Chapter 1

Introduction
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1.1 Background of Research

RBI (2011)\(^1\) defines Micro-finance as an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a range of services which include, in addition to the provision of credit, many other services such as savings, insurance, money transfers, counseling, etc. In addition to providing various financial products and services, micro-finance institutions also take up social intermediation and provide business development and social services. Hence, micro-finance serves dual objectives of poverty alleviation and women empowerment which are stated as Millennium Development Goals by the UN. It has been reinforced by the World Bank (1995, 2000/2001)\(^2\) that there is substantial evidence that organizing women around thrift and credit services is one of the most effective methods, not only for alleviating poverty but also for empowering women.

Micro-finance formally originated in Bangladesh and is considered to be a brain-child of Prof. Mohd. Yunus, who won the prestigious Nobel Prize for the same. After experimenting with giving small loans to villagers, Prof. Yunus learnt that these people though poor, were economically active and above that ‘bankable’ due to their excellent repayment records. He set up a Grameen Bank and the concept started propagating across countries. India, being a neighbouring country picked up the micro-finance bandwagon soon. The Government of India was experimenting with various schemes to improve the conditions of rampant poverty, but in vain. Under the micro-finance scheme, NABARD pioneered the SHG-BLP (Self-Help Group – Bank Linkage Program) in late eighties and what started as a pilot project of linking 500 SHGs of rural poor to banks, has crossed the mark of 8 million groups in 2013 (Status of Microfinance in India, 2012-13)\(^3\). Literature has proved that micro-finance has been instrumental in improving the conditions of the poor. However, there are mixed reports as to the impact of micro-finance on empowerment of women.

Micro-finance services are provided by institutions in the formal, semi-formal as well as informal financial sector. As per the regulatory framework, Micro-finance Institutions (MFIs) can be broadly set-up as Non Government Organisations (NGOs), Co-operatives, Section 25 Companies, Non Banking Financial Companies (NBFCs),
Nidhi Companies, Co-operative Banks and Producer Companies. Similarly, MFIs can follow different credit-delivery models such as Association Model, Community banking Model, Co-operative Model, Credit Union Model, Rotating Saving and Credit Association Model, Village Banking Model, Bank Guarantee Model, Individual Lending Model, NGO Linkage Model, Small Business Model, Grameen Joint Liability Group Model (JLG) and Self-help Group Model (SHG). The present research studies three major set-ups of MFIs, viz. NGO, NBFC and Co-operative Bank and two popular credit-delivery models used in India, namely SHGs and JLGs.

Micro-finance has had its share of highs and lows, and has also been under the limelighat of controversies in its tenure of two decades in India. The Andhra Pradesh crisis drew extensive attention of the industry practitioners, critics and researchers. However, the crisis did not deter the growth of micro-finance in India where almost half a billion people are excluded from the formal financial sector. The sector has been growing at an impressive rate of 30% to 50% per year, which appears to be sustainable (responsAbility – Microfinance Market Outlook 2014)⁴. The most recent figures (Jun 30, 2014) as updated by Mix Market⁵ (Accessed on October 18, 2014) in the context of India boast of micro-finance operations spread over 36.1 million borrowers with a gross loan portfolio of USD 6 billion and 9.3 lakh depositors with total deposits amounting to USD 116.5 million. Gujarat is not recognized as a high priority state by NABARD for its SHG-BLP program, yet micro-finance is spread over seventeen districts in Gujarat (Sa-Dhan Report, 2013)⁶. In addition to the outstanding loan portfolio under the SHG-BLP (Rs. 22,038.63 crores)³, MFIs have generated a loan portfolio of Rs. 55,731.89 lakhs. Hence, it can be said that the total outstanding credit portfolio for Gujarat under micro-finance comes to Rs. 77,770.52 lakhs⁶.

Women empowerment has gained prominence across the countries and India is not an exception to this concept. The Government has aptly communicated a shift in its approach from making women beneficiaries of welfare to participants of development. However, The Global Gender Gap Report 2014⁷ clearly reports that India has not made much progress. India still ranks 114 out of 142 countries as far as women development is concerned. As much as elevating the status of women in India is a challenge, it is not unattainable. As a matter of fact, empowerment is in the evolution stage. Empowerment is not a product but as defined by Amma, Panicker
and Sumi (2008), it is a continuous process where the powerless people become conscious of their situation and organize themselves to improve it and access opportunities, as an outcome of which women take control over their lives, set their own agenda, gain skills, solve problems and develop self-reliance. Various empowerment paradigms exist, wherein several indicators for measuring women empowerment are reported. For the purpose of study, a comprehensive framework presented by Malhotra, Schuler and Boender (2002) is used; which classifies empowerment into several dimensions like Economic, Socio-Cultural, Interpersonal/Familial, Psychological, Legal and Political empowerment at household, community and national levels.

