

**How to Cite:**

Tripathi, S. K. (2007). An analysis on impact of microfinance programme on empowerment of women in India. *International Journal of Economic Perspectives*, 1(1), 1–5. Retrieved from <https://ijeponline.org/index.php/journal/article/view/10>

# **An Analysis on Impact of Microfinance Programme on Empowerment of Women in India**

**Santosh Kumar Tripathi**

Acting Principal, Marwar Business School, Gorakhpur


**Abstract**---In an age of globalization and the increasing global disparity between rich and poor, the world has seen the rise of a new and celebrated poverty-fighting strategy in past decades. Microfinance organizations, by definition, provide financial services to poor entrepreneurs, most commonly small loans to help poor individuals start or grow small businesses. The importance of empowering women is very important for building healthier, better educated, more peaceful, and more prosperous societies. “Study after study has shown us that when women are fully empowered and engaged, all of the social benefits. “Only in this way can we successfully take on the enormous challenges confronting our world – from conflict resolution and peacebuilding and reaching all the other Millennium Development Goals.

**Keywords**---entrepreneurs, financial services, globalization, microfinance organizations.

## **Introduction**

Women make up two-thirds of the estimated 876 million adults worldwide who cannot read or write, and girls make up 60 percent of the 77 million children not attending primary school. Education is among the most important drivers of human development: women who are educated have fewer children than those who are denied schooling (some studies correlate each additional year of education with a 10 percent drop in infertility) (Nabard, 2004). They delay their first pregnancies, have healthier children (each additional year of schooling a woman has is associated with a 5 to 10 percent decline in child deaths, according to the United Nations Population Fund), and are far more likely to send their children to school (Cooper & Artz, 1995; Miner, 1990; Forbes, 2005). Yet where women do not have the discretionary income to invest in their own or their children’s education, where girls’ education is considered frivolous, where

---

© 2007 by The Author(s).  ISSN: 1307-1637 International journal of economic perspectives is licensed under a Creative Commons Attribution 4.0 International License.

**Corresponding author:** Santosh Kumar Tripathi, Email: [tripathi@gmail.com](mailto:tripathi@gmail.com)

Submitted: 9 Okt 2007, Revised: 27 Nov 2007, Accepted: 18 Dec 2007

girls are relied on to contribute labor to the household, they miss this unparalleled opportunity to develop their minds and spirits ([Archana Sinha, 2005](#)). Their countries suffer too: the World Bank estimates that nations in South Asia and Africa lose .5 to 1 percent growth in per-capita income per year compared to similar countries where children have greater access to quality, basic education.

### **Self-Help Group [SHG]**

The concept of SHG in India was introduced in 1980 with the formation of small informal Self Help Groups (SHG) engaging in micro activities.

### **Self Help Group - Bank Linkages Models**

SHG-BL was started by NABARD as a pilot survey in 1992 under this project 500 self-help groups (SHGs) are linked with banks i.e. directly financed by the banks viz. commercial banks, regional rural banks, and co-operative banks.

SHG-BL Model – I: SHGs formed and Financed by Banks

SHG-BL Model – II: SHG formed by NGOs but directly financed by Banks

SHG-BL Model – III: SHGs financed by Banks using NGOs and other agencies as financial intermediaries

### **Review of literature**

Gert Van Maanen, defined microfinance “as banking the unbankable, bringing credit, saving and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral ([Auh et al., 2007](#); [Honohan, 2008](#); [Bolton et al., 2007](#)). In general, banks are for people with money, not for the people without.”

Muhammad Yunus, defined “microcredit is based on the promise that the poor have skills which remain unutilized or underutilized ([Begum, 1995](#)). It is not the lack of skills that makes poor people poor. Charity is not the answer to poverty. It only helps poverty to continue. It creates dependency and takes away the individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty.”

### **Research Methodology**

Research Methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically ([Rugman, 2003](#); [Calvo & Mendoza, 2000](#)). In it, we study the various steps that are generally adopted by the researcher in studying his research problem along with the logic behind them.

## Objectives of Study

The overall objective of the study is to evaluate the role and impact of Micro Finance in Empowerment. Under this broad objective, the study has the following specific objectives:

- To evaluate the impact of a microfinance program on Social empowerment after taking Microfinance Loan.

## Hypothesis

The hypothesis is the proposition as statements about the observable phenomena in the research study that may be judged as true or false. The research process begins & ends with the hypothesis. It is core to the entire procedure & therefore, is of the utmost importance.

H<sub>0</sub>: There is no significant improvement in the Economic empowerment of SHG Members after joining the microfinance program.

H<sub>1</sub>: There is a significant improvement in the Economic empowerment of SHG Members after joining the microfinance program.

## Finding

- State Bank of India also contributed to the larger number of accounts the percentage of accounts of SBI SHG -BL is approx. 30%.
- The agencies in different regions of India have actively worked through SHG-Bank
- 229 respondents are 'married' constituting 90.5 percent the reason being the SHGs do not encourage the unmarried women to join in the scheme as they would withdraw themselves from the group after getting married which would result in emigration from their native to in-laws' place with their husbands. This discontinuity finally causes less functioning of the SHG. On the other hand, it gives much priority to the widows to support them as well as they are independent.
- Regarding savings, it was found that 39% of the respondents' savings capacity has greatly improved after joining SHG, Before joining SHG 20 % of the members were able to save, whereas after joining 17.2% of the respondents agree to it. Whereas 30.8 % of them reported that there is no improvement in their saving capacity after joining SHG. And 12% of the respondents highly disagree with their change in savings after joining SHG (Mayoux, 2005; Mayoux, 2006).

