

Study on the Impact of Microfinance Services on the Economic and Social Empowerment of Women

Harsh Kumar Chawla^{1*} Dr. Piyush Prakash²

¹ Research Scholar, Department of Commerce, Chhatrapati Shahu Ji Maharaj University, Kanpur

² Associate Professor, Department of Commerce, Dayanand Anglo-Vedic Post Graduation College, Kanpur

Abstract – Microfinance programmes are promoted as a key strategy for simultaneously addressing both women empowerment and poverty alleviation. However, there has been a hot debate on the potency of microfinance in empowering the women. Apparently, this research was conducted to study the impact of microfinance services on the economic and social empowerment of women. Women empowerment is depending on their economic empowerment. When they are economically empowered, the women will have the sky as limit.

Keywords: Women Empowerment, Economic Empowerment, Social Empowerment.

-----X-----

1. INTRODUCTION

For more than three decades, microfinance programs are being considered as an important development strategy all over the world, especially in developing countries. Governments and nongovernment organizations (NGOs) in these countries have been introducing and operating various credit programs that target the poor. Most of these programs intentionally target women because they are more credit constrained, have limited access to the wage labor market, have a negligible share of power in household decision making and have higher records of loan repayment rates than that of men. Thus, women are with small credit risk and are more likely to share the benefits of the loan with other family members, especially their children. An increase of social and political consciousness, training and skill development of this disadvantaged group might also be the reasons for targeting women [1].

Women constitute half of the population in any country, but their unemployment rate is higher than that of men in virtually every country. Therefore, their strong participation in economic activities is essential for economic growth and nation building [2]. Referring to a recent World Bank report, [3] argue that gender discriminating societies experience greater poverty, slower economic growth, weaker governance and lower living standard for all people. So empowerment of women is vital as it is closely related to economic development [2] but it is a global

challenge because traditionally women have been marginalized in male-dominated societies, especially in developing countries. Also, women constitute about 70 percent of world's poor [4]. Therefore, one of the top priorities of development agencies and governments around the world is women's empowerment. International aid donors, governments, policy makers and other development experts view microfinance or microcredit as an important strategic tool to empower women involving them in the development process ([5]. Empirical studies revealed that access to microfinance was significantly associated with improvement in women's empowerment [6] [1].

Micro financing has taken the pace particularly in developing and the under-developed countries for the last couple of decades and governments of these countries have designed and implemented many financial and economic policies particularly to enhance microfinance for its potential in simultaneously empowering women and alleviating poverty.

Cull et al (2007) also affirm that the process started in 1970's when generous subvention was required to run financial institutions serving poor women in low-income countries [7]. They further explain that a generous subvention was first given to the poor female basket weavers which served as a strong foundation upon which they earned income and saved to provide loans for themselves on rotational

basis. The manifestation of the poor women that they can be reliable as bank customers is the supreme achievement of micro financing, a major factor that has contributed to the growth of microfinance.

Women empowerment is a global challenge because most women have been relegated to the back side and subjected under control of men as a result of unfair social, cultural and political structures in many parts of the world [8]. These poor women have no access to financial services from conventional banks for lack of collateral security. In the past, women were restricted to the kitchen while men schooled and as such women were not expected to influence the decision-making processes from domestic level to the national level. In the family, men are still considered as heads of households which limit women in influencing allocation of domestic resources [9].

Policies to surmount the problems among women have been linked to women empowerment and poverty alleviation. Many women empowerment programs have a micro-credit component, which has been extensively promoted as a way of enhancing microfinance to simultaneously address the issues of women empowerment and poverty alleviation.

2. OBJECTIVE OF THE STUDY

The objectives of the study are:

- ◆ To assess microfinance service accessibility among women.
- ◆ To identify problems that women face in accessing microfinance services.

