

**ROLE OF MICRO FINANCE IN WOMEN'S EMPOWERMENT**  
**(An Empirical study in Trichy rural SHG's)**

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### Abstract

Microfinance is additionally a sort of banking service that's provided to unemployed or low-income individuals or groups who would otherwise don't have the opposite means of gaining financial services. Micro finance through Self Help Group (SHG) has been recognized internationally because the trendy tool to combat poverty and for rural development. Micro finance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally ends up in sustainable development of the state. the foremost aim of microfinance is to empower women. during this paper the role played by Microfinance in women's empowerment are considered into three dimensions namely psychological, social and economical. The objectives of the study is i) to grasp the performance of SHG's in Trichy region, ii) to research the freedom women members get in SHG's, iii) to review the problems women members face in SHG's, iv) to research the empowerment of the women psychologically, economically and socially and v) to produce suggestions for the betterment of women's empowerment in SHG's. The study is undertaken in rural areas of Trichy region. Both primary and secondary data's are used. Primary data is enumerated from a field survey within the study region. Secondary data is collected from NGOs' reports and other documents. The researcher has used percentage method, simple statistic, paired t test and cross tabulation for analysis purpose. Analysis showed that there is a gradual increase within the all the three factors among rural women's. From the interaction among the respondents it's noticed that some members expect the NGO to return up with more training sessions in income generating activities. All they need could even be a due to develop their skills and skills by participating in various training programs. there's a specific improvement in psychological well being and social empowerment among rural women as a results of participating in micro finance through SHG program.

### 1. Introduction

Microfinance is that the availability of economic services to low-income clients, including consumers and also the self-employed, who traditionally lack access to banking and related services. Microcredit, or microfinance, is banking the unbankables, bringing credit, savings and other essential financial services within the reach of several those who are too poor to be served by regular banks, in most cases because they're unable to produce sufficient collateral. In general, banks are for people with money, not for people without." (Gert van Maanen, Microcredit: Sound Business or Development Instrument, Oikocredit, 2004) relies on the premise that the poor have skills which remain unutilized or underutilized. Microcredit fits best to those with entrepreneurial capability and possibility. Ultimately, the goal of microfinance is to administer low income people a chance to become self-sufficient by providing some way of saving money, borrowing money and insurance. The main aim of microfinance is to empower women. Women compose an outsized proportion of microfinance beneficiaries. Traditionally, women (especially those in underdeveloped countries) are unable to readily participate in economic activity. Microfinance provides women with the funding they have to start out business ventures and actively participate within the economy. It gives them confidence, improves their status and makes them more active in decision-making, thus encouraging gender equality. keep with CGAP, long-standing MFIs even report a decline in violence towards women since the inception of microfinance. The most of the microcredit institutions and agencies everywhere the world focuses on women in developing countries. Observations and skill shows that girls are alittle credit risk, repaying their loans and have an inclination more often to profit the overall family. In another aspect it's also viewed as a way giving the ladies more status in an exceedingly very socioeconomic way and changing this conservative relationship between gender and sophistication when women are able to provide income to the household. There are many reasons why women became the first target of microfinance services. A recent United Nations agency report confirms that societies that discriminate on the thought of gender pay the worth of greater poverty, slower

process, weaker governance, and a lower living standard for all people. At a macro level, it's because 70 percent of the world's poor are women. Women have the following percent than men in virtually every country and conjure the bulk of the informal sector of most economies. They constitute the majority of these who need microfinance services. Giving women access to microcredit loans therefore generates a multiplier effect that increases the impact of a microfinance institution's activities, benefiting multiple generations. NABARD (2005) explains that the Self Help Group could even be a gaggle with "an average size of about 15 people from the identical class. they're available together for addressing their common problems. they're encouraged to form voluntary thrift on an everyday basis. They use this pooled resource to form small interest bearing loans to their members. the tactic helps them imbibe the essentials of monetary intermediation including prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline all told of them. They also learn to handle resources of a size that's much beyond the individual capacities of any of them. The SHG members begin to understand that resources are limited and have a price. Once the groups show this mature financial behavior, banks are encouraged to create loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given with none collateral and at market interest rates. The groups still decide the terms of loans to their own members. Since the groups' own accumulated savings are part and parcel of the combination loans made by the groups to their members, peer pressure ensures timely repayments ." during this paper the role played by Microfinance in women's empowerment are considered into three dimensions namely psychological, social and economical.

