

# ROLE OF MICROCREDIT IN ECONOMIC EMPOWERMENT AND SOCIAL WELFARE OF WOMEN- AN EMPIRICAL STUDY OF SHG MEMBERS IN WEST-TRIPURA DISTRICT

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## ABSTRACT

*Microfinance started with the noble cause of empowering rural destitute people with petty credit to start their own small business which will help them to come out of the clutches of poverty. Based on different case studies conducted in developing countries, microfinance has been found to be a reliable and effective way of empowering the poor, most especially women, while also increasing their level of participation in the national economy.*

*Microfinance institutions have targeted one of the most vulnerable groups who are being deprived of their economic and social status in the society. These women are empowered by giving micro credit which in turn increases their opportunities for self-employment, autonomy, decision making role, living standards within the household.*

*The present study has investigated the impact assessment of micro finance on some parameters of poverty alleviation & economic empowerment of self-help group members, the extent to which these programs helped self-help groups members as borrowers to meet their credit needs by taking petty loans from micro finance institutions particularly Bandhan in the West Tripura district of Tripura.*

*The analysis of data shows that microfinance has a positive impact on improving the living standards thus reducing poverty at the same time empowering women in their household decision making related to consumption, expenditure & financial matters.*

**Keywords:** *Microfinance, Poverty alleviation, Women Empowerment, Social Welfare, Self Help Group.*

**Introduction:**

Access to finance and allows the poor to make investments to augment their income, better smooth consumption, and shield against shocks such as bad weather or illness<sup>1</sup>. Micro finance thus plays an important role in this direction of empowering people financially and socially to cope up with the uncertainties of future. There is an indirect relationship between financial development and economic growth. Economic theory suggests that financial development can contribute to economic growth, and economic growth in-turn can have a say to poverty alleviation. This financial development can happen if people particularly women who have been neglected for years take petty credit from Micro finance institutions and banks to start their small business. This study is based on women borrowers of Bandhan micro finance institutions.

Conventionally, women have been marginalized from any decision making power in the family. About 70% of world's poor are women. Yet they have no or little access to credit and other financial services. Therefore, microfinance institutions often target women as. Microfinance is a critical tool to empower women from poor household and bring them at levels with their male counterparts. With a mission to reduce economic and social poverty significantly, by creating employment, through providing cost effective, sustainable financial and other development services, Bandhan Micro finance came up in the year 2001. It has 77 branches in Tripura.

The women empowerment model<sup>2</sup> gives five variables for the measurement of women empowerment. They are Financial empowerment of women refers to a woman's ability to earn her own income, make independent financial decisions, and contribute to household financial well-being (such as household assets and children's educational costs).

The number of saving linked SHGs now stands at 7.96 million with a membership of over 103 million poor households. While bulk of these savings is used for internal lending within the Group (over 70%), the balance is maintained in the savings accounts with the financing banks. Over 79% of SHGs linked to banks are exclusive women groups, which is one of the most distinguishing features of microfinance sector in the country.

**Overall Progress under SHG-Bank Linkage for last 3 years**

Particulars		2009-10		2010-11		2011-12	
		No of SHGs	Amount	No of SHGs	Amount	No of SHGs	Amount
SHG Savings with Banks as on 31st March	Total SHGs	69.53 (13.6%)	6198.71 (11.8%)	74.62 (7.3%)	7016.30 (13.2%)	79.60 (6.7%)	6551.41 (-6.7%)
	Of which SGSY Groups	16.94 (12.5%)	1292.62 (-17.3%)	20.23 (19.4%)	1817.12 (40.6%)	21.23 (5.0%)	1395.25 (-23.2%)
	% of SGSY Groups to Total	24.4	20.9	27.1	25.9	26.7	21.3
	All women SHGs	53.10 (9.18%)	4498.66 (1.46%)	60.98 (14.8%)	5298.65 (17.8%)	62.99 (3.3%)	5104.33 (-3.7%)
	% of Women Groups	76.4	72.6	81.7	75.5	79.1	77.9

Source: NABARD REPORT (Status of Microfinance in India 2011-12)

Social power refers to a woman's access to social activities, including the freedom to leave the home as desired, participate fully in community activities, join social organizations, and have a say in community affairs. Decisional empowerment refers to a woman's role in decision-making. This includes her ability to make independent decisions, challenge gender norms, and stand up for herself. While the Physical empowerment refers to a woman's experience of household conflict, physical abuse, and controlling behavior by intimate partners. Another in the form of emotional empowerment refers to a woman's perception of gender roles in the household, her level of financial confidence and self-confidence, and her sense of hope for the future.

<sup>1</sup> For a general discussion on the importance of access to finance see Armendáriz and Morduch (2005) and Beck and Demirgüç-Kunt (2008). For more detailed discussion of the specific financial needs of the poor see Collins et al (2009).

<sup>2</sup> Female Empowerment Model (fem). (Adapted from Chronic Poverty Research Centre. 2008, pp. 2-3).

**Literature Review:**

A microfinance institution (MFI's) offers petty loans to poor and low income entrepreneurs, among whom a majority is women who typically gets benefited from this small loans than man (Armendáriz and Morduch, (2010). McKernan (1996) finds that participating in microfinance program can exert a large positive impact on self-employment profits, while Pitt and Khandker (1998) find that micro credit has a significance impact on the well being of poor household who has borrowed money and this impact is greater when credit is targeted to women. Weiss, Montgomery and Kurmanalieva (2003) studied the impact of microfinance on poverty in Asia and after that in a later study Weiss and Montgomery (2005) provided an update including studies using Latin American data. They reviewed only "rigorous studies" and did not cover studies that used qualitative approaches. Weiss and Montgomery (2005) summarized their review by saying that from the earlier literature clearly it can be seen that microfinance have a positive impact on poverty it is unlikely to a simple universal remedy for reaching out to the poor groups of people. Reaching the core poor is easier said than done and some of the reasons that made them difficult to reach with conservative and traditional financial instruments mean that they may also be of high risk and therefore unattractive to microfinance clients. Knight and Farhad (2008) in their study identified that micro finance was directly responsible in improving the quality of life and promotes reduction in poverty. By getting loans the borrower gets self employed and can protects him from unknown sudden external threats. By enhancing employment opportunities the income of the client borrower increases thus bringing them out of the clutches of poverty and reducing their dependency on the local money lenders for meeting the external threats.

Haque and Yamao (2009) studied the impact of microcredit on poverty alleviation in rural areas in Bangladesh. The study was basically done to find out whether giving microcredit to the poor people has the potential to alleviate them from the poverty level. The study was done in Bangladesh where 40% of the population lives below the poverty line. It was a study based on randomly collected primary level data from thirty-five villages of Bangladesh and consisted of 300 microcredit women borrowers from various NGO's. The finding of the study showed that the amount of micro credit was insufficient to run income generating activities and to repay the installment after meeting the least requirement to survive. In order to pay these installments they borrow at exorbitant rate of interest thus trapping them in the vicious cycle of poverty.

Sen (1993) in his research paper told that empowerment is reflected in a person's capability set. The 'capability' of a person depends on a variety of factors, like personal characteristics, education, financial stability and social arrangements. Sen's view on women's empowerment is indicated in his discussion on measurement of empowerment (Sen 1990). In this study he mentioned about some focal point which relate to the basic fundamentals required for survival and well-being of the women regardless of the circumstances. These include proper nourishment, good health and shelter.

Gurses (2009) in his paper titled Micro-finance and Poverty Reduction in Turkey, perspectives on global development and technology conducted a study in Turkey and mentioned that micro finance in particular micro credit is a powerful tool to reduce poverty. The author has mentioned that one fifth of the population of turkey was at risk due to the poverty even then it is not a poor country according to global standards.

Longwe and Clarke (1994) explained women empowerment as an enduring cyclical process having five stages. The first stage is the welfare stage and at this stage the women's resources are not fully recognized and met. The second is access stage, where women recognize it and act to gain access to these resources. The third stage is the realization level stage, where women realize that their lack of access to resources and their status are due to socially constructed attitude and phenomenon. The fourth stage is the participation level stage, where women become actively occupied in decision-making processes within their households, communities and societies. The final stage is control stage, in which women gets hold over the access of resources and distribution of benefits by increasing their participation. This control increases women's power and respect within their households, communities and societies.

Weiss, Montgomery and Kurmanalieva (2003) defined poverty as an income (or more broadly welfare) level below a socially satisfactory minimum and micro finance as one of a range of innovative financial arrangements designed attract the poor as either borrowers or savers.

**Research Methodology:**

This study is conducted to examine the effect of micro finance on the social and economic condition of the poor women living in one of the districts of Tripura. The population of my study covers those people who have been engaged in microfinance activities for at least two years and live in West Tripura district. One hundred customers all female borrowers (as Bandhan gives loan to only women entrepreneurs) were selected randomly from the client database who are having a experience of at least 2 years in the microfinance field. They were distributed a structured questionnaire via convenient sampling method. Data were collected by interviewing the respondent with a pre tested and well structured questionnaire. The data were analyzed using SPSS software and the results were interpreted to test the validity of the hypothesis that was taken for the study.

**Data Analysis and interpretation:****Demographic Information of the Respondents:**

The following table gives a demographic profile of the respondents. All the respondents that were chosen are female borrowers as the scheme of micro credit disbursed by the microfinance institution is for female borrowers only.

Women are targeted by microfinance institutions because of the good reasons that they are the major causes of poverty in the society, they cannot take care of their health because of less family income which makes them more vulnerable, weaker governance and lower standards of living and women are poorer and more disadvantaged than men from a long time. However, women contribute decisively to the well being of their family comparatively more than men<sup>3</sup>.

**Educational qualification of the borrowers:**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	below 8th standard	5	5.0	5.0	5.0
	8th standard	38	38.0	38.0	43.0
	Matriculation	14	14.0	14.0	57.0
	H.S	39	39.0	39.0	96.0
	Graduate	4	4.0	4.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

Our analysis shows that 35% of respondents had two members in their family. 51% had 3 members and rest of the 10% had 4 members. Only 4% have more than 4 family members. The numbers of family members are important and thus we have tried to find out how many family members each respondent have because a large family size generally has higher expenses than a smaller family. In microfinance field most of the business have sole proprietors. Family members supply to this small-scale business as additional workers

**No of Family Members of the borrowers:**

		Frequency	Percent	Valid Percent	Cumulative Percent
<b>Valid</b>	2member	35	35.0	35.0	35.0
	3member	51	51.0	51.0	86.0
	4member	10	10.0	10.0	96.0
	more than 4 member	4	4.0	4.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

<sup>3</sup> Cited in Cheston, S.; Kuhn, L. (2002), "Empowering Women through Microfinance", Draft Publication Sponsored by UNIFEM

The data collected reveals that 82% of respondents had no business experience before joining the MFIs and rest of 18% had previous business experiences. It indicates that MFIs is playing a vital role to start the new small-scale businesses as well as in the growth & development of old or existing businesses. Therefore, we can see that more than 61% of the respondents were part of the large families having more than 3 members in our case, and at the same time higher proportion of the people did not have any business experience before joining MFI. So indirectly, MFIs were able to reach and benefit more people than those formally linked to them, as when they provide the business opportunity to a large family, other members are also benefited naturally. So the female borrowers are able to improve their status as well as the status of their families and indirectly increasing the decision making power in the family matters.

#### Business Experience of the borrowers:

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	18	18.0	18.0	18.0
	no	82	82.0	82.0	100.0
	<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	

#### Regression analysis between Increase in Income and Decision making process:

The result of bivariate regression analysis is shown below. The Model summary of the regression analysis shows that R square for the regression model is 0.189. This R square is the coefficient of determination through which we can measure the extent, or strength of the association ship that exist between the two variables. R square shows the amount of variation in one variable caused by or for another variable. In this case respondent's perceptions of increase income account for 18.9 percent of the total variation in the increase role in decision making process in the family.

The Analysis of Variance (ANOVA) table shows the F ratio for the regression models. This statistics assesses the statistical significance of the overall regression models. Larger the F ratio, the more variance in the dependent variable is explained by the independent variable. The F ratio 14.191 indicates the model is highly significant at the 0.000 level.

The F-ratio can be thought of as a measure of how different the means are relative to the variability within each sample. Larger the F ratio, the more variance in the dependent variable is explained by the independent variable. The F ratio 14.191 indicates the model is highly significant at the 0.000 level.

#### Model Summary:

Regression Analysis between increase of income and role in decision-making process (model summary)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.343(a)	0.189	0.110	0.690

a Predictors: (Constant), Increase Income

#### ANOVA:

Regression Analysis between increase of income and role in decision-making process (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.876	1	4.876	12.154	0.000(a)
	Residual	77.634	98	.792		
	<b>Total</b>	<b>82.510</b>	<b>99</b>			

a Predictors: (Constant), Increase Income

b Dependent Variable: Decision Making

**Coefficients:**

Regression Analysis between increase of income and role in decision-making process (coefficient values)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1.892	.392		4.975	0.000
	Increase Income	1.374	.111	0.243	3.481	0.000

a Dependent Variable: Decision Making

The t test tells us whether the regression coefficient is different enough from zero to be statistically significant at the level (0.000). From the regression coefficient table, the column labeled “Unstandardized Coefficients” exposes the unstandardized regression coefficient for increase of income, as 1.374.

According to above analysis, our null hypothesis which was there is no significance relationship exist between increase in income and decision making is rejected, which indicates that the relationship exists between these two variables that can be seen in the above analysis.

**Multiple Regression Analysis among the variables related to poverty alleviation:****Descriptive Statistics**

	Mean	N
Living Standards	4.6100	100
Better Health Care Access	4.8400	100
Better Education Access	3.6200	100
Increase Fish & Meat Consumption	4.7300	100
Increase Fruits & Milk Consumption	4.1700	100
Increase Income	3.5400	100

The descriptive statistics shows the mean of the variables taken for the study. All the means are more than the midpoints of the 5 points satisfaction scale. This shows the positive attitude of the people towards the variables or the attributes.

**Model Summary:**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.798(a)	0.691	0.644	0.5220

a Predictors: (Constant), Increase Income, Increase Fruits & Milk Consumption, Increase Fish & Meat Consumption, Better Health Care Access, Better Education Access

The model summary given as an output shows the R square which explains the amount of variation in one variable caused by or for another variable. The R square given is analysis output is 0.691. This means that 69.1 percent of the variation in the poverty alleviation among the women borrowers which is the dependent variable can be explained from the five independent variables. The variable which is seen as a factor that helps in improving the living standards and thus bringing the people out of the clutches of poverty is taken for the study they are Increase Income, Increase Fruits & Milk Consumption, Increase Fish & Meat Consumption, Better Health Care Access, and Better Education Access.

**ANOVA:**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.777	5	7.955	21.832	0.000(a)
	Residual	49.013	94	0.521		
	Total	53.790	99			

a Predictors: (Constant), Increase Income, Increase Fruits & Milk Consumption, Increase Fish & Meat Consumption, Better Health Care Access, Better Education Access

b Dependent Variable: Living Standards

#### Coefficients:

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	1.259	.271		4.639	.000
	Better Health Care Access	0.314	.078	.379	3.180	.000
	Better Education Access	0.298	.081	.312	3.212	.001
	Increase Fish & Meat Consumption	0.197	.067	.244	2.450	.003
	Increase Fruits & Milk Consumption	0.126	.080	.268	2.573	.003
	Increase Income	0.415	.092	.417	4.164	.000

a Dependent Variable: Living Standards

For finding the impact of microfinance on the poverty alleviation and empowerment of women in west Tripura district, the independent variables which have an impact on the poverty alleviation (dependent variable) are Increase Income, Increase Fruits & Milk Consumption, Increase Fish & Meat Consumption, Better Health Care Access, and Better Education Access. As the access to microfinance is made easy by Microfinance institutions to the marginalized women in the society to make them independent and financially stable to run their family and contribute to the development of the society and economy as a whole. So our null hypothesis states that there is no relationship between poverty alleviation and Increase Income, Increase Fruits & Milk Consumption, Increase Fish & Meat Consumption, Better Health Care Access, and Better Education Access. Whereas alternative hypothesis states that Increase Income, Increase Fruits & Milk Consumption, Increase Fish & Meat Consumption, Better Health Care Access, and Better Education Access helps in poverty alleviation and there is a relationship between them. Increase in income is an important factor in eradicating poverty. As the women are able to generate revenues from the credit that they have taken from MFI's the living standards increases thus reducing the poverty. This can be seen from the result and we can conclude that every time the income increases by 1 unit, improvement in living standards will increase by 0.417 units, other variables remaining constant. Increase in income is the most significant predictor of improvement in the living standards because of a high beta coefficient and significance of 0.000. Other variables like better education access and increase in better health care access are also one important indicator of poverty alleviation. These two variables has beta coefficient of 0.312 and 0.379 at significance level of 0.001 and 0.000 respectively. This means a unit increase in better health care access will increase the living standards by 0.379 and 0.312 respectively.

#### Conclusion and Recommendation:

Poverty alleviation is one of the primary concerns for the planning boards in our country. The growth in the economy has to be inclusive for a sustainable development. One of the major initiatives for an inclusive growth is the infusion of credit and to channelize this credit banks, cooperatives and micro finance institution were used. The decade of 1990's witnessed growth of various Self-help groups (SHG's), especially managed by women as an effective intervention strategy for poverty alleviation.

In this study after analysis of the data it is found that women mostly with primary education is taking small loans from the Micro finance institutions to start up their small business. Most of the women respondent confirmed good running of their business and later on expanding it. This demonstrates how the women are able to they were able to increase their income and provided not only with the financial help to their families but also had positive impact on other factors of daily life.

A correlation analysis between income and savings substantiate the fact more. As the income increases the savings of the respondent borrowers also increases. This illustrates if savings increases then the financial stability of the family increases increasing the economic empowerment of the women as they are interrelated.

The regression analysis also gives an idea of the factors that have an impact on poverty alleviation and improvement in living standards. Poverty alleviation depend on a number of variables like increase in income, better access to health care & education , increase consumption of fish, meat fruits and milk. As these units increase they also increase a unit in removing poverty. Thus microfinance has an impact on the living standards and poverty alleviation among the borrowers of micro credit from microfinance institutions.

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