



EMPOWERING WOMEN THROUGH MICROFINANCE- A CASE STUDY OF BARPETA DISTRICT

Dr. Parijat Dhar
Assistant Professor
Bongaigaon College, Bongaigaon

ABSTRACT :

Various socio-economic and cultural factors have customarily restricted women's access and usage of financial services. The discrimination against women in terms of financial access arises majorly because of reasons like cultural barriers, inability to offer physical collateral, low income levels of women in comparison to men, financial illiteracy and failure on the part of financial institutions to deliver products tailored to fulfill the requirements of women clients. In this context, microfinance has appeared as magic bullet so as to resolve the issue of gender gap by providing women increased reach to financial products and services. Microfinance is a financial service of small quantity provided by financial institutions to the poor. Although many financial institutions worldwide offer credit mainly to men for initiating small businesses but microfinance sector have laid special emphasis upon women owing to their exclusion from the formal financial space. The credit enables the poor women to take up income generating activities which helps in the process of their empowerment. Hence, the present paper makes an attempt to analyze the effectiveness of microfinance as an instrument of women empowerment in Barpeta district of Assam.

Keywords: *Microfinance, empowerment, self help group, financial inclusion, income generation*

I. Introduction:

In different countries, it has been noticed that various socio-economic and cultural factors have customarily restricted women's access and usage of financial services. It has been observed that the gender bias is highest in South Asia, Middle East and North Africa (Tapan 2010). The discrimination against women in terms of financial access arises majorly because of

reasons like cultural barriers, inability to offer physical collateral, low income levels of women in comparison to men, financial illiteracy and failure on the part of financial institutions to deliver products tailored to fulfill the requirements of women clients. Coleman (2002) in his study has argued that the businesses run by women generate lesser demand for credit and this has led to



limited number of women entrepreneurs having access to loans. Furthermore, another disheartening matter is that since the women clients demand loans in smaller amounts, the financial institutions charge relatively high rates of interest from them.

According to Duflo (2012), offering financial products tailored to fulfill the requirements of women can result in their empowerment in two ways- firstly, providing financial products which are designed and marketed as such so as to facilitate women in having quick access and earn gains can help them in expanding business opportunities, capacity to absorb shocks, upgrade bargaining skills and increase their independence; and secondly, with the reduction of poverty, there is likely to be a decline in gender bias. Hashemi et al. (1996) has stated that offering credit to women has an immense effect on the degree of economic benefits received by women in the form of rising asset holdings in their name, increased purchasing power and also an increase in their political and legal awareness.

During the last two decades, microfinance has appeared as magic bullet so as to resolve the issue of gender gap by providing women increased reach to

financial products and services. Microfinance is a financial service of small quantity provided by financial institutions to the poor (Dasgupta 2005). These financial services may include savings, credit, insurance, money transfer, equity transaction etc. According to Pomeranz (2014), the underlying reason for this emphasis is that women have relatively lesser access to credit in comparison to men, can function more efficiently as a group, have higher probability of loan repayment and have higher possibilities of utilizing the return in health and education of their households. According to the World Bank Development Report (1990), microfinance has come to be recognized as one of the recent development models for poverty alleviation by empowering the poor in both social and economical spheres along with special emphasis on women empowerment. Kabeer (2001) has observed that as the women participated more in micro-credit activities in Bangladesh, this has resulted in more active changes in community cases, decreased cases of domestic violence and realization of an increase in power.

It has been observed that although many financial institutions worldwide offer credit mainly to men for initiating small businesses



but microfinance sector have laid special emphasis upon women owing to their exclusion from the formal financial space. Among the various recommended models of microfinance delivery, some have become unsuccessful whereas some have served as an experience to derive more constructive methods of offering financial services. These programmes vary from regional rural banks with a social mandate to MFIs (Reddy and Manak 2005). In 1999, a latest programme *Swarnajayanti Gram Swarozgar Yojana (SGSY)* was introduced by merging different existing credit programmes. SGSY is a comprehensive programme incorporating all facets of self-employment viz., arranging the rural poor into Self-Help Groups and their capacity development along with developing infrastructural, technological, marketing and credit facilities (Tapan 2010). In India, the Self Help Groups (SHGs) are generally small, informal and homogeneous groups, with around 20 members in one group. They assemble together for addressing their common problems. The SHG members meet at fixed intervals as decided by the group where the pre-agreed savings amounts of the members are collected along with discussion on other operational matters. These savings form a common fund in the group which can be used to lend small amounts of loans to its members

