable business opportunities and to increase their earning potential.

Capital derived from credit and savings is a key asset that allows the poor to seize market opportunities. Women receive a disproportionately small share of credit from formal banking institutions. Most of the banks wish the borrowers to be the wages or salary earners or property owners who can provide acceptable collateral security. Limited education, complicated loan procedures and long distance to the nearest bank further constrain women’s access to institutional credit. As a result, women constitute a very small proportion of borrowers from formal financial institutions.

At a macro level, about 70 per cent of the world’s poor are women, women have high employment rate than men in virtually every country and make up majority of the informal sector and they constitute the bulk of those who need Micro Finance services.

Women are usually the primary or sole family care takers in many developing countries. Helping them with an additional daily income improves the condition of their entire household. Giving women an access to micro credit loans generates a multiplier effect that increases the impact of Micro Finance institution activities benefiting multiple generations.

Micro Finance helps the poor women, providing an independent source of income, which reduces their dependency increases their assertiveness, exposes them to new sets of ideas, values and earns social support.

Micro Finance Institutions or programmes (MFI/Ps) have targeted women who live in households with very little or no assets. The MFI/Ps has significantly increased women’s security, autonomy, self confidence and status within the household by providing opportunities of self employment. Micro credit managed and utilized by women borrowers themselves has the greatest impact on poverty reduction.
1.7.1 Methods of Micro Finance Services in India

Due to the huge size of population in India of around 1000 million, India’s GDP ranks among the top 15 economies of the world. About 60 million households live below the poverty line. Additionally, most of the rural population are above the poverty line are not rich enough to pay the interest to the formal financial intermediary services.

Credit on reasonable terms to the poor can lead to significant reduction in poverty. With globalization and liberalization of the economy, opportunities for the unskilled and the illiterate are not increasing fast enough, as compared to the rest of the economy. This is leading to a lopsided growth in the economy, thus the gap between the haves and have nots increases. It is in this context, the institutions involved in Micro Finance have a significant role to play to reduce this disparity and lead to a more equitable growth. The Micro Finance service in India is divided in terms of demand and supply of micro credit.

1.7.2 Demand for Micro Finance services

In terms of demand for Micro Finance, there are three segments:

1) Many number of Indians at the grass root level are landless and are engaged in agriculture work on a seasonal basis. Many are manual labourers in forestry, mining, household industries, construction and transport. This segment requires first and foremost consumption of credit to meet the expenses incurred during those days when they do not get labour work and also for contingencies such as illness. They also need credit for acquiring small productive assets, such as livestock using which they can generate additional income.

2) The next market segment is small or marginal farmers and rural artisans, weavers and those self employed in urban informal sectors as hawker, vendors and workers in household micro enterprises. This segment mainly
needs credit for working capital, for acquiring additional productive assets, such as irrigation pump sets, bore wells and live stocks.

3) The third market segment is of small and medium farmers who have gone in for commercial crops such as paddy, wheat, groundnut and non farming activities as poultry, fishery and tea shops. These persons live above poverty line and also suffer from inadequate access to formal credit.

One market segment, which is of great importance to micro credit, is women. The 1991 census figures reveal that out of a total 2.81 million marginal workers, 2.54 million were women and their further breakup shows that out of a total of 2.67 million rural marginal workers, 2.44 million were females. Women are the most important segment who is to be financed and uplifted from deprived situation.

1.7.3 Supply of Micro Finance Services

The magnitude of the dependence of the rural poor on informal sources of credit can be observed from the findings of the All India Debt and Investments Survey, 1992, which shows that the share of the non-institutional agencies is 36 per cent. Among the formal institutional source, banks and co-operatives provide credit support to almost 56 per cent of rural households, while money lenders provide credit to almost one sixth of the rural household.

Over decades, following India’s independence in 1947, Government of India has concentrated its efforts to provide Micro Finance to the rural poor through the formal financial sector, namely the co-operatives. However, the limited success of the cooperatives in the mid fifties to the sixties forged the need for nationalization of commercial banks. Regional Rural Bank (RRB) was also established to continue further outreach of the banking sectors to the rural poor. Integrated Rural Development Programme (IRDP) launched in 1980 was designed to provide a combination of subsidy from the Government and credit from the banking system to help the low income households. During 1990’s as the result of various poverty
alleviation programmes, India had one of the largest banking network in the world with 50,000 commercial bank outlets; 14,420 RRBS and 90,000 primary agricultural co-operative societies. About 43 per cent commercial banks and RRB branches were located in the rural area. The impressive fact was that there was a financial intermediary branch for every 15,000 households and co-operatives in every village.¹²

Even though there was extensive expansion of banking network it could not reach the poor. The procedures were cumbersome and the transaction cost was high. Effectively, the total cost of funds to the borrower ranged between 20-30 per cent as against the 12-14 per cent nominal lending rates. All this resulted in low repayment rates leading to a vicious cycle of non-availability and non-repayment.

