

# IMPACT OF MICROFINANCE SERVICE ON RURAL WOMEN EMPOWERMENT: AN EMPIRICAL STUDY

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## Abstract

*This study basically attempts to analyze the impact of microfinance services in empowering the rural women. The study is also meant to obtain insights regarding factors empowering rural women through microfinance services and which factors influences. For that, 63 respondents out of 86 questionnaires yielding a response rate of 73.25% residing in rural areas of Nyamathi taluk, Davanagere district, Karnataka state are approached with structured questionnaire by following a non-probabilistic convenience sampling technique. After computing the reliability  $X^2$  Chi-square was used to test hypotheses. The limitation of the study relates to the population of rural women only used for the study, which limits the generalizability of the findings. The findings of the study are likely to be important to microfinance institutions, govt. and NGOs in designing policy to empower rural women socially and economically. This study makes the valuable contribution by providing a base to the microfinance institutions for strengthening and expanding their support to rural poor women.*

**Keywords:** *Financial Freedom, Microfinance, NGOs, Women Empowerment*

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## 1. Introduction

Woman has been suppressed under custom and law for which man was responsible and in the shaping of which she had no hand. Woman has as much right to shape her own destiny as man has to shape his. It is up to men to see that they enable them to realize their full status and play their part as equal of men. - Mahatma Gandhi

In India, a developing country, women are still dominated by male in household matter which shows their very weak position in the society. The discrimination of women by the society results into more poverty, lower standard of livings as well as economic growth. To eliminate such evils from the society, empowering women through microfinance is deemed to be one of the rays of hope. Microfinance is the provision of financial services to low income clients who traditionally lack access to banking and related services. It focuses on alleviating poverty by providing financial services to poor women to take up income generating activities. Microfinance, a development tool to alleviate poverty in Asian, African and South American countries, gives quick and tangible results to the poor people, especially women. Micro-credit to the poor often works on the assumption that availability of finance will enable them to come out of the vicious circle of poverty.

Today various peoples faced various levels of problem in day- to -day life, like nutrition related diseases, low life style; they are unable to start any small level business. Therefore financial help for the poor through government and NGO is essential. Women constitute around half of the total world population. So is in India also. Therefore, they are regarded as the better half of the society. In traditional societies, they were confined to the four walls of houses performing household activities. Now –a- day in modern societies, they have come out of the four walls to participate in all sorts of activities. The global evidences buttress that women have been performing exceedingly well in different spheres of activities like academics, politics, administration, social work and so on. In this process not only urban educated women but also rural women participate. Therefore women development and entrepreneurship are must for rural women.

Empowerment is the process of increasing the capacity of women to make choices and to transform these choices into desired actions and outcomes. Micro credit is a useful tool for the empowerment of women, for poverty alleviation and a relatively new approach for developing economies to solve women's difficulties in obtaining financing. The present study aims to analyze the impact of SKDRDP microfinance services of the on rural women empowerment.

## 2. Review of Literature:

A lot of research work has been carried out in different parts of the world to know the success of micro-finance in empowerment of rural women.

Gaiha & Nandhi (2007) analyzed that whether access to microfinance has given women greater autonomy in household decisions relating to allocation of resources, savings and investments and found that neither participation nor duration of membership of a Self-help Groups (SHGs) has a significant effect on female autonomy.

Page and Czuba (1999) define empowerment as a multi-dimensional social process that helps people gain control over their own lives, a process that fosters power in people for use in their own lives, their communities and in their society, by acting on issues they define as important.

Puhazhendhi and Satya Sai (2001), in their research study, found that SHG's have been instrumental in economic and social empowerment of the rural poor. This provided the incentive to take successive loans. Microfinance to rural women has given a great opportunity to the rural poor in India to attain reasonable economic, social and cultural empowerment, leading to better living standard and quality of life for participating households.

Kabeer (2001) defines empowerment as the expansion in people's ability to make strategic life choices in a context where this ability was previously denied to them.

According to the UN 1994 International Conference on Population and Development, women empowerment has five components that include women's sense of self-worth; their right to have and to determine choices; their right to have access to opportunities and resources; their right to have the power to control their own lives, both and within outside the home; and their ability to influence the direction of social change to create a more just social and economic order, nationally and internationally.

Micro finance concept is created through Bangladesh gamin bank model it was implemented by Nobel laureate Mr. Mohamed unies, micro finance is nothing but small level credit offering for poor and underprivileged persons. To modernization world must micro-finance used for women and especially for rural women so they form self help group in living area and receive small level credit from NGO bank then creates knowing small level or little level business in living areas. This process creates up list socio-economic rural women.

## 3. Objective of the Research Study:

1. To examine the micro finance and socio-economic development of rural women in the study area.
2. To analyze the impact of microfinance services on rural women empowerment.

## 4. Hypotheses:

Following hypotheses is proposed for the study.

