

Microfinance and Gender Social and Economic Empowerment

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Executive Summary

Microfinance programmes through Self-help group (SHG) have emerged across India as one of the popular strategies for poverty alleviation and women's empowerment. Impact studies on microfinance reveals various dimensions including development of the saving habit, increased access to credit for consumption as well as investment purposes, employment generation, increased income, asset creation and so on. Apparently, most studies focus on the economic impact of the programme and give less attention on the social and political dimensions of the impact of microfinance. This study attempts to explore the relationship between participation in microfinance programme and the improvement of women's empowerment status. Both microfinance clients and equal number of women from control group were interviewed for the analysis. All together we had 1000 sample women (500 women from each category) spread over the five states including Rajasthan, Himachal Pradesh, Orissa, Karnataka and Tamil Nadu. In all, 104 villages were covered to contact 1000 households in five states and 188 SHGs.

The sample comprises respondents from OBC, SCs/STs and general community. However, majority of the respondents were from OBC (53 %) and SC (27 %) category. Distribution of respondents by categories shows a similar trend in both sample categories. It appears that the coverage of ST households in the credit programs is the quite low in India. About 63 per cent of respondents were from nuclear families and the remaining 37 per cent were from joint family structure. On an average, the family size for the sample is 5.08 and SHG members' households are relatively bigger compared to control group. This is true across states. The overall illiterates/just literates among the women interviewed was 38 per cent. Nevertheless, no significant difference is observed in terms of the mean years of schooling among women from both groups. Overall, the education levels of most respondents across states are low. About 38 per cent of respondents were housewives, another 22 per cent were primarily work as wage labour followed by animal husbandry (20 %). The other important activities where respondents were engaged include cultivation, self-employed activity, salaried jobs etc. This shows that with low education level respondents are engaged in mainly unskilled work that provides low income.

About 31.4 per cent of our sample households were landless and 46 per cent family had marginal landholding (0.01 to 2.5 acres). Only about 3.6 per cent family had large size of landholding (more than 10 acres). Across states, landlessness is more prominent in Tamil Nadu followed by Karnataka. Orissa has lowest proportion of landless respondents. Rajasthan though has significant proportion of medium and large holders among respondents; the quality of land is poor. Overall average holding was 2.27 acres. Thus, land possessed is very meagre amongst respondent households.

The empowerment of a woman can be drawn from her economic, social and political well-being. The economic dimension of empowerment represents women's access to as well as control over resources, where the latter show much more empowerment potential than the former in that the person has a say over how resources are used. The social dimension of empowerment includes women's ability to face discriminatory ideology and culture that determine the environment for their existence. The political aspect of empowerment covers women's ability to influence the

decision making and/or power structure within the households or in public. This study begins from the understanding that women's empowerment is about the process in which those who have been denied the ability to make strategic life choices acquire such an ability. Based on the above framework, some of the salient findings that emerge from the analysis are presented below.

(A) Family income Vs. own income

Average annual income of the sample households was Rs.94260 and SHG member households have much higher income compared to control group, in general and Rajasthan, Himachal Pradesh and Tamil Nadu, in particular. The annual average income of the SHG members' households varies between of Rs.161,806 (the highest, Himachal Pradesh) and Rs.41,728 (the lowest, Orissa). Among the control groups women's family, the same varies from a maximum range of Rs.121,914 in Rajasthan to minimum range of Rs.51,377 in Orissa.

It is observed that, 278 of the 500 member respondents (55.6 %) reportedly had their own income while this proportion was lower at 38.2 percent in case of control group. The average annual income of SHG member was higher at Rs.13,706 compared to Rs.9,646 for control group women respondents. Results also indicate that a SHG member contributes more towards her family income (7.5 %) compared to a non-SHG member (4.3 %). This holds true in all the sample states. This shows that not only the extent of contribution of SHG women towards their family income is more but also in terms of number of contributors compared to control group women. This could be possible as relatively higher percentage of SHG women were engaged in petty business/services compared to control group women.

(B) Control over own income and household resources

One of the important aspects of women's empowerment is whether or not they keep and control the income earned by them. Of the 278 member respondents who had self income, 78.1 percent of them reported that they keep income earned with them. Across states this proportion varies between a low of 42.5 percent in Karnataka and a high of 97.6 percent in Himachal Pradesh. Evidently, of the 191 controls group women who had own income, 67.5 percent of them reported that they keep the income earned with them. Across states however this figure varies between a low of 44.0 percent in Orissa and a high of 91.5 percent in Rajasthan. The next individual who keeps income earned by a woman is her husband.

It is observed that only about 42.4 percent of SHG women and 32.1 percent of control group women expressed of having self control over the income they earn. The data shows that self and husband jointly control the money earned by women for about 44 percent cases in each category of samples. This clearly shows that SHG linked women have relatively greater control over money they earn compared to control group women. On an average, a higher percentage of members expressed of significant improvement on their spending on children's education; buying personal items like hair oil, soap, bangles, sarees and other cosmetics; social functions and household consumptions compared to non-members.