It was on this background that the idea of Micro Finance emerged in India. In a vast country like India with multi class societies and with heterogeneity in terms of religion, caste, language, agro economic climate and social system, a single model or approach may not be suitable for all regions. Freedom to adopt models best suited to the local conditions is essential to enhance financial service in these regions. As a result, numerous Micro Finance institutions or programmes of various types and structures have emerged in India.¹³

1.8 STATEMENT OF THE RESEARCH PROBLEM

Micro Finance or provision of financing services to low income households has come to be accepted as the most efficacious intervention to alleviate poverty among the policy circles in the developing countries. In rural areas, the status of women is backward due to their low level of skills, lack of access to training facilities and credit, ignorance and lack of linkage facilities are some contributory factors for backwardness of women.

One of the means for the holistic upliftment of the poor women is through Self Help Groups. SHG is considered as the movement of self development. The SHG is the institutional informal set up through which the micro credit is routed by formal
and semi formal Micro Finance institutions to assist the poor women. The NGOs have actively promoted the informal groups of the rural poor to encourage thrift with a view to help them in the financing of their urgent needs and in making them to move away from money lenders. A series of research studies carried out by the NABARD had led to evolution of SHG bank linkage model, as a cost effective mechanism for providing financial services to the poor people.

Micro Finance has greater dimension and recognition and is instrument for meeting the credit needs of the poor who initiate their Income Generating Activities (IGA) or micro enterprises through the institutions of Self Help Groups. The bankers feel that helping the SHGs is a profitable venture and is less risky as there was the peer pressure from the group to repay and there is refinance facility available from the NABARD. Many NGOs had also come forward to promote the SHGs all over the country.

In Virudhunagar district, there has been a lot of NGOs promoting the SHGs. Some NGOs finance such groups from their own funds or from out of the funds arranged by them, while there are some other NGOs, who have placed themselves under the “Mahalir Thittam”, a division of the TamilNadu Corporation for Development of Women Ltd. (TNCDW). The present study covers those SHGs promoted by the NGOs affiliated to the “Mahalir Thittam”. Since women groups constitute more than 85 per cent of the total number of groups and rural women need development and empowerment, only women Self Help Groups have been considered in the present study. Hence, an attempt has been made to study the empowerment of women through Micro Finance in Virudhunagar District.

1.8 SCOPE OF THE STUDY

The present study mainly concentrates on the growth of the Self Help Groups through Micro Finance in TamilNadu with particular reference to the Virudhunagar district. The study is confined to Women Self Help Groups. The socio economic
background of the members of the selected Self Help Groups, with respect to their occupation, income, savings, indebtedness, sources of loans, are analysed.

1.9 OBJECTIVES OF THE STUDY

The study was undertaken with the following objectives

- To assess the level of development of women SHGs by Micro Finance in Virudhunagar district.
- To study the socio economic conditions of SHG members and their performance in the study area.
- To assess the level of social, economical and political empowerment of SHG members in Virudhunagar district.
- To measure the psychological empowerment of SHGs members in the study area.
- To identify the problems of Micro Finance and give suitable suggestions to empower women in Virudhunagar district.

1.10 HYPOTHESES OF THE STUDY

The following null hypotheses have been tested in this study.

- There is no significant difference in social, economical and political level of empowerment before and after joining the SHGs.
- There is no significant difference in psychological empowerment before and after joining the SHGs.

1.11 LIMITATIONS OF THE STUDY

The limitations of the study are as follows:

- The study is confined to women Self Help Groups formed under Mahalir Thittam since 1997 only.
• The study has been made only on the SHGs who are working effectively for five years and above.

1.12 LAYOUT OF THE STUDY

The present study “Impact of Micro Finance on Empowerment of Women in Virudhunagar District in TamilNadu” has been presented in nine chapters.

The first chapter deals with the introduction and design of the study. It deals with significance of Micro Finance, role of Micro Finance institutions, Micro Finance and its multifacets, Women empowerment, Women and Micro Finance, Statement of the research problem, scope of the study, objectives of the study, hypotheses of the study, limitations of the study and layout of the study.

The second chapter is divided into two parts. The first part deals with the review of literature and the second part is about the basic concepts related with the study.

The third chapter sketches out the profile of the study area and gives an account of methodology adopted in the present study.

The fourth chapter illustrates the trend and growth of Self Help Groups in the study area.

The socio economic background of Self Help Group members and performance of Self Help Groups have been detailed out in the fifth chapter.

The sixth chapter delineates the social, economical and political upliftment of women through Micro Finance.

The seventh chapter portrays the psychological empowerment of the SHG members through Micro Finance.

The eighth chapter depicts the hindrances in Micro Finance.

Finally, the ninth chapter presents a descriptive summary of the findings and lists out the suggestions made as a result of this research study.
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