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CHAPTER 1

INTRODUCTION



A Project On ¹Impact Of Micro Finance On Women Empowerment A Study Of Rural Bangalore

ABSTRACT

In India, the emergence of liberalization and globalization in early 1990's aggravated the problem of women workers in unorganized sectors from bad to worse as most of the women who were engaged in various self employment activities have lost their livelihood. Despite in substantial contribution of women to both household and national economy, their work is considered just an extension of household domain and remains non-monetized. In India, Microfinance scene is dominated by Self Help Group (SHGs) as an effective mechanism for providing financial services to the "Unreached Poor", and also in strengthening their collective self help capacities leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country. Micro finance is necessary to overcome exploitation, create confidence for economic self reliance of the rural poor, particularly among rural women. Although no 'magic bullet', they are potentially a very significant contribution to gender equality and women's empowerment.

⁵ Through their contribution to women's ability to earn an income, these programmes have potential to initiate a series of 'virtuous spirals' of economic empowerment, and wider social and political empowerment.

The results from these self-help groups (SHGs) are promising and have become a focus of intense examination as it is proving to be an effective method of poverty reduction and economic empowerment. Mainly on the basis of secondary data analysis, this paper attempts to highlight the role of Microfinance and SHGs in the empowerment of women in Indi

INTRODUCTION



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Micro finance has been recognized internationally as the modern tool to combat poverty and for rural development. Micro finance is effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation.

Women have been the most underprivileged and discriminated strata of the society not only in India but the world over. In spite of all Government and Non-Governments' efforts, they have been highly ignorant clients of the financial sector. In the recent times, micro finance has been emerging as a powerful instrument for empowering women particularly, the rural women.

Apart from the informal sector of finance the formal and semi-formal sectors like commercial banks; Nos etc. are taking much interest in providing micro finance to women considering it to be a profitable commercial activity. Women are also participating in the micro finance movement by availing the micro finance services being provided by the various financial channels.

The main aim of micro finance is to empower women. Micro finance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. Micro credit, or micro finance, is



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banking the em bank able bringing credit, savings 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. Women make up a large proportion of Micro finance beneficiaries.

Traditionally, women (especially those in underdeveloped countries) have been unable to readily participate in economic activity. Micro finance provides women with the financial backing they need to start business ventures and actively participate in the economy. It gives them confidence, improves their status and makes them more active in decision making, thus encouraging gender equality. According to CGAP, long-standing MFIs even report a decline in violence towards women since the inception of micro finance.

The most of the micro credit institutions and agencies all over the world focuses on women in developing countries. Observations and experience shows that women are a small credit risk, repaying their loans and tend more often to benefit the whole family. In another aspect it's also viewed as a method giving the women more status in a socioeconomic way and changing the current conservative relationship between gender and class. A recent World Bank report confirms that societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance, and a lower living standard for all people. At a macro level, it is because 70 percent of the world's poor are women. Women have a higher unemployment rate than men in virtually every country and make up the majority of the informal sector of most economies. They constitute the bulk of those who need micro finance services. Giving women access to micro credit loans therefore generates a multiplier effect that increases the impact of a micro finance institution's activities, benefiting multiple generations.



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Micro finance and Women Empowerment:



Micro-finance program not only give women and men access to savings and credit, but reach millions of people worldwide bringing them together regularly in organized groups. Although no ‘magic bullet’, they are potentially a very significant contribution to gender equality and Woman empowerment, as well as poor development and civil society strengthening.

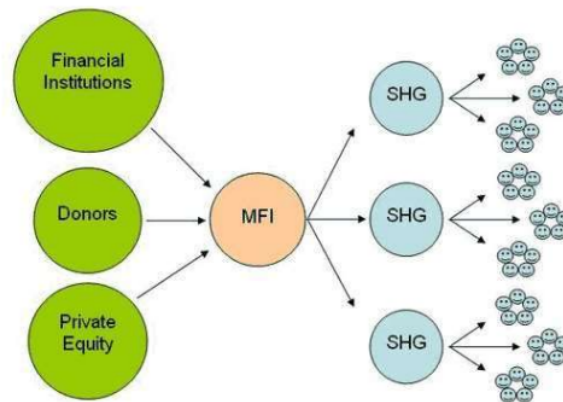
Through their contribution to women ability to earn an income these program have potential to initiate a series of ‘virtuous spirals’ of economic empowerment, increased wellbeing for women and their families and wider social and political empowerment. Micro finance services and groups involving men also have potential to question and significantly change men's attitudes and behavior as an essential component of achieving gender equality.

