Chapter 1

INTRODUCTION

“As a bird cannot fly on one wing, no society can make progress unless its women too join in all activities” – Swami Vivekananda

1.1 Introduction

Economic Growth has brought unprecedented prosperity and disparities in wealth and opportunities. According to the World Bank in 2012, 1.2 billion people live below the poverty line of 1.25 $ per day (www.worldbank.org 2012). The development processes have both magnified and sharpened the already existing inequalities between men and women.

According to Obiageli Ezekwesili, Vice-President, World Bank “the face of poverty is female”. Disparities impact women in a larger measure who become its victims in structural gender specific ways like- women receiving unequal pay for work of equal value, having unequal land rights, gender disparities with regard to allocation of resources and also responsibilities within the household. The social and cultural norms which restrict women’s mobility result in feminization of poverty. This developmental divide has necessitated interventions by the government and non-governmental organisations (voluntary agencies) so as to reduce inequality. One such intervention has been the provision of microfinance to women as they are the worst affected by the “violence of development” (Kapadia, 2002).
In recent years, issuing credit to women has gained wide acceptance as a means of financial development (Ackerly, 1995). The importance of finance in alleviating poverty can be understood from the fact that finance is the elixir of life. It is important for meeting life cycle needs of individuals and for investing in various instruments to achieve advancement in the socio-economic status. To achieve this improvement, individuals tend to borrow. Though credit is a liability but when invested ingeniously it becomes empowering. The promotion of income generating activities among women would help in transforming their lives. In his book “The fortune at the bottom of the pyramid,” Prof. C.K. Prahlad (2004) has commented, “A well understood but poorly articulated reality of development is the role of women. Women are central to the entire development process. They are also at the vanguard of social transformation.”

1.2 The concept of Empowerment and Microfinance as an empowerment strategy

The World Bank defines empowerment as “the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. According to Krishna (2003) empowerment means increasing the capacity of individuals or groups to make effective development and life choices and to transform these choices into desired actions and outcomes. It is by nature a process and/or outcome.

Microfinance has been defined as follows: “Microfinance is the provision of small amounts of financial services to low income poor and very poor self employed people” (Otero 1999). “Microfinance refers to small scale financial services for both credits and deposits that are provided to people who farm or fish or herd; operate
small or micro-enterprises where goods are produced, recycled, repaired or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draught animals or machinery and tools to other individuals and local groups in developing countries, in both rural and urban areas” (Robinson 1998).

A distinction has to be made between the two terms microcredit and microfinance. The former refers small amounts of money given as loans to poor while the latter is a broader term and encompasses in its orbit not only loans but also savings, transfer services and insurance. Microfinance includes microcredit. It was in the 1990’s that microcredit became microfinance.

There are two schools of thought in microfinance, namely the Institutionalist school and the Welfarist school. The former’s focus is on developing a financial institution which is sustainable and which provides financial services to the poor. Eg: Bank Rakyat of Indonesia. The latter’s focus is on immediate improvement in the economic status of the poorest of the poor by providing them financial service at a subsidised rate. Eg: Grameen Bank.

Microfinance is an important tool for empowering women because providing them with credit enhances their status in the family, community and also the society. Further it reduces vulnerability of the poor. It reduces the need to pledge or sell assets to meet basic needs. ”With microfinance as a tool, families move out of poverty in five to six years,” said Vikram Akula founder of Hyderabad based SKS Microfinance. The link between microfinance and empowerment is through self help groups.
1.3 Self Help Groups (SHGs) and the Role of NGOs

A Self Help Group is a group of like minded people especially women, who come together to pool their small saving to a common fund and agree to meet their emergency needs on a mutual help basis. The group decides to whom the loan should be given, for which purposes, on what terms and the schedule of recovery. The focus of decision making is shifted to the group which provides the members with the opportunity to develop the skill to negotiate, to decide on what is manageable and feasible, to impose sanctions where required and adjust repayment schedules if circumstances make the previously agreed schedule impossible to follow (Fernandez 2007).

In India, currently there are about 8 million Self Help Groups in different parts of the country enabling 103 million poor households meet their financial needs. The formal financial institutions of India have been evolved over a period of time through various interventions so as to improve credit flow to the underprivileged sections of the society. Inspite of these efforts large sections of the population remain unbanked.

The role of NGOs in women empowerment programmes cannot be exaggerated. These NGOs help women through self-help formation with regard to savings and thrift and enable them fully involve in economically productive activities through microfinance. The NGOs develop management skills at the grassroots level. They help them to utilize the indigenous knowledge of management. NGOs with the help of the Self Help Groups reach out to the rural women. SHGs are of recent origin in India. Self Help Groups (SHGs) are small, economically homogeneous and affinity groups of rural/urban poor women, voluntarily formed to save and contribute to a common fund to be lent to its members as per group decision and for working
together for social and economic uplift of their families and community. These groups organize poor women and motivate entrepreneurship in them by providing financial help in a small way under micro-credit scheme. Micro-credit programmes extend small loans to poor people for self-employment projects that generate income, allowing them to care for themselves and their families. In most cases, micro-credit programmes offer a combination of services and resources to their clients in addition to credit for self-employment.

1.4 Development of SHGs and Empowerment of Women

The concept of Self Help Group (SHG) models women as responsible citizens of the country achieving social and economic status. In all stages of economic and social activities, involvement of women has added significance to them. Women led SHGs in many parts of the country have achieved success in bringing the women to the mainstream of decision-making. The formation of SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. SHG is also a viable organized set up to disburse micro credit to the rural women and encourage them to enter into entrepreneurial activities. The success of SHGs in rural areas has led to its proliferation in urban areas in different parts of the country.

