

Role of Microfinance and Self-Help Group in Women's Financial, Behavioral and Psychological Empowerment

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Abstract

Purpose: In recent years, the microfinance sector has made great strides. The quantity and volume of MFIs have increased dramatically. Microfinance is thought to play a critical role in poverty alleviation and improving women's economical Condition hence their empowerment.

Objective: The study Primarily aims to study the perceived value creation of women who joined SHGs and availed Microfinance Loan and analyses their status of empowerment apart from its various literature review is intended to highlights of Microfinance and Self-Help Group (Trend Analysis) In Uttar Pradesh.

Research Methodology: The research relies significantly on literature, as well as primary and secondary data. A primary survey was conducted for this aim in order to record the real-life experiences and observations of microfinance women participants in Uttar Pradesh.

Summary: Microfinance activities and involvement in self-help groups have a favourable impact on women participants' income, assets, occupation, savings, access to loans, bank connectivity, knowledge, self-worthiness, and decision-making abilities. The availability of microfinance loans and their constructive use has been found to play a significant effect in women's empowerment.

Keywords: Microfinance, Self-Help Group, Women Empowerment, poverty alleviation, Financial Inclusion.

1. Introduction

Grameen Bank, founded in 1983, was the first microfinance organisation in Bangladesh. Small sums of loans, a lack of physical collateral in favour of social collateral or peer monitoring, and a focus on women borrowers are the main characteristics of micro finance that set it apart from past systems of credit delivery ("Micro Finance and Financial Inclusion of Women: An Evaluation", 2022). Microfinance activities have grown rapidly after 1990 and in recent years it is taking even more attention. West Bengal, Tamil Nadu, Bihar, Karnataka, and Uttar Pradesh are the top five states with the most outstanding portfolios as of June

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30, 2021 (SIDBI, 2021). More than 80% of the portfolio outstanding is contributed by the top 10 states (SIDBI, 2021). By 2021, India's SHG-Bank connection programme, which began in 1992, had sponsored over 74,38,863 SHGs. Commercial banks, Regional Rural Banks (RRBs), and cooperative banks were also involved in the operation. ("SHG Count", 2022)

The micro finance is intended to efficiently address the three challenges that plague any credit distribution programme aimed at the poor, namely, targeting, borrowers' screening, and credit contract enforcement. Women borrowers are organised into Self-Help Groups (SHGs) under the Grameen Bank's microfinance model, and they are eligible to borrow from the lending institution for their individual or group needs. ("Micro Finance and Financial Inclusion of Women: An Evaluation", 2022)

Women from similar socioeconomic backgrounds usually form these organisations, which deepen the bond between them. In order to ensure peer monitoring, the entire group must be included at each stage of the loan application and repayment. Micro finance arose from the activities of Non-Governmental Organizations (NGOs) that were funded fully or partially by foreign donors for their lending operations in a number of nations throughout the world. 2 Microfinance was also promoted directly through state-owned banks and organisations in some areas, such as in Indonesia. ("Micro Finance and Financial Inclusion of Women: An Evaluation", 2022). In this context, the Indian experiment with microfinance was unique in primarily two ways. To begin, India enlisted the help of its public banking system to provide microfinance. The commercial banking network, whose geographical scope and functional reach following bank nationalisation is frequently regarded as unrivalled in the world, was enlisted for micro finance.

Second, in India, microfinance was based on the principle of thrift rather than credit. In India, SHGs were urged to save within the group, manage their own finances, and give internal loans, before depositing their funds with a bank, gaining access to the banking network, and lastly negotiating credit with the bank. ("Micro Finance and Financial Inclusion of Women: An Evaluation", 2022). Women's access to microcredit boosted their mobility and enabled them to become self-employed; for example, some female borrowers began selling vegetables in local markets. Many women borrowers declined to conduct menial domestic work in other people's homes after joining the microcredit programme. (Kabeer, 2001) Women had acquired power as a result of access to finance and wage jobs, allowing them to quit or divorce unpleasant marriages and create their own parallel economy. As a result, microcredit initiatives have played a significant role in boosting their self-esteem and confidence. (Kabeer, 2001). Women who took part in a multifunctional project in Mali and PRADAN, an Indian self-help organisation, increased their income, gained public esteem, and raised their voices in the community. The study Primarily aims to study the perceived value creation of women who joined SHGs and availed Microfinance Loan and analyses their status of empowerment.

