

Role of Social and Economic Development on Women Empowerment

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Abstract - The aim of this paper is to the developing economies like India, women are considered as vulnerable section of the community especially in rural context. Vulnerable is a process where a group of individuals are put down to a lower edge in society which pushes them to become socially, economically, culturally and politically excluded. It denies these people to access equal opportunities and resources to realize their full potential. This pushes these people into poverty, discrimination and distress. As a result, a major portion of the community has turn out be illiterate and dependent. Rural women are inhibited by social, economic and cultural factors due to which they are destitute by access to education, wealth, health services, and control over assets, gender inequality, and lack of mobility. Previous studies acknowledge the role of microfinance as a significant instrument to mitigate poverty and enhance socio- economic development of women. Previous studies conclude that women's involvement in microfinance helps to encourage gender equality. As per various studies in recent years, examined the impact of microcredit on welfare of household such as increased children education, freedom of mobility, enhanced social relationship, increased nutritious food, better clothing, better sanitation facilities, creation of assets, income and savings. the effect of microfinance on empowerment of women but no efforts were taken to determine the factors influencing female empowerment in terms of economic and social development in case of women borrowers who invested the loan amount in their own established business/ new business and who divert the loan proceeds to meet the requirement of their husband/ son's business. Therefore, the present study is centered on evaluating women empowerment in case of self-managed business and family managed business especially in context of Uttar Pradesh region.

Keywords - poverty, education, social relationship, empowerment, cultural factors

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INTRODUCTION

Poverty is regarded as a complex problem. The concept stretches from insufficient income level to health impairment, inadequate nutrition, lack of education, incompetent skills and livelihood conditions. Poverty as a viewpoint means absence of essential competency and capability to fulfill individual's necessities and requirements. Poverty has become a major obstacle to growth among developing nations. Several initiatives were made by government and institutions to overcome them. Later on, it was realized that loan availability is a serious concern for needy (Srinivasan&Sriram, 2003) and nonavailability of credit and allied services acts a hindrance for the welfare of poverty-stricken people in emerging nations (Hermes et al., 2007). In contrary to these conditions, microfinance acts as a lifesaver to these poor individuals as it offers both services monetary and nonmonetary such as training, guidance etc. The concept of microfinance prevails for ages in ancient societies in many different forms (Helms, 2006) but eventually it

acquired prominent value as a mechanism to reduce poverty. Over the last couple of decades, microfinance has emerged as a considerable instrument of development for promoting equality in the society and reducing poverty (Greeley, 2003). According to United Nations, rising poverty and inequality among the people are the main challenges encountered by economies in today's time. The concept of poverty has direct implication on the prosperity of a country and well- being of its citizens. A high degree of economic hardship weakens the social and political regulations which negatively impacts the efficiency of the economy (Gurses, 2009). This hampers the provision of financial services and institutional development. Many institutions fail to offer loan facility and associated services to large population especially the marginalized poor. Thus, in developing nations a need was felt for microfinance (Schreiner, 2003). The significance of such finance is to provide resources to individuals who do not have any enough wealth and collateral to obtain external funds (Khan & Noreen, 2012). According to

Robinson, (2001), Microfinance can be understood as “the provision of financial services such as credit, savings, deposits, insurance and repayment services, to those who cannot access conventional financial services because they are poor and cannot offer collateral”. It is widely used in emerging countries where “Small and Medium Enterprises (SMEs)” lack availability of credit from other sources. Village banks, state owned banks and cooperative unions are the informal institutions which offer credit facility to SMEs. They assemble the savings of rural poor and have simplified procedures that are easily comprehensible by the individuals (Germinis et al., 1991). Microfinance is an effective mechanism to mitigate poverty among rural areas (Dhakal& Nepal, 2016). In developing countries, rural women are illiterate and do not have required exposure to deal with uncertain situations and thus are not aware about their rights as well. Lack of education and confidence prohibits women to approach bank to meet their credit needs. Nukpezah&Blankson, (2017) advocates that microfinance help women to identify and resolve the issues faced by them and realize the need for their development. It improves their ability to access credit, empower them and raise their standard of living through greater success of business. Sometimes, microfinance is used synonymously with the term microcredit. Microfinance program helps the deprived poor to fulfill their financing requirement.

