

Paradigms of Women Empowerment through Microfinance and SHGs

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Abstract:

Microfinance is a type of banking service that is offered to the low-income or unemployed population who otherwise have no means for accessing financial services. Microfinance through self-help groups (SHGs) has been widely recognized as a key strategy for addressing poverty and empowerment of rural women. Microfinance and SHG which are considered as two sides of the same coin function with the main aim to empower women. The purpose of the current review is to synthesize findings from previously published literature and put forward how microfinance offered by SHGs has been extensively recognized as a strategic tool for empowering women. It seeks to examine the influence of microfinance on rural and marginalized women with respect to poverty alleviation, financial sustainability, entrepreneurial ability, and health. The review findings show that there is a definite improvement in the financial well-being and overall empowerment among the rural women as a result of participating in microfinance through SHG group.

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I. INTRODUCTION

Women's empowerment and economic development share a bi-directional relationship which is defined as enhancing the ability of women to access the constituents of development in areas of health, education, civil rights, political participation and career opportunities. In one direction, development can bring down the levels of inequality between men and women and in the other direction, continuous discrimination against women can hinder development (Duflo, 2012). Hence, empowering women can accelerate development. It was in this context that Self-Help Groups (SHGs) were introduced as a tool to enhance the living conditions of its members especially its women members who are the victims of multiple socio-economic and cultural

factors (Singh, 2013). SHGs not only strive to empower women for economic needs alone, but also for a more holistic social development. In this context, the current paper reviews the evidence of how self-help groups through its microfinance model aid in the empowerment of women. The review included empirical evidences from the literatures published over a period of ten years (2010 to 2019).

Women empowerment

Empowerment provides women with the power and ability to have control over various circumstances in their life (Sharma & Varma, 2016), by focusing on issues that they define as important (Biswas, 2008). Being a multi-dimensional process, it strengthens them in various realms of life like spiritual, political, social and economic. In general, women

empowerment refers to awareness and capacity building among women to participate in decision-making, and control and take transformative actions (Narang, 2012). The control includes control over both their ideology (beliefs, values and attitudes) and the resources they have (financial, physical, intellectual and human). It can be viewed as a means for creating a social environment which in turn can enable them to make their own decisions individually or collectively for a social transformation (Biswas, 2008).

Microfinance

Women empowerment is the key to the socio-economic development of the society. Keeping this in mind, many of the governmental as well as non-governmental organizations in developing countries like India have introduced microfinance programs to offer financial services to the low income households (Swain & Wallentin, 2009). Women from low income households are considered the main target as they have financial constraints and hence could not undertake income generating activities. Additionally, women constitute a significant proportion among the poverty-struck population and face barriers in accessing health, education, employment and so on. Microfinance like micro loans were introduced to help and uplift such disadvantaged women (Biswas, 2008). These microcredit programs mobilize and organize women at the grass-roots level and increases their access to material resources and control over their sources of power (Amin & Becker, 1998).

Microfinance is a type of banking services that provides financial and non-financial services to the needy. The financial services are provided through groups of individuals that were formed either in joint liability or co-obligation mode (Biswas, 2008). These groups can be of two types: Grameen and self-help groups (SHGs). While Grameen groups offer loans on the strength of joint-liability or co-obligation, SHGs provide

financial assistance on behalf of the formal institution. In the current review, the focus is on SHGs, since it is the predominant model in India.

II. MICROFINANCE AND WOMEN EMPOWERMENT & RESULTS

Microfinance target women with the main goal of empowering them through programs like SHGs. Evidences for empowerment along the lines of poverty alleviation, financial sustainability, entrepreneurial ability and health could be found in literature.

1.1. Poverty alleviation

Microfinance facilities increase the self-esteem of poor by providing them with self-employment opportunities. The loans and the saving facilities offered by microfinance institutions has been used a key strategy for alleviating poverty (Chawla, 2013). For instance, the national household data from India showed that the loans offered by microfinance institutions like SHGs, Grameen and other enterprise specific cooperatives when used for productive purposes helped in reducing poverty (Imai, Arun and Annim, 2010). Similarly, evidences for poverty reduction among the households of SHG members through improved access to financial services like SHG-Bank linkage programs were found by Mehta, Mishra and Singh (2011). A study by Aruna and Jyothirmayi (2011) also provided evidence for the effectiveness of microfinance in enhancing the living standards of the poor and lower middle class sections of the society. Jain and Jain (2012) found evidences for the direct relationship between microfinance programs like SHGs and poverty alleviation in the district of Udaipur, Rajasthan. It was found that the microfinance groups enhanced the economic status of its members, especially marginalized women, by increasing their income, savings, and their ability to deal with the financial crisis. Microfinance groups also reduced the dependency of such women on money lenders. In a similar vein,

Meena and Singh (2012) also reported how poverty can be eradicated through the formation of SHG groups that will improve the savings behavior of its members. Yadav and Mittal (2016) provided empirical evidences for how growth in the microfinance sector can alleviate poverty. A study by Saravanan and Dash (2017) also reported a significant positive relation between poverty and women SHGs. Their study findings showed that microfinance not only provides credit facilities, but also serve as instruments for educating, creating awareness and employment opportunities for women. An interesting finding that emerged from the study is that poverty has increased the number of women SHGs; thereby, establishing a bidirectional relationship between poverty and SHGs.

