

# Microfinance and Women Empowerment Their Space and Opportunity for Poverty Reduction in Karnataka

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**Abstract:** *The Indian government opened Microfinance banks, institutions and cooperatives in order to alleviate poverty in the country. Microfinance banks have been operating in the rural areas of India and Karnataka as well, providing microcredit, savings services, informal education, first aid health services, training and skill development. Women's empowerment is a process in which women challenge with the existing norms and culture in efforts to promote their well-being appropriate collections practices are essential in Microfinance. In Karnataka, Microfinance scene is dominated by banking sector for providing loan as an effective mechanism for providing financial services and support to the —Unreached Poor, and also in strengthening their collective self-help capacities leading to their empowerment Microfinance is necessary to overcome exploitation, create confidence for economic self-reliance of the rural poor, particularly among women. The present study was carried out to identify the determinants of microcredit accessibility by rural women households and its impact on rural women empowerment in Chikmaglu. Descriptive statistics model are used to achieve the objectives. The results of the study showed that most of the variables are significant towards Microfinance and they have a positive and significant impact on enhancing participation in household decision making process and women's legal awareness. The study suggested that microcredit providers in Karnataka should be encouraged to review their program planning and redesign the loan products by putting more emphasis on higher income group women.*

**Keywords:** Microfinance, Empowerment, Karnataka, Poverty

## I. INTRODUCTION

Microfinance, also called microcredit, is a type of banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services. While institutions participating in the area of microfinance most often provide lending—microloans can range from as small as \$100 to as large as \$25,000—many banks offer additional services such as checking and savings accounts as well as micro-insurance products, and some even provide financial and business education. The goal of microfinance is to ultimately give impoverished people an opportunity to become self-sufficient. Microfinance services are provided to unemployed or low-income individuals because most of those trapped in poverty, or who have limited financial resources, do not have enough income to do business with traditional financial institutions.

Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices. Although they exist all around the world, the majority of micro financing operations occur in developing nations, such as Uganda, Indonesia, Serbia, and Honduras. Empowering of women has become very important these days. It plays a crucial role in pushing them and making them cable of carrying out different types of small and micro enterprises which help in improving the standard of living of their poor households. Many microfinance institutions focus on helping women in particular. Rapid progress in the Microfinance sector now has turned into an empowerment movement among women across the country. The goal of this research is to study the impact of Microfinance on reduction of poverty through improvement of living standards and increasing empowerment of poor and

marginalized quarter of the society. Microfinance, the supply of micro and small size loans and basic financial services to the well-regarded poor, especially Microfinance is widely acknowledged as an effective tool in the fighting women's poverty. In the view of growth or Microfinance program as one of the major poverty focused development activities in the country, it is imperative to evaluate the effectiveness of the program in reducing poverty. The present study aimed to evaluate the impact of such program on poverty reduction through women empowerment. In present context of Karnataka, Even though India's GDP has been growing at a faster rate, but such a growth has been neglecting large section of poor and underprivileged people. Inclusive growth has been much emphasized since 11th Five Year Plan and so Financial Inclusion has been the policy measure towards it (Rao, 2009). Microfinance is one of the major and effective instrument towards Financial Inclusion which provides economic opportunities to weaker strata of the society by ensuring access to necessary financial services with the purpose to eradicate the poverty and raise standard of living for the poor (Suprabha, 2014). However, as per Census 2011, nearly half of the India's population consists of women who mainly remain marginalized because of their poor access to education, employment and health (Argiropoulos and Rajagopal, 2003). Since 2008 a series of financial policies have been introduced, microfinance development has entered a new stage. As a branch of microfinance, microcredit also ushered in a significant opportunity for rapid development. Commercial Banks, microcredit companies and other financial institutions have launched microcredit products for small and micro businesses and individuals, (Zhen, Zining 2019).

