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Women Empowerment and Microfinance in India: Survey and Some Issues

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ABSTRACT

It is well-known that women contribute considerably to an economy both directly, by being a part of the work force, and also indirectly, by improving the productivity of households that supply the workforce. Despite having a great role to play in the process of development, women in many poor, developing and emerging economies have generally not been able to participate in the mainstream economic system. This has been especially true for the rural regions of a developing country like India where women form a major chunk of the total poor in the country. Within the many intervention methods to induce positive changes in the lives of these women, Microfinance has played and is playing a very crucial role across several developing economies including India. Against this backdrop, the following study attempts to survey the major evidences in the Indian context pertaining to the impact of Microfinance on women empowerment and tries to unearth some elementary but critical insights into the issues faced by researchers in this area. We find that there are a host of conceptual and empirical issues that have been faced by the microfinance analysts on this account and that the future studies can address these concerns so as to produce more intense understandings on the nexus between women empowerment and microfinance in India.

KEYWORDS: Development Economics, Economics, Microfinance, Women Empowerment.

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INTRODUCTION

The distinction between economic growth, broadly defined as the positive changes in the Gross Domestic Product (GDP) and specifically as the positive change in per capita real GDP of a country, and economic development, which is roughly understood as an increase in the GDP along with improvements in socio-economic indicators, has profound implications for the welfare of the masses in continuously growing economies. It has been found in the extant literature¹, that off-lately several countries have experienced economic growth and yet their underlying development patterns have been largely characterized by inequalities, inefficiencies and probably a lack of inclusive growth process. In particular, the women in these economies, despite having a great role to play in the process of development, have generally not been able to participate in the mainstream economic system. It is well-known that women contribute considerably to an economy both directly, by being a part of the work force, and also indirectly, by improving the productivity of households that supply the workforce. Recent estimates suggest that 48.46 % of total Indian population comprises of females, 48.63 % of rural population in India consists of women and 48.07 % of urban population consists of women². It is popularly believed that one empowered woman becomes a source of empowerment for the whole family and society. Within the many intervention methods to induce positive changes in the lives of women, Microfinance has played and is playing a very crucial role across several developing and poor economies, and particularly to some extent in India. Microfinance has helped attack the core issues of poverty, discrimination, and other socio-economic ills faced by the rural and also to some extent the urban poor women. In India, microfinance sector has produced considerably large number of positive, and probably some negative, externalities as far as its impact on women borrowers and their families and communities is concerned. The studies analyzing such issues are vast in the Indian context and provide conflicting and interesting insights into how have women borrowers been benefited by access to micro-financial products and services. Against this background, this paper attempts to survey the major evidences in the Indian context pertaining to the impact of Microfinance on women empowerment and tries to unearth some elementary but critical issues faced by the researchers in this area of intense debate.

OBJECTIVES

This paper has following major objectives:

1. To undertake a survey of evidences on the extent to which women borrowers are benefited via their participation in Microfinance.
2. To derive some elementary but critical conceptual and empirical issues based on this survey of evidences.

BRIEF LITERATURE REVIEW

There are several studies that have been reviewed in this survey based on their contribution, uniqueness and influence on the issue of empowerment-microfinance nexus with reference to women borrowers in India. Several studies were found that focused specifically on women with reference to the impact of microfinance and found that access to micro-financial products and services, particularly micro-credit products and services, has had positive impact upon them^{3,4,5,6,7}. While these studies found positive impact of microfinance, there were some studies that derived conflicting evidences too. Among them, several works found inconclusive impact of microfinance on women borrowers^{8,9}, while others found inconclusive/neutral impact on both women and men borrowers of microfinance^{10,11,12}. It seems quite clear that most of the studies that have been examined in this paper have generally focused on women and to some extent on both men and women. This seems quite natural given that the majority of the borrowers in the microfinance sector are women. It thus appears that studying the impact of microfinance on men alone would probably become a biased assessment given the dominance of women in the population of microfinance borrowers in India. This seems all the more true given that over 90 per cent of the Self Help Groups (SHGs) linked to banks under the Self Help Group (SHG)-Bank linkage programme by National Bank for Agriculture and Rural Development (NABARD) comprise of women groups³. Lastly, most of the studies agree on the fact that microfinance has had a broadly positive impact on women and to some extent on men and women both.