Majority of micro finance program focus women with a view to empower them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority. A more feminist point of view stresses that an increased access to financial services represent an opening/opportunity for greater empowerment. Such

¹ A Project On Impact Of Micro Finance On Women Empowerment A Study Of Rural Bangalore

organizations explicitly perceive micro finance as a tool in the fight for the women rights and independence.

Micro Finance Institutions



Those institutions which have microfinance as their main operation are known as micro finance institutions. A number of organizations with varied size and legal forms offer microfinance service. These institutions lend through the concept of Joint Liability Group (JLG).

A JLG is an informal group comprising of 5 to 10 individual members who come together for the purpose of availing bank loans either individually or through the group mechanism against a mutual guarantee. The reason for existence of separate institutions i.e. MFIs for offering microfinance are as follows:

- High transaction cost – generally micro credits fall below the break-even point of providing loans by banks



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- Absence of collaterals – the poor usually are not in a state to offer collaterals to secure the credit
- Loans are generally taken for very short duration periods
- Higher frequency of repayment of instalments and higher rate of Default

Controversy on MFIs

The Indian microfinance sector witnessed tremendous growth over the last five years, during which institutions were subject to little regulation. Some microfinance institutions were subject to prudential requirements; however no regulation addressed lending practices, pricing, or operations. The combination of minimal regulation and rapid sector growth led to an environment where customers were increasingly dissatisfied with microfinance services, culminating in the **Andhra Pradesh crisis in the fall of 2010**.

Due to low repayment rates, microfinance institutions, with exposure to Andhra Pradesh, suffered significant losses. Banks stopped lending to microfinance institutions all over India; for fear that a similar situation would occur elsewhere, resulting in a liquidity crunch for microfinance institutions, which are largely dependent on bank lending as a funding source. With the sector at a standstill, microfinance institutions, microfinance clients, banks, investors, and local governments were calling for new regulation to address the prominent issues of the sector. The Reserve Bank of India (RBI) responded by appointing an RBI sub-committee known as **the Malegam Committee**.

This committee aimed to address the primary customer complaints that led to the crisis, including coercive collection practices, usurious interest rates, and selling practices that resulted in over-indebtedness. The existing regulations did not address these issues, thus, who should respond to these issues, and how they should respond, was uncertain. This prolonged the general regulatory uncertainty and the resulting repayment and institutional liquidity issues. The **Malegam Committee** released their recommended regulations in January 2011.



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follows.

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RURAL BANGALORE



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district has 22.5% of its population belonging to the Scheduled Caste and Scheduled Tribe. Hinduism is the major religion of this district. The Bengaluru Rural district is essentially an agriculture district but it has sufficient scope for Industrialisation, Dairy development and Sericulture.

It is the second least populous district in Karnataka (out of 30), after Kodagu.^[4] The district is endowed with agricultural and horticultural crops such as ragi, rice, groundnut, sugarcane, castor, grapes, mulberry, etc. There are adequate infrastructural facilities such as transport and communications, banking, credit, and marketing. Though the region is not rich in mineral resources, its non-metallic mineral resources are utilised for bricks, tiles, and stoneware manufacture. For many years, weaving has also been a major occupation for a large section of the population. The soil and such climatic conditions are congenial for the cultivation of mulberry, rearing of silkworms, and production of silk, besides other agro-based industries. There are a number of wineries and quantity of production of wine has been increasing. There is a proposal by the Government of Karnataka to rename Bengaluru Rural district to Kempe Gowda.

In September 2007, the taluks of Kanakapura, Ramanagara, Magadi and Channapatna were merged to form the Ramanagara district

Economic Profile

- The total Gross District Domestic Product (GDDP) of the district estimated during the year 2012-13 is Rs.77, 726.
- In the year 2012-13, the per capita annual income of the district was Rs.1,09,380.

Industrial profile

- Emerging as the most preferred destination for investors.
- Suitable climate for horticulture and sericulture farming activities.
- Pioneer in silk production supported by healthy domestic and global demand.
- Congenial climatic conditions for livestock and poultry farming.