MODELS OF MICROFINANCE

Microfinance helps the marginalized poor in getting access to formal banking services and availability of credit facility. There are various delivery models by which microcredit is offered to its clients. Microfinance institutions across the globe follow different models to provide credit to low wage earners. Various initiatives had been taken by Indian government and RBI like setting up of priority sector lending norms, providing credit at concessional rate of interest. Later on, it was realized that more initiatives have to be taken to meet the financing requirement of the impoverished people. In 1990s, the launch of SHG- BLP embarked the initiation of microfinance movement in India. Currently, there are two primary models for delivery of microfinance services in India- “Self-Help Group (SHGs)” and “Joint Liability Group (JLGs)” (Sarma& Mehta, 2014). These two models work on different methodologies with different assumptions. The microfinance movement owe its origin to SHG model and later on it adopted JLG model for eradication of poverty among the masses. Some of the delivery models adopted by MFIs are as follows:

Grameen Bank Model

In 1976, Prof. Muhammad Yunus established Grameen Bank model at Chittagong University to extend credit facility to underprivileged people. In 1983, Grameen bank received licensed to independently work as a bank in Bangladesh. It

provides micro loan also called as “Grameen credit” to poor individuals without asking any collateral from them. The idea of providing credit to poor people works on the notion that poor people have the skills to earn for their living but do not have money to implement the skills. Women are the prime beneficiary of this model and each borrower should be a member of five member JLGs. The loan amount is provided to one member in the group but it is the responsibility of the whole group to make the payment. Each member pays for their proportion of loan. In case if they are not in a position to pay back their loan amount then other group members pay the loan installment. This model works on group lending which acts as a social collateral for the microfinance institutions. This model works on trust between the members and MFIs. If default is done by any group member then the whole group will not get any further loan from Grameen Bank. Hence, it reduces the problem of adverse selection of members.

Self- Help Group (SHGs)

Model It is a saving driven model of microfinance which particularly caters to women members. SHGs are harmony-based credit and saving groups. SHGs consist of 8- 20 members in a group belonging to similar socio- economic conditions. The group meets on regular basis and voluntarily save small amount of money towards a common pool to fulfill their consumption and emergency needs. The group conduct regular meetings with the staff members of the NGO/ MFI/ Bank (facilitating institution) to deposit money. The facilitating institution, such as NGO/MFI/ Bank, form the groups. Members are selected based on the decision of group members. Initially each and every group member save money for six months with the bank and then the whole group becomes eligible for the loan. SHGs mainly focus on savings because it will enable the members to build assets to overcome the dearth of poverty. The formation of SHGs involves large amount of documentation and members are trained by NGOs/ MFIs/ Banks/ financial institution on recordkeeping. It is the first model which has become a huge success and gained a lot of attention. The launch of SHG- BLP in 1992 has become the world’s largest initiative by NABARD to link the SHGs with banks for the provision of saving and credit services. By 31st March 2019, this initiative covered nearly 12.5 crore poor households and 100.14 lakh SHGs in India (NABARD, 2019).

STATUS OF MICROFINANCE INSTITUTIONS IN INDIA AND ABROAD

The journey of providing financial services has developed in the past years. Financial services providers have expanded their reach to borrowers. This is primarily due to the digital platform adopted by institutions to meet the unfulfilled credit demand of their clients. As shown in Figure 2A, India has recorded the highest position in terms of number of

active borrowers, the value being 3,78,91,700 followed by Bangladesh (2,69,16,400); Vietnam (73,17,300); Mexico; Philippines; Pakistan; Peru; Colombia; Cambodia and Brazil. This indicates that India has emerged from the adverse impact of demonetization. India has also attained the top rank in terms of Gross Loan Portfolio, which is USD 21,033 million accompanied by Peru (USD 12,443.3 million); Vietnam (USD 8,675.8 million); Bangladesh (USD 7,896.5 million); Cambodia; Colombia; Mexico; Pakistan; Philippines and Brazil. In case of number of deposits, Pakistan has secured the highest position for number of depositors being 2,77,05,600 succeeded by Bangladesh (2,38,46,500); Vietnam (92,27,100); Philippines (69,96,300); Peru (67,71,100); India; Colombia; Cambodia; Mexico and Brazil. Peru has recorded the highest deposits of USD 10,294.1 million followed up by India (USD 6,102.4 million); Cambodia (USD 5,660.4 million); Bangladesh (USD 5,038.6 million); Colombia (USD 4,864 million); Vietnam (USD 4,320.4 million); Pakistan; Mexico; Philippines and Brazil. The growth is driven by many new developments adopted by these countries such as introduction of small banks in India, diversification of products in Cambodia, adopting to new ways to delivering services to potential customers.