at a pre-determined rate of interest and are repaid back on installment basis. The group is considered to have attained maturity with the successful conduct of its transactions for duration of six months. Later, when the group needs more funds to lend to its members or undertake certain group activities, it can proceed to the bank with which it has savings-linkage. If the bank feels satisfied with the demand of the group in terms of genuineness of credit demand, credit utilizing capacity of the members, repayment behaviour of the group members and the record maintenance and accounting procedure of the group, it provides a term loan to the group, initially in small amounts. Here, the group is said to be credit-linked to the bank.

The Self-Help Group Bank Linkage programme has focused upon setting up women's agency through formation of groups meant for women and motivating them to engage themselves in income generating activities. The major approach followed has been to assist women in having increased access to employment opportunities, skill development, training programmes, credit facilities and other essential services so as to help them in undertaking income generating activities either individually or as a group.



In India, the penetration of microfinance services has been observed to be more concentrated in the Southern region. Among the North-Eastern States, the outreach of microfinance services has been found to be relatively better in Assam. Hence, the present study makes an attempt to analyze the effectiveness of microfinance in economic empowerment of women in Barpeta district of Assam.

II. Objectives:

The present study has been taken up with the following objectives:

- (i) To analyze the role of microfinance in economic empowerment of women in Barpeta district of Assam.

III. Methodology:

The present study is based on primary sources of data. A field survey has been conducted in Barpeta district to collect relevant information using a structured questionnaire. The technique of multi-stage sampling has been used for the purpose of selecting the samples. In the first stage, development blocks have been randomly selected from Barpeta district. The district has five development blocks; out of which two have been selected on the basis of proportional sampling method. In the second stage, two Gram Panchayats (GPs) from each development blocks have been randomly selected, i.e., a total of four GPs have been selected. In the final stage, five

percent of the SHGs from each GP have been selected by using the technique of snowball sampling by taking into consideration only those SHGs which have completed at least one year of operation on the date of survey. Accordingly, 100 SHGs have been selected from Barpeta district. Furthermore, two members from each SHG have been randomly selected for the purpose of interviewing. Thus, 200 SHG members have been selected from Barpeta district.

IV. Results and Discussions:

Economic Empowerment:

Economic empowerment is the process by which women are made conscious of their task so as to promote economic development of a nation and this in turn will facilitate them in attaining financial independence and significantly contributes in the process of production. Economic empowerment can be achieved by facilitating women to improve their credit-worthiness so as to help them become financially independent which necessitates withdrawing all gender-related impediments that actually restricts women from having access to resources so as to help them sustain a stable income level. The economic features include women's enhanced access to and authority over tangible and intangible assets such as wealth, property, employment, knowledge and information (Tapan 2010).

Socio-Economic Profile of the Sample SHGs and SHG Members

The socio-economic profile of the SHG members has an influence on the



savings capacity, credit-worthiness of the members, usage of the micro-loan and the repayment behaviour of the members. Therefore, a general background of the sample SHGs and the SHG members has been presented in table 1.

Table 1: Socio-Economic Characteristics of the Sample SHGs and SHG members

Group	Sub-group	Percentage
SHGs		100
No. of		200
Social Group	ST	37 (18.5%)
	SC	25 (12.5%)
	OBC/MOBC	102 (51%)
	General	36 (18%)
Family	Upto 4	76 (38%)
	4-8	115 (57.5%)
	8 and above	9 (4.5%)
Religion	Hindu	91 (45.5%)
	Muslim	79 (39.5%)
	Christian	30 (15%)
Age Structure	20-30	54 (27%)
	30-40	85 (42.5%)
	40-50	36 (18%)
	50 and above	25 (12.5%)
Education	Below Class X	93 (46.5%)
	Below Class XII	65 (32.5%)
	Below UG	42 (21%)
Activity Status	Agriculture	83 (41.5%)
	Small Business	55 (27.5%)
	Daily wage	42 (21%)
	Housewife	20 (10%)

