

Role of Micro-financing in Rural Women Empowerment in Rajasthan

Role of Micro-financing in Rural Women Empowerment in Rajasthan

¹Aditi Lawaniya, ²Dr. Tirlok Kumar Jain, ³Dr. Leena Sharma

¹Research Scholar, ²Dean of Management, ³Co-Supervisor
Suresh Gyan Vihar University, Jaipur

1. Background of the Study

The name Rajasthan evokes a vibrant rich tapestry: the state stands out with its fabric of a rich cultural heritage, a border of its indomitable desert lands, hues of its mesmerizing landscapes and forts blended with its equally strong and resilient people, and lastly beautified with threads of modernity and progress. Western Rajasthan with its arid landscapes especially is a testimony to the struggle and perseverance of its people. This is where a silent revolution is underway: micro-financing emerging as a powerful catalyst for empowerment of countless rural women.

Rajasthan is the largest state of India geographically with a population of 68.5 million. It has a rural population of 51.5 million and urban population of 1.70 million. Around 9 million women in Rajasthan are engaged in agricultural work while 1 million in household industries. A huge number of 5.7 million women are marginal workers. In rural households, women are often the sole bread-earners or equal stakeholders with their husbands in the management of their households.

2. Women Empowerment

Empowerment can be understood as a process which creates the opportunity and capability of a person to exercise their autonomy. It is a gradual change which gives individuals or groups the power and the ability to take their own decisions. There are numerous definitions of empowerment. Sayulu, Sardar & Sridevi (2005) have defined empowerment as "...any process that provides greater autonomy to women through the sharing of relevant information and provision of control over factors affecting their performance". In the context of women and their growth and development, empowerment refers to the expansion of choices for women and an increase in their ability to exercise choice (United Nations Development Programme, Human Development Report 1995, as cited by Mehra. R., 1997).

The World Bank has declared women empowerment as a key element of social development of any nation (World Bank, 2001). The government of Rajasthan too has introduced many schemes with rural women empowerment as their primary goal: Mahila Kosh,

Rajasthan Women Development Programme, Bhamashah Yojana, Nari Shakti Yojana, etc. Women empowerment gives women confidence, strength and autonomy to take control over their material assets, intellectual and ideological resources. It makes them self-reliant and enables them to confidently assert their own rights and powers, especially in the decision making process wherein they had previously been left out. It raises their status and helps them walk with their heads held high among their male peers. It not only gives them economic independence, but also respect in their social circles.

3. What is Microfinancing?

Microfinance has been defined as “Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income and improve living standards” (McGuire and Conroy, 2000). Satish (2005) and Dasgupta (2006) have reported that micro-finance institutions include any institutions providing financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low income households and their microenterprises. Torre and Vento in 2006 also included that the micro-finance institutions are those which offer such services to zero or low-income beneficiaries.

Microfinance institutions which have women beneficiaries provide women the opportunity to save money and access credit through a less cumbersome process as compared to a formal banking system. They recognize and address the many challenges which women entrepreneurs otherwise face at the microeconomic or macroeconomic levels. Micro-finance is a powerful tool which addresses poverty as well as gender issues and benefits the whole society (Chen 2008, Edward and Olsen 2006). It removes barriers for the socially backward classes, especially women and enables them to become equal participants in decision making at the household, community and political level (Hashemi, Schuler & Railey, 1996). Micro-finance has therefore emerged as a powerful mechanism which ensures the social and economic empowerment of poor (Sriram, 2004).

4. Genesis of Micro-financing

In the late 1970s, it was first acknowledged by economists around the world that there is a need for alternate financial services for the economically or socially backward classes (McGuire and Conroy, 2000; Tiwari and Fahad, 1997 ; Barman et al., 2009). They sought for a new and better system which is more sustainable, protects the poor from exploitation and empowers them in the true sense. Professor Muhammad Yunus was a pioneer in this domain who had established the Grameen Bank in 1976 in Bangladesh.