1.  $H_0$ : There is a no positive relationship between socio-economic status upgradation and women empowerment through microfinance services.  
 $H_1$ : There is a positive relationship between socio-economic status upgradation and women empowerment through microfinance services.
2.  $H_0$ : There is a no positive relationship between financial freedom and women empowerment through microfinance services.

H<sub>1</sub>: There is a positive relationship between financial freedom and women empowerment through microfinance services.

## 5. Methodology of the study

This study is based on primary as well as secondary data. Interview schedule is used to collect primary data from the respondents and secondary data is gathered from leading journals, newspapers, related government office documents, standard books, published articles and various websites.

## 6. Scope of the present study

The present study will be useful in the sense that it helps in understanding the performance of the rural woman entrepreneurship in economic development and role of micro finance in creation of entrepreneurship in the study area.

## 7. Limitation of the present study

This study is based on simple random sampling and that sense suffers from the limitation of that sampling method. The study is a micro level therefore findings not possible for applied in macro level however all possible efforts have been taken to ensure the correctness of the data used in the present research work. The study relates to the population of rural women only used for the study, which limits the generalizability of the findings.

## 8. Sampling design for the study

This study aims to examine the impact of microfinance services on rural women empowerment process in the study area. Nyamathi village in the Honnalli taluk Davanagere district selected for collecting the sample from 63 respondents of rural women entrepreneurs in the SKDRDP SHGs. X<sup>2</sup> (Chi-square) statistical tool using for the testing hypothesis.

## 9. Demographic Profile of Respondents

**Table – 1**  
Age wise position of respondents

S.I No	Age-wise position	No of respondents	Percentage
1	Upto 20	7	11.1
2	21 to 30	24	38.1
3	31 to 40	19	30.2
4	41 to 50	13	20.6
	Total	63	100

Sources: Primary data

From the above table it is inferred that majority members in SKDRDP SHG i.e., 38.1 percent are between in age of 21 to 30 years. This data indicates that youth groups are maximum participated in micro-finance and entrepreneurial process.

**Table – 2**  
Marital status of the respondents

S.I No	Loan giving person	No of respondents	Percentage
1	Unmarried	5	7.9
2	Married	49	77.8
3	Widowed	6	9.5
4	Single	3	4.8
	Total	63	100

Sources: Primary data

From the above table it is inferred that majority of the respondent, 77.8 percent are married. So, it depicted that married person's maximum come out of the home to join SHGs in study area.

**Table – 3**  
Loan given to the respondents

S.I No	Loan giving person	No of respondents		Percentage	
		Before	After	Before	After
1	Money lenders	21	5	33.3	7.9
2	Land lord	23	2	36.5	3.2
3	Relatives	7	5	11.2	7.9
4	NGO/Trust(SKDRDP)	1	36	1.6	57.1
5	NBFC's	6	11	9.5	17.5
6	Banks	5	4	7.9	6.4
	Total	63	63	100	100

Sources: Primary data

From the above table it is inferred that 57.1 percent of the loan offered for the respondent through NGOs and trust after joining NGOs like SKDRDP. It indicates that most of the members prefer SKDRDP for getting loans due to marginal interest and take less time to section lone and easy to repayment.

**Table – 4**  
Nature of uses of Microfinance

S.I No	Nature of uses of M-F	No of respondents	Percentage
1	Creation of self-employment	16	25.4
2	Repayment of old Loan	5	7.9
3	Family	10	15.9
4	Education Expenses	9	14.3
5	Agriculture and self-employment	18	28.6
6	Other	5	7.9
	Total	64	100

Sources: Primary data

From the above table it is inferred that micro-finance is maximum 28.6 percent used by the respondents for agriculture related allied activities, the second place play by self -employment creation i.e. 25.4 percent. So it is found that members used micro-finance for agricultural activities and self-employment creation.

**Table – 5**  
Income Level of the respondents (monthly)

S.I No	Loan giving person	No of respondents		Percentage	
		Before	After	Before	After
1	0 to 2000	4	0	6.3	0.0
2	2001-4000	29	9	46.0	14.3
3	4001-6000	19	12	30.2	19.0
4	6001-8000	5	31	7.9	49.2
5	8001-10000	4	8	6.3	12.7
6	Above 10000	2	3	3.2	4.8
	Total	63	63	100	100

Sources: Primary data

The above table inferred that income of the rural woman before and after joining micro finance. Before joining income between Rs.6001 to 8000 only 7.9 percent but after joining Micro finance like SKDRDP its increase 49.2 percent it shows there is a positive relation between the micro finance and income level of the rural women's.

## 10. Testing Hypotheses

Results are derived through Chi-square Test on hypothesis which is drawn on the basis of objectives of the study.

### Hypotheses:1

Let us take hypothesis that "There is a no positive relationship between socio-economic status up gradation and women empowerment through microfinance services".