Source: Field Survey

From the table it can be seen that of the total SHG members selected from Barpeta district, majority of the members (51 percent) belong to OBC/MOBC category, 18.5 percent belongs to ST category, 18 percent belongs to General category and 12.5 percent belongs to SC category. Moreover, it has been found that in Barpeta district, 38 percent of the SHG members have upto 4 members in their families, while 57.5 percent of the members have a family size of 5-8 members and only 4.5 percent of the respondents have more than 8 members in their families. Moreover, an effort has been made to represent respondents from all religions; however, the present study has captured the sample respondents from three different religious beliefs- Hinduism, Islam and Christianity. It can be seen from the table above that 45.5 percent of the SHG members in Barpeta district are followers of Hindu religion, 39.5 percent are followers of Islam religion and 15 percent are Christians. Furthermore, in the present study, age has been divided into four groups as 20-30, 30-40, 40-50 and 50 and above. It can be seen from the table that in Barpeta district, 27 percent of the SHG members fall in the age group of 20-30 years, 42.5 percent of the respondents belong to the age group of 30-40 years, 18



percent fall in the age group of 40-50 years and 12.5 percent are over 50 years. Thus, it has been found that women between 20-40 years have a higher tendency to get themselves associated with SHGs in the district. Also, it has been found that in Barpeta district, 46.5 percent of the SHG members have an education below matriculation level, 32.5 percent have an education below higher secondary level and 21 percent are under-graduate. If we look at the activity status, it can be seen that in Barpeta district, 41.5 percent of the respondents are employed in agricultural sector, 27.5 percent have small business, 21 percent are daily wage earners and 10 percent of the respondents are housewives.

Structure of SHGs in Barpeta district:

The structure of the SHGs can explain the primary characteristics of these SHGs which include types of SHGs, number of members in the SHG, age of the group, percentage of BPL members in the group, reasons for SHG membership etc. The table 2 highlights the functioning and working of the sample SHGs on the basis of these parameters.

Table 2: Structure of Sample SHGs

Group	Sub-Group	Percentage
Type of SHG	Saving-linked	100 (100%)
	Credit-linked	69 (69%)
Size of SHG	5-10 members	42 (42%)
	10-15 members	58 (58%)
Age of the SHG (in months)	12-24	18 (18%)
	24-36	25 (25%)
	>36	57 (57%)
Percentage of BPL membership in SHGs	0-25	5 (5%)
	25-50	18 (18%)
	50-75	21 (21%)
	75-100	56 (56%)
Reasons for SHG membership	Economic	91 (91%)
	Non-economic	9 (9%)
	Others' persuasion	--

Source: Field Survey

In the present study, it can be seen from the table that in Barpeta district, 100 percent of the sample SHGs are saving-linked and 69 percent are credit-linked with loans availed by them from banks. Regarding the size of the SHG, it has been found that in Barpeta district 42 percent of the sample SHGs have a membership ranging between 5-10 members and 58 percent have 10-15 members in the groups. Taking into consideration the age



of the SHG, it has been found that in Barpeta district, majority of the sample SHGs (57 percent) have completed a time span of more than three years and 25 percent are in the third year. If we look into the proportion of BPL members in the total SHG members, it has been found that in Barpeta district, all of the groups surveyed have varying percent of BPL members. 56 percent of the sample SHGs have 75-100 percent BPL membership, 21 percent groups have 50-75 percent BPL membership, 18 percent groups have 25-50 percent BPL membership and only 5 percent groups have upto 25 percent BPL membership. Furthermore, it has been found that in Barpeta district, 91 percent of the SHG members have joined SHG due to economic reasons and only 9 percent have due to non-economic reasons.

Economic Profile of the Sample SHGs and Members:

The Self Help Groups (SHGs) have been formed to fulfill the credit needs of the poor women so as to reduce their dependence on informal sources of finance, take up income generating activities, reduce their reliance on casual wage labour and improve their economic conditions. The basic criteria of economic

betterment of the SHG members have been considered as increase in the amount of savings of the members over a period of time, increase in income level of the members, increase in the amount of internal lending, shift in purpose of loan requirement from consumption to production, reduced dependence on informal sources of finance, establishing bank linkage, involvement in income generating activities etc. Therefore, an account of the basic parameters of economic status of the sample SHG members in Barpeta district has been presented in the table 3.