There were a number of factors at play which contributed to the establishment of Micro-financing systems in India:

- During the 1950s, the non-formal credit system was fraught with many evil practices such as extremely high rates of interest, low repayment rates, misappropriation of collaterals, etc.
- After the 1950s, the Indian government adopted a multiagency approach and commercial banks as well as regional rural banks began to provide short term and long term credit to the poor masses. But there were still the poorest of the poor who still remained outside the fold of the formal banking system ((Reddy and Manak, 2005; Singh and Kumar, 2008; Nagayya and Rao, 2009; Shetty and Veershekarappa, 2009). There was still rampant misuse of credit, and the banking services were inaccessible to the people with lowest income.
- There was a huge gap between the demand and supply of credit through the formal credit institutions because they provided funds only for specific purposes, the process involved was cumbersome and massive paper work was involved.

5. Need for Microfinancing: Challenges faced by Rural Women

Society in Rajasthan like most other regions in India adhered to traditional patriarchal norms where till the 1970s, women empowerment was just a dream. Women in rural Rajasthan especially were equal shareholders in economic activities such agriculture and livestock management, and shouldered the primary responsibility of household chores and childcare. Their contributions were but frequently overlooked and their agency and autonomy was neglected. Women had limited decision-making power in the family and society despite their significant contributions to the economy and household. They faced various forms of discrimination and marginalization. The situation for women in India as well as Rajasthan had begun to change gradually with the era of social reforms and through the land reforms, education programmes, women's rights movements, etc. yet when it came to economic empowerment, women still had a long fight ahead.

The path towards progress and economic empowerment for women from rural and poor households was even more arduous than that of their male counterparts. Usually when governments conduct economic surveys, all focus is centered on the wealth, literacy, healthcare system of the general population. But nations over the world overlook the details in their data about how economies are influenced by gender differences For instance; one fact which is highly overlooked is how the number of women falling under the poverty line in rural areas is growing faster than their male counterparts. There are numerous factors which lead to increase in rural poverty for women.

- Women's contributions to the economic support of households and small-scale businesses are overlooked. Research reveals that many rural households

especially the poorer households are actually run on solely the income generated by women.

- Moreover, women's earnings contribute directly to family welfare because it is spent towards food and children's education.
- As women are less employed in the informal sector, their roles and contributions are overlooked and they are not given due importance in development projects. Eventually, this ignorance leads to lack in equal opportunities to get access to education, training in job skills, opportunities to establish businesses, loans, employment, etc. This becomes a vicious cycle with women as always being the less favored.
- In the formal sector, at the microeconomic level, women usually engaged in employment such as petty trade, household help, food processing, garment manufacturing, agriculture, etc. most of this is non-wage or self-employment, small scale, undercapitalized, involves difficult working conditions and has low returns or negligible benefits.
- Enterprises involving women face constraints such as seasonal fluctuations, limited access to credit, less access to skills training, short term cash flow, gender bias which increases the gender roles and relationships, etc.
- They face barriers to ownership of resources and property, or to licenses to sell their goods at regulated marketplaces.
- At the macro-economic level also there are various financing or regulatory policies which restrict women's access to institutional credit.

6. History of Micro-Financing or SHGs

From 1950s to 1970s, all the development agencies which had worked for emancipation of women had tried to give women some financial autonomy through small investments in income-generating projects but many of these failed because they only provided women temporary and part-time employment opportunities in industries such as knitting and sewing which are traditionally seen as women-specific activities and which have limited markets.

The founder of Grameen Bank Yusuf Muhammad recognized how women especially had been left behind significantly in the development sector. He believed that the women who labored and worked hard for others in fields or in construction work could benefit from working for themselves. This Grameen Bank model received wide international popularity in developing nations like India.

In India too, after the 1970s, various NGOs recognized the importance of development and participation at the grassroots level and targeted small scale farmers and micro-

entrepreneurs. Moreover, they took into consideration the numerous challenges faced by women and acknowledged the need for actual women empowerment. Contemporary policy makers realized how the welfare model being adopted by various developmental agencies so far was not helping women become empowered. This is what led to the establishment of Self-Employed Women's Association (SEWA) in India in 1972 in Ahmedabad, Gujarat.

It is the Self-Help Groups or Micro-Financing units established by non-governmental agencies which have been successful in alleviating the economic status of rural women starting from the 1950s (Mehra, 1997). These NGOs first acknowledged the need for actual women empowerment and the barriers which they face. From the 1990s, they adapted the empowerment approach which aimed at involving women in the policy making and planning process.