MAJOR ISSUES BASED UPON THE LITERATURE REVIEW

Some Conceptual Issues

There are a large number of conceptual issues that can be unearthed from the survey of evidences undertaken in this paper. The very first issue that comes to the fore is the socio-economic profile of the

women microfinance borrowers who form the corpus of the samples of most of the studies that were reviewed. It was found that most of the women who borrowed via microfinance belonged to rural areas, roughly approximated by a village area, and their age groups were between 25 to 50 years of age. Moreover, these women were found to be having some initial endowment of entrepreneurial instincts. Furthermore, the use of money by these women borrowers showed considerable differences across the kinds of use to which it was put, particularly when compared to that of men borrowers of microfinance products. Unlike the men borrowers who were found to generally, invest their borrowed money in their business or for some personal needs, women borrowers were found to have had the tendency of balancing their portfolio of money-use between both their business needs as well as the well-being of their families. Women borrowers also displayed considerable tendency to invest loan amounts in the education of their daughters, which *prima facie* seems to be the first step in the empowerment of the women at the grass-root levels.

Another conceptual issue that needs to be mentioned here is the kind of products that these women borrowers preferred to borrow. It was found that micro-savings and micro-insurance products have been rarely used by the women borrowers and probably have been sub-optimally supplied in the Indian scenario, while the micro-credit product clearly dominated as the preferred microfinance product by women borrowers. The market for micro-insurance products, and to some extent also the micro-savings products and services, at the bottom of the pyramid seems to be in quite a rudimentary stage given the low penetration of insurance products in the rural India. Lastly, and theoretically, women empowerment in the context of impact of microfinance has generally been understood with reference to the financial and social improvements in the already prevailing conditions of women borrowers/beneficiaries. The studies that were surveyed have generally looked at the same set of parameters pre and post microfinance involvement of women (and even men) borrowers and have compared, using different statistical and some econometric approaches, the magnitude of direct economic, and to some extent the indirect and non-economic changes in their lives.

Some Empirical Issues

Given the above-mentioned conceptual background to the analysis of women empowerment via microfinance, there are some empirical issues that have emerged through this survey.

The ways in which various studies have estimated and analyzed women empowerment are critical elements in the larger analytical apparatus, which has been developed in this context. Women

Empowerment has been operationalized mainly on two fronts namely social^{4,10} and economic^{4,13,14}. The social empowerment of these women has been measured in many ways using different socio-cultural variables. Some of the predominant approaches in this context have been to measure the increase in their intra-household say on critical family issues, the increase in their self-confidence levels, the improvement in the kind of leadership and problem-solving skills that they possessed post-microfinance intervention and, the increase in the extent to which they acted as a link between the family and the community after getting access to microfinance, among others. Successful microfinance interventions help to bring about positive shifts in the social-economic-cultural mobility of women in the rural society. Indeed, “the success of MFOs (Microfinance Organizations) in building up the organisational capacity of poor women provides the basis for their social mobilisation...” among other forms of mobility¹¹. Economic empowerment of women microfinance borrowers has been primarily measured by employing criteria such as the changes in the number of assets owned by them, the increase in their annual income, and the changes in the household expenditure of the family. The assets that are examined in the Indian context have generally included both the household assets such as furniture, vehicles, etc. as well as capital assets such as farming equipment, sewing machines, etc. The changes in the monthly expenditures and monthly incomes on account of access to microfinance reflect the shifts in the underlying capacity of the households to spend and thus also act as powerful determinants of their upliftment from the morass of poverty, discrimination and other social ills. Another issue that has received considerable attention of researchers in this area has been whether the women borrowers have really been empowered through microfinance or not. Most of the evidences that have been surveyed in this paper, as mentioned earlier, argue, and find, that microfinance access has had positive impacts on women borrowers, mainly economically, but to some extent also socially.

Lastly, the level of aggregation at which women empowerment through microfinance in India has been studied up till now in the extant literature seems to be a very important issue in the present context. It has been observed that there are very few studies that have investigated the empirical matter of women empowerment through microfinance at aggregate and all-India levels. Most of the studies that have been done on this issue have focused on the measurement of impacts at either local-levels including villages or at regional levels including states. National-level analyses conducted by a few organizations “in India provide the stronger evidences of positive impact of self-help group-based microfinance on participating women”⁸. However, the scope for large-scale analyses on this issue remains vast in the Indian context.

LIMITATIONS AND CONCLUDING REMARKS

This paper has undertaken a modest attempt to analyze some of the key and major issues dealt with in the extant literature on the inter-connections between empowerment of women and their access to microfinance. A more detailed review is needed as far as the analysis of the full set of conceptual and empirical dimensions on this issue are concerned. There are a vast number of micro-level studies that have not been accounted for in this study, primarily because of the scope and objectives of this paper. It can be concluded that the issue of women empowerment through microfinance in the Indian context is far from being conclusive. The ultimate challenge lies in locating the correct and universally efficient frameworks for rigorously analyzing both the quantitative and qualitative changes that are induced in the lives of women via their access to microfinance. The need for aggregate level studies and probably having an all-India level index of performance, profitability and gender dimensions of microfinance sector remain critical areas of concern for both academia and policy-makers. It is hoped that this study throws some elementary and probably useful insights into this intense and fascinating issue.

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