The potential of micro-finance to revive and elevate the status of women was realised long back, and it was declared as one of the major objectives in the Microcredit summit campaign launched in 1997. The main target audience of micro-finance is women, because as illustrated by Leach and Sitaram (2002), women are discriminated in the society even when women headed households are on the rise and empirically women have shown higher repayment rates as compared to men. The Indian scenario also suggests that almost 81% of SHGs under the SHG-BLP of NABARD are exclusively formed of women (Status of Microfinance in India, 2012-13).

Various impact studies have been carried out on micro-finance and women empowerment in a different context and using different methodological tools. These have been mentioned along with their findings in details in Chapter 3 pertaining to Literature review.

1.2 Justification for the Research

Micro-finance has been extensively studied and celebrated as a tool of poverty alleviation. It is also being viewed as a potential aid in empowering women, as majority beneficiaries of micro-finance are women. Yet the study of literature review has revealed certain gaps. The various impact studies are ambiguous due to conflicting findings and doubts as to their efficacy. Khan (2009) points out that aside from case studies, there is a shortage of research on the impact of microcredit on clients, which has contributed to doubts about the overall effectiveness of micro-
finance. Asim (2008)\textsuperscript{12} states that the positive link between microcredit and empowerment, though repeatedly emphasized by donors and practitioners in conferences and summits, is a controversial area of empirical research. The research further emphasizes on establishing the link between microcredit and empowerment in the non-urban context. The same can be extended to India as well. Mayoux (2006)\textsuperscript{13} states that the most detailed impact studies have been done in Bangladesh and these are currently contested on conceptual, methodological and analytical grounds. Also, there is dearth of relevant research in the context of Gujarat as most research is skewed in the Southern region of India. Further, Grown, Gupta and Khan\textsuperscript{14} have indicated that India belongs to that cluster of countries which are characterized by low capability of women, low opportunity and medium agency facilities (ICRW, 2003). The findings of Gender Gap Report as mentioned previously also support the same. Moreover, the Census Survey 2011\textsuperscript{15} points out that Gujarat state ranked 24 out of 35 states and Union Territories as far as male to female ratio was concerned. Hence, it makes a case to study the status of women in this region. Also, impact studies are volatile in nature and they are required on a periodic basis for effective monitoring of the existing system and strategising for the future.

In light of the above gap identified through literature review, an attempt is made to provide a detailed impact assessment of micro-finance on women empowerment especially in the rural areas of Gujarat.

1.3 Objectives of the Study

The present study focuses on micro-finance services and its impact on the clients. The following objectives are identified for this research:

1. To study the micro-finance services in a comprehensive manner and understand the dimensions of women empowerment

2. To study the impact of micro-finance on empowerment of women

3. To identify the interventions of micro-finance institutions which have a bearing on women empowerment

4. To study the inter-relationship between different dimensions of empowerment
To compare the impact of micro-finance on empowerment of women based on three different institutional set-ups, viz. Banks, NGOs and NBFCs.

1.4 Brief on Research Methodology

Having identified the gap through the literature review, the adopted research design was a melange of descriptive and exploratory techniques. The sample size as arrived by statistical calculations and logical consideration was 384. For sampling purpose, five districts of Gujarat, namely, Kutch, Mehsana, Ahmedabad, Anand and Surat were identified based on the lowest sex ratio (no. of females per thousand males) and their rural areas were visited. Micro-finance institutions like Shri Mahila Sahakari Bank Ltd. (Co-operative Bank), Kaira Social Service Society (KSSS), Light Microfinance Pvt. Ltd. (NBFC) and Pahal Microfinance (NBFC) were identified and their respective clients were sampled. The sampling technique used for the study was Cluster followed by Stratified Sampling.

Data was collected using primary and secondary sources. The tools used for primary data collection were structured questionnaires (for survey) and semi-structured and open-ended questionnaires (for depth interviews). Both the tools were checked for reliability and validity. The industry experts, researchers of micro-finance and experts of marketing research were consulted before finalising the questionnaire. The questionnaire development has been explained in details in chapter 4 pertaining to Research methodology. Analysis was carried out using quantitative as well as qualitative techniques. For analyzing the hypothesis using quantitative techniques, parametric as well as non-parametric tests have been used in this research. Different statistical tests have been performed for Nominal, Ordinal and data collected by using Likert scale. The data has been interpreted with the help of various statistical tools like Frequency analysis using Descriptive Statistics, Cross Tabulation for nominal scale data, Chi-Square Test for Independence and test of association like Cramer’s V, McNemar Test and One Way ANOVA. Information extracted through literature, along with direct observation and interview data was combined to develop case studies on the three different organisations under study, namely, SEWA Bank (Bank), Kaira Social Service Society (NGO) and Light Microfinance Pvt. Ltd. (NBFC-MFI). This was used to gain further insights on the empowerment levels of women and effects of micro-finance services. These studies also allowed the researcher to
compare and contrast their services and resultant impact on women empowerment. Ethical considerations were kept on priority while conducting the research.