2. Literature Review

Ravichandra et.al.(2022)

Individual women's empowerment talents and attitudes have always been the emphasis of women's empowerment development. Experiential learning, self-efficacy, and visioning are some of the elements of women's empowerment's developmental style. Experiential learning can be achieved by putting the individual at the centre of the learning process and guiding them through the four stages of experiential learning: concrete experience, observation and reflection, abstract concept formation, and testing in new social circumstances. Self-efficacy can be achieved by appropriate training and coaching, which instils in the trainee a sense of self-efficacy. The visioning method can be implemented by honing the capacity to articulate a clear picture of an organization's desired future.

Das (2021)

The study's empirical findings revealed that the term of a member's membership had a substantial positive impact on women's empowerment. Finally, the microcredit programme of made a significant influence in the lives of ASA members by contributing to their poverty reduction efforts as well as their empowerment status.

Ahmad et.al. (2021)

When an extra health intervention is added onto the SHG structure, our study found that a microfinance programme (SHG) is likely to improve women's knowledge of maternal risk indications about obstetric problems. It is also clear that a microfinance-only programme has little impact on rural women's knowledge outcomes.

Rajput (2021)

In recent years, microfinance has grown in importance as a development effort for the poor and as a tool for poverty alleviation. In India, the Self-Help Group and Microfinance Institutions are the two methods used to provide microfinance services to the country's financially disadvantaged people. The southern part of the country has the highest concentration of microfinance activities. Formal financial institutions and the backward microfinance industry have little coverage in the North-Eastern regions. With access to a well-functioning financial system, economically and socially marginalised people can be more integrated. It has the potential to actively contribute to development while also protecting the poor from economic shocks.

Aggarwal et.al. (2020)

Women have benefited from SHG's microcredit program. It benefited them in raising the level of living for their family. Women have the ability to care for their own health, their children's education, and other domestic issues. Women are financially independent and seen as valued members of the family and society.

Sultana et.al. (2017)

Microfinance is one of the methods for enhancing the poor's capabilities and preparing them for self-employment. Based on his own observations in the field, the researcher has concluded that the level of empowerment varies between and among SHG participants, depending on their individual perceptions, attitudes, intelligence, level of understanding, ability to mingle with others, and most importantly, their capability and willingness to achieve. Financial aid to SHGs for the development of socioeconomic status is preferably provided to members who are socially and economically marginalised.

Mula & Sarker (2013)

The study found a significant positive change in economic variables such as self-income, job creation, asset building, productive investment, and savings, all of which contributed to the socio-economic upliftment of rural women and empowered them in areas such as child education, leadership and entrepreneurship ability, technology adoption, and decision-making.

Islam et.al. (2012)

Women gained influence in their households when they began to engage in income-generating activities such as chicken rearing and began to manage their families' finances. They arrived to the conclusion that women gained decision-making power and became self-sufficient in spending money on improving their families' welfare, and that those women who were participating in income-generating activities became empowered as a result.

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Nilakantan et.al. (2013)

The lender's goal and societal attitudes, which are commonly expressed in the credit-plus strategy, can play a significant role in achieving economic and gender empowerment through microfinance. If one of the goals of microfinance is to empower women, our findings highlight the importance of explicitly designing programme features to promote women empowerment, rather than simply restricting the supply of credit to women and assuming that improvements in the family's economic status as a result of access to microfinance will translate directly into gains in women empowerment.

Aruna & Jyothirmayi (2011)

The study's empirical findings reveal that microfinance has a significant impact on the economic position, decision-making capacity, knowledge, and self-worthiness of women in Hyderabad who participate in a self-help group linking programme. As loans are 'micro' in magnitude and the time between doses of loans is long, it fails to include the poorest sector and improve the participants' assets position.

Osmani (2007)

Microcredit can be used to empower women in two ways. To begin with, it is thought that domestic chores do not assist women in gaining power or prestige inside the family. Microcredit schemes may enable women to improve their family's honour or esteem. Second, microcredit will boost women's mobility by requiring them to leave the house in order to participate in the microcredit process and later engage in income-generating activities. As a result, women are expected to broaden their exposure to the outside world and strengthen their connections with other women in the community in order to achieve more authority both inside the home and in the community.

Research Methodology

The research relies significantly on literature, as well as primary and secondary data. To further comprehend the theoretical framework of Women Empowerment through Microfinance, a comprehensive literature review is conducted. A primary survey was conducted for this aim in order to record the real-life experiences and observations of microfinance women participants in Uttar Pradesh.