Table 3: Economic Status of SHG members

Group	Sub-group	Percentage
		Number of members
Monthly Per-capita Savings in SHG (in Rs.)	0-40	55 (27.5%)
	40-80	118 (59%)
	80-120	27 (13.5%)
Monthly Income after joining SHG (in Rs.)	0-5000	69 (34.5%)
	5000-10,000	95 (47.5%)
	10,000-15,000	35 (17.5%)
Amount of	0-10,000	43 (21.5%)



Borrowing (in Rs.)	10,000- 20,000	54 (27%)
	20,000- 30,000	75 (37.5%)
	30,000- 40,000	28 (14%)
Purpose of Borrowing	Individual Income generation	78 (39%)
	Household Consumption	52 (26%)
	Health	27 (13.5%)
	Education	35 (17.5%)
	Repayment of Old Debts	--
	Social Ceremonies	8 (4%)

Source: Field Survey

In the present study, it has been found that the members make monthly contribution of a definite amount which is decided by the group members. These savings form the basis of internal lending among the members. The monthly per-capita savings of the sample SHG members in Barpeta district ranges from a minimum amount of Rs.20 to a maximum of Rs.120 as found from the field survey. The table

shows that in Barpeta district, 27.5 percent of the SHG members have managed to save upto Rs.40 per month, 59 percent fall in the saving category of Rs.40 to Rs.80 per month and only 13.5 percent have managed to make a monthly contribution upto Rs.120. Taking into consideration the monthly income of the SHG members, it can be seen from the table that in Barpeta district, 34.5 percent of the group members have managed to earn a monthly income upto Rs.5000, 47.5 percent fall in the income category of Rs.5000-10,000 while remaining 17.5 percent of the members have been able to earn upto Rs.15,000 per month. Moreover, if we take into account the amount of loan borrowed by the SHG members, it can be seen from the table that in Barpeta district, 21.5 percent of the sample group members have borrowed upto Rs.10,000 out of the SHG's fund., 27 percent have borrowed loan amount ranging between Rs.10,000 to Rs.20,000, 37.5 percent have borrowed amount ranging between Rs.20,000 to Rs.30,000 and remaining 14 percent of the members fall in the category of loan amount between Rs.30,000 to Rs.40,000. It can also be seen from the table that in Barpeta district 39 percent of the respondents have borrowed loan for undertaking individual income



generating activities, 26 percent have borrowed for household consumption purposes, 13.5 percent have taken loan on account of health grounds, 17.5 percent have taken loan for the purpose of education and only 4 percent of the respondents have borrowed for social ceremonies.

Economic Empowerment of the SHG members:

Taking into consideration the case of poor women, the main indicators which have been considered for economic betterment like increase in the amount of savings of the members over a period of time, increase in income level of the members, expansion in the amount of internal lending, shift in loan requirement purpose from consumption to production, lesser dependence on informal sources of finance, establishing bank linkage, involvement in income generating activities etc. are measures of economic empowerment as well. Therefore, a descriptive statistics analysis has been made in order to find out the economic status of the SHG members in the pre and post membership situation on the basis of selected economic parameters.

Table 4: Economic Empowerment of Sample SHG members:

Variables	SHG Membership Status	Mean	Maximum	Minimum
Savings amount (in Rs.)	Pre	1041.03	2500	500
	Post	3058.03	6000	1800
Respondent's Earning (in Rs.)	Pre	5132.51	9,000	0
	Post	10023.04	15,000	4500
Amount of Loan Borrowed (in Rs.)	Pre	11792.45	25,000	5000
	Post	23040.55	40,000	10,000

Source: Field Survey

The table 4 highlights the descriptive statistics of the selected economic variables in order to highlight the change in economic status of the sample respondents in the pre and post SHG membership situation. The crucial economic variables taken into consideration are the amount of monthly savings and income of the respondents and the amount of loan borrowed by them. As seen from the table, the average monthly savings of all the respondents has been estimated at Rs. 3058.03 for Barpeta district in the post SHG membership situation and this is higher than that in the pre-SHG situation. The maximum amount of monthly savings by a sample respondent for Barpeta district has