1.2. Financial sustainability

Economic empowerment of women is considered one of the most significant contribution made by micro finance through self-help groups. Venkatesh (2019) provided evidence for economic liberalization for women through SHGs in the city of Bangalore. The empirical study results showed that the SHG members reported an increase in their income and savings after joining SHGs. A study by Khatun and Ahmed (2018) revealed that SHG-Bank Linkage programs, which offered financial services to rural poor women, provided economic self-reliance among the rural poor and offered them better status and ability to make self-decisions. Previously, Patra (2017) had also reported that the income of the women members of the SHGs significantly increased after joining SHG; thereby showing that microfinance plays a crucial role in the economic empowerment of women. As a result of this economic empowerment, the women members stated that they were consulted for making important family decisions. Panigrahi and Das (2017) showed in their study how microfinance and SHGs enhanced the living conditions of people in the Boudh district of

Orissa. Upon analysis of the economic status of SHG members before and after joining SHG, it was found that microfinance institutions have a significant positive impact on the economic status of its members. Dash, Prasad, and Koshy (2016) stated that the credit facilities offered by microfinance institutions enabled its women members to engage in various income generating activities. This in turn provided more income to their families and uplifted them to play an important role in family and society. In line with these findings, Sarania (2015) and Sarkar and Baishya (2012) also provided empirical evidence for how the income generating activities undertaken with the help of SHGs provided financial stability to the SHG members in Assam. The evidences suggest that these activities empowered them economically by increasing their income and savings which in turn provided financial sustainability.

1.3. Entrepreneurial ability

Self-help groups paved way for the economic sustainability and independence of rural women. Majority of the rural women in SHGs are micro-entrepreneurs who associate themselves with micro enterprises to make other rural women economically sustainable by providing employment opportunities (Padmavathi, 2011). Jamal, Raihana, and Sultana (2016) in their study on how SHGs contribute to the socio-economic empowerment of women found that majority of their study participants who were women SHG members were also successful entrepreneurs. They stated that they have taken up home-based production to earn money while looking after their family. Evidences for how the SHGs promote the entrepreneurial capabilities among its members were also be found in literature.

A recent study by Sultana, Jamal, and Najaf (2017) explored the ways in which microfinance can build the capacities of poor and marginalized Muslim and non-Muslim women in Chennai, India. Microfinance institutions and its facilities

have been found to help in developing the capacities of women. The microfinance facilities empowered women by enhancing their courage, confidence and skill levels. Sharma and Varma (2016) reported that literacy programs conducted by SHGs help its members to overcome the cognitive constraints in understanding the legalities and technicalities for carrying out entrepreneurial activities. Further, entrepreneurship development programs offered by SHGs were found to play an important role in engaging rural women in small scale entrepreneurship programs (Mazumdar & Ahmed, 2015). Such micro-enterprise approach has been found to eradicate poverty and bring awareness about savings and family welfare among rural women. Anila (2012) also stated that the microfinance offered through SHGs helped rural women to develop the much needed entrepreneurial skills to get self-employed. According to her, SHGs play a major role in awakening women by providing self-employment. Sharma, Dua and Hatwal (2012) suggested that strengthening the women entrepreneur's network can serve as a great tool for the development and promotion of women entrepreneurs, besides building their capacities. Such networks also serve as a great source of knowledge about women entrepreneurship.

1.4. Women's health

Besides providing financial education, SHGs have also served as a platform for providing health education to the youth in India. Evidences for leveraging SHGs to reach women and adolescent girls with education on sensitive health topics can be found in literature. Among the various awareness related to women empowerment like legal awareness, political awareness and health awareness, microfinance programs have been found to have a significant impact on health awareness (Gangadhar, Bhat & Malyadri, 2017). Since SHGs provide a broad coverage and social capital for their

activities, the microfinance SHGs can be used as an avenue for addressing the health concerns of poor women. For instance, Saha, Kermode and Annear (2015) reported that health programs combined with microfinance activities resulted in a significant increase in the number of toilets at home, women giving birth at institutions, and feeding colostrum to their new born babies. Spielberg, Crookston, Chanani, Kim, et al. (2013) reported that microfinance through SHGs has been used to educate women on HIV prevention. Their study showed that compared to savings education, HIV education had a more positive impact on women and adolescent girls. Microfinance institutions like SHGs and savings groups were also used for the commercial promotion of household water filters that can prevent diarrheal diseases among the vulnerable population (Freeman, Trinies, Boisson, Mak, et al., 2012). Thus, the members of the SHG groups were ensured that they have access to safe drinking water by providing them with micro loans to purchase filters. Further, qualitative evidences were provided by Rao, Vanguri and Premchander (2011) which shows that livelihood initiatives must also address mental health concerns to improve the socio-economic conditions of rural poor women. Women who were involved in savings and credit self-help groups reported that the interventions they received through the groups improved their general health.

III. CONCLUSION AND SUGGESTIONS

An effort has been made here to present the influence of microfinance offered by SHGs on women empowerment. A conclusion that follows from this is that the results of microfinance on women empowerment are positive. It shows that microfinance can be used as an effective strategy to empower women by providing them with credit/ loan facilities, literacy programs and awareness programs. This in turn will motivate

them to engage in income generating activities that can alleviate poverty in their households and uplift them to make important financial decisions at home. The awareness programs offered generate significant awareness among the rural women on sensitive health topics.

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