A total of 200 female volunteers took part in the study, all of who have joined SHG and availed a microfinance loan. Because women's empowerment is qualitative and multi-dimensional in character, empirical research in this topic frequently faces measurement challenges. To attain the goal of elucidating the role of microfinance in women empowerment, a primary survey was done using a systematic and pre-tested questionnaire.

Questionnaire was consisted of 22 questions in which 5 are general question regarding Demographic data, in remaining 17, 3 Questions were forms to know the purpose, usage and impact of Microfinance in Income generation of Women Beneficiaries, 9 questions intended to know the decision making power of women participants in Their Family and 5 questions were formed in stated form using five point Likert scale ranging from Strongly agree (SA), Agree (A), Neutral (N), Disagree(D), Strongly Disagree (SD).

The SPSS programme was used to analyse the primary data collected from 200 respondents. Data is collected, then analysed and coded to make quantitative analysis easier and more feasible. Percentages were used to describe the specifics of the data.

3. Objective

- To Highlight the Status of Microfinance and Self-Help Group (Trend Analysis) In Uttar Pradesh
- To Analyze the impact of Microfinance and SHGs in Status of women empowerment in Uttar Pradesh
- To study the perceived value creation of women who joined SHGs and availed Microfinance Loan.

4. Hypothesis

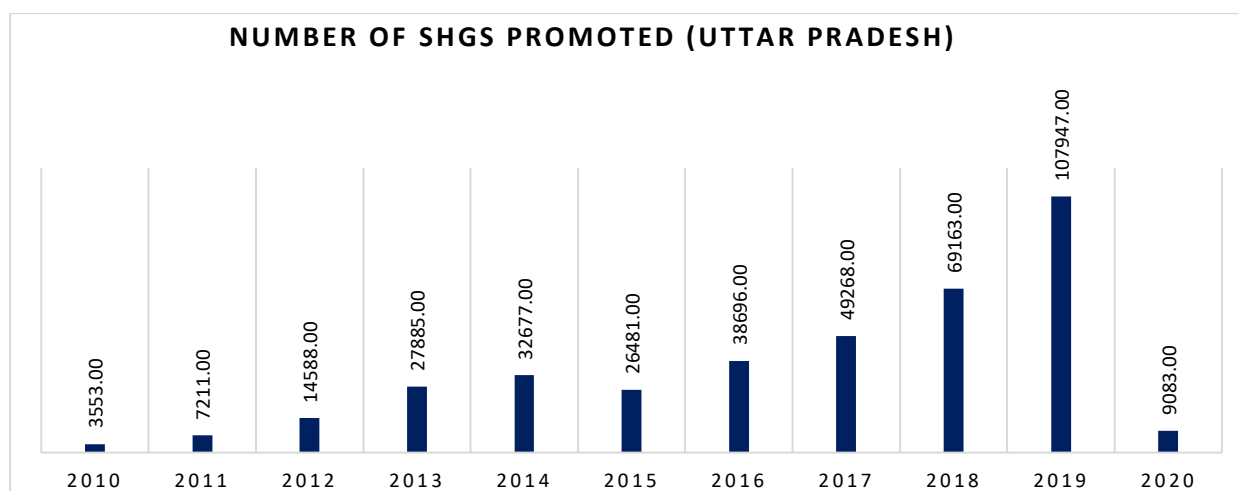
- I. H₀: There is significant change in income of women participants who have joined SHGs and availed microfinance loan.
H₁: There is no change in income of women participants who have joined SHGs and availed microfinance loan.
- II. H₀: There is no change in Women's asset positions who have joined SHGs and availed microfinance loan.
H₁: There is change in Women's asset positions who have joined SHGs and availed microfinance loan.
- III. H₀: Microfinance and SDGs has not empowered women Financially and Socially.
H₁: Microfinance and SDGs has empowered women Financially and Socially.

5. Status Of Microfinance and Self-Help Group (Trend Analysis) In Uttar Pradesh):

In recent years, the microfinance sector has made great strides. The quantity and volume of MFIs have increased dramatically. Many new players have entered the market, including private and multinational banks, private equity and venture capital firms, wholesale fund providers, rating agencies, and foreign retail institutions. (Aruna & Jyothirmayi, 2011). Microfinance appears to have acquired a near-mythical reputation as the solution for underdevelopment concerns. Microfinance is thought to play a critical role in development by assisting the poor in meeting basic requirements, improving economic welfare, and empowering women. Microfinance activities and involvement in self-help groups have a favourable impact on women participants' income, assets, occupation, savings, access to loans, bank connectivity, knowledge, self-worthiness, and decision-making abilities. The availability of microfinance loans and their constructive use has been found to play a significant effect in women's empowerment.

