

## **Micro finance: An impetus for social empowerment**

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### **Abstract**

Micro Finance Institutions are becoming more popular and promoting additional capable ways to use inadequate development funds to complete the objectives of socio-economic development of rural sector. Microfinance is a provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban areas, for enabling them to raise their income levels and improve living standards. Purpose of this study is to know and examine the impact of micro finance on social development of rural people in the different regions of India. In this study, data has been collected to analyze the views of the people about the impact of MFIs on political Empowerment and their perception towards women respondents working in MFIs after getting MFI assistance through the empirical questionnaire containing different types of questions related to participation in the meeting of village panchayat/ Gram Sabha, women having control on savings and expenditure and considered as a important part of family etc. This study highlights that microfinance activities coupled with socio-economic development initiatives may bring cascading effect on the life of these rural people without facing any major constraints and hassles.

**Keywords:** Micro Finance, Freedom, Empowerment, Decisions, Family, MFI's.

### **Introduction**

As micro credit is defined by Reserve Bank of India as a provision of banking, credit and other financial services of small amounts to the rural poor and semi-urbanites which will help them to raise their standards of living and levels of income. Micro credit also acts as a means to poverty alleviation through social and economic empowerment of the poor. This Socio-economic development is measured by the degree of political empowerment, level of living, decision making at household level and self-perception. Some of the individual factors influence empowerment of rural poor like economic decision making which shows that how they take decision and how well their decisions are respected or implemented in the family. Some of the factors like women have good say and their decisions are well accepted in the community and the way they take decision and take control of the work is extremely different from home. Micro credit has also enabled the rural poor to increase their participation in the economic and social processes of society without any fear of failure and non-cooperation. Therefore there is significant increase in the political participation, freedom and development of network of rural women after getting assistance by MFIs. This shows that MFIs emerged as a tool of social change.

### **Review of literature**

Prasad (1998) broadly envisaged empowering rural women by expanding their resources, improving access to credit, raising the level of awareness, better access to health and establishment of a viable model for women's development. Selvaraj and Vasanthi (1999) observed that these SHGs, because of their manageable size, close knit identity and operational flexibility are fast emerging as promising instruments of job creation and income generation among rural youth.

**The National Bank for Agriculture and Rural Development** (2000) study concluded that the involvement in the group

significantly contributed to improving the self-confidence of the members.

Gautam and Sharma (2007) have conducted research study "Micro Finance in North East India: An assessment of SHG-Bank Linkage Programme". The study observed that SHG-Bank Linkage approach while attempting to reduce poverty and increase the income generation ability of rural people provides an access to a very convenient mode of financial accommodation in order to manage their financial affairs in cost effective manner.

Lokhande (2009) has observed in his study "Microfinance Initiatives in India" that micro-finance programme has a significant role to play in Indian economy for boosting micro entrepreneurial activities for creating productive assets coupled with employment generation.

Kumar and Paul (2010) in their study "Impact of SHG- Bank Linkage Program on Savings of Rural Poor" observed that Greater accessibility to formal credit due to their association with the SBLP has resulted in 'credit deepening' and 'credit widening', which ultimately led to increased income, savings, employment generation, asset acquisition, entrepreneurship development, capacity building and empowerment by the rural poor.

Gupta (2011) found in her article "Micro Finance - A social Innovator" published in 'Indian Journal of Finance' that Poorest can benefit from micro finance from both an economic and social well being point of view and that this can be done without jeopardizing the financial sustainability of the MFI.

Chakraborty (Governor RBI) (2012), said at India news Network in his speech entitled "Micro Finance Crucial to Financial Inclusion" that Micro finance has been found to facilitate development outcomes including enabling poor households to access services at the times of need and improving economic welfare of households.

### **Objectives of the study**

This study is an attempt to know and examine the impact of micro finance on social upliftment of rural people in the

different regions of India, more specifically with the following objectives.

1. To analyze the impact of MFIs on political empowerment.
2. To evaluate people’s perception towards women respondents working in MFIs.

**Research methodology**

As this study is at the all India level, hence India is divided into three regions i.e. North-East Region, South Region and West Region. From each region, one state is purposively selected. The selected states include Punjab from North-East Region, Kerala from South Region and Gujarat from West Region. Then 100 rural poor people are selected from each selected state keeping in view their availability. The Sample of the study is based on multistage convenience sampling technique. The primary data regarding impact of MFIs on political empowerment and people’s perception towards women respondents working in MFIs is collected on a specially structured questionnaire. In Punjab, data is collected through personally filled Questionnaire and from Kerala and Gujarat; it is collected through postal Questionnaire. The analysis of the data is done by applying simple tools like frequencies, percentages, averages, etc. as well as advance statistical techniques like F-ratio and Analysis of Variance (ANOVA).

**Analysis and interpretation of data**

In order to study the impact of Micro Finance on socio-economic empowerment of rural people of India, data is analyzed and statistically interpreted to draw meaningful conclusions as under.

**Impact of mfi’s assistance on political empowerment**

There were 5 statements identified to assess the effect of micro-finance on political empowerment of rural poor. The respondents registered their opinion in terms of ‘Very Often’, ‘often’, ‘Occasionally’, ‘Rarely’ and ‘Never’. The mean score of frequency and the calculated F-ratios have been presented in Table 1. The table shows that the overall mean score of frequency of ‘participation in the meetings of village panchayat’ worked at 1.56, which indicates that the participation in meetings of village panchayat was rare. The mean score was 1.56, 1.72 and 1.20 in North-East, South and West region respectively. This indicates that the respondents in North-East and South region rarely participated in the meetings of village panchayat while the respondents in West region never participated in the meetings of village panchayat. The significant F-ratio conveys that that the level of participation in village panchayat meeting was significantly lower in West region as compared to North-East and South region.