## **II. LITERATURE REVIEW**

**Khandelwal, (2007)** "Microfinance Development Strategy for India," Microfinance refers to loans, savings, insurance transfer services and other financial products of small denomination targeted at low-income clients.

**Khandker, (2000)** "Savings, Informal Borrowings and Microfinance," Microfinance is an important tool to meet financial needs of the poor especially women and reduce their dependence on informal sources of finance who otherwise are not bankable due to poor access to collateral and thus rely on moneylenders for financial assistance at exorbitant interest rates.

**Aruna M and Jyothirmayi R (2011)** studied the role of microfinance in empowering women with SHG –Bank linkage programme. This study has contributed to the literature that microfinance is found effective in graduating the struggling poor from their shackles and helps to upscale them to a better living and playing significantly positive role in upgrading women empowerment. The findings of the study suggest that microfinance has a profound influence on the economic status, decision making power, knowledge and self-worthiness of women participants of SHG linkage programme. But, it fails to include the poorest section of the population and in improving assets position of the participants. The reason found was that the loans are micro in their magnitudes and duration between dosages of loans is large.

**Debadutta Kumar Panda (2009)** studied the impact of participation in microfinance, in 3 states Orissa, Jharkhand and Chhattisgarh of India. The study concluded that there is a positive impact of self-help group-based microfinance intervention in the income, assets position, savings, employment, literacy, and consumption and migration reduction. The highest impact was found for household savings, followed by literacy position, migration reduction, employment days, and expenditure on household consumables, expenditure on education, assets position, income and expenditure on food. The migration was reduced due to higher employment demands from the group-initiated micro-enterprises. The employment days was increased due to the employment demand from the micro-enterprises and increased employability of family members.

**Lalitha K and Prasad G (2011)** have also shown that many elements contribute to difficulty for women empowerment through economic activities. Though women make groups, they have poor decision making capacity for their self-development. It was evident from the study that most of the SHG women have been involved only in the micro credit savings. Their active participation in economic activities was very much limited due to the lack of adequate approach by the NGOs (Non Government Organizations).

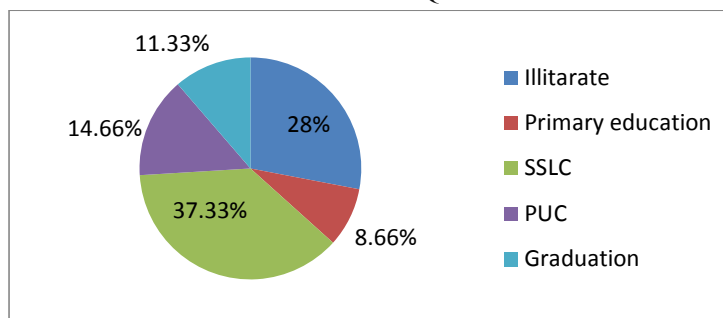
## **III. RESEARCH METHODOLOGY**

A disproportionate stratified random sampling technique was used to draw a sample of 150 respondents/female respondents of Tarikere, Kadur, N R Pura, Sringeri, Mudigere taluks in Chikmagalur district of Karnataka. Data were collected through questionnaire containing five point Likert scale where 1= Strongly Agree, 2= Agree, 3 = Neutral neither agree nor disagree, 4 = Disagree and 5 = Strongly Disagree. Some exemplary cases have also been added in order to

observe and understand the phenomenal success of women entrepreneur. Descriptive and frequency are used in this method for finding the 5 kinds of scale based on data analysis.

**IV. RESULTS, FINDINGS AND DISCUSSION**

**Table 1.1:** Educational Qualifications



Source: Data collected from the survey

Microfinance has played role to make women literate as above table shows that illiterate women are with 28%, SSLC Level are 37.33%, graduate Level 11.33%. According the study that Microfinance helps to illiterate and literate women to create self-employment and earn their livelihood through financing in income generating activities.