3. MICROFINANCE AND WOMEN'S EMPOWERMENT

Although microfinance and microcredit are very often interchangeably used, there is a slight conceptual difference between these two terms. Microfinance includes a broader range of financial services, e.g. credits, savings, insurance, housing loans, remittances, money transfers and other financial products. Microcredit, which is a fundamental component of microfinance, refers specifically to loans and the credit needs of poor clients. The amount of such loan is less than US\$1,000 in many countries although a few exceptions are also observed worldwide. It is designed as a system of credit delivery and mobilizing savings especially designed to meet the financial requirement of the poor [10]. The proceeds of microcredit are meant to be used as capital for a small business so that the poor may become self-sufficient and eventually get out of their poverty.

For the last few decades, microfinance institutions (MFIs) are being regarded as the banks for the poor.

Under the microfinance programs, poor people get a loan without collateral or a steady income provided that they use it to start a business enterprise. Loans are often paid back in daily, weekly or monthly instalments. To ensure greater security for the loans, MFIs provide loans to groups of people rather than individuals although lending to individuals has become more popular. Today MFIs offer diversified loan products to the poor under the umbrella of "microfinance" [11]. The term "empowerment" is viewed differently by different scholars. Notes that empowerment is reflected in a person's capability set, and capability depends on many factors including personal characteristics of a person, proper food, good health, good shelter and social arrangements. Believes that empowerment is related to the process of internal change while [12] thinks that it is related to the capacity and right to make decisions. Views that empowerment constitutes three dimensions: resources (access and future claims to the material, human and social resources), agency (the process of decision making, negotiation, etc.) and achievements (well-being outcomes). From the psychological perspective, empowerment is control over oneself and the situations one lives in [13]. The psychological component of empowerment also includes the development of feelings that individuals are able to improve their condition by freely acting at personal and societal levels and would succeed in their change efforts; the cognitive component includes individuals' understanding of conditions of their subordination and the root causes of such conditions at family and society levels, and need for making self-choices that may go against cultural and social expectations [14]. Quoting from and [15] narrates that empowerment can be realized if the individual achieved a psychological sense of personal control and a social influence including political power and legal rights, as well as being able to gain greater access to, and control over, the equal share of valued resources. Reports that empowerment is experienced when a person is able to participate in decisions affecting him or her and to exercise some control over life choices even at limited scale. Empowerment can exist both at individual and collective levels, and both types of empowerment are innately linked. [16], on its Poverty Net, define 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."

The concept of empowerment has more than one dimension. Clearly visible dimensions for women's empowerment are women's absolute well-being and women's relative well-being. For absolute well-being, women's empowerment is considered as the process of improving the welfare of women which is indicated by outcomes that measure current status regarding literacy, health and nutrition, labor force participation, contraceptive use, mobility and ownership of clothing and assets. For relative well-being, women's empowerment is

viewed as the process of improving the position of women relative to men within the household which is indicated by women's involvement in the intra-household process such as decision making, control over household income and assets and loans taken. [17] Opines that women's empowerment consists of "gaining the ability to generate choices and exercise bargaining power. Developing a sense of self-worth, a belief in one's ability to secure desired changes, and the right to control one's life." Women's empowerment begins when they become aware of the socio-psycho-cultural injustice that is being imposed to them, and also how inequality and socio-cultural, economic and political forces are always adversely affecting them. It starts with the understanding of women's positive self-image, self-esteem, rights and duties, capabilities and potentialities [18].

Tariq (2018) study attempts to investigate the impact of Microfinance on empowerment of marginalized women in poverty. Based on empirical findings of existing relevant literature across the globe, the study finds that participation of women in Microfinance more particularly through Self Help Groups (SHGs) empowers them under the domains of economic, social, psychological and political. Apart from the benefits women derive from Microfinance, there are evidences regarding disempowerment as well, such as increased workload for women, lack of control over income and assets and also negative impact on children's education. Hence, whether Microfinance empowers or dis-empowers women needs further empirical investigation, to trace out the fair linkage between Microfinance and women empowerment assigning proper weights to various dimensions of empowerment [19].