been found to be Rs.6000 in the post SHG membership situation and this is higher than that in the pre SHG situation. Similarly, the minimum savings made by a sample respondent post SHG membership has been found to be higher than that in pre-SHG membership situation. The mean income of the respondents in the post SHG membership situation has been estimated at Rs. 10023.04 for Barpeta district and this has been found to be higher than that in the pre-SHG situation. Both the maximum and minimum level of monthly earnings of the respondents in the post SHG membership situation has been higher than that in the pre SHG situation. Thus, the SHG members have been able to enhance their income levels by undertaking income generating activities following their membership in the groups. Another crucial variable is the loan amount borrowed by the poor women. Prior to the SHG membership, the poor women had little access to formal credit and this compelled them to depend upon informal sources of finance which were exploitative in nature. However, after the SHG membership, the women have been able to meet up their credit requirements to some extent and make themselves free from the clutches of the moneylenders. As seen from the table, there has been a significant

difference in the loan amount borrowed by the members in the pre and post SHG membership situation. The average loan amount borrowed by the respondents in the post SHG situation has been estimated at Rs. 23040.55 in Barpeta district. The maximum loan amount borrowed by the respondents in the post SHG membership situation has been found to be Rs.40,000 for Barpeta district while the minimum loan amount has been found to be Rs.10,000. Thus, holding membership in the SHGs has helped the poor women in having access to formal credit and hence to undertake more income generating activities. This analysis points out that the economic status of the sample SHG members has improved following their membership in the SHGs.

Mean Differences of the Selected Economic Variables:

In the previous section, an analysis of the descriptive statistics of the selected economic variables of the sample women members of the SHGs has been made. In the present section, the mean difference of these selected economic variables of the sample members between the pre and post SHG membership situation has been examined. This analysis will help in exploring if there has been any significant difference in those selected economic variables of the respondents after joining the SHGs. For this



purpose *t* test has been applied to test the significance of the difference of the selected economic variables of the respondents.

Table 5: Test of Mean Differences of the Selected Economic Variables in Pre and Post SHG Membership Situation

Variables	SHG Membership Status	Mean	Mean Difference	t-statistics	Significance level (2-tailed)
Savings Amount (in Rs)	Pre	1041.03	2017	-42.26** *	0.001
	Post	3058.03			
Respondent's Earning (in Rs)	Pre	5132.51	4890.53	-53.16** *	0.001
	Post	10023.04			
Amount of Loan Borrowed (in Rs)	Pre	11792.45	1248.10	-44.13** *	0.001
	Post	23040.55			

Source: Author's calculations based on sample observations

From the table 5, it can be seen that the mean savings amount of the respondents in the post SHG membership situation in Barpeta district is Rs. 3058.03 which is Rs. 2017 more than their mean savings in the pre SHG situation. This mean difference has been found to be statistically significant at 1 percent level which leads to the conclusion that associating with the SHGs enables the women members to save more.

Furthermore, one of the motivating factors for the women behind joining the SHGs has been to enhance their income levels. As seen from the table, the mean monthly income of the respondents after joining the SHGs in Barpeta district has been found to be Rs. 10023.04 which is more than their mean income before joining the SHGs by Rs. 4890.53. This mean difference has been found to be statistically significant at 1 percent level which concludes that holding SHG membership helps women members of the groups to enhance their income levels. Membership with the SHGs makes formal sources of credit accessible to the women members which helps them in fulfilling their credit requirement and motivates them to undertake income generating activities. As seen from the table, the average amount of loan borrowed by the surveyed women in Barpeta district after joining the SHGs has been estimated at Rs. 23040.55 which is more than their average loan amount borrowed before joining the groups by Rs. 11248.10. This mean difference has also been found to be statistically significant at 1 percent level leading to the conclusion that membership with the SHGs helps the women members in having more access to affordable credit. Thus, after associating with the SHGs, the sample women members in the sample district has experienced an improvement in their economic status in terms of these selected economic variables.

V. Conclusion:

Microfinance programmes have made women an integral part of development process and have included



them in the mainstream financial system. Microfinance programmes work with the basic aim of making available financial services to the poor women so that they can engage themselves in income generating activities and thus leading to their economic empowerment. On the basis of the findings of the study, it has been found that access to microfinance services has helped the

women members of the SHGs in Barpeta district to increase their savings, increase their income levels, engage in income generating activities and have access to affordable credit by reducing their dependence on exploitative informal sources of credit.

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