**Table 1.2:** Actual utilization of Microfinance loan

Actual utilization of Microfinance loan	Frequency	Percentage
Beauty Parlour	8	5.33%
Agriculture Farming	18	12%
Hotel	6	4%
Photo studio	4	2.66%
Tailoring shop	7	4.66%
Tea shop	11	7.33%
Vegetable farming	24	16%
Vegetable shop	9	6%
Auto Rickshaw purchase	19	12.66%
Dairy farming	14	9.33%
Business	30	20%
<b>Total</b>	<b>150</b>	<b>100</b>

Source: Data collected from the survey

From the above table, we interpret that, microfinance has been providing loan for undertaking income-generating activities like trade/ business, poultry farming, manufacturing, agriculture farming, and livestock farming. Some amount of the loan is used for purchasing assets, household consumption, foreign employment, and repayment of loans. Most of the people take loans for productive activities (business). Amount demanded for the purpose of first loan was auto rickshaw purchase 12.66%, agriculture farming 12%, tea shop is 7.33%, Dairy Farm is 9.33%, Hotel use 4.66%, Photo Studio is 2.66%, Tailoring Shop 4.66%, Vegetable Farming is 16%, Vegetable Shop is 6%. This proves that these micro credits were not only used productively, but they themselves induce taking further credits. This means, the loaners entrepreneurial capacity and the intention to grow has been positive.

**4.1. Role of Microfinance to Enhance Decision Making Power of Women Entrepreneur**

Empowering women is a vital tool for alleviating poverty Empowered women contribute to the health and productivity of whole families and communities and to improved prospects for the next generation. There have been several institutions advocating for women empowerment, but women are still poor and vulnerable as compared to men. The main reasons for the same are economic dependence on male members, rapid increase in population, unemployment, illiteracy and lack of access to credit. Rural women play a significant role in the domestic and socio-economic life of the society



and therefore, national development is not possible without developing this segment of the society. For the development of poor women it is essential to improve their economic and social status.

	Strongly Agree	Agree	Neutral Not Agree nor Disagree	Disagree	Strongly Disagree
Microfinance helped me to take decision of household affairs	56 (37.33%)	90 (60%)	4 (2.66%)	0 (0%)	0 (0%)
Microfinance helped me to take decision towards my children's education	96 (64%)	48 (32%)	6 (4%)	0 (0%)	0 (0%)
Microfinance helped me to take decision to use the loan independently	46 (30.66%)	85 (56%)	19 (12.66%)	0 (0%)	0 (0%)
I became able to take decision to purchase assets like TV, Fridge, Mobile, Furniture, etc	39 (26%)	75 (50%)	36 (24%)	0 (0%)	0 (0%)

Source: Data collected from the survey

When their economic, cultural and social status improves, it is known as women empowerment. 60% of the respondents agree that Microfinance helped me to take decision of household affairs. 56% of the respondents agree that Microfinance helped me to take decision to use the loan independently. 50% of the respondents agree that I became able to take decision to purchase assets like TV, Fridge, Mobile; Furniture etc. 64 % of the respondents strongly agree that I am confident to take decision towards children's education.

**Table 4.4:** Space and opportunity to reduce poverty of women of Microfinance group members

Particulars	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Microfinance institutions provide tiny loans and accept deposits which help the woman to start small business with the capital of loan and equity from their deposits	43 (28.66%)	56 (37.33%)	35 (23.33%)	16 (10.66%)	0 (0%)
Micro business generates income to fulfill the economic activities of the women entrepreneurs	32 (21.33%)	64 (42.66%)	43 (28%)	11 (7.33%)	0 (0%)
Microfinance provides financial advice to the women entrepreneurs to invest in productive sector	43 (28.66%)	73 (48.66%)	30 (20.0%)	4 (2.66%)	0 (0%)
Microfinance project develop confidence to operate bank account independent	82 (54.66%)	68 (45.33%)	0 (0%)	0 (0%)	0 (0%)
Microfinance provides skill to help the entrepreneurs to run their own work/business	56 (37.33%)	74 (49.33%)	20 (13.3%)	0 (0%)	0 (0%)
Microfinance Institutions help to find the proper market and provide them space to run their own business effectively	39 (26%)	52 (34.66%)	54 (36%)	5 (3.33%)	0 (0%)