Debnath et al (2019) study was carried out to identify the determinants of microcredit accessibility by rural women households and its impact on rural women empowerment in Bangladesh. A face-to-face survey was conducted during 2018, interviewing 300 women households in two locations in Bangladesh. Descriptive statistics and econometric modeling were used to achieve the objectives. The results of the study showed that the higher annual income inversely related with the accessibility to the microcredit program, whereas family size ($P < 0.05$) was positive and significantly influenced the accessibility to the microcredit program. The empirical results indicate that borrowers of microcredit have greater control over their own savings. The regression outcome also exposes that microcredit has a positive and significant impact on enhancing participation in household decision making process and women's legal awareness. The study suggested that microcredit providers in Bangladesh should be encouraged to review their program planning and redesign loan products by putting more emphasis on higher income group women [20].

4. MICROFINANCE SERVICES AND ACCESSIBILITY

Microfinance Institutions (MFIs) provide similar products and services to their customers as formal sector financial institutions. The scale and method of delivery differ, but the fundamental services of savings, loans, and insurance are the same. Most efforts to formalize microfinance have focused on enterprise lending (loans for enterprise formation and development) which remain by far the dominant product offered by MFIs. This, however, has slowly begun to change. Increasingly, currently MFIs have begun to offer additional products, such as savings, consumption or emergency loans, insurance, and business education. [21], in his review on the context and rise of microfinance products argues that there is the need for savings and insurance services for the poor and not just credit products [22].

Accessibility to microfinance is explained as, the right to obtain or make use of or takes advantage of microfinance (as services or membership). Accessibility to microfinance takes varying forms ranging from individual lending, group lending, and credit unions to self-help organizations. Through the four basic methods clients are able to access microfinance services. The popularity of a method in one area greatly influences its usage. Microfinance clients have the right to microfinance services through any of the four schemes. It is worth mentioning that, all clients have the same privilege irrespective of the method chosen whether through individual lending, group lending, credit unions or self-help organizations.

The main objective of Nyikos and Soós (2018) study is to provide an overview of the situation of access to finance of SMEs in Europe and explore the regulatory and financial background of microfinance opportunities. Besides this general approach, the paper also aims to investigate the practical approach of EU Member States to the issue of microfinance [23]. As a result, it is expected that overall the efficiency of programmes financed from public funds will be increased through the adoption of best practices in European countries. It has been found that the lack of commercial sources of finance is still a problem for a number of European SMEs. The main problem is that many firms are deemed non-bankable by commercial banks. Nevertheless, governments have intervened to support these firms and promote microfinance initiatives. These are provided typically from national or EU sources, such as ESIF Funds, while various regional initiatives also exist in the countries investigated. The research addresses some important regulatory and practical issues with microfinance that can prove invaluable for researchers, policy-makers or even financial institutions. The comparative analysis of Member State solutions can also

provide an inspiration for other countries considering the introduction of microfinance initiatives. It is expected that following the publication of the results of the research, policy instruments related to microfinance will be improved and there will also be new projects aiming at tackling at enterprise development or improving the access to local microfinance programs.

5. WOMEN EMPOWERMENT

Shashank, Thakur and Naikoo (2016) study attempt to analyse the need of Women Empowerment in India and highlight the methods and schemes of Women Empowerment. Empowerment is the main process of social development which can enable women to participate, in the economic, political and social sustainable development of the rural communities [24]. Today the empowerment of women has become one of the most important concerns of 21st century but practically women empowerment is still an illusion of reality. Empowerment of women is essentially the process of upliftment of economic, social and political status of women, the traditionally underprivileged ones in the society. We observe in our day to day life how women become victimized by various social evils. Women Empowerment is the vital instrument to expand women's ability to have resources and to make strategic life choices. It is the process of guarding them against all forms of violence. The study is based on purely from secondary sources. Women of India are relatively disempowered and they enjoy somewhat lower status than that of men in spite of many efforts undertaken by Government. It is found that acceptance of unequal gender norms by women are still prevailing in the society. The study concludes by an observation that providing basic facilities and implementing various schemes are enabling factors to Women Empowerment.