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- Easy accessibility to leading research institutions like University of Agricultural Sciences, Indian Institute of Horticultural Resources, Indian Institute of Science, etc.
- Scope for enhancement of productivity in agricultural production.
- Initiative for transferring technology and knowledge through contract farming.
- Sericulture provides overall employment to over 51,700 people.
- Ten per cent of the total Micro Small Medium Enterprises (MSME) units in the district are engaged in this sector.

Bangalore Rural District Population, Karnataka - Census India 2011

Bangalore Rural is one of district of Karnataka in India. There are 4 Taluks, 1051 villages and 8 towns in Bangalore Rural district.

As per the Census India 2011, Bangalore Rural district has 229279 households, population of 990923 of which 509172 are males and 481751 are females. The population of children between age 0-6 is 107062 which is 10.8% of total population.

The sex-ratio of Bangalore Rural district is around 946 compared to 973 which is average of Karnataka state. The literacy rate of Bangalore Rural district is 69.51% out of which 75.67% males are literate and 62.99% females are literate. The total area of Bangalore Rural is 2298 sq.km with population density of 431 per sq.km.

Out of total population, 72.88% of population lives in urban area and 27.12% lives in rural area. There are 21.57% Scheduled Caste (SC) and 5.34% Scheduled Tribe (ST) of total population in Bangalore Rural district



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STATEMENT OF THE PROBLEM:

The scope of the study is confined to collecting evidences of Empowerment from rural Bangalore villages.

NEED FOR THE STUDY:

- Contribution to gender equality.
- Combat poverty and for the rural development.
- The main aim of micro finance is to empower women



CHAPTER 2

RESEARCH METHODOLOGY



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OBJECTIVES:

1. To study the role of micro finance in women empowerment.
2. To study the performance of women empowerment in Bangalore district.

Research Methodology

¹⁰ A careful consideration of study regarding a particular concern or problem using scientific methods. According to the American sociologist “Research is a systematic inquiry to describe , explain ,predict and control the observed phenomenon. Research involve inductive and deductive methods”.

SCOPE OF THE STUDY:

The study deals with how micro finance helps the rural Bangalore women, the study focus on challenges faced by the women while doing business. To overcome the challenges Micro finance is the basic step. The study will be conducted in the Bangalore.

LIMITATIONS OF THE STUDY:

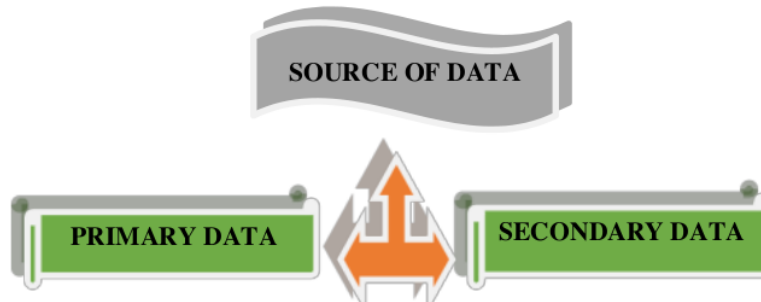
1. The study will be conducted in Bangalore city
2. The study is focused only on impact of micro finance on women empowerment.
3. The results of the study are applicable only to the current situation.
4. Due to limited time, in depth study could not be made.



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Source Of The Data:

The research for the present study cover the two important source of data.



✚ Primary Data :

It is a data which is collected for the first time. The research for the present study cover the primary source such as interview technique, observation methods and face to face interaction.

✚ Secondary Data:

It is the data which is readily available. The research for the present study covers the various secondary data such as internet, websites, magazine and journal, national and international research article published in various journals. Various books related to topic and other references were made.

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Tools for The Data Collection:

The Research for Present Study Covers the Various statistical tools Such As

- ❖ Statistical Tools And Technique
- ❖ Structured Questionnaire
- ❖ Factor Analysis
- ❖ Cluster Analysis
- ❖ T test
- ❖ Z test

Plan of The Analysis:

The research for the present study covers the plan of analysis through various technique such as percentage basis, statistical tools, tables, graphs, figures and charts will be analysis and tabulated in order to overcome finding suggestion and conclusions.



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Chapter schemes

Chapter 1: Introduction

This chapter includes introduction on issues faced with organizational factor influencing investment decision of individual investors in educational institutions at Bangalore city.

Chapter 2: Research Methodology

This chapter includes background of the studies, statement of the problem, needs, important and objectives of the study, plan of analysis, and limitation of study.

