

The Role of Microfinance in Women Empowerment: A Conceptual Framework

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Abstract

The roles of microfinance institutions for women empowerment have caught the attention of the policymakers in India. The fundamental premise of providing microfinance services for women empowerment is women's participation in entrepreneurial activities to improve their economic conditions self-esteem and efficacy. Women play an important role in the economic development of a country. Microfinance, which is also referred to as microcredit is a type of banking service provided to poor or low-income individuals who have no other access to financial services. Despite the popularity of microfinance in India, there is no clear evidence that asserts the effectiveness of microfinance schemes in women empowerment. A theoretical background which would help in analyzing the effectiveness of microfinance is lacking. Therefore, the main purpose of this study is to propose a conceptual framework on the role of microfinance in women empowerment. In the study semi, structured interviews were conducted to collect and analyze qualitative data.

Keywords – Microfinance, Women Empowerment, Conceptual framework

1. INTRODUCTION

The micro-enterprises owned and run by women contribute positively to the economic development of any country. This happens through job creation, and community development (Kim & Sherraden, 2014). Microfinance is one of the important tools for poverty alleviation and women empowerment in developing countries like India. This topic has gained the attention of policymakers in recent times. The United Nations has declared 2005 as the International Year of Microcredit and recognized microfinance an important means of achieving the millennium development goals. Microfinance has seen a rapid growth in India in the last ten years which coincided with India's efforts to reduce poverty. The previous studies conducted on establishing the relationship between microfinance and women empowerment have been mere tokenism. Although all the studies have shown that microfinance is an effective tool for reducing poverty

and empowering women to make them financially independent. The financial freedom of women would help them in making independent decisions which would increase their self-esteem. Microfinance is about offering a wide range of financial services like credit, insurance, and deposit services to a poor and low-income individual who can access conventional financial services for lack of collateral (Littlefield et.al, 2003).

As per (Ledgerwood, 1999a) microfinance refers to the provision of financial services to low-income clients, including poor entrepreneurs. Financial services include savings and credit; some microfinance organisations also provide insurance to their clients. Thus microfinance plays the twin role of both financial intermediation and social intermediation. Microfinance differs from banking in a way that it also plays the role of the developmental tool. A microfinance activity involves:

- 1) Small loans for working capital to entrepreneurs
- 2) Appraisal of borrowers and investments
- 3) Accepts substitutes of Collateral like group guarantees and savings
- 4) Access to repeat loans, based on repayment
- 5) Streamlined loan disbursement and monitoring
- 6) Secure saving products.

So, the main purpose of microfinance institutions is to offer financial services to poor, women and small entrepreneurs who then will be able to participate in the economic growth of the country by forming micro and small enterprises. As a consequence, poor people will be able to improve their lifestyles and would be in a position to make their decisions independently. Due to these reasons, the policymakers established microfinance institutions to deliver financial and nonfinancial services to the large base of needy people in India. Due to the growing importance of microfinance institutions in India, it is important to understand the factors that act as enablers and barriers to the access of microfinance to women entrepreneurs, to promote sustainable access to financing. The Microfinance schemes of India have been specifically targeted towards women as they can transform the lives of their near and dear ones. This paper attempts to create a conceptual framework which clarifies the link between women's Empowerment and their access to microfinance services. The microfinance programmes are focused on alleviating poverty and empowering the women for addressing the issues of influencing gender biasedness. There is a need to strengthen women's social and economic worth with the help of Microfinance. As already discussed the paper develops a conceptual framework which analyzes the effectiveness of microfinance in women empowerment in India. This framework provides guidelines for detailed analysis in future studies.

The paper consists of Review literature from previous studies and definitions of Poverty and women empowerment. The next section analyses the effectiveness of microfinance institutions in India. Then the main conceptual framework is discussed and finally, some concluding comments are given.

Women Empowerment

The women Empowerment is based on three main points which are as follows:

- Improvement in the bargaining position of women, within and outside the family.
- A visible economic and social gain of women; and
- Maximum participation in the mainstream activities at institutional and policy levels.

According to the census of 2011 about 12 per cent of India's female population is classified as single, including women who are widowed, divorced, separated, and older unmarried women, About 41 per cent of households headed by women in India do not own land and make a living through unorganized manual labour. In the last couple of years, several strategies have been formulated to empower women. One of them is the availability of credit through Microfinance. This is a promising signal for poor women which would go a long way in a future sustainable economy. Women empowerment involves change at three broad levels: In the household, in the community, and at the policy-making level. Empowerment also involves the transformation of women in the context of an evolving society. Empowerment is a process through which women can transform their self-perceptions in transforming societal roles.