Thanikaivel and Priya (2018) the empowerment of women is very essential for a nation. The freedom of life of a woman brings enlightening not only the family but also the entire nation. In the modern era, the women are achieving great level in all the fields. They do business, caring family, business, science and technology and what not? Though they earn money, most of them are not empowered economically yet. Earnings of a married women help to lead a family. Mostly middle class women earnings are contributing more in the family development. But in many occasions, they are not able to take financial decision in their life. Hence, this article is an attempt to study the economic empowerment of women in India. Key words: women empowerment, economic empowerment in India, women employment [25].

Although MFIs cannot empower women directly, MFIs can help them through training and awareness-raising to challenge the existing norms, cultures and values which place them at a disadvantage in relation to men, and to help them have greater

control over resources and their lives. By offering poor households access to formal or semi-formal financial services, microfinance has the potential to empower its clients in a variety of ways: providing women greater security and power, linking women with networks beyond their neighbourhoods through group formation [26]. Microfinance services that foster group formation and self- management by women have additional potential to empower women through exposure to new ideas, mutual support, fostering an identity beyond the family and the opportunity to cultivate leadership roles and responsibilities.

Contemporary studies on the impact of microfinance on women empowerment acknowledge five main dimensions of women empowerment resulting from their participation in microfinance programs: economic, social, political, legal and psychological empowerment of which economic and social empowerment are the most predominant [27]. Therefore, this study concentrates on economic and social empowerment of women.

Economic empowerment of women is recognized as women's control, access to credit, contribution to family support and increased household ownership of properties and assets [28]. Women's access to savings and credit gives them a greater economic role in decision making through their decision about savings and credit. Women control over decisions regarding credit and savings could benefit men through preventing leakage of household income to unproductive and harmful projects. Economic empowerment includes women's control, access to credit, contribution to family support and increased household ownership of properties and assets.

Social empowerment of women includes freedom of movement, lack of discrimination against daughters, commitment to educating daughters, participation in domestic decision making, freedom from violence. Through financial services, women have greater potential to increase their earnings, which fosters internal attitudes (self-reliance, self-confidence and self-worth) which can translate into external changes (greater bargaining power within the household and leadership in the community). Microfinance services that foster group formation and self-management by women have additional potential to empower women through exposure to new ideas, mutual support, fostering an identity beyond the family and the opportunity to cultivate leadership roles and responsibilities. Social empowerment includes freedom of movement, lack of discrimination against daughters, commitment to educating daughters, participation in domestic decision making, control over sexual relations, ability to make childbearing decisions, use contraception, control over spouse selection and marriage timing and freedom from violence.

6. EMPIRICAL EVIDENCE ON THE IMPACT OF MICROFINANCE ON WOMEN EMPOWERMENT

Many evaluations of MFIs have shown that microfinance services have a positive impact on women empowerment and some of these works are reviews as follows. [12], used the index/indicator approach to examine the impact of microfinance accessibility on women empowerment in Tanzania and established that women's accessibility to microfinance services had significant effects on eight different dimensions of women's empowerment of which the paramount was economic empowerment. The study also revealed that women's accessibility to microfinance was significant determinant of the magnitude of economic contributions reported by women; of the likelihood of an increase in asset holdings in their own names; of an increase in their exercise of purchasing power. However, the index/indicator approach only assigns numerical values (or arbitrary weights) to the ordinal measures that are generally qualitative responses and thus categorical in nature. In addition, assigning these values or weights is inappropriate and may also lead to loss of information and misleading conclusions since those weights are arbitrary generated by the researcher. It is in the light of this gap in the methodology used by prior researchers such as [12] that this current study employs the use of the ordered probit model to estimate the impact of microfinance on women empowerment in Ghana while introducing women attributes such as age, education, marital status and occupation as control variables.

