

Chapter 2

Microfinance

A Tool for Empowering Women in India

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ABSTRACT

In India, microfinance, dominated by Self Help Groups (SHGs), has provided an effective mechanism for providing financial services to the “unreached poor”, and also in strengthening underprivileged and discriminated women in the society and thus significantly contributing to gender equality and women empowerment. The present chapter attempts to analyze the concept of women empowerment and its various indices such as GDI, GEM, and Women’s Empowerment Index (WEI) in detail for India. The chapter explores the linkage between the role of microfinance and the empowerment of women in rural and urban India. The study reveals that though micro finance is supposed to provide an effective tool for financial and social upliftment of the poorer sections of the society, particularly women, but its penetration depends on a multifaceted and integrated network and so both the self-help bank model and the MFI model may have achieved some positive growth, but their performances are not quite deterministic when compared with other countries of the world.

INTRODUCTION

Realizing deep-rooted gender bias and discrimination in the Indian economy like the confinement of women to the private domestic realm, restrictions on their mobility, poor access to health services, nutrition, education and employment, and exclusion from the public and political sphere, the 12th Five Year Plan (2012-2017) focused strongly on sustainable, equitable and inclusive growth, along with women empowerment, taking into account the needs of all sections of the society. For the first time the Twelfth Five Year Plan Approach Paper identified financial inclusion as a public policy initiative to achieve rural transformation and development through the process of improving access to organized financial market for ordinary households, especially in excluded and underserved areas. In this context, microfinance emerged as a powerful tool for poverty alleviation and financial inclusion in India. Microfinance refers to small savings, credit and insurance services extended to socially and economically disadvantaged segments of

DOI: 10.4018/978-1-5225-5240-6.ch002

society. Microfinance may be defined as provision of thrift, the wide network of the organized banking system deep credit and other financial services and products of very into rural areas. Market and the government both failed to small amounts to the poor in rural, semi urban or urban provide credit access to the poor. In fact, the failure of areas, for enabling them to raise their income levels and institutional initiatives of rural credit and to the improve living standards. Women constitute a vast majority of users of micro-credit and saving services. Microfinance institutions (MFIs) broadly refers to a wide range of organizations dedicated to providing these services through Self-Help Groups (SHGs), NGOs, credit co-operatives, commercial banks, NBFCs and parts of State-owned banks.

In spite of all government and non-governments' efforts, women have been the most underprivileged and discriminated strata of the society in India. In the recent times, microfinance has been emerging as a powerful instrument for empowering women particularly, the rural women. The Indian Constitution in its Preamble, Fundamental Rights and Duties and Directive Principles emphasizes on the principle of gender equality. The Indian Constitution not only ensures gender equality, but also empowers the state to adopt measures for upliftment of the women folk. Empowerment of women means developing them as more aware individuals, who are politically active, economically productive and independent and are able to take part effectively in the decision making. Women empowerment as a concept was introduced at the International Women Conference in 1985 at Nairobi, which defined it as redistribution of social power and control of resources in favour of women. The United Nations Development Fund for Women (UNDFW) includes the following factors in its definition of women empowerment:

1. Acquiring knowledge and understanding of gender relations and the way in which these relations may be changed.
2. Developing a sense of self-worth, a belief in one's ability to secure desired changes and the right to control one's life.

LITERATURE SURVEY

A huge volume of literature has developed over the last two decades discussing and analyzing the issues of microfinance and women empowerment separately as well as collectively, try to address them from various stand points. Here some of these studies are highlighted. Mahanta, Panda and Sreekumar (2012), in their paper three key issues on micro finance are discussed- growth of microfinance in India, role played by National Bank for Agriculture and Rural Development (NABARD) and other National Banks and the role of government. Bharat Micro Finance Report (Sa-Dahn, 2015) of NABARD provides a detailed analysis of the progress of microfinance in India. Mokta (2014) highlighted the constitutional provisions of women empowerment and its various aspects as well as various initiatives taken by Government of India for empowering women by analyzing position of India in Gender Inequality Index and Global Gender Gap Index. Das, Chandra, Kochhar and Kumar (2015) in their paper examines the determinants of female labor force participation in India, against the backdrop of India having one of the lowest participation rates for women among peer countries. Swain (2007) concluded many strides have been made in the right direction and women are in the process of empowering themselves and NGOs that provide support in financial services and specialized training, have a greater ability to make a positive impact on women empowerment. Batliwala (1994) identified three approaches to women's empowerment: the integrated development approach which focused on women's survival and livelihood

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