

# Empowering Women Through Micro-Finance

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**Abstract - Women have been shown to spend more of their income on their households; therefore, when women are helped to increase their incomes, the welfare of the whole family is improved. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country. Microfinance has the potential to have a powerful impact on women's empowerment. Strengthening women's financial base and economic contribution to their families and communities plays a role in empowering them. Access to credit may be the only input needed to start women on the road to empowerment. But power is deeply rooted in our social systems and values. It permeates all aspects of our lives from our family to our communities, from our personal dreams and aspirations to our economic opportunities. Women often value the non-economic benefits of a group-lending program as much as or more than the credit. Bringing women and women's perspectives into the governance, management, and implementation of micro-finance programs.**

**Keywords - Microfinance, Women empowerment, Self Help Groups, social systems and values.**

## I. INTRODUCTION

Women have been shown to spend more of their income on their households; therefore, when women are helped to increase their incomes, the welfare of the whole family is improved. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country.

Economic empowerment results in women's ability to influence or make decision, increased self confidence, better status and role in household etc. Micro finance is necessary to overcome exploitation, create confidence for economic self reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure. Micro finance has received extensive recognition as a strategy for economic empowerment of women. An attempt is made to examine the impact of Micro finance with respect to poverty alleviation and socioeconomic empowerment of rural women. An effort is also made to suggest the ways to increase women empowerment. Empowerment can be viewed as a means of creating a social environment in which one can take decisions and make choice either individually or collectively for social transformation. It strength innate ability by way of acquiring knowledge, power and experience.

Empowerment is a multi-dimensional social process that helps people gain control over their own lives communities and in their society, by acting on issues that they define as important. Empowerment occurs within sociological psychological economic spheres and at various levels, such as individual, group and community and challenges our assumptions about status quo, asymmetrical power relationship and social dynamics. Empowering women puts the spotlight on education and employment which are an essential element to sustainable development. Women have been the vulnerable section of society and constitute a sizeable segment of the poverty-struck population. Women face gender specific barriers to access education health, employment etc. Micro finance deals with women below the poverty line. Micro loans are available solely and entirely to this target group of women. There are several reason for this: Among the poor , the poor women are most disadvantaged – they are characterized by lack of education and access of resources, both of which is required to help them work their way out of poverty and for upward economic and social mobility. The problem is more acute for women in countries like India, despite the fact that women's labour makes a critical contribution to the economy. This is due to the low social status and lack of access to key resources.

Since women's empowerment is the key to socio economic development of the community; bringing women into the mainstream of national development has been a major concern of government.

Microfinance has defined microfinance as "Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards".

Micro credit refers to purveyance of loans in small quantities, the term microfinance has a broader meaning covering in its ambit other financial services like saving, insurance etc. as well.

Microfinance is banking through groups. The essential features of the approach are to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode. The other dimensions of the microfinance approach are: Savings/Thrift precedes credit, Credit is linked with savings/thrift, Absence of subsidies

Group plays an important role in credit appraisal, monitoring and recovery. Basically groups can be of two types: Self Help Groups (SHGs) : The group in this case does financial intermediation on behalf of the formal institution. This is the predominant model followed in India.

Grameen Groups: In this model, financial assistance is provided to the individual in a group by the formal institution on the strength of group's assurance. In other words, individual loans are provided on the strength of joint liability/co obligation

## II. MICRO FINANCE INSTRUMENT FOR WOMEN'S EMPOWERMENT

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, micro finance scene is dominated by Self Help Groups (SHGs) – Bank Linkage Programme, aimed at providing a cost effective mechanism for providing financial services to the “unreached poor”. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG programme has been successful in not only in meeting peculiar needs of the rural poor, but also in strengthening collective self-help capacities of the poor at the local level, leading to their empowerment.

Micro Finance for the poor and women has received extensive recognition as a strategy for poverty reduction and for economic empowerment. Credit for empowerment is about organizing people, particularly around credit and building capacities to manage money. The focus is on getting the poor to mobilize their own funds, building their capacities and empowering them to leverage external credit. Perception women is that learning to manage money and rotate funds builds women's capacities and confidence to intervene in local governance beyond the limited goals of ensuring access to credit. Further, it combines the goals of financial sustainability with that of creating community owned institutions. The Government measures have attempted to help the poor by implementing different poverty alleviation programmes but with little success. Since most of them are target based involving lengthy procedures for loan disbursement, high transaction costs, and lack of supervision and monitoring. Since the credit requirements of the rural poor cannot be adopted on project lending approach as it is in the case of organized sector, there emerged the need for an informal credit supply through SHGs. The rural poor with the assistance from NGOs have demonstrated their potential for self help to secure economic and financial strength.

India is the country where a collaborative model between banks, NGOs, MFIs and Women's organizations is furthest advanced. Microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. This economic empowerment is expected to generate increased self-esteem, respect, and other forms of empowerment for women beneficiaries. Involvement in successful income-generating activities should translate into greater control and empowerment.

The ability of a woman to transform her life through access to financial services depends on many factors—some of them linked to her individual situation and abilities, and others dependent upon her environment and the status of women as a group. Control of capital is only one dimension of the complex and ever-changing process by which the cycles of poverty and powerlessness replicate themselves. Women also face disadvantages in accessing information, social networks, and other resources they need to succeed in business and in life. Only by evaluating the needs of women will an MFI be able to maximize its empowerment potential.