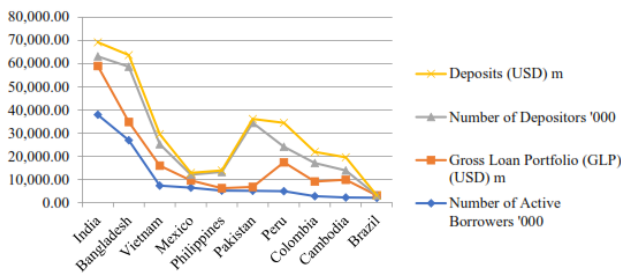


Figure 1A: Top 10 Countries in Terms of Active Borrowers

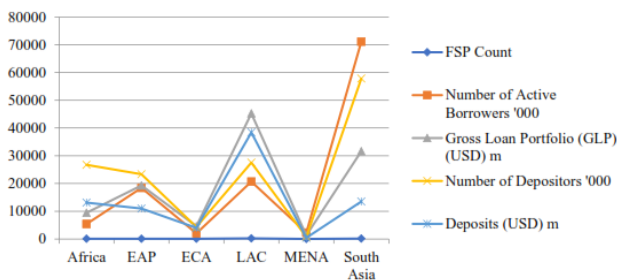


Figure 1B: Global Outreach

GROWTH OF MFIS IN INDIA

Microfinance sector contributes significantly by fostering integrated growth of the country by providing microcredit to people living at bottom of pyramid. A number of policy initiatives such as adoption of technology and structured guidelines, formation of self-regulatory organizations (SROs) has witnessed considerable transformation. Across the

globe, the industry has disbursed loan of ₹8.90 TN over the last five years, representing an average growth of 11.5 percent annually (PWC, 2019). The sector has transformed livelihood of 139.9 MN borrowers of which 80 percent are women and 65 percent are from rural scenario (PWC, 2019). South Asian region is leading the global microfinance sector. In 2018, the region has reached highest number of borrowers with a growth of 13.8 percent. In India, the industry has extended credit opportunity to 64 million new borrowers who were earlier not served by traditional formal banks (PWC, 2019). The sector has seen significant changes in the regulatory reforms, growth of small finance banks and adoption of UPI payments. As a consequence of which, loan disbursement in the industry is increasing at 20 percent and has reached loan portfolio of \$1.785 TN. Microfinance initiative play a stimulating role for the progress of informal sector by transforming the lives of its beneficiaries and creating job opportunities for them. To meet the changes in demand of its clients, microfinance institutions are coming up with technology driven customer centric products which reduces the operational cost of MFIs, credit access cost for borrowers and turnaround time. In order to further strengthen the microfinance sector, SIDBI has released ₹10 BN funds and has partnered with social ventures and NGOs to offer funds at lower rate of interest to promote cost effective borrowing. In addition to this, microfinance sector is facing lot of challenges such as:

- Non- availability of any collateral
- Absence of borrower’s credit history
- Low level of financial and digital literacy
- Over debtness of borrowers
- Non- availability of low-cost funds

SOCIAL AND ECONOMIC DEVELOPMENT OF WOMEN

Social development of women refers to increased power to take decisions in family matters and at community level, thus imparting equal status to women in society. This helps in enhancing their self- worth and confidence, provides mobility and accessibility to education. In this study, social development is used as a synonym to social empowerment of women. Goel, (2004) defined social empowerment as “create an enabling environment through adopting various affirmative developmental policies and programmes for development of women, besides providing them easy and equal access to all the basic minimum services so as to enable them to realize their full potential”. Social development can be achieved by access to basic health services, women education, reduced domestic violence, freedom to move etc. National Policy formed in 2001 on women empowerment mentions some indicators of social development such as access to women education,

