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## **Micro Finance A Catalyst for Poverty Reduction and Women's Empowerment**

*Dr. R. L. Poonguzhali*

Assistant Professor, PG & Research Department of Economics, ADM College for Women (A), Nagapattinam, Tamilnadu  
Affiliated to Bharathidasan University, Tiruchirappalli  
<[drripvc@gmail.com](mailto:drripvc@gmail.com)>

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### ABSTRACT

*Poverty is a significant threat to the human race. The main objective of Micro finance is to reduce poverty and provide opportunities to poor people to improve their economic welfare. Micro finance not only provides economic benefit it also provides social benefits like poverty reduction and women empowerment. It provides self-employment, income generation, living standards, economic growth and purchasing power. This paper focuses on the Impact of Microfinance on poverty reduction and women empowerment. It also discusses the various changes brought by the micro finance institutions through SHG on the lives of the poor. Various tools and techniques are used to draw inferences.*

**Key words:** Economic empowerment, Microfinance, poverty Self help group

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### **Introduction :**

Micro finance is one of the effective tools in achieving poverty reduction and women empowerment. It is proved that most of the micro finance users are economically and socially developed. Their standard of living by using micro finance directly fight against poverty and hunger by providing income, employment opportunity and small savings. In a study conducted in Lombok, Indonesia, (1999), Bank Rakyat Indonesia (BRI) clients' incomes increased by 112 percent. Moreover, it has also uplifted 90 percent of the families above poverty line. Micro finance improves social status of the women by branding them as entrepreneur. Most of the Micro finance institutions are conducted by women which increases their financial and social status. Due to the prevalence of poverty children are forcefully sent to work in order to satisfy the basic needs of the family, even though law in most of the country prohibits child labour. Most of the people who live below poverty line sent their children to work in factories, small, shops, workshops so on. Child labors create an illiterate generation. The only remedy to reduce child labour is by starting self-help groups which provide job opportunity to poor women. This could to a larger extent generate surplus income in poor households and people can send their children to school. In Vietnam, the UNICEF sponsored microfinance program, 97 percent of Micro finance users Children attended school compared to 73 percent of non- micro finance users. (UNICEF, 1996). In Zimbabwe Children's of micro finance users aged from 6 years to 21 years attended school more than those of Non micro finance users (Barnes et al., 2001). Polio and other vaccination provided to micro finance members reduce mortality rate by two thirds, comparing to nonmembers. UNICEF, in 1995, noted that Infant Mortality Rate in Nepal was very less in areas with a combined Micro finance credit cum basic social services approach than in areas where Micro finance credit was extended without social services and in those where no Micro finance credit was provided.

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### **Micro finance and poverty reduction:**

Micro finance contributes to poverty reduction, particularly for women participants, as 90 percent of the SHGs comprised only women members, It facilitates overall poverty reduction at the village level, hence helping not only poor micro finance clients but also the local economy as a whole. Micro finance provides an opportunity to poor micro finance clients to engage in an income opportunity which has reduced the rate of poverty through increase in income, facilitated the poor to build assets and thereby decrease their vulnerability. Many NGOs have given capacity building training to SHGs which has helped to choose income generation activities, procuring raw materials and marketing of the produce to improve their entrepreneurial capacity. Micro credit intervention programmes provide an opportunity to rural poor women to meet their consumption needs and invest the surplus money on any economic activities like cottage industries, food processing units, vegetable vending, Tailoring etc.

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### **Micro finance Primary Education:**

SHG helps to promote micro finance with the organized form of small savings. Hence, the promotion of SHG indirectly promotes savings, economic growth and rural development. It promotes financial discipline among Self-help group members through compulsory saving and regular repayment of

debt. The micro credit intervention has made significant changes in the behavior of the poor to save. There has been a substantial decline in the debt burden of the poor families with usurious moneylenders due to the services of SHGs. Income earned through income generation activities has facilitated poor people to plan for their future and send their children to school for longer. Further it has helped the poor participant to spend more money on their children's education needs. It is evidence from many studies that households participating in the micro finance programme have reported that children of microfinance clients are better at attendance, more likely to go to school and lower dropout rates.

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### Micro finance and Gender Inequality:

The World Bank defines empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes that gender equality and women's empowerment are two sides of the same coin

The greater achievement of micro finance is that it paves way for reducing gender inequality which contributes to the achievement of another important goal of MDG. SHG inculcates a habit of regular savings among group members and they were able to meet their household expenditure. Micro credit intervention has resulted in better economic decision making ability for the respondents in households for major and minor purchases. It has also enriched the capacity of the women in terms of communication skills, leadership, self-confidence and self-esteem which enabled women clients to be more confident, assertive and better able to confront gender inequities. Many studies show that microfinance plays an important role beyond enterprise development in supporting the livelihoods of the poor. Micro financing through Self Help Groups has transferred the real economic power in the hands of women and has considerably reduced their dependence on men.

The members from the Self-help group become financially independent, lead a life of self-respect and dignity. They are able to expand their horizon of thinking and have access to banks to satisfy their financial needs. The study reveals that microcredit has made significant contributions towards women's empowerment and poverty reduction.