To order to create a link between microfinance and women's empowerment, it is important to understand how poverty impacts the lives of Indian women.

The following paragraph illustrates the female face of poverty:

The families who are headed by females are poorer and suffer from vulnerabilities as compared to those families which are male-dominated (Gangopadhyay and Wadhwa, 2003). But it would not be correct to second this opinion as most of the female-headed households are not poor. Many female-headed families fall into higher consumption patterns. Poverty is an income-based concept, defined and measured through the household as a unit. Difficulties in access to accurate income data emphasize it to be a better measure of well being than income (World Bank, 1990). Consumption refers to the ability of the household to maintain their living standard with the help of savings despite income fluctuations. Therefore, household consumption is a measure of the income which is being earned. Therefore there is a concept of poverty lines which is a benchmark to designate the poor. There are certain problems with such poverty measures, but the

relevant one for this study is the intra-household inequalities in consumption under the influence of patriarchal societies that govern the household functioning, thereby discriminating against women. Women tend to be doubly burdened by poverty which enhancing their vulnerability in a significant way. To create employment and entrepreneurial opportunities among poorer women is intensified because of additional income to support the household activities (Mitra and Pool, 2000). In orthodox Indian societies where cultural norms are strictly implemented the working of women is taboo. The participation of women in the labour market puts women under tremendous stress. The changing patterns in employment status noted among urban women have increased the participation of women as regular workers. While the urban and middle-class women are increasingly entering the regular, formal sector, the rural and poor women's opportunities depend on the participation of the urban working women. The household activities of the working women are passed on to hired service providers whereas the women belonging to the poorer households undertake these activities, and get an amount as salary which depends on their education and skills. Until and unless women-specific policies and investments are not made the job and entrepreneurial opportunities will continue to remain low. Given the participation of poor women in economic work, the policies must be designed in such a way that poor women can access better job opportunities or part-time assignments. The above paragraph shows that economic opportunities for poor women are very important for women empowerment. Government Investment in the area of child education, health services can improve the social status of women substantially and can, improve the potential of women in orthodox societies. To achieve these objectives Microfinance programmes for women are getting increased importance of the government for eradication of poverty which would have a positive impact on the women empowerment. It is assumed that there is a direct relationship between access to credit and enhancement in the status of women within families. Provision of credit is believed to have a direct bearing on the empowerment of women. This article draws on the experience of individuals with credit programmes supported by NGOs in other developing Asian countries and on the literature on microfinance. The Literature on Microcredit Summit in the year 1997, suggests an attractive vision for financially self-sustainable microfinance programmes to reach large numbers of poor women borrowers. Through microfinance, the women's ability to earn an income is initiated for economic empowerment, which further increases the women social and political empowerment. Every policy of the government has its pros and cons; similarly, microfinance also has its shortcomings which need to be improved. Innovations in some areas point to a range of ways in which microfinance's contribution to empowerment can be increased as part of gender transformation.

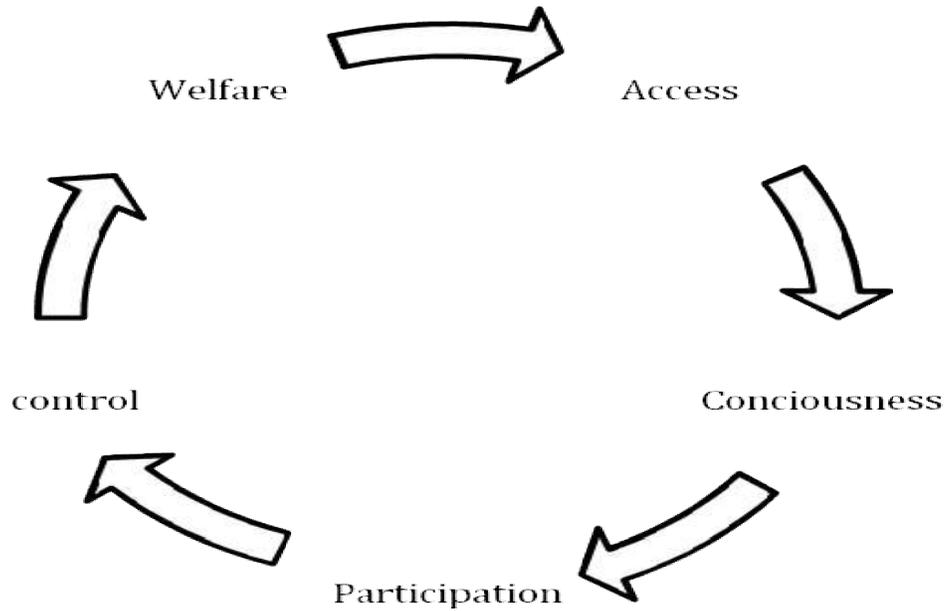


Figure: Empowerment Cycle (Dajani, 2010)