Source: Data collected from the survey

Table 4.4 reveals that, Microfinance may have had positive impacts on poverty but is unlikely to be a simple panacea for reaching the core poor, remains broadly valid. Reaching the core poor is difficult, and some of the reasons that made them difficult to reach with conventional financial instruments mean that they may also be high risk and therefore unattractive Microfinance clients. 28.66% of the respondents are strongly agree and 37.33% agreed that, 37 Microfinance institutions provide tiny loans and accept deposits which help the woman to start small business with the capital of loan and equity from their deposits. 42.66% of the respondents agree that micro business generates income to fulfill the economic activities of the women entrepreneurs. 48.66% of the respondents agree that Microfinance provides financial

advice to the women entrepreneurs to invest in productive sector. 54.66% of the respondents strongly agree that Microfinance project develop confidence to operate bank account independently. 49.33% of the respondents agree that Microfinance provides skill to help the entrepreneurs to run their own work/business .36% of the respondents neutral about microfinance Institutions help to find the proper market and provide them space to run their own business effectively.

#### **V. FINDINGS**

- The results of this study states that Microfinance has improved their economic condition and enhanced their ability to contribute in their family's decision making. As rural women started to earn and contribute to their family expenses, their husband's behavior towards them has changed considerably. The study also indicates that the livings standard of their family has improved.
- Most interviewees seem satisfied with the Microfinance services as offered. Most clients, in general, have a better life than before. By implementing a limited number of changes to the microcredit programs of Microfinance Company. As is working on a country wide scale, an extra increase in women's empowerment could benefit women in many different countries.
- Majority of the women getting financial services, and they have basic knowledge about banking activities in the study area.

#### **VI. RECOMMENDATIONS**

- It has been found that skillful and useful trainings should be given by Microfinance institutions so that the participants of both co-operatives do not find any difficulty and confusion about where and how to utilize the money to improve 172 their living standard and present economic status. Through the help of skillful trainings, women can make themselves busy in money generating activities.
- In the field study, some women were found to be illiterate. In present days also, some women were such that they could not read and write. It was found that they feel difficulty.
- Gender discriminations should not exist in Microfinance institutions. Female clients should be prioritized in Microfinance institutions in order to motivate and inspire them to involve in economic activities.
- Microfinance institutions should work on reducing the interest rate, easing the loan procedure, and remove the clause that insists on getting the husband's permission for granting loan to woman so that women can be motivated to apply for loans.

#### **VII. CONCLUSION**

Women empowerment through microfinance is an effective instrument to meet basic financial needs of the weaker sections of the society such as women, who otherwise rely on informal sources of finance at exorbitant interest rates. This paper highlights that there is definitely a positive impact of microfinance on empowering women. The positive impact has been identified in economic variables such as income, savings, employment days, household consumables, assets and the expenditures of the households. The social variables which showed a positive impact were decision making power, knowledge and self-worthiness, self confidence, self-esteem and self- worthiness. On the other hand women education level has emerged as the importance predictor for all dimensions of empowerment. Thus, it is confirmed that microfinance has empowered women holistically, though the economic empowerment of women has been dominantly emphasized and linked to microfinance as it is considered as a basic and effective route to achieve overall empowerment of women in Karnataka.

#### **VIII. FUTURE RESEARCH**

Impact of microfinance on women empowerment, needs to be studied in the light of improvement in the levels of literacy/education of the women beneficiaries and change in social and cultural belief systems in their household. Further it would be interesting to assess the woman empowerment after receipt of greater quantum of microcredit i.e. after more cycles of microcredit.

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