## 1. Review of Literature

### Concept of empowerment:

What can we mean by empowerment? When does the well-being of someone improve? laureate Amartya Sen. (1993) explains that the liberty to guide differing types of life is reflected within the person's capability set. the aptitude of a personal depends on a diffusion of things, including personal characteristics and social arrangements. Malhotra (2002) constructed a listing of the foremost commonly used dimensions of women's empowerment, drawing from the frameworks developed by various authors in several fields of social sciences. with overlap, these frameworks suggest that women's empowerment has to occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. The World Bank defines empowerment as "the process of skyrocketing the capacity of people or groups to make choices and to rework those choices into desired actions and outcomes.

According to Krishna (2003) empowerment means increasing the capacity of people or groups to create effective development and life choices and to transform these choices into desired actions and outcomes. it's naturally a process and/or outcome. Microfinance and ladies Empowerment: A majority of microfinance programs target women with the express goal of empowering them. There are varying underlying motivations for pursuing women empowerment. Some argue that girls are amongst the poorest and thus the foremost vulnerable of the underprivileged and thus helping them should be a priority. Whereas, other believe that investing in women's capabilities empowers them to make choices which may be a valuable goal in itself but it also contributes to greater process and development. It has been well-documented that a rise in women's resources finally ends up within the well-being of the family, especially children (Mayoux, 1997; Kabeer, 2001; Hulme and Mosley, 1997). A more feminist point of view stresses that an increased access to financial services represent an opening/opportunity for greater empowerment. Such organizations explicitly perceive microfinance as a tool within the fight for the women's rights and independence.

Finally, maintaining with the target of monetary viability, an increasing number of microfinance institutions prefer women members as they believe that they're better and more reliable borrowers. Ranjula Bali Swain (2007) Can Microfinance Empower Women? Self-Help Groups in India" concluded many strides are made within the right direction and ladies are within the tactic of empowering themselves and NGOs that provide support in financial services and specialized training, have a greater ability to create a positive impact on women empowerment.

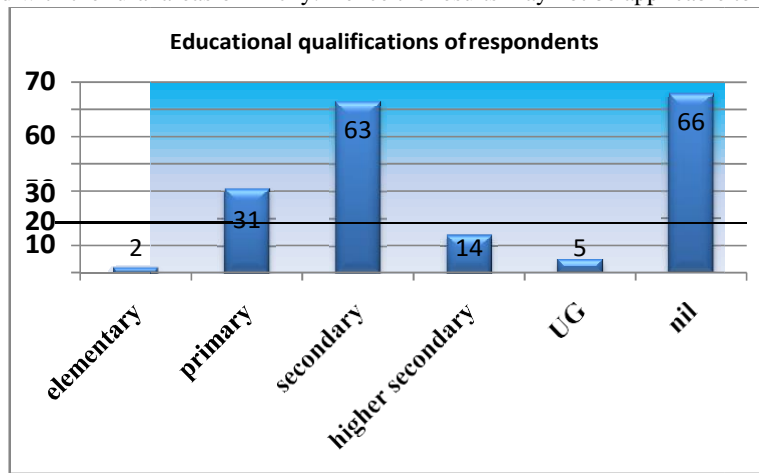
Susy Cheston, Lisa Kuhn in their article titled 'Empowering Women through Microfinance' concluded Microfinance has the potential to own a strong impact on women's empowerment. Ranjula Bali Swaina and Fan Yang Wallentin (September 2009) within their article 'Does microfinance empower women? Evidence from self-help groups in India' concluded that their study strongly indicate that SHG members are empowered by participating in microfinance program within the sense that they need a greater propensity to resist existing gender norms and culture that restrict their ability to develop and make choices. 1. Statement of the matter In olden days women were restricted to need part in any social activities and not given roles in higher process in her family. things was even more worsening in rural and remote areas. Now true has been changed. She is given freedom to try and do to what she wishes. In today's scenario more women are engaged in income generating activities. this