**Table 1:** Frequency of Political Empowerment after Getting Assistance from MFIs by the Respondents

Statement	North-East Region		South Region		West Region		Overall		F-ratio
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
Participate in the meeting of village panchayat	1.56	1.09	1.72	1.15	1.20	0.59	1.56	1.06	4.81**
Participate in the meeting of gram sabha	1.56	1.09	1.69	1.12	1.20	0.59	1.55	1.03	4.49*
Participate in the election as a voter	4.90	0.54	4.90	0.52	4.82	0.77	4.88	0.59	0.44
Participate in the election as a candidate	1.05	0.38	1.10	0.57	1.05	0.40	1.08	0.49	0.36
Have ever been selected as a member	1.05	0.38	1.08	0.45	1.06	0.41	1.06	0.43	0.09

Source: Compiled from the respondents’ views in Questionnaire.

\*Significant at 0.05, \*\* Significant at 0.01

The overall mean score of frequency of ‘participation in the meetings of village gram sabha’ worked at 1.55, which indicates that the participation in meetings of village gram sabha was rare. The mean score was 1.56, 1.69 and 1.20 in North-East, South and West region respectively. This indicates that the respondents in North-East and South region rarely participated in the meetings of village gram sabha while the respondents in West region never participated in the meetings of village gram sabha. The significant F-ratio conveys that that the level of participation in village gram sabha meetings was significantly lower in West region as compared to North-East and South region.

The overall mean score of frequency of ‘participation in the election as a voter’ worked at 4.88, which indicates that the participation in elections as a voter was very often. The mean score was 4.90, 4.90 and 4.82 in North-East, South and West region respectively. This indicates that the rural poor in all the regions very often participated in the elections as a voter. The overall mean score of frequency of ‘participation as a candidate in the local body elections’ worked at 1.08, which indicates that the rural poor never participated in elections as a candidate. The mean score was 1.05, 1.10 and 1.05 in North-East, South and West region respectively. This indicates that the rural poor in all the regions never participated in the elections as a candidate.

The analysis further reveals that the overall mean score of frequency of ‘selection as a member’ worked at 1.06, which indicates that the rural poor were never selected a member. The mean score was 1.05, 1.08 and 1.06 in North-East, South and West region respectively. This indicates that the respondents in all the regions were never selected a member.

Overall, the analysis indicates that Social status in political empowerment of rural poor could not improve after being assisted by the MFIs. However, their awareness to perform the role of a voter has increased significantly.

**People’s perception towards women respondents working in mfis**

The people’s perception towards women respondents working in MFIs were evaluated through 4 statements on which the extent of agreement of respondents was recorded from strongly agree to strongly disagree.

The results presented in Table 2 indicates that the overall average score of ‘people think the women a part of well-organized family’ was 4.35. This shows that the respondents agreed that the women working in MFIs are a part of well-organized family. The mean score was 4.43, 4.43 and 4.07 in North-East, South and West region respectively. This indicates that the respondents in all the regions agreed upon that the women working in MFIs are a part of well-organized family.

The overall average score of ‘having good relations with husband’ was 4.39. This shows that the respondents agreed that the women working in MFIs have good opinion of their husband after joining MFIs. The mean score was 4.16, 4.46

and 4.18 in North-East, South and West region respectively. This indicates that the respondents in all the regions agreed that the women working in MFIs have no problems and have good relations with their husband.

**Table 2:** Extent of agreement on people’s perception towards women working in MFI

Statement	North-East Region		South Region		West Region		Overall		F-ratio
	Mean	SD	Mean	SD	Mean	SD	Mean	SD	
A part of well-organized family	4.43	0.67	4.43	0.72	4.07	0.86	4.35	0.75	5.01**
Having good relationship with husband	4.16	0.77	4.46	0.66	4.18	0.61	4.39	0.66	3.75*
You have control on saving & expenditure	4.55	0.49	4.52	0.58	4.22	0.63	4.39	0.51	3.59*
You are considered as more aware and respected woman	3.93	1.31	4.16	1.14	4.18	0.61	4.11	1.10	1.02

Source: Compiled from the respondents’ views in Questionnaire.

\*Significant at 0.05, \*\* Significant at 0.01

The overall average score of ‘having control on savings and expenditure’ was 4.39. This shows that the respondents agreed that the women working in MFIs have control on savings and expenditure. The mean score was 4.55, 4.52 and 4.22 in North-East, South and West region respondents. This indicates that the respondents in all the regions agreed upon that the women working in MFIs have control on savings and expenditure. They are more secure and aware of the future prospects of the life. The overall average score of ‘women working in MFIs are considered as more aware and respected women’ was 4.11. This showed that the respondents agreed that the women working in MFIs are considered as more aware and respected women in the society. The mean score was 3.93, 4.16 and 4.18 in North-East, South and West region respectively. This indicates that the respondents in all the regions agreed that the women working in MFIs are considered as more aware and respected women in the society. The analysis highlights that the people’s perception towards women working in MFIs have improved significantly. This is a progressive effort of MFIs to eradicate conservative values in the society according to which women were considered a commodity within the four walls of home.

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**Conclusion**

The development of micro finance is committed to enabling and alleviating a bright economy in the rural area in India. Thus, the present study verifies and justifies that micro-finance has helped significantly in improving the socio-economic conditions of the rural poor in India. The characteristics like improvement in political empowerment, economic activities control, radical change in conservative attitude of society towards poor people, family and community decision making, a significant shift in decision making from male to female are significantly and positively influenced by the micro-finance advanced to the rural poor. This in turn helped them to develop and improve family relationships, increased interaction outside the community and revolutionizing perception of the society towards women. Therefore, micro-finance emerged as a revolutionary force and a tool of social empowerment and upliftment of the rural sector in India.

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