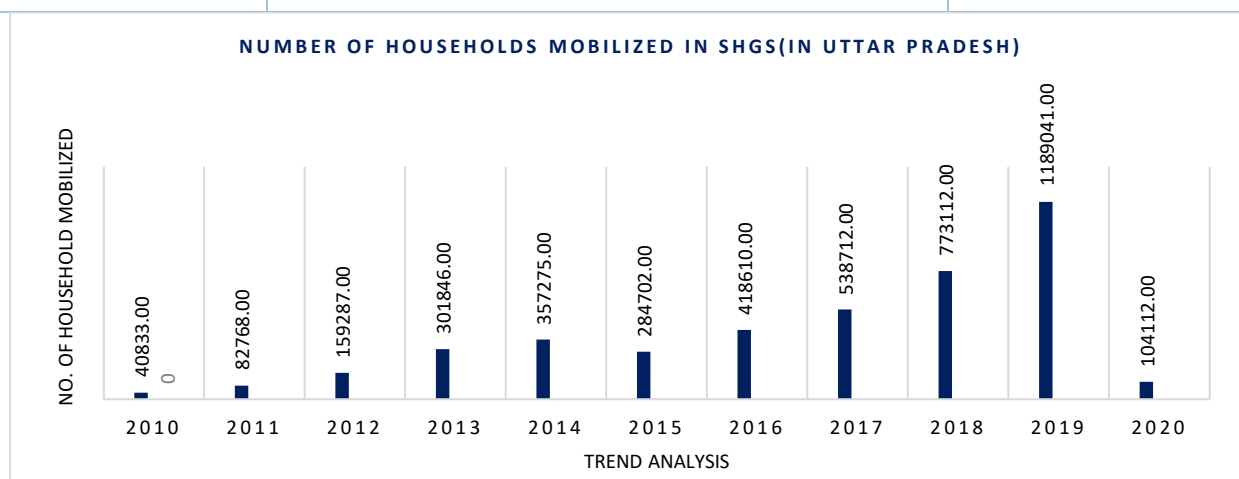
Number of SHGs Promoted (Uttar Pradesh)		
Category	Number of SHGs Promoted	Change (%)
2010	3553.00	
2011	7211.00	102.9552
2012	14588.00	102.302
2013	27885.00	91.15026
2014	32677.00	17.18487
2015	26481.00	-18.9613
2016	38696.00	46.12741
2017	49268.00	27.32065
2018	69163.00	40.38118
2019	107947.00	56.07623
2020	9083.00	-91.5857

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Source: "DAY NRLM eGov Application - Ministry of Rural Development | Government of India", 2022

Number of Households mobilized in SHGs (Uttar Pradesh)		
Category	No. of Household Mobilized	Change (%)
2010	40833.00	
2011	82768.00	102.6988
2012	159287.00	92.44998
2013	301846.00	89.4982
2014	357275.00	18.36334
2015	284702.00	-20.3129
2016	418610.00	47.03444
2017	538712.00	28.69067
2018	773112.00	43.51119
2019	1189041.00	53.79932
2020	104112.00	-91.244



Source: "DAY NRLM eGov Application - Ministry of Rural Development | Government of India", 2022

Uttar Pradesh state with 75 Districts and 826 blocks having 5,71,215 SHGs. ("SHG Count", 2022) From 2010 onwards the number of self-help groups promoted has increasing day by day in Uttar Pradesh, as the number of SHGs promoted in 2011, 2012 and 2013 is almost double to the previous year number. This trend slowed in 2014 and 2015, possibly due to a combination of client over-indebtedness, MFIs' lack of control over the loan process, and the protectionist character of India's financial system, as well as the Andhra Pradesh microfinance

problems. However, as the sector evolved, significant flaws and shortcomings became apparent, culminating in the microfinance crisis in Andhra Pradesh (AP) in 2010. This crisis was blamed on some MFIs' irrational exuberance, who, in their eagerness to expand their company, had ignored conventional wisdom and sound practises such as due diligence in lending and ethical recovery practices.

In 2016-19, an increasing trend can be seen in Number of Households Mobilize in SHGs and Number of SHGs Promoted in the state up to 11.9 lacs and 1.07 lacs Respectively until Covid hit the country. Corona virus brought turmoil in almost all sectors globally and microfinance sector is not untouched 91% reduction has been seen in Number of households mobilize and number of self-help group promoted in Uttar Pradesh in 2020.