The Self-Help Groups (SHGs) which are the leading microfinance institutions for women are encouraged by not only NGOs but also the Department of Women and Child Development, The Department of Rural Development, NABARD as well as various banks, cooperatives, etc. At the state level, Rajasthan State Rural Livelihoods Mission especially is one scheme which focuses on enhancing livelihood opportunities for rural women through self-help groups, skills training and access to credit facilities. Today, there are around 195 million microcredit borrowers according to the data released by the Microcredit Summit in 2011.

According to NABARD (National Bank for Agriculture and Rural Development), there were an estimated 97 million households which were not involved with the formal financial sector but rather benefitted from microfinance. In fact in 2009-10, there were 27 public sector commercial banks, 19 private sector commercial banks, 81 Regional Rural Banks, 318 Cooperative banks and 1 Small Industries Development Bank of India which were engaged in microfinance. Collectively these banks provided Rs. 144.5 billion in loans in 2010-11 (NABARD, 2009-2010).

Micro-financing has hence emerged as a panacea to overcome the various challenges and problems in the way of women empowerment.

7. Success Stories of Women Empowered through SHGs

Over the years, hundreds of success stories of women entrepreneurs have emerged who give SHGs the credit for their progress.

- Suraj Devi, 36 years old is one such woman from Kajri village, Udaipur who runs a successful tailoring business as well as a fancy store despite being educated only till the 10th grade and having no business training before joining the SHGs at her

town. She is not only able to support her family and fund her kids' education but has also helped 60 women from her village to open their own enterprises.

- Najma Begum from Kota is another example of empowerment through SHGs. She previously worked as a labourer with very low wage. In 2014 she joined a SHG and in 2017 she took the courageous decision of starting her own enterprise. She now successfully runs a garment store with good monthly earnings and is single handedly supporting her entire family of 5.
- Manju Teli from Bhilwara runs her own oil production business along with her husband. She overcame the issues posed by illiteracy and is now supporting her family of 6 with her successful business.

8. Barriers to Progress of Micro-Finance Programmes

- Group dynamics within the group play a significant role in the success of any group initiative. Internal conflicts, rivalry, lack of leadership, lack of harmony are some of the biggest obstacles to the Self-Help Groups for women.
- Absence of a regulatory body due to which many microcredit institutions levy a much higher interest rate than the formal credit institutions.
- Women are not trained regarding the market potential or the profitable avenues regarding their choice of business.
- Women are not able to take bigger risks and hence their potential remains limited to small scale industries with low productivity.
- Moreover the various social and familial restrictions as well as their roles as primary caretakers for children inhibit their progress as entrepreneurs.
- Low literacy and education of women as well as lack of technical expertise also become barriers to the success of SHGs.
- Decrease in the popularity of SHGs in recent years owing to change in technology and social norms and trends.
- Absence of properly trained leaders and professionals to run such micro-financing institutions.

9. Future Prospects and Recommendations

- It is essential that trained professionals manage microfinance initiatives and the formation of groups in a professional manner.
- Economic opportunities and resource mapping at the district and block levels should consider inputs from leading banks and developments in industries.
- Women should receive skills training through various training programs.

- Formation of new support groups and emphasis on quality standards are necessary for both new and reorganized groups.
- Coordination committees should be established to facilitate better connections among different Self-Help Groups (SHGs) operating in various regions of Rajasthan.
- Microfinance programs should not only address the financial needs of women but also focus on enhancing their entitlements and status.
- Significant financial investments are needed to promote various self-help groups, and these resources should be allocated according to a concrete, long-term action plan.
- Establishing a regulatory framework based on transparency and the avoidance of hidden costs is crucial for controlling interest rates of microcredit institutions.

10. Conclusion

It can be concluded through a thorough review of researches on this subject that Micro-financing in fact contributes significantly to the economic and social betterment of women. The manifold challenges faced by women over the years due to patriarchal structures of society, established gender roles within families and communities, infrastructural issues, ground level barriers such as lack of access to education and employment opportunities have been significantly addressed by micro financing system. Two decades of SHGs have led to the emergence of hundreds of success stories of women empowerment. If it is internalized properly and implemented strategically, along with focus on new technology and its shortcomings, then micro-financing can be a powerful tool for the alleviation of poverty and for the empowerment of women and can in fact benefit the society as a whole.