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### Objectives of the Study:

- To study the nature and financial behavior of SHG members
- To examine the changes brought by the micro finance on the lives of the SHGs members
- To analyze the effectiveness of microfinance on poverty reduction and economic empowerment of women self-help groups in Kancheepuram district
- To suggest measures for the micro finance institutions to empower the life of poor

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### Overview of Literature:

**Hulme and Mosley (1996)**, state that microfinance projects can reduce the isolation of women. When they come together in groups they have an opportunity to share information and discuss ideas and develop a bond that was not there previously. Micro enterprise development has the potential to bring about considerable improvement in incomes of upper poor and non-poor borrowers who are close to the poverty lines.

**Kabeer (1999)** notes poor men are as powerless as women with regard to access to material resources but they remain privileged within the patriarchal familial structure.

**Mayous LindaC Linda (1999)** explains two approaches to micro-credit initiatives- market and empowerment. The author explains that both the approaches to micro-credit development have a number of inherent tensions. She makes it clear that microenterprise development for women is unlikely to be an all-win, bottom-up solution to a wide range of development problems. Micro-credit cannot be seen as a substitute for welfare or direct efforts to support labor and address gender inequality. Even in terms of the narrow aim of increasing beneficiary incomes, microenterprises development is unlikely to succeed for the vast majority of poor women (rather than a small number of better-off women) unless it is part of a transformed wider agenda. There are particularly serious implications for reliance on microenterprise as the main focus of a wider strategy for poverty alleviation and change in gender inequality.

**Otero Maria (1999)**, explains microfinance as "the provision of financial services to low income poor and very poor self-employed people". She states that microfinance creates access to productive capital for the poor which together with human capital addressed through education, training and social capital achieved through local organization building enables people to move out of poverty.

**Aigbokhan (2000)** said the definition and conceptualization of poverty is complex and varied across fields and regions. A poor person is considered as one without a job, who cannot help himself or cater for his family, who has no money, farm or business. Adolescent males and females are poor if they have no parents, no education, no good food, clothes and health.

**World Bank (2001)**. Microfinance programs give women priority because, by giving them access to monetary and educational funds, microfinance helps to mobilize female productive capacities, thereby reducing poverty and maximizing economic output.

**In the work of Amin et al. (2003)**, microfinance not only gives access to self-employment, but also contributes to the amelioration of family life and influences the social situation of poor people by promoting self-confidence and the capacity to play an active role in society. This social impact is particularly important for women and provides impetus for their empowerment, thereby constituting a vital part of the development process and enabling poverty reduction. To sum up, microfinance has the ability to reach the poor and the vulnerable.

**Rajamohan (2003)**, concluded in his study that SHG is a media for the development of saving habits among women.

**Mukherjee (2007)** stated that the core strategy of any new invention to poverty eradication was to reach the poorest of the poor, who basically reside in the rural areas and therefore, an institution is necessary at the central level for looking into the financial needs of the poor at the grass root level.

**Anand Singh Kabalana et al (2011)**, in their study they concluded that Self Help Group plays a significant role in poverty alleviation. It also develops the entrepreneurship skill and increase cooperation among poor people SHGs members

#### **Research design:**

The research design followed in this study is both descriptive and analytical in nature

#### **Sampling Technique:**

The sampling technique followed by the researchers in conducting the study is purposive sampling. The Kancheepuram district was selected for the study. The Sample size consist of 200 respondents

#### **Data collection:**

The study is based on both primary and secondary data. For the purpose of study, well-structured questionnaire was used as an instrument to collect the data and observation method also employed to detect soft and intangible features of rural and urban respondents the questionnaire was explained in Tamil, for the convenience of the respondents, whose literacy level is very low as the survey was undertaken in Kancheepuram district. The Secondary data was collected from various sources such as journals, magazines and websites.

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#### **Findings:**

- The research shows that 70 percent of the self-help groups are functioning for the period of 1-3 years.
- 45 percent of the respondents were able to save 100 rupees per month.
- 50 percent of the respondents strongly agreed to the fact that their savings increased after joining the self-help group.
- 50 percent of the respondents strongly agreed that they have economic independence after Joining in Self-help group. 50 percent of the respondents strongly agree that after joining the self-help group they are able to develop their business.
- It is found that the Loan consumption pattern is highly influenced by Income generation activity and children's education.
- Research shows that the increase in income of SHG members is influenced by the income generation activity.
- Consumption and employment are the two important factors responsible for poverty reduction.
- The research shows that micro finance brought positive changes in the lives of poor

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#### **Suggestions:**

- Education and training should be provided for the microfinance beneficiaries on how to efficiently utilize the funds.
- Interest charged on the microfinance products should be reduced.
- Management and staff of microfinance institutions must be given the needed training and education to help build and strengthen the skill, competencies and abilities for effective service delivery.
- Efforts should be made to reach the poor who are the target of microfinance policies and programs.
- Furthermore, since the poor do not have collaterals, management and staff should make available to them tailor-made unsecured products.
- Government should endeavor to create a sound political and economic environment for smooth operations and performance. Without such an environment, no business will thrive. Borrowers need a sound economic environment to make a return on their borrowed funds so they can pay back.
- Insurance companies need to provide more attention to micro insurance.
- Government has to monitor that loans are properly used for income generation activity purposes.

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## Conclusion

Microfinance is an instrument of change in the lives of the poor. It has empowered the poor SHG members both economically and socially. The research shows that there is an improvement over the consumption of food and living standard of the people. The potential of microfinance in reducing poverty is apparent in this study.

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