2. LITERATURE REVIEW

In the study women, microenterprises which are owned and run by women (Sharma et al., 2012) were chosen because of their role as a means of survival (Selamat et al., 2011), and their contribution to the economic development. The literature review suggests that microfinance institutions can play a very important role in women empowerment. In the study by (Baron & Shane, 2005) the microfinance institutions help in the enterprise development programs and make them efficient. Therefore, women controlled micro-enterprises have a positive impact on the empowerment of women. (Aruna M and Jyothirmayi R, 2011) studied the microfinance institutions role in women empowerment with self-help groups –Bank linkage. The study concluded that microfinance plays an effective role in helping the poor to aspire for a better living and thus assisting women empowerment. The study concluded that microfinance has a deep influence on the economic status, decision-making power, esteem and self-efficacy of women. A study by (Sarumathi S and Mohan K, 2011) analyzed the economical and sociological parameters of empowerment. The results highlighted a positive correlation between the variables indicating an improvement in literacy and awareness for children education and reduction in poverty resulting in a better standard of living. (Ruqia, 2018) in their study highlighted that the improvement in the literacy level of women reduces the inequalities form which the women suffer. A higher level of literacy makes women competent enough to understand their rights, makes them brave and self-confident. Better education also makes them stronger to face social, economic challenges. Finally, the study of (Sara Noreen, 2011) carried a study to understand women empowerment with the help of five indicators. The indicators used were child health, literacy, selection of spouse of children, purchase of basic goods and decision on credit usage.

The results indicated that women empowerment is influenced by age, literacy level of husband, father inherited assets and marital status. Women's empowerment begins with understanding the capabilities and potential of women by society. This helps in boosting the self-esteem and efficacy of women. According to a study by (Meinzen et.al, 2011) accessibility to productive assets such as land, economic strengths helps in the process of empowerment. Yet little is known about how agricultural development programs can lead to gender-specific empowerment. The study concludes that economic development and control over assets have an impact on the power and position of men and women. The women become aware of the social injustices meted out to them and does it affect the morale of the women, (Khanday et al., 2015). A study by (Penthoi & Pradhan, 2017), analyzed the role of newspapers in the women empowerment. The study discusses the role of the newspaper in eliminating gender inequality. As per (Lensink, 2018) the stability of microfinance institutions is very important for economic development and financial stability. The weak point of MFI's is Risk management which is a challenge for them. The study suggests that the proper training to the poor and women would help them in making the right decisions regarding loans. The study by (Ul-Hameed et.al, 2018) highlights the problems of women empowerment in Pakistan and their meagre contribution of 25-30 per cent in the nation's economy. The study focused on the role of MFIs on the women empowerment. The study used qualitative and cross-sectional research design. The study concluded the non-financial services of MFIs like training; skill development etc contributes towards women empowerment. (Al-shami, et.al, 2018) suggested that credit offered by MFIs is an effective tool to empower women; especially those women who are not able to access the bank services. Their study also showed that MFIs is not the only tool for women empowerment. Another study by (Sintayehu Hailu Alemu, et.al, 2018) highlights the role of self-help groups on women empowerment, the SHG's offer a platform for information sharing and raises their awareness about their rights. The study concludes that the newspaper is a powerful media help in changing the perception and behaviour of the male-dominated society towards women. The review of the literature suggests that microcredit provided by microfinance institutions can play a significant role in the empowerment of the women. Based on this premise the study tries to analyse how the micro-financial institution's can and women empowerment can be made more effective and a conceptual framework is developed to show the linkage between the two. The framework would help in understanding the various variables involved in the framework and how each one of the variables can be tweaked for better results.

3. RESEARCH FRAMEWORK

This research tries to find the enablers and barriers to women entrepreneurs' participation in microfinance schemes and the factors' impacting socio-economic status. The research framework is presented in Figure 1 below. The literature reviewed is used to formulate the research framework of this study.