promote gender inequality. Certain measures were taken to eradicate discrimination and illiteracy, promote education, develop gender responsive system to foster long term development of technical/professional skills among women. Economic development of women is defined as the ways through which women enjoy their right to access assets, income and strengthen their economic status. Economic development of women is essential to attain empowerment. According to Goel, (2004) defined economic development as “ensure provision of training, employment and income generation activities with both forward and backward linkages with the ultimate objective of making all women economically independent and self-reliant”. It is felt that participation is required for both men and women for their development. Gender inequality is a hurdle for nation’s sustainable development. Hence, to attain social and economic development of women it is necessary to enhance gender equality in society. As the development program of United Nations, equality of men and women is regarded as essential millennium development goals (MDGs) amongst others (Habibov, Barrett & Chernyak, 2017). Armendariz&Roome (2008) opines that participation of women in microfinance program create conflicts with their spouse. Women in emerging economies are swayed by cultural norms prevailing in society. The inequality in access to nutrition, education, employment is evident among women which results in their insignificant contribution towards economic growth of the country. In developing countries, women are more disadvantaged as compared to men in all spheres of life (Brhrman&Schnieder, 1993; Kabeer, 2005). In gender biased society, men usually decide the use of loan amount even though it is officially provided to women. Often, women are compelled to undertake enterprises that have little scope of innovation which they can easily manage along with the household chores. Although, women prefer to engage with those enterprises that provide them opportunity and capacity to manage their household work along with management of business enterprise (Minniti&Arenius, 2003). It is also stated that, in economic activities, the country scores just 35.4 percent towards participation of women and stands at 149th rank which is seven places down from the previous edition. This suggest that although social and cultural transformation has begun and will take a long time to happen. Hence, the shift in rebalancing the gender roles between men and women will have a substantial influence on career opportunities of women. Providing basic education to women is important for reducing the gender gap in society. The health and survival gap for India is 94.4 percent and the country stand at 150th position among 153 nations. This imply that the women access to health services to much lower than men. The labor force participation rate for women is 21 percent which is one fourth as compared to 82 percent of men. The situation has improved a bit in case of gaps in education. The proportion of women enrolled for education is significantly large as compared to men but still literacy rate is just 54

percent vis-à-vis 82 percent of men. India’s is positioned at 18th rank in terms of political empowerment index as just 14.4 percent of female participate in parliament. Microfinance institutions primarily target women because it helps in development of a country. Study conducted by Yogendrarajah&Semasinghe (2013) indicate that gender disparity impedes progress and growth of a nation. Recognizing the impact of existing gender inequality on development, microfinance program provides a break through to women by equipping them with necessary credit and training and assemble their ability to lift themselves out of poverty and lay the foundation for development. Microfinance institutions primarily focus on women not just because it facilitates gender equality and alleviate poverty but it also benefits the institutions to achieve financial sustainability easily (Mayoux, 2001). It has been argued that the reason behind focusing on women is that:

- Women are considered marginalized poor in society and need more assistance to meet their end needs,
- Women pay better as compared to men (Todd, 1996; Hartmann-Wendels et al., 2009),
- They are discriminated in labor market so it left no choice for them to seek employment in informal sector,
- Are very conscious of taking financial decisions (Schubert et al., 1999)

CONCLUSION

The results of direct effect signify that social decision making; social relationship, basic amenities and economic decision making were found to be significant in case of self-managed business. However, mobility, domestic violence, asset creation and income and savings were found to be insignificant which means that social development does not mediate the relation between mobility and women empowerment and between domestic violence and women empowerment. Also, economic development does not mediate the relation between asset creation and women empowerment and between income and savings and women empowerment. In case of family-managed business, social decision making and asset creation were significant. However, mobility, social relationship, domestic violence, basic amenities, income and savings and economic decision making are insignificant. This signifies that social developments do not play the role of mediator between mobility; social relationship and domestic violence and empowerment of women. Also, economic development does not mediate the relationship between basic amenities; income and savings and economic decision making and women empowerment. Secondly, indirect effect will be examined with the help of mediating variable for exogenous constructs who have reported a

significant value of direct effect. VAF is computed to determine the level of mediation. In case of self-managed business, social development does not mediate the relationship between social decision making and women empowerment but it partially mediates the relation between economic development and women empowerment. Moreover, economic developments act as a partial mediator between economic decision making and women empowerment. In case of family- managed business, social decision making has a significant p value. Whereas, asset creation does not have a significant p value which means that economic development does not mediate the relation between asset creation and women empowerment. Results of VAF signify that social development does not mediate the relation between social decision making and women empowerment. In the same way, social development plays the role of partial mediator between economic development and women empowerment.

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