6. Findings

- **Change in income After taking Microfinance loan:** 42.5% of women participants who have joined SHGs and availed microfinance loan observes no change in their income level as they found microfinance just a small amount that can only help them arrange some necessities but not in capitalizing money or starting any business. While 39.5% women participants find minimal change in their income and 18% women participants sees huge change in their income.

	Respondents (200 Who have taken Microfinance loan)	Percentage
No Change in Income	85	42.5
Minimal change in income	79	39.5
Huge change in income	36	18
Total	200	100.00

- **Change in Asset after taking microfinance loan:** Women's asset positions have a substantial impact on their level of empowerment. In terms of economic empowerment, a change in asset will be the path. Microfinance efforts have a positive influence on asset generation and addition, which is laudable. 2/3 of the participants or ~ 66% of the participants realizes change in their assets Holding.

	Respondents (200 Who have taken Microfinance loan)	Percentage
No Change in Asset	77	38.5
change in Asset	133	66.5
Total	200	100.00

- Taking out a microloan does not inherently empower women. The proper use of a loan for constructive purposes can lead to a way out of poverty. On asking about purpose of loan 1/5th of the participants had the intention of Starting or Expansion of own or Group Business that is ~20%. Second common purpose of 19% Respondents was Starting or Expansion of Family Business. Other purpose of availing microfinance loan for women participants includes Debt Repayment (~17%), Home (Renovation, making) (15.5%), Health (12%) Education (self or Child) (I.e., ~10%).

Purpose of Loan	Respondents	Percentage
Starting or Expansion of own or Group Business	41	20.5
Starting or Expansion of Family Business	38	19
Self or Child Education	21	10.5
Health	24	12

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Home (Renovation, making)	31	15.5
Debt Repayment	35	17.5
Investment/ saving	8	4
Other (Assets, Equipment, Marriage)	2	1
Total	200	100

- Women's empowerment encompasses not only behavioral and psychological improvements, but also cognitive growth such as the acquisition of new ideas, the transfer of ideas and opinions, and the exchange of skills into responsible tasks such as leadership and Entrepreneurship. Women Participants who have availed Microfinance loan agrees that After taking Microfinance you are feeling economically empowered (71%), they are more likely to get involve in financial planning after taking Microfinance (66%), they are feeling confident enough to arrange finances for starting and running your Business (78%) and Attitude of the Society has changed towards you after taking Microfinance loan (57%).

Statements	SA (1) (%)	A (2) (%)	Agreement (1+2) (%)	N (3) (%)	D (4) (%)	SD (5) (%)	Disagreement (4+5) (%)
After Taking Microfinance your involvement in Decision Making regarding Child's Education, Marriage or other family matter, has increased.	26	39	65	15	12	8	20
After taking Microfinance you are feeling economically empowered	29	42	71	14	11	4	15
You are more likely to get involve in financial planning after taking Microfinance	25	41	66	11	18	5	23
You are feeling confident enough to arrange finances for starting and running your Business	36	42	78	13	6	3	9
Attitude of the Society has changed towards you after taking Microfinance loan	21	36	57	20	16	7	23

7. Conclusion & Suggestions:

The study accepts the Null Hypothesis 1 that states "There is significant change in income of women participants who have joined SHGs and availed microfinance loan. And rejects null hypothesis 2 and 3, rather accept alternate hypothesis states that There is change in Women's asset positions who have joined SHGs and availed microfinance loan And Microfinance & SDGs has empowered women Financially and Socially. According to the findings, microfinance provided more knowledge and social empowerment than economic development. Microfinance has a significant impact on confidence, courage, skill development, and empowerment.

The microcredit programme has a considerable favourable impact on women's access to land assets, voting decisions, social mobility, medical care decisions, and monetary availability. Food, clothing, health, education, and housing are among the essential necessities of borrowers. The results revealed that the respondents' household assets, has increased. Furthermore, the findings revealed that a high

proportion of borrowers increased their negotiating power or Decision-making power inside the home on issues such as family, voting, and social mobility.

There is a need for more clarity in microfinance programmes' fundamental vision. This includes a concept of empowerment that encompasses more than just women's access to microfinance or household poverty alleviation. Providing an effective and non-discriminatory regulatory framework for microfinance should be considered a human rights issue rather than the final goal of gender policy. Because inequalities in the household mean that women may not necessarily benefit from gains in income, even when they are substantial contributors, poverty reduction as measured by higher income may not be sufficient for women's empowerment definition. Future research should look at intra-household inequalities to get a better understanding of power and women's empowerment in the microfinance context.

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