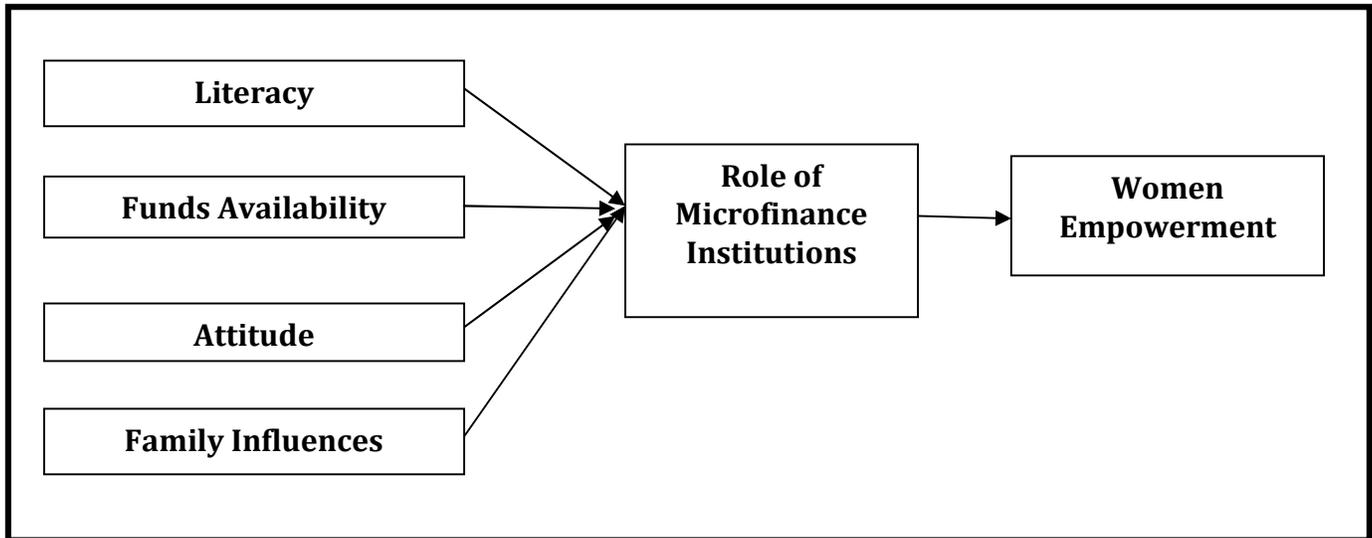


Figure 1: Research Framework of women empowerment

4. A CONCEPTUAL FRAMEWORK

To conceptually understand the role of microfinance institutions in women empowerment a Conceptual framework has been developed, as shown in Figure 2. The framework has been developed based on the literature review and various studies undertaken on the subject. The conceptual framework consists of four major components; the microcredit services, nonfinancial services, small businesses characteristics and women empowerment. First, the credit services are the primary objective of microfinance institutions for the socioeconomic development and empowerment of women. The loan is the main product of microfinance institutions which is given to poor at reasonable interest for economic well being by self-employment. The nonfinancial services like development pieces of training are important to properly use the loans for women empowerment and economic development. The different types of training which can be suggested are business strategy training, marketing training, project management, time management, leadership communication and negotiation. The loan repayment policies and services of microfinance institutions which include a grace period, repayment period, and interest rate all are important factors which determine the role of microfinance services in women empowerment. All these factors lead to the economic development of women which enhances their self-esteem and empowers them in society. The following outcomes highlight the economic and social impact of microfinance institutions on women and their families. Broadly speaking there are three key indicators which elucidate the link between microfinance and women's empowerment (Kashf, 2001). They are:

- The ability to generate enhanced trust, solidarity and social interaction.
- The impact of microfinance on women's self-confidence and self-esteem; and
- The opportunities created by the microfinance programme for women empowerment.

5. CONCLUSION

The role of microfinance institutions in poverty alleviation and women empowerment has been the focus areas of many developing countries. But still, the effectiveness of microfinance in women empowerment is anecdotal. The present paper attempts to find out the role of microfinance institutions in women empowerment. The main functions of Micro financial institutions are financial, non-financial and networking services which play a substantial role in women empowerment. Considering the importance of microfinance in job creation and entrepreneurial activities to women for economic growth in the developing countries, the framework may provide some insights into the future researches. The study shows that women entrepreneurs apart from seeking loans also need training and access to networks for information and guidance. It is recommended that women should join professional associations to get information and other resources necessary for entrepreneurial ventures. In the end, the paper provides a conceptual framework for analysing the effectiveness of microfinance in women empowerment. The framework provides linkages between microfinance intervention and it's on women empowerment. The framework can provide a better understanding of the role of Microfinance in women empowerment and economic development.

