

Impact of Microcredit on Women Empowerment in India: An Empirical Study of Punjab State

Munish Kapila, Anju Singla, M.L.Gupta

Abstract – The development and welfare of the rural women has become a major concern for the Indian government. The government has undertaken many measures to ensure a better status to rural women, to utilize their untapped potential for national development and to bring them into the spectrum of economic development. One such measure is formation of Self Help Groups among rural women which is a viable measure in achieving the objective of women empowerment. Therefore, the present study makes an attempt to evaluate the impact of microcredit through Self Help Groups on economic empowerment in the rural areas of Punjab State. The study used both primary and secondary data. The primary data was collected from 106 leaders and 318 members of SHGs from the area under study. The secondary data was collected from various published sources of central and state government.

The study shows that microcredit has significantly improved the income of the women respondents which in turn has increased their participation in household decisions. This impact is more among large borrowers than small borrowers. Thus, microcredit has strengthened the women empowerment. The results of regression analysis indicate that the impact of microcredit is highly significant and established positive relationship with empowerment index in the rural area of Punjab. Thus, women mobilization towards Self Help Groups should be encouraged through the process of motivation which will lead to empowerment and is very essential for their upliftment and overall economic development of the country. Moreover, the problems like delay in sanction of loan, inadequate loan size, lack of skill based training and difficulties in marketing the product must be addressed for effective working and sustainability of SHGs in the state of Punjab.

Index Terms-Women, Microcredit, Economic Empowerment, Self-Help Group

I INTRODUCTION

The constitution of India provides equal status to the women. However, the women in rural areas face discrimination in family and society as they are deprived of their rights in property, education and other aspects of life. The daily lives of women are harder than men as they have

to perform a number of tasks right from the arrangement of fuel wood to the cooking of food. Therefore, the development and welfare of the rural women has become a major concern for the government as large part of female population lives in rural India [1]. The government has undertaken many measures to ensure a better status to rural women, to utilize their untapped potential for national development and to bring them into the main stream of the development process. One such measure is formation of small groups of rural women in the name of Self Help Groups. This seems a viable measure in achieving the objective of women empowerment which has been well proven by the example of Grameen Bank established by Muhammad Yunus in Bangladesh [2].

II SELF-HELP GROUP

SHG is a group of 10-20 members. The main purpose of the SHG programme is to develop women and make them economically independent by providing financial assistance and generating income through self employment which in turn is supposed to give women greater power [3].

III WOMEN EMPOWERMENT

Empowerment of women means equipping women to be economically independent, self-reliant, and having positive esteem which enable them to face any difficult situation and participate in development activities. The empowered women are able to participate in the process of decision making [4].

The literature [5], [6], [7], [8], [9], [10], [11] reveals that there are broadly five types of empowerment, namely, political, legal, social, cultural and economic. Among these, economic empowerment gradually leads to other types of empowerment (United Nations Population Information Network). The most important indicator of the women empowerment in any nation is thus the economic empowerment which can be determined by female work participation rate as compared to male participation. The work participation of women in any economic activity develops their managerial skills such as decision making power with respect to any business activity. Managerial competence of women is also affected by the literacy rate of women as the literate women are more likely to understand and manage the problems than the illiterate women. Apart from this, the strength of women can also be determined by the indicators such as sex ratio and health parameters like life expectancy, total fertility rate, infant mortality rate etc.

Manuscript received 18th March 2016; revised 10th April 2016.

Munish Kapila is Research Scholar with Department of Applied Sciences at PEC University of Technology, Chandigarh, India (e-mail: munishkapila80@gmail.com)

Dr. Anju Singla is Assistant Professor with Department of Applied Sciences at PEC University of Technology, Chandigarh, India (e-mail: anjusingla@pec.ac.in)

Dr. M.L.Gupta was a professor with Department of Applied Sciences at PEC University of Technology, Chandigarh, India (e-mail: mlg_38@yahoo.co.in).

The studies like [12], [13], [14], [15], [16], [17], [18], [19] have shown positive impact of SHG programme of Microfinance on variables namely; Income, Employment, Savings, Family Expenditure, Education, Household income etc.

In India, the Ministry of Human Resource Development and the National Commission for Women (NCW) are involved to safeguard the rights and legal entitlement of women. The year of 2001 was observed as the Year of Women Empowerment. During the year, a landmark document i.e. 'National Policy for the Empowerment of Women' was adopted. The government has taken various initiatives to empower the women of India. However, women are discriminated and marginalized at every level of the society whether it is social participation, political participation, economic participation, access to education or reproductive healthcare.

IV STATUS OF WOMEN IN INDIA AND PUNJAB

Punjab is referred to as one of the most prosperous states of India. Per capita income of the state (Rs. 47834 per annum at constant prices) is much higher than the national average income (Rs. 38856 per annum). It has witnessed tremendous progress in the economic sphere but still gender inequalities exist in terms of sex ratio, work participation rate, literacy rate etc.