Chapter 3: Swoc Analysis

Deals with the primary objective of swoc analysis to help develop a full awareness of the factor involved in the issue with online studies compared to classroom studies.

Chapter 4: Outcome In Study

Its deal with analysis and interpretation of data with the help of charts, diagrams, tables and graph.

Chapter 5: learning experience and conclusion

Its deals with the summary of finding, conclusion and suggestion.



CHAPTER 3

SWOC ANALYSIS



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STRENGTHS

- Providing saving and credit facilities to poor and unreached people..
- Reduced dependence of poor people on informal money-lenders and no institutional sources.
- Employment and income generation through micro enterprises.
- Diversification of non-farm activities.
- Enhancing rural economic productivity through easy finances.
- Providing wide range of services like saving, credit, insurance, training, counseling etc.
- Building up support system through non-financial assistance like technical support, skill development, training etc.
- Increase in the standard of living of people.
- Women empowerment through saving mobilization and capacity building.
- Strengthening SHGs or community groups to address their problems and promoting leadership qualities among the members.

WEAKNESSES

- Regional disparity in disbursement of credit across the country
- High administrative cost
- High repayment structure/high rate of interest
- Multiple lending and over indebtedness
- Financial illiteracy of the people
- Indiscipline among the borrowers for example. Dropout and migration of group members
- No proper regulatory body or legal structure to check working of MFIs
- No field supervision to check operational feasibility of lending
- Inability of microfinance institutions to generate sufficient funds



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- Non transparent pricing
- Fight among MFIs to grab established markets
- Inhuman behaviour of recovery of loans sometimes led to tensions even suicides.

CHALLENGES:

- Cut throat competitions among MFIs
- MFIs vested interests like to grab the market lead to non-required lending even
- Loans being provided for unproductive or unfeasible projects
- Multiple loans to the same borrower lead to unrecovered of loans
- No use of SHGs peer pressure group for repayment.

OPPORTUNITIES

- Large number of people and areas in India are still uncovered
- Various regions still untapped
- Government and Banks support to the programmer
- Range of services can be increased from financial to non-financial and others
- Members can be helped to invest in asset creation, diversify their occupation and improve their risk bearing capacities



CHAPTER 4

OUTCOME OF THE STUDY



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Analysis of Outcome:

The fundamental goal of an impact assessment study is to estimate the effect of an intervention in relationship to the counterfactual. Microfinance being the intervention in relation to the empowerment status of the women, the present study focuses on the impact it makes in the lives of member beneficiaries. Microfinance organisations explicitly perceive microfinance as a tool in the fight for the women's rights and independence.

So keeping the objective of financial viability, an increasing number of microfinance institutions prefer women members as they believe that they are better and more reliable borrowers. Across nations including India, studies have been carried out and they indicate positive, negative and neutral results on various dimensions of empowerment.

On the other hand microfinance in Bangalore is relatively new and is still in its growing stage. Very few impact assessment studies have been carried out exclusively for the state of Bangalore and this study aims to contribute to this gap. It aims to find evidences for three dimensions of empowerment i.e. Economic Empowerment, Social Empowerment and Psychological (Personal) Empowerment in the state of Bangalore.

To study the impact of microfinance on empowerment of women beneficiaries. To study the impact of microfinance on economic empowerment of the SHG/JLG member beneficiary in terms of income, consumption expenditure, assets creation and access to financial services.

To study the impact of microfinance on social empowerment of SHG/JLG member participant in terms of children education, participation in decision making, mobility, domestic violence and better relation and acceptance in family, group and community. To study the role of microfinance in self-perception of empowerment of the SHG/JLG member beneficiary.

Under the microfinance programs, poor people get a loan without collateral or a steady income provided that they use it to start a business enterprise. Loans are often paid back in daily, weekly or monthly instalments. To ensure greater security for the loans, MFIs provide loans to groups of



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people rather than individuals although lending to individuals has become more popular. Today MFIs offer diversified loan products to the poor under the umbrella of “microfinance” (UNFPA, 2010).

The term “empowerment” is viewed differently by different scholars. Sen (1993) notes that empowerment is reflected in a person’s capability set, and capability depends on many factors including personal characteristics of a person, proper food, good health, good shelter and social arrangements. Mayoux (1998) believes that empowerment is related to the process of internal change while Kabeer (2001) thinks that it is related to the capacity and right to make decisions. Kabeer (1999) views that empowerment constitutes three dimensions: resources (access and future claims to the material, human and social resources), agency (the process of decision making, negotiation, etc.) and achievements (well-being outcomes). nks for the poor. Under the microfinance programs, poor people get a loan without collateral or a steady income provided that they use it to start a business enterprise.