6. FUTURE RESEARCH

The Impact of the policies of microfinance institutions on women empowerment needs to be studied in the changing scenario keeping in mind the improvement in the levels of literacy/education of the women beneficiaries and societal and cultural changes in the households. Moreover, it would be interesting to assess the contribution in woman empowerment after receiving repeat loans from microfinance institutions.

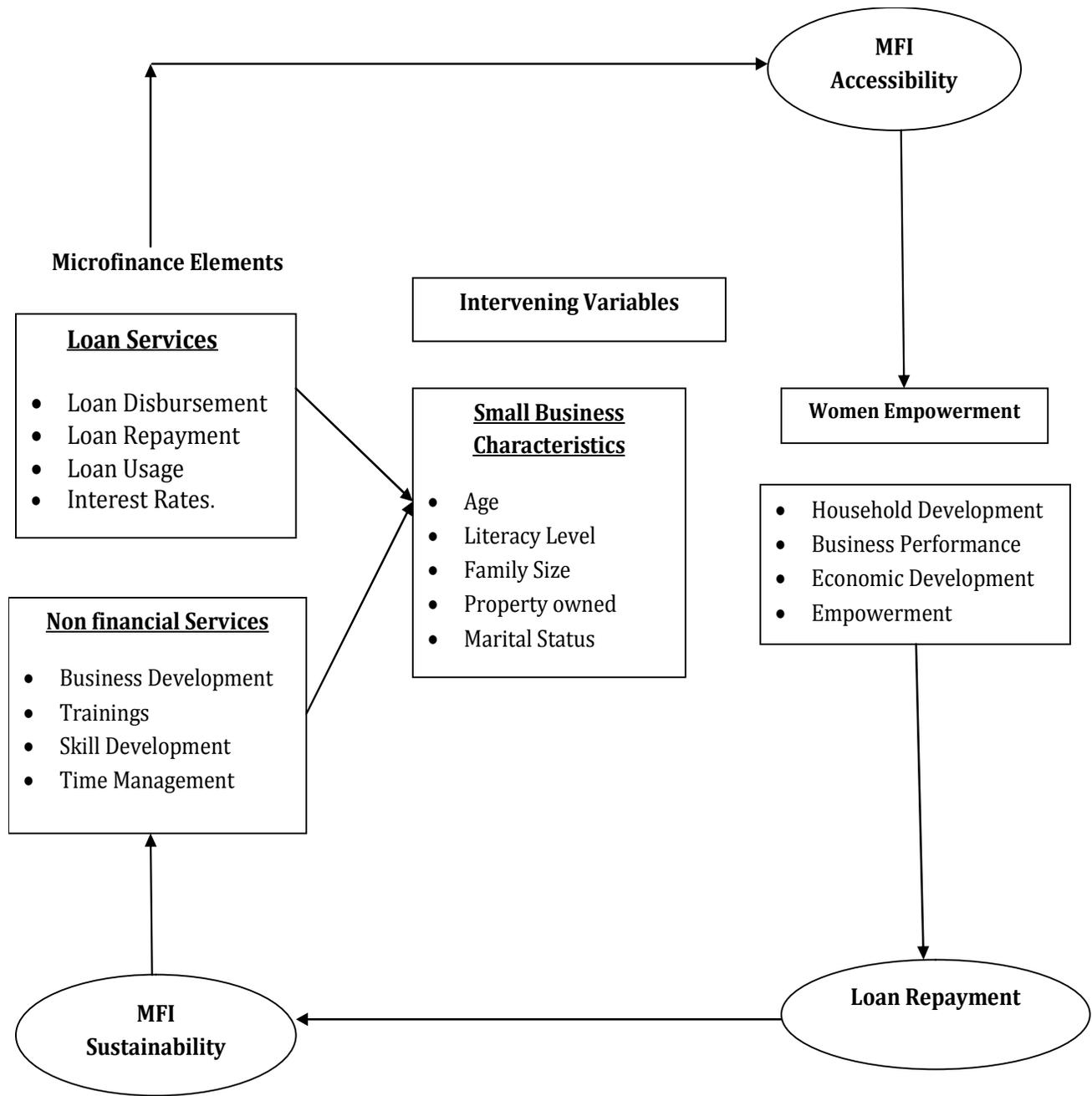


Figure 2: A Conceptual Framework

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