The Sachar Committee was appointed by the Government of India in 2005 to provide a detailed account of the position of Muslims in India. The Muslim form the largest minority in India. They constitute 13.4 percent of the population according to the Census 2001 (census 2011 figures for religion not available). With regard to the various human development indicators they are lagging behind. One of the interventions to help the community would be to provide access to finance especially
to women who are living in dire straits. Hence this study is a modest attempt to analyse the impact of providing microfinance in empowering Muslim women in Chennai city.

The religion Islam has endowed women with economic rights which are mentioned in Sura Nisa – Chapter Four of the holy Quran. A Muslim woman is free to do any work as long as it does not impinge her modesty. The income she earns belongs to her. She can own or dispose off property which she inherits. Further she has no financial obligations as it is the duty of the father and brother to take care of the women before marriage and her husband has to provide for her after marriage. She has the right to acquire education and develop her skills. But unfortunately the Muslim women are stereotyped as being constrained. The aim of this study is to examine whether religion has an impact on the empowerment of the Muslim women as very often the regional and cultural homogeneity tends to obscure the impact of religious differences in certain places.

1.5 Study Area

The microfinance movement has made rapid strides in different parts of Tamil Nadu, South India. With the patronage of the state government as well as banks and non-governmental organisations, who have been conduits in the formation of self help groups, finance has reached the underprivileged of the society. The present study was conducted in Chennai city, the capital of Tamil Nadu, where the self help group movement has made rapid progress. The respondents were selected from different parts of the city where the two non-governmental organisations – 4M Trust and Roshini have helped in the formation of self help groups through whom microfinance has been provided to the women. The respondents are the Muslim and non-Muslim
women who have availed of microfinance to empower themselves. The control group comprises of respondents who are not members of the self help group but are residents of the same area or locality as the SHG members. The aim is to find out whether becoming a member of self help group has made any difference in the lives of these women.

1.6 **Objectives of the study**

1. To study the socio-economic-demographic characteristics of the sample households.

2. To get insights into the working of self help groups and how microfinance is used as an empowerment strategy.

3. To compare the economic status of members of self help groups with the economic status of non members of self help groups.

4. To suggest measures for better intervention in the provision of microfinance to improve its efficiency as an empowerment strategy.

5. In the light of the findings of the study, to recommend areas for further research on women’s empowerment through microfinance.

1.7 **Hypothesis**

1. There is no difference between Muslim and non-Muslim women with regard to empowerment if equal opportunities are provided.

2. There is no difference between self help group members and the control group as regards empowerment.
1.8 Methodology

The present study is mostly descriptive and empirical in view of the very nature of the topic and hence both primary and secondary data were collected. Primary data was collected by means of schedules/questionnaire from 600 respondents adopting stratified, purposive random sampling. Stratified sampling is one of the random sampling methods which uses the information available regarding the population and attempts to design a more streamlined procedure to obtain an efficient sample.

The city of Chennai is divided into 200 divisions for administrative purposes. There are areas where there is a concentration of the Muslim population. Samples were selected from those areas where the two NGOs – 4M Trust and Roshini are working. Hence the methodology adopted can be described as stratified, purposive random sampling. The sample size comprised of 600 women respondents, of whom 200 are Muslim women and another 200 are non-Muslims of self help groups formed by the same NGO. The control group namely women who are not members of any SHG were selected from the same localities from where the SHG members were selected. The control group comprises of 100 Muslim and 100 non-Muslim women. The members and non members selected belonged to the same locality with similar socio economic background, so that a meaningful comparison could be made.

The collection of data took almost 8 months – August 2010 to April 2011. Information was also collected from secondary sources namely from books, journals, reports, websites, newspapers, etc. The data collected from primary and secondary sources have been presented in the form of tables, charts and diagrams. Further statistical analysis has been undertaken using various statistical tools like mean,
standard deviation, correlation, student t test, F test, Chi square test, ANOVA, Duncan Multiple Range Test (DMRT), etc. The data has been analysed both quantitatively and qualitatively. Discussions with the respondents and observation of their behaviour and living standards have helped in studying the qualitative aspects of the respondents. Prior to the collection of data, a pilot study was undertaken and on its basis changes were made in the questionnaire.

1.9 Limitations of the study

1. The collection of data was a daunting task as in some localities the respondents were eager to know the benefits that would accrue to them out of the survey.

2. The respondents found it difficult to answer certain questions for which they had to recall. Hence after the pilot survey most of the recall questions were avoided.

3. A longitudinal study could not be pursued because of paucity of time and resources.

1.10 Chapterization

The first chapter consists of Introduction, Objectives of the study, its Scope, Hypothesis, Methodology adopted and Limitations of the study. The second chapter deals with the theoretical perspectives on empowerment and self help.

The third chapter presents a review of the relevant literature pertaining to the self help groups, microfinance and empowerment of women.

The fourth chapter deals with Empowerment of Self Help Group Women through Micro Finance in the City of Chennai. Section – I gives a profile of the study
area, Section – II, discusses the Research Methodology and the background of the study. Section – III, analyses the primary data collected in the form of tables, charts, statistical analysis so as to arrive at meaningful conclusions.

In the fifth and final chapter the summary of findings, suggestions for improving the status of women through microfinance and scope for further research in this area have been indicated.

1.11 Conclusion

The present study is significant in that it has brought to light the contribution of Muslim women as they are usually stereotyped as being secluded, lacking in confidence, diffident and tradition bound. Further a comparative analysis has been undertaken to ascertain the areas where there is a need for improvement. Unless all sections of the society contribute to the economic development of the nation, the nation cannot progress. But economic development alone is not sufficient. There has to be peace and harmony among different communities. It is of utmost importance that the Muslim community is encouraged to join the mainstream and is able to progress and improve their standard of living and also contribute to the economic development of the nation.