Microfinance institutions around the world have been quite creative in developing products and services that avoid barriers that have traditionally kept women from accessing formal financial services such as collateral requirements, male or salaried guarantor requirements, documentation requirements, cultural barriers, limited mobility, and literacy. Together, these findings confirm that the type of products offered, their conditions of access, and the distribution of an institution's portfolio among different products and services affect women's access to financial services. As part of its poverty reduction priority, CIDA supports programs that provide “increased access to productive assets (especially land, capital, and credit), processing, and marketing for women.” By giving women access to working capital and training, microfinance helps mobilize women's productive capacity to alleviate poverty and maximize economic output. In this case, women's entitlement to financial services, development aid, and equal rights rests primarily on their potential contribution to society rather than on their intrinsic rights as human beings and members of that society.

Assisting women therefore generates a multiplier effect that enlarges the impact of the institutions' activities.” supporting microfinance and the targeting of women by microfinance programs is that microfinance is an effective means or entry point for empowering women. By putting financial resources in the hands of women, microfinance institutions help level the playing field and promote gender equality. The influence of society over the range and exercise of choice also means that if we seek to promote empowerment, we must also consider factors affecting women's status and rights as a group. Although many microfinance programs promote social solidarity at some level, most microfinance organizations tend to focus their attention on promoting changes at an individual level—a woman who, for instance, is now able to send her children to school, negotiate lower prices for her raw materials, or even dream bigger dreams for herself, her family, and her business. The achievements of individual women can have a powerful impact on the way women are perceived and treated within their communities, but the levels of empowerment individual women may achieve are usually limited if women as a group are generally disempowered. For that reason many organizations also include elements designed to uplift women and communities as a collective rather than just as individuals. Some examples:

- A women's Trust Bank in Colombia organizing to bring electricity to their barrio,
- Women fighting against domestic violence after learning about their rights in their lending centers in Nepal, and
- Working Women's Forum in India organizing women weavers to break the monopoly access to raw materials that the all-male government-sponsored weavers' cooperatives enjoyed. The empowerment of women at the individual level helps build a base for social change

The basic theory is that microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. This economic empowerment is expected to generate increased self-esteem, respect, and other forms of empowerment for women beneficiaries. Involvement in successful income-generating activities should translate into greater control and empowerment.

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powerlessness replicate themselves. Women also face disadvantages in accessing information, social networks, and other resources they need to succeed in business and in life. Only by evaluating the needs of women will an MFI be able to maximize its empowerment potential. MFIs with a strong focus on empowerment maintain very high levels of operational and financial sustainability, suggesting that a great deal can be done to enhance women's empowerment even within the constraints of financial sustainability. Working Women's Forum (WWF) in India, for example, is fully financially sustainable and offers a range of nonfinancial services, including organizing women in the informal sector to achieve better wages and working conditions. WWF also empowers poor women through its institutional structure by training them to act as health promoters and credit officers in their neighborhoods.

Microfinance has the potential to have a powerful impact on women's empowerment. Strengthening women's financial base and economic contribution to their families and communities plays a role in empowering them. Access to credit may be the only input needed to start women on the road to empowerment. But power is deeply rooted in our social systems and values. It permeates all aspects of our lives from our family to our communities, from our personal dreams and aspirations to our economic opportunities. Women often value the non-economic benefits of a group-lending program as much as or more than the credit. Some of the most valued benefits include expanded business and social networks, improved self-esteem, increased household decision-making power, and increased respect and prestige from both male and female relatives and community members. Targeting women continues to be important in the design of products and services, both because women by default have less access to credit and because they face constraints unique to their gender. Product design and program planning should take women's needs and assets into account. By building an awareness of the potential impacts of their programs, MFIs can design products, services, and service delivery mechanisms that mitigate negative impacts and enhance positive ones. Even when products and services target primarily women, women still face considerable disadvantages relative to men because of more limited business networks and opportunities, greater domestic burden, weaker self-confidence, less education, and, in many cases, a restrictive legal environment.

Wariara Mbugua of UNFPA says, "No longer can this strategy be reduced to simple income-generating activities through revolving funds, but rather it entails and includes other elements of empowerment such as leadership, self-management, networking and entrepreneurship." By adopting a holistic approach that takes into account cultural, economic, and political factors affecting women's empowerment, MFIs can ensure that women are more deeply and consistently empowered through their programs.

#### **It is concluded that women empowerment is possible by**

- Gathering information on women's needs and design products specifically to meet those needs. This existing strength should not be lost as the microfinance industry grows.
- Incorporating programmatic elements such as training or leadership opportunities that contribute to women's empowerment.
- Tracking empowerment benefits along with institutional financial performance and economic impact indicators.
- Bringing women and women's perspectives into the governance, management, and implementation of microfinance programs.
- Collecting gender-disaggregated data for use in the design and improvement of programs.
- Reviewing organizational policies to ensure gender sensitivity and gender equity.
- Designing individual loan products and graduation strategies that meet the needs of women.
- Supporting holistic approaches to microfinance as part of an ongoing commitment to innovation, research, and development.
- Conducting and supporting action research on best practices in empowering women.
- Promoting women in leadership in the MFIs they support.
- Considering empowerment impacts when evaluating microfinance program performance and making funding decisions.

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