In India, Laha and Kuri (2014) conducted a study on how microfinance outreach programme contributes to women empowerment across countries with special emphasis on states in India. In their study, they considered three such dimensions like economic, financial, and social empowerment to construct women empowerment index (IWE) and also constructed microfinance outreach Index (IMO). Broadly, their construction of women's empowerment index followed the same methodology as IMO. For each dimension (economic and social), the relative performance of the state in respect of national average was estimated. Then the relative performance of the state was divided by the share of the women households of the state to calculate relative share [29]. The IMO and IWE estimates were then used to further estimate the relationship between the two variables. Their study established that states having higher level of microfinance programs are also the states with a relatively high level of economic empowerment of women. They also found that participants experience an increase in monthly income thus, concluded that an all-inclusive microfinance system would strengthen the process of financial inclusion in India and thereby would promote women's economic empowerment.

However, their methodology only focused on merely establishing the relationship between microfinance outreach and women empowerment without paying attention to other women empowerment attributes such as age, occupation, marital status and educational background which may also have effect on such relationship existing between microfinance outreach and women empowerment. Consequently, this study uses the ordered probit model to estimate the relationship between microfinance accessibility and women empowerment by introducing four women empowerment attributes which may also influence the estimation as control variables: age, education, marital status and occupation.

A study by Khan and Noreen (2012) on the role of microfinance in empowerment of women in Pakistan finds that access to credit through microfinance organizations has a positive impact on social empowerment of women and also that loan utilization by the woman herself is of importance. Khan and Noreen measured social empowerment by the construction of an index from indicators of child health, education, selection of spouse of children and leadership responsibility in the society [4]. They specifically assessed the impact of microfinance accessibility on commitment of women to send their children to school and the ability to influence domestic decisions. They concluded that access to microfinance can empower women to commit themselves to children's education, become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities.

7. CONCLUSION

This study is an attempt to bring the importance of the women economic and social empowerment. Microfinance program is considered as an important development strategy to reduce poverty and to empower the women. Development of women is the development of a home, society and nation. Women empowerment is depending on their economic empowerment. When they are economically empowered, the women will have the sky as limit. Their lot of potential, knowledge, skill, sincerity and dedication will yield better result everyone. The government should take necessary initiations to protect, support and guide in their part.

REFERENCES

1. Kato, M.P. and Kratzer, J. (2013). Empowering women through microfinance: evidence from Tanzania, ACRN Journal of Entrepreneurship Perspectives. 2 (1), pp. 31-59.
2. Duflo, E. (2012). Women empowerment and economic development", Journal of