might ensue to NGO and other establishment came forward to produce microfinance to poor women. They believe that a lady is that the insufficient credit risk and sometimes benefits the full family. the foremost aim of microfinance is to empower women. This induced the researcher to focus more on the empowerment of rural women who participates within the microfinance. 2. Objectives of the Study 1. to check the performance of SHGs in Trichy rural region. 2. to review the issues women members face in SHG. 3. to research the liberty women members get in SHG. 4. to research the empowerment of the ladies psychologically, economically and sociologically. 5. to provide suggestions for the betterment of women’s empowerment in SHG. 3. Research Methodology Sources of Data: The study is undertaken in rural areas of Trichy region. Both primary and secondary data’s are used. Primary data is enumerated from a field survey within the study region. Secondary data is collected from NGOs’ reports and other documents. One NGO is chosen and 6 Self-Help Groups promoted by that NGO in rural areas of Trichy are taken for study. Areas covered under the study are: 1. Alathur village

Sampling Method: Cluster sampling and area sampling is followed. Since the members are large in number they're divided by groups and randomly selected for data collection. Sample Size: 181 samples are collected for the research from all the six rural areas of Trichy region. Statistical tools used: Simple statistic, paired t test, cross tabulation and percentage analysis has been accustomed analyze and interpret the knowledge. Method of knowledge Collection: A structured interview schedule was prepared by the researcher and used for collecting data from the agricultural SHG women members who are engaged in Micro enterprises through microfinance.

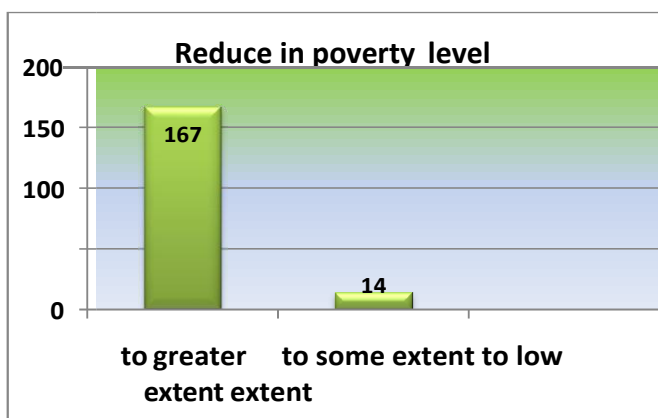
**4. Limitations of the Study**

- The study is confined with the rural areas of Trichy. Hence the results may not be applicable to urban



area SHG members.

- The data was collected only from those who engaged in income generating activities.



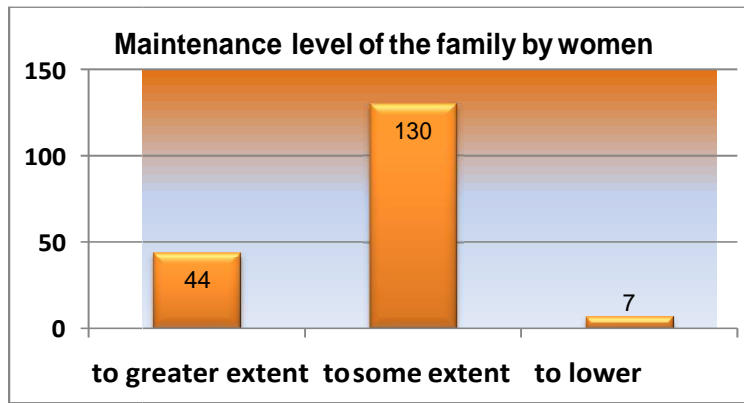


Table 1:

**Percentage of Respondents Empowered Socially**

Expressing opinions freely			
Sl. No	Options	Frequency	Percent
1	Yes	179	98.9
2	No	2	1.1
Total		181	100.0

179 out of 181 respondents agreed they can able to express their opinions freely both in group and in family.