As far as control over household assets is concerned, 43.4 percent members and 29.6 per cent non-members had reported of having full control over it. About 45 percent cases from each category samples, we found women's marginal control over household assets. Overall, it is the member having better control over household assets rather than non-members.

(C) Control over loan use

The data reveals that for house repairing or building a new house, the maximum proportion of loan is being used (18.9% of total loan raised). The next important purpose where loan was used is farm activities including purchasing of fodder. On an average, 10.2 percent of the total loan raised by women are used for men's productive activities, while another significant proportion are used for activities where gendered patterns of control are more ambiguous, such as consumption, repayment of old debts, marriages, education etc. Importantly, only 5 percent of total loan are used for income generating activities directly undertaken by the women themselves. This figure is just 0.1 percent in case of Rajasthan and Himachal Pradesh. Only in case of Orissa, women use 15.5 percent of loan raised by themselves on various traditional activities. This clearly indicates that women are being used as a means for accessing loan and a significant proportion of such loans are being used for "family" investment such as housing, repayment of old loans, education, marriages, etc., and for men's productive activities. Thus, it is possible to conclude that SHG members had hardly control over the loan raised by her, which corroborates with other studies.

(D) Indebtedness

Overall, 34.6 percent of SHG members' households had outstanding loan of Rs.46,466 from sources other than the SHG. The extent of indebtedness among member's household is quite high in case of Karnataka (Rs. 71,084), followed by Rajasthan (Rs.51,326), Himachal Pradesh (Rs.39,421), and Tamil Nadu (Rs.36,691). This indicates that, SHG may be a necessary source of loan for the poor household but it does not meet their credit requirement fully.

(E) Undertaking income generating activities (IGA)

Out of 500 SHG women, 94 of them reportedly had undertaken some income generating activities (IGA). However, in 38 out of 94 cases had undertaken IGA before joining the SHG. Nevertheless, 86 reportedly are continuing with the activity at the time of our fieldwork. It was found that only 16 control group women had undertaken some IGAs.

It is observed that income- generating activities really do not add much to the family income; engagement is more of use of spare time these respondents have. Where women have set up enterprises it has led to small increases in access to income at the cost of heavier work load and repayment pressures. Results and discussion showed that in some cases women's increased autonomy has been temporary and led to withdrawal of male support because of higher opportunity costs. Though a significant difference is there between SHG and control group women in terms of undertaking IGAs, the achievement of microfinance program in converting it members as micro entrepreneur is poor.

(F) Economic, social and political empowerment

The result of the study suggests that micro finance creates an enabling environment for empowerment. It is found that participation in the microfinance programs not only enhances women's economic security but also empowered socially, psychologically and politically as compared to non-participants. Overall, a significant difference was noticed between SHG and non-SHG member in terms of economic security, ability to make purchases, involvement in major financial and other household decisions, physical mobility, relative freedom from domination by the family, participation in public/civic protests, self-confidence, public interaction and their participation in political and other forum.

According to the composite empowerment indicator, about 38.2 per cent of women associated with microfinance were empowered, whereas this figure was just 8.8 per cent for non-SHG members. The significant differences between member and non-member women in terms of economic, social and political empowerment demonstrate a definite relationship between women's exposure to credit programs and their empowerment. It is observed that 'economic empowerment' appears to be playing an important role in achieving women's empowerment, be it member or non-member. It was observed that out of 191 SHG women who were empowered, 79 per cent of them had economic security. Thus, if more and more number of women will be engaged in income earning activities, this may enhance their economic security and, in turn, the rate of women's empowerment.

The analysis suggests that with the increase in the duration of membership in microfinance program by one year, the probability that a woman will be empowered in terms of composite empowerment indicator increases by about 7 per cent. While the same is measured by the indicators assessing women's economic and political empowerment, the probability increased by about 7 per cent and 10 per cent respectively. However, the duration of membership does not show a significant relationship with women's social empowerment. This confirms that the rapid expansion of microfinance programs with a growing emphasis on achieving high repayment rates has undermined its social dimensions.

Overall, women have greater access to resources especially income, but limited control over other assets obtained through collective action of SHG movement. The political participation is minimal and in cases where it exists has not led to any tangible achievements in terms of outcomes of raising issues and getting elected as members of local panchayats and so on. Local structures of gender inequality are typically experienced as 'natural' and therefore seem to unalterable to actors in particular social setting. Tradition and culture are so taken for granted that they themselves as persons of lesser value, their sense of their own rights and entitlements are diminished. In a limited sense as our sample women have fulfilled 'agency' criterion. They have gained limited ability to exercise agency (in form of power over another person). It appears that she has become a vehicle of loans which the family mainly uses. In this sense the system is letting her exercise power, but only in way that is reinforced by the system. This is sort of agency what Kabeer (2001) describes as choices that reflect women's consent and complicity in their subordination.