The latest statistics show that Punjab's population constitutes 2.29 percent of the total population of the country. In Punjab, the gender composition is still quite poor due to prevalent social and cultural factors. Female population constitutes about 47 percent of the total population and the sex ratio (895 females per thousand males) is much below the national average (943 females per thousand males). The state had achieved literacy rate of 75.80 percent in the year 2011 which was slightly higher than the national figure (74.04 percent). Women literacy rate is lower than that of men both in Punjab as well as in the country. Women in the state occupy only 24 percent share in the total bank accounts. Unemployment rate in Punjab is very high as compared to the national figure. Nearly 42 persons in Punjab are reported to be unemployed against 25 persons in India per 1000 people. Unemployment rate among females in Punjab (105) is very high in comparison to the national average (33). Work participation rate of Punjab state (35.67 percent) during the year 2011 was relatively low as compared to the country (39.79 percent). In Punjab, female work participation rate (13.91 percent) is much lower as compared to the national figure (25.51 percent). Gender gap with respect to work participation rate indicates that Punjab state occupied 28th position among other states in India [20], [21]. This shows that the involvement of the women in the economic activities is very low in Punjab as compared to other states in India.

Therefore, there is a need to improve the women participation rate by increasing literacy, promoting entrepreneurship etc. for development of the women in terms of economic, managerial and social aspects in the state. The role of participation of females in the economic progress of the country is discussed in a number of studies. The

literature also emphasizes that including women into the workforce can contribute in the inclusive growth. The availability of funds, capacity-building and skill-development activities, especially through SHGs is an important means to encourage women for undertaking income generating activities and to promote economic empowerment among women in the Punjab state. Thus, the present study has been carried out to assess the impact of microcredit on economic empowerment in the state of Punjab.

V RESEARCH METHODOLOGY

A. Sampling Design

To draw a representative sample from the Punjab state, multi-stage random sampling technique was used. A district-wise list of SHGs was obtained from the Department of Women and Child Development, Government of Punjab. This list was arranged in ascending order on the basis of the concentration of SHGs. Further, to divide the whole Punjab into three groups based on the concentration of SHGs in each district, the Cumulative Cube Root Frequency Method was used. The distribution of sample is presented in table I.

TABLE I: SAMPLE DISTRICTS AND BLOCKS IN PUNJAB

Group	District	Name of Blocks	No. of Villages	Total Self Help Groups	Total No. of Members (3 from each Group)
Group-III*	Hoshiarpur	Hajipur	2	51	153
		Mahalpur	2		
		Talwara	2		
Group-II*	Ludhiana	Dehlon	2	44	132
		Ludhiana-2	2		
		Khanna	2		
Group-I*	Ferozepur	Ferozepur	2	11	33
		Ghall Khurad	2		
		Makhu	2		
Total sample size				106	318

*Group-III - districts with more than 900 SHGs, Group-II- districts with SHGs in range of 350 to 900 and Group-I- districts with less than 350 SHGs.

In order to accomplish the objective of the study, the information pertaining to the total household income of the members before and after joining the SHGs and the amount of microcredit availed were collected through personal interview method using the specially designed questionnaire. To measure the impact of microcredit on women empowerment, the borrowers have been classified into two categories viz. small borrowers (microcredit less than Rs. 5000) and large borrowers (microcredit more than Rs. 5000).

B. Techniques for Analysis of data

The collected data was analyzed by using simple statistical tools like Mean, SD etc. Apart from this, linear regression analysis was used to assess the impact of microcredit on women empowerment. Women empowerment is measured in terms of women empowerment index. The equation given below indicates the functional

relationship between women empowerment index and microcredit:

$$\text{Equation: Economic Empowerment Index} = \beta_0 + \beta_1 \text{Microcredit}$$

In our data set, the respondents' answers were with respect to various indicators having scores ranging from 1 to 5 on the basis of degree of their responses. The value of each of the indicators was then summed up into an aggregate index. An individual with high value of empowerment index score was considered to be more empowered than an individual with low aggregate empowerment index score.

VI RESULTS AND DISCUSSION

A. Impact of Microcredit on Economic Empowerment of Women

The economic empowerment refers to the economic condition of the women based on income earning status of the women, asset creation, living standard of the women etc. The impact of microcredit on economic empowerment of women in rural area of Punjab state covering three districts is presented in table III to VI (appendix).

The results indicate that the mean values for all the factors related to economic empowerment are relatively high for large borrowers than those for small borrowers. The mean values for small borrowers ranges between 2 to 2.60 where as the mean values of large borrowers are in the range from 3.40 to 4 indicating that large borrowers feel more empowered than small borrowers.

District-wise, the mean scores of all the indicators show that economic empowerment among large borrowers is relatively high as compared to small borrowers of microcredit. Intra-district comparison clearly indicates that the mean scores of large and small borrowers are relatively higher in Ludhiana and Hoshiarpur districts than in Ferozepur district. This clearly depicts larger impact of microcredit in Ludhiana and Hoshiarpur districts. It may be due to the fact that SHGs are comparatively older and more established in these districts than in the Ferozepur district. Further, the microfinance is widely used among SHG members in these districts which help to generate more income than in the Ferozepur district. It is evident that the women who are large borrowers earn relatively more income than small borrowers. This led to increase in the savings rate and purchasing power of the women to spend more on self and education of the children.

The main findings reveal that the impact of microcredit is more among large borrowers as the mean scores of all the indicators with respect to economic empowerment are high among large borrowers than small borrowers. The large borrowers have created more assets than small borrowers and were free to move in the market alone for marketing of products