1.5 Outline of the Report

Chapter 1 introduces the core research problem and draws out the plan for conducting the research, which will lead to the conclusion. It comprises of background of the research, statement of problem, the rationale behind doing the research, research methodology, the outline of report followed by limitations and conclusions.

Chapter 2 studies the concept, evolution and credit delivery mechanism of micro-finance in India. The current scenario of micro-finance in the International, National and regional context is studied. Also, the benefits, issues and future prospects of micro-finance in India are narrated.

Chapter 3 deals with literature review related to the topic. It includes literature survey related to women empowerment paradigms and impact studies of micro-finance on women empowerment. It also encompasses some of the important contributions in a tabular form.

Chapter 4 deals with the methodology used in conducting the research. It commences with the research objectives and hypotheses, followed by research design, sampling element, sample size calculation, sampling technique used, data sources, research instrument formation, and quantitative and qualitative techniques used for analysing the data collected.

Chapter 5 includes quantitative data analysis. It starts with the pilot study analysis followed by reliability analysis of the scales used in the instrument. Later the chapter talks at length on several statistical methods and analyses the data collected.

Chapter 6 is an outcome of qualitative research. It contains full-length case studies on SEWA Bank, Kaira Social Service Society and Light Microfinance Pvt. Ltd. The cases highlight the various activities of these institutions and their role in empowering women. Cross-comparison of these micro-finance institutions is also done at the end of this chapter.

Chapter 7 comprises the major findings on the results obtained by Data Analysis.
Chapter 8 is on recommendations and conclusion of the study. Suggestions to the micro-finance institutions and the sector, in general have been made on the basis of primary findings of the research. This is followed by Conclusions about all research objectives and the research problem. Finally, in view of the limitations of the present study, scope for further research is included here.

1.6 Limitations of the Study

Every study is prone to certain limitations owing to time and monetary constraints. The present study on Empowerment of Women through Micro-financing is restricted in its geographical scope as it has been carried out in rural areas of Gujarat state only. In Gujarat state again sample will deal with five main districts namely Kutchch, Mehsana, Ahmedabad, Anand and Surat. Due care has been taken in selecting the districts as the gender ratio is very poor in these districts, which holds true for Gujarat state and India as well. If carried out nationwide, chances of better finding and inter-comparison between different regions would be possible. From the several empowerment paradigms, one of the models is chosen as the base (developed by Malhotra et al.) as it was found to be comprehensive in nature. However, the other models can be studied to increase the scope of decisions measuring empowerment. The research focuses on Self-Help group and Joint Liability Group mechanisms of credit delivery, both being very popular in the Indian context. However, the other credit delivery models can be studied, whose scope although limited in national context is used in international context. Moreover, different methodological tools can be used for impact assessment. The present study can also be extended to perform advanced analysis based on econometric models.

1.7 Conclusion

Micro-finance is a package of financial services like savings, loans, insurance, fund transfer, etc. along with other social services and capacity building programs, offered to the low-income segment so as to uplift their economic conditions and provide other ancillary benefits. Micro-finance as a concept formally came into being when Prof. Mohd. Yunus gave small loans to villagers in Bangladesh during the famine of 1974 and formally opened the Grameen bank in 1976. During the same time, several initiatives were taken up by the Indian Government to alleviate the poor. After several
vain attempts, NABARD successfully started the SHG-Bank linkage programs in late 80s and micro-finance gained momentum. Southern India initiated this program, followed by the other regions. Although micro-finance started off as a poverty alleviation tool, it had other far-reaching effects, and one of them was empowering women in the society, which was bogged down by male dominance. Various impact studies were carried out to study the effect of micro-finance on women empowerment, the most detailed being in Bangladesh and focusing on the southern parts of India. However, impact studies being volatile and dichotomous in nature and dearth of such studies in the context of Gujarat motivated the researcher to undertake the current research. This study focuses on finding out the impact of micro-finance on women empowerment in rural areas of Gujarat. Several other objectives identified for the study include understanding the micro-finance services and paradigms of women empowerment, identifying the interventions of micro-finance institutions which have a bearing on women empowerment, studying the inter-relationship between different dimensions of empowerment and comparing the impact of micro-finance on empowerment of women based on three different institutional set-ups, viz. Banks, NGOs and NBFCs.

For this purpose, five districts were identified, viz. Kutchch, Mehsana, Ahmedabad, Anand and Surat and women clients of different institutions, namely, SEWA Bank, Kaira Social Service Society, Light Microfinance Pvt. Ltd. and Pahal Microfinance were studied. Questionnaires were filled up by 384 clients and data analysis was done on complete questionnaires of 360 respondents. Depth interviews were also taken of 30 respondents and they are portrayed in the case studies written separately for each micro-finance institution under study.

The outline of chapters presented in the thesis has been drafted in this chapter. The last section of this chapter deals with the limitations of the study, which also throw light on the future scope for research.