Table 2:

Moving independently			
Sl. No	Options	Frequency	Percentage
1	Yes	164	90.6
2	No	17	9.4
Total		181	100.0

164 respondents are moving independently without the help of family members to banks, government offices and other places which indicate the social mobility.

Table 3

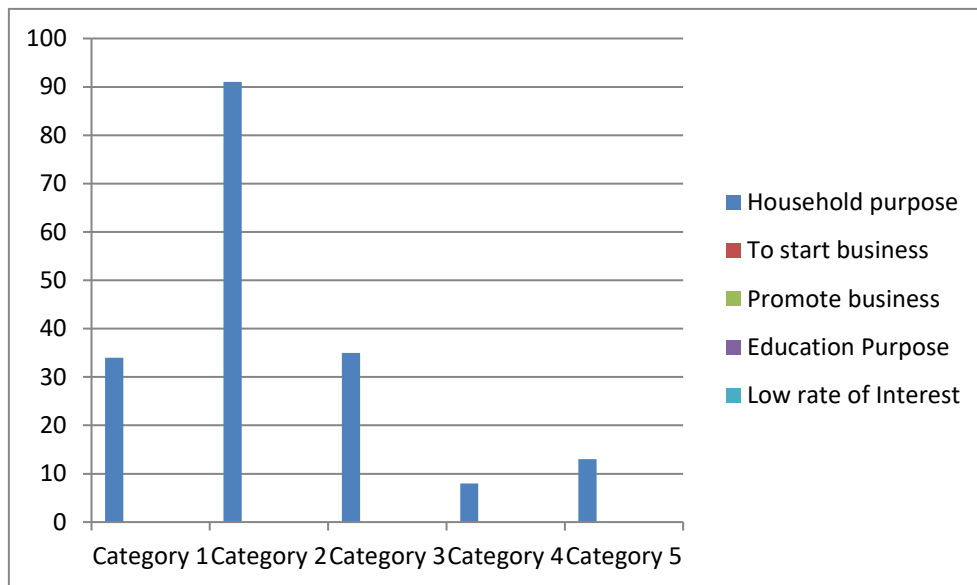
Role of decision making in family			
Sl. No	Options	Frequency	Percentage
1	Yes	176	97.2
2	No	5	2.8
Total		181	100.0

Most of the respondents (97.2 %) agreed they play a vital role in decision making in their houses.

Table 4

Purpose of getting microfinance by respondents			
Sl. No	Options	Frequency	Percentage
1	Household purpose	34	18.8
2	To start business	91	50.3
3	To promote existing business	35	19.3
4	Education purpose	8	4.4
5	Low rate of interest	13	7.2
Total		<b>181</b>	100.0

GRAPHICAL REPRESENTATION OF DATA



91 respondents got microfinance to start new income generating business followed by to promote their existing business.

**Table 5: Correlation between improvement in literacy level and awareness in children education**

Variables		Improvement in literacy level	Awareness in children education
Improvement in literacy level	Pearson Correlation	1	<b>.503**</b>
	Sig. (2-tailed)		.000
	N	181	181
Awareness in children education	Pearson Correlation	<b>.503**</b>	1
	Sig. (2-tailed)	.000	
	N	181	181

The correlation between Improvement in literacy level and awareness in children education is **.503** which is a high significant positive correlation indicating that Improvement in respondent’s literacy level leads to awareness in children education.