- Economic Literature, 50 (4), pp. 1051-1079.
3. Sarumathi, S. and Mohan, K. (2011). Role of micro finance in women's empowerment", Journal of Management and Science. 1 (1), pp. 1-10.
4. Khan, R.E.A. and Noreen, S. (2012). Microfinance and women empowerment: a case study of District Bahawalpur (Pakistan)", African Journal of Business Management. 6(12), pp. 4514-4521.
5. Ali, I. and Hatta, Z.A. (2012). Women's empowerment or disempowerment through microfinance: evidence from Bangladesh", Asian Social Work and Policy Review. 6 (2), pp. 111-121.
6. Garikipati, S. (2012). Microcredit and women's empowerment: through the lens of time-use data from rural India", Development and Change. 43(3), pp. 719-750.
7. Cull, R. Demirgüç-kunt, A. & Morduch, J. (2011). Microfinance Tradeoffs: Regulation, Competition, and Financing. Handbook of microfinance, pp. 141.
8. World Bank Group & World Bank, (2014). World Development Indicators 2014. Group 1-26.
9. Boateng, G. O. et al. (2014). Women's empowerment in the context of Millennium Development Goal 3: A case study of married women in Ghana. Social Indicators Research 115, pp. 137-158.
10. Bhusal, M. K. (2010). Does Microfinance Really Empower. A Study on the Contribution of Microfinance in Empowering the Poor Women of Northern Bangladesh.' Thesis, Degree Programme in Social Services, Diaconia University of Applied Sciences.
11. UNFPA, (2010). Exploring Linkages: Women's Empowerment, Microfinance and Health Education', United Nations Population Fund.
12. Kabeer, N. (2001). Conflicts Over Credit: Re-evaluating the Empowerment Potential of Loans to Women in Rural Bangladesh' World Development. 29(1), pp. 63-84.
13. Francina, P.X. and Joseph, M.V. (2013). Women empowerment: the psychological dimension", Rajagiri Journal of Social Development. 5 (2), December.
14. Tandon, T. (2016). Women empowerment: perspectives and views", The International Journal of Indian Psychology. 3(3-8), April-June
15. Henry, H.M. (2011). Egyptian women and empowerment: a cultural perspective", Women's Studies International Forum. 34 (3), pp. 251-259.
16. World Bank (2001). Engendering development: through gender equality in rights, resources, and voice – summary, World Bank, Washington, DC, available at: www.worldbank.org/gender/prr/engendersummary.pdf
17. UNIFEM, (2000). Progress of the world's women", New York, NY: United Nations Development Fund for Women.
18. Khanday, M.I. Shah, B.A. Mir, P.A. and Rasool, P. (2015). Empowerment of women in India-historical perspective", European Academic Research. 2 (11), pp. 14494-14505.
19. Tariq, S. (2018). Microfinance and Women empowerment: A Brief Review of Literature.
20. Debnath, D. Rahman, S. Acharjee, D. C. and Latif, W. U. and Wang, L. (2019). Empowering Women through Microcredit in Bangladesh: An Empirical Study, Int. J. Financial Stud. 7(37).
21. Nourse, T. H. (2001). The missing parts of microfinance: Services for consumption and insurance, SAIS Review 21, pp. 61-70.
22. Woller, G. (2002). From Market Failure to Marketing Failure: Market-orientation as the Key to Deep Outreach in Microfinance. Journal of International Development. 14: pp. 305-324
23. Nyikos, G. and Soós, G. (2018). Microfinance and access to finance of smes, Innovation Management, Entrepreneurship and Sustainability. pp.1-16.
24. Thakur, S. & Naikoo, A. (2016). Women empowerment and their empowering schemes in India. international journal of advance research in science humanities and engineering. 1. pp. 21-27.
25. Thanikaivel, M & Ks, Priya. (2018). Economic empowerment of women in India. International Journal of Technical

Research & Science. 3.
10.30780/IJTRS.V3.I7.2018.014.

26. Reji, E. M. (2009). Microfinance and Women Empowerment A General Framework for Assessment of Women Empowerment. Indian Journal of Social Work 70, pp. 557–570.
27. Maclean, K. (2010). Capitalizing on women's social capital? Women targeted microfinance in Bolivia. Development and Change 41, pp. 495–515.
28. Dalal, K. Shabnam, J. Andrews-Chavez, J. Mårtensson, L. B. & Timpka, T. (2012). Economic empowerment of women and utilization of maternal delivery care in Bangladesh. International Journal of Preventive Medicine 3, pp. 628–636.
29. Laha, A. & Kuri, P. K. (2014). Measuring the Impact of Microfinance on Women Empowerment: A Cross Country Analysis with Special Reference to India. International Journal of Public Administration 37, pp. 397–408.

Corresponding Author

Harsh Kumar Chawla*

Research Scholar, Department of Commerce,
Chhatrapati Shahu Ji Maharaj University, Kanpur

harshchawla6@rediffmail.com