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CHAPTER 5

LEARNING, EXPERIENCE AND CONCLUSION



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Learning and Experience:

Microfinance studies across India in relation to women empowerment suggest mix results. The reason identified for mixed result of the same programme across different states is the vast socio cultural diversity of the nation. Majority of the studies do identify increase of income of the individual and household as a positive indicator of economic empowerment. Equally observed areas of empowerment are decision making, self-perception of empowerment, mobility to a certain extent and improved confidence in managing financial crises.

There have been observations of negative impacts too in terms of reduced contribution of income to household by spouse, domestic violence and questioning the degree of impact that small amount of credit can make in the lives of the participating member beneficiaries.

. So the SHG members of the both GO and NGO (MFI) who have availed the loan were selected for the study to examine the role of microfinance in women empowerment. Total, 64 SHG were selected, of which 32 SHGs are state government sponsored groups and 32 are SKDRDP sponsored groups. The study is conducted in the villages, the block where the study conducted was selected on the basis of the existence of a number of the active SMGs of both GOs and NGOs. The main objective of the study is to find the impact of microfinance on undertaking of IGAs and women's economic empowerment. The study hypothesized that, microcredit help in creating income generating activities and thereby increase the income of the participants. And participation in micro finance program will automatically leads to women's economic empowerment.

The review of the related literature provides the controversial results concern to microfinance as a tool for women's economic empowerment. Some studies say that microcredit has provided formal credit to poor from which they were denied before. It has enhanced decision making power of the poor women. Contrary to this, the recent studies hold that, the microfinance program has derived from its prime objective of serving the poor, instead MFIs is making profit out of the poverty. As the microcredit is widely used for unproductive purpose, it has a limited impact on employment among poor. The studies also show that the deserving poor are still uncovered under the program.



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Some of the studies found that the women members have limited control over the use of group loans and no considerable change observed in decision making. The family needs are given priority in the usage of the loan. Thus, it is observed that the program has limited impact over the empowerment of women. The available literature on the microfinance as a tool for women's economic empowerment is not clear in itself; the studies do not provide a clear idea about the impact of the microfinance over economic empowerment. The present work is an attempt to study the impact of microfinance program.

6 The concept and outreach of microfinance in India and the women empowerment concepts are studied elaborately with the help of the secondary data. The sources of the secondary data clearly show that the microfinance program in India has reached nook and corner of the country. By developing an unique SBLP model, India has got wide range of client outreach in the world but the spread of the program is regionally biased; it has concentrated mainly in the southern states of India. Along with the popularity, it has its own problems and limitations, which are necessary to be solved. MFIs are making unreasonable profit from advancing microcredit. And even the not for the profit NGOs are making profit out of the program. Microfinance has stood as a popular program with no proper impact. The available literature to study the concept of economic empowerment, general indicators, and frameworks involved in the limitations in achievement of are limited and versatile; they do not lead to a common conclusion. The concept of women empowerment is more of subjective in nature; it does not have a universally acceptable definition or indicator. As it is subjective, it means different for different individuals. But to set the boundaries to the present study, only economic advancement of the women achieved through microfinance is taken into consideration.



CONCLUSION

Microfinance has come of age in India. It must be understood that microfinance in itself is no magic bullet – not for poverty eradication, livelihood creation, empowerment of women or the poor, financial inclusion or economic equality. But it can be developed as a powerful tool for reaching the poor and unprivileged people by providing a whole range of services from financial to non-financial to them as well as creating employment opportunities, reducing gender and geographical disparities by overcoming its weaknesses through the suggestions as given above. Though some efforts have been done recently to strengthen and regulating the microfinance sector as enactment of Microfinance Regulation Bill by government of Andhra Pradesh after getting complaints of anomalies and suicide of women due to torture of MFIs, acceptance of Malegam Committee Recommendations by RBI and implementation of sector specific regulation by Reserve Bank of India and most recently release of draft microfinance institution Development and Regulation Bill, 2011. But much has to done to make this sector a powerful tool of inclusive growth and sustainable development of Indian economy. It is high time to do so if we implement above recommendations our microfinance sector can be made more efficient and more inclusive.

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