**Table 6: Correlation between reduce in poverty level and improvement in standard of living**

Variables		Reduce in poverty level	Improvement in standard of living
Reduce in poverty level	Pearson Correlation	1	<b>.373**</b>
	Sig. (2-tailed)		.000
	N	181	181
Improvement in standard of living	Pearson Correlation	<b>.373**</b>	1
	Sig. (2-tailed)	.000	
	N	181	181

The correlation between reduce in poverty level and improvement in standard of living of respondents are positively correlated. But reduction in poverty level doesn’t leads to higher standard of living.

**PAIRED t – TEST**

Hypothesis:

H<sub>0</sub> : There is no difference in mean income of respondents before and after joining SHG.

**Table 7: Paired t test table**

Income	Mean	N	Std. Deviation	Std. Error Mean
Income of respondents before joining SHG's	1016.20	181	730.507	54.601
Income of respondents after joining SHG's	1512.85	181	889.626	66.494

**Table 7.1**

Mean	SD	Std. Error Mean	t	df	Sig. value
-496.648	690.579	51.616	-9.622	180	<b>.000</b>

Since the probability value is 0.000 (p<0.01), we reject the null hypothesis and conclude that mean salary after joining SHG is significantly higher than the mean salary before joining SHG. Thus the microfinance is significantly increasing the salary of the respondents.

**Table 8: Cross tabulation of psychological variables with different age groups**

Variables	Age of respondents									
	20-30		31-40		41-50		51-60		TOTAL	
	Yes	No	Yes	No	Yes	No	Yes	No		
Self confidence	85	0	40	0	31	0	25	0	<b>181</b>	
Improvement in courage	90	0	35	0	36	0	20	0	<b>181</b>	
Improvement in skill	93	0	30	0	38	1	20	2	<b>181</b>	
Improvement in literacy level	76	9	22	11	18	13	7	25	<b>181</b>	
Awareness in children education	78	7	40	7	18	10	10	11	<b>181</b>	
Awareness about the environment	84	1	38	2	31	0	21	4	<b>181</b>	
Happiness and peace in family	83	3	38	1	29	2	23	2	<b>181</b>	

It is evidenced from the table microfinance brought psychological well being among rural women. Micro finance has made a very good impact on the age group of 20 - 30. Age plays a vital role in psychological well being of rural women.

### 5. Findings

- There may be a definite improvement in psychological well being and social empowerment among rural women as a results of participating in micro finance through SHG program.→
- There is appreciable development in coordination between groups and within group leaders and higher cognitive process among respondents. there's a significance improvement within the income of the respondents after joining SHG.
- It is additionally noticed that almost all of the ladies don't seem to be responsive to the trainings organized by the NGO. The NGO shall actively participate in various trainings sessions provided to any or all women members wherein they'll gain more knowledge about the assorted income generating activities.
- As far because the self help group is anxious they don't face any variety of problems or compulsions from leaders or from other members within the group. Women are given full freedom to specific their opinions.
- Women are economically and socially empowered after joining SHG and getting micro finance as 92 percent reported that personal income reduced by participating micro finance program.
- Majority of the respondents expressed that their awareness about environment improved after collaborating in micro finance programs actively. Maximum number of respondents accepted that microfinance has brought economic development directly and indirectly happiness and peace within the family.
- It is found that microfinance improved the literacy level of rural women improved awareness on children education to high level of respondents.
- It is noticed that each one the respondents agreed that micro finance brought courage and self esteem and improved their skill and self worthiness.

## 6. Conclusion

The rural area Self Help Groups are performing well. The study concludes that microfinance brought psychological and social empowerment than economic empowerment. Impact of micro finance is appreciable in bringing confidence, courage, skill development and empowerment. The SHG members feel free to move with their groups and leaders. It leads them to participate on various social welfare activities with good co operation. While interacting with the respondents, it is noticed that some members are expecting the NGO to come up with more training sessions in income generating activities. All they need is a way to develop their skills and talents by participating in various training programs.

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