## Suggestions

- The yearly award ceremony can be organized by banks to felicitate those members who repay interest and principal on time give financial incentives, lower interest loan for next time, forgoing two or three interest installments, increase the amount of lending.
- Though the women have strengthened their collective bargaining power still

the women have little business knowledge and the various marketing-related aspects of production and distribution (Raveendaran et al., 2002). So the government and non-governmental organizations should offer guidance for the various types of business, which are suitable for the group, the place of business and the steps to be taken for the advancement of their business.

- The children of different Self Help Group members, those who are educated and are studying could take initiative to teach illiterate members of SHG groups as well as their illiterate children this will increase the bonding among the SHG members as well as motivate other individuals to form Self Help Group.

## Conclusion

The analysis of primary data collected through a sample survey reveals that Self Help Group Bank Linkage has been instrumental in achieving women's empowerment through microfinance (Reghuvanshi, 1982). There is a growth in the progress of Self-Help Group Bank Linkage. By March 202, the number of bank-linked SHGs stood at 1.49 million SHGs maintained saving accounts with the bank and thus about 2.3 crore households have been covered under the program (Zhao & Lounsbury, 2016; Mersland, 2009). In Gorakhpur District, the Bank of India is the lead bank in opening the number of SHG accounts & credit disbursement. Next to the Bank of India, the State Bank of India has also a larger contribution in accounts opening & loan disbursement.

## Acknowledgments

I am grateful to two anonymous reviewers for their valuable comments on the earlier version of this paper.

## References

- Archana Sinha. (2005). Micro Finance for Women Empowerment. Kuruksheer
- Auh, S., Bell, S. J., McLeod, C. S., & Shih, E. (2007). Co-production and customer loyalty in financial services. *Journal of retailing*, 83(3), 359-370. <https://doi.org/10.1016/j.jretai.2007.03.001>
- Begum, L.N. (1995). Empowerment of women with special reference. Kuruksheetra, 50(3), 25-31.
- Bolton, P., Freixas, X., & Shapiro, J. (2007). Conflicts of interest, information provision, and competition in the financial services industry. *Journal of Financial Economics*, 85(2), 297-330. <https://doi.org/10.1016/j.jfineco.2005.06.004>
- Calvo, G. A., & Mendoza, E. G. (2000). Rational contagion and the globalization of securities markets. *Journal of international economics*, 51(1), 79-113. [https://doi.org/10.1016/S0022-1996\(99\)00038-0](https://doi.org/10.1016/S0022-1996(99)00038-0)
- Cooper, A. C., & Artz, K. W. (1995). Determinants of satisfaction for entrepreneurs. *Journal of Business Venturing*, 10(6), 439-457. [https://doi.org/10.1016/0883-9026\(95\)00083-K](https://doi.org/10.1016/0883-9026(95)00083-K)
- Forbes, D. P. (2005). Are some entrepreneurs more overconfident than others?. *Journal of business venturing*, 20(5), 623-640. <https://doi.org/10.1016/j.jbusvent.2004.05.001>

- Honohan, P. (2008). Cross-country variation in household access to financial services. *Journal of Banking & Finance*, 32(11), 2493-2500. <https://doi.org/10.1016/j.jbankfin.2008.05.004>
- Mayoux, L. (2005, 2006). "Women's Empowerment and Micro Finance: A Think Piece for The Micro Finance Field, Sustainable Micro-finance for Women's Empowerment".
- Mersland, R. (2009). The cost of ownership in microfinance organizations. *World Development*, 37(2), 469-478. <https://doi.org/10.1016/j.worlddev.2008.03.006>
- Miner, J. B. (1990). Entrepreneurs, high growth entrepreneurs, and managers: Contrasting and overlapping motivational patterns. *Journal of business venturing*, 5(4), 221-234. [https://doi.org/10.1016/0883-9026\(90\)90018-O](https://doi.org/10.1016/0883-9026(90)90018-O)
- Nabard. (2004). 'SHG - Bank linkage programme highlights', Mumbai.
- Raveendaran, N., Mathew, S.S., Ajjan, N., & Chinnaiyan, P., (2002). A comparative analysis on women's self help groups (SHGs) in Tamil Nadu and Kerala. *Indian Journal of Training and Development*, 32(3), 133-138.
- Reghuvanshi, K. (1982). Appropriate technology to help rural women. *Kurukshetra*, 36(2), 18-21.
- Rugman, A. M. (2003). Regional strategy and the demise of globalization. *Journal of International Management*, 9(4), 409-417. <https://doi.org/10.1016/j.intman.2003.08.004>
- Zhao, E. Y., & Lounsbury, M. (2016). An institutional logics approach to social entrepreneurship: Market logic, religious diversity, and resource acquisition by microfinance organizations. *Journal of Business Venturing*, 31(6), 643-662. <https://doi.org/10.1016/j.jbusvent.2016.09.001>