**Table – 6**  
People Benefited by Micro Finance like SKDRDP

Particulars	No Empowerment of rural women (B)	Empowerment of rural women (b)	Total
SKDRDP Micro Finance programme conducted (A)	5	44	49
SKDRDP Micro Finance programme not conducted (a)	6	8	14
Total	11	52	63

Source Survey Data

On the basis of the above hypothesis, the expected frequency corresponding to the number of rural Women benefited from micro finance would be:

Expectation of ( AB) = ( A ) × ( B )

$$\begin{aligned} & \frac{N}{63} \\ & = \frac{49 \times 11}{63} \\ (AB) & = 8.56 \end{aligned}$$

**Table- 7**  
Calculation of Chi Square ( $X^2$ )

Groups	OF (oij)	EF (Eij)	Oij – Eij	(Oij - Eij) <sup>2</sup>	(Oij - Eij) <sup>2</sup> / Eij
AB	5	8.6	-3.4	11.56	1.344
aB	6	2.4	3.4	11.56	4.816
Ab	44	40.6	3.4	11.56	0.284
ab	8	11.6	-3.4	11.56	0.996
Total					7.440

Therefore Degree of freedom (r-1) (c-1) = 1

The table value of  $X^2$  for 1 degree of freedom at 5% level of significance 3.841. The calculated value of  $X^2$  is much higher than the table value. Therefore, the null hypothesis is rejected and the result of the experiment support the alternate hypothesis "There is a positive relationship between socio-economic status up gradation and women empowerment through microfinance services".

## Hypotheses: 2

The another hypothesis that “There is a no positive relationship between financial freedom and women empowerment through microfinance services”.

**Table – 8**  
People Benefited by Micro Finance like SKDRDP

Particulars	No Empowerment of rural women (B)	Empowerment of rural women (b)	Total
SKDRDP Micro Finance programme conducted (A)	6	42	48
SKDRDP Micro Finance programme not conducted (a)	10	5	15
Total	16	47	63

Source Survey Data

On the basis of the above hypothesis, the expected frequency corresponding to the number of rural Women benefited from micro finance would be:

Expectation of ( AB)= ( A) × (B)

$$\begin{aligned} & \frac{N}{63} \\ & = \frac{48 \times 16}{63} \\ & (AB)= 12.19 \end{aligned}$$

**Table -9**  
Calculation of Chi Square (X<sup>2</sup>)

Groups	OF (oij)	EF (Eij)	Oij – Eij	(Oij - Eij) <sup>2</sup>	(Oij - Eij) <sup>2</sup> / Eij
AB	6	12.2	-6.2	38.44	3.150
aB	10	3.8	6.2	38.44	10.11
Ab	42	35.8	6.2	38.44	1.073
ab	5	11.2	-6.2	38.44	3.432
Total					17.765

Therefore Degree of freedom (r-1) (c-1) = 1

The table value of X<sup>2</sup> for 1 degree of freedom at 5% level of significance 3.841. The calculated value of X<sup>2</sup> is much higher than the table value 17.765. Therefore, the null hypothesis is rejected and the alternate hypothesis “There is a positive relationship between financial freedom and women empowerment through microfinance services” is accepted.

## 11. Findings

1. The majority members in SKDRDP SHGs 38.1 percent are between in age of 21 to 30 years.
2. majority of the respondent are married

3. Micro-finance is maximum used by the respondents for agriculture related allied activities and self-employment.
4. Income level of the respondents increase after joining SKDRDP micro finance.
5. Micro-finance maximum used by woman's especially rural woman
6. Micro level credit available through various persons and organization but most of the members prefer SKDRDP NGO for micro credit facilities.
7. Micro level finance improves rural woman's financial freedom and empowerment and
8. positive relationship between socio-economic status up gradation and women empowerment through microfinance services in rural area.

## 12. Suggestions

1. SKDRDP is not running for earning profit like Commercial banks as its motto is rural development through entrepreneurship, the rate of interest on loans should be less than of commercial banks interest.
2. Microfinance institutions should try to extend more credit facilities to clients to expand their businesses since the study results confirmed that microfinance had a positive impact in empowering rural women.
3. Recovery approach should be modified. Enough time should be given and stringent action against defaulters should be avoided.
4. Microfinance institutions should provide training programs to rural women to improve women's entrepreneurial skill and reduce the problems which hinder their access to microfinance.
5. The survey reveals that more and more amount of loan should be sanctioned for the rural development in each area.
6. SKDRDP's main aim is rural development; therefore it should provide loans to the members to start any kind of business of their choice and no restrictions.
7. Need for much more level of subsidy and interest free loan for rural woman entrepreneur.

## 13. Conclusion

Micro finance have been successful certain extent in developing certain rural areas. It has not only provided entrepreneurial opportunities to the people but also has undertaken many activities for the development of rural areas. This study analyze that impact of microfinance services on rural women. Rural woman gets social and economic conditions increased through micro finance activities. The results of this study microfinance has improved their economic condition and enhanced their ability to contribute in their family's decision making and improve their social status, increase their earning and contribute their family expenses. Finally, I believe that microfinance is a great system to generate income among low-income communities and also to promote self-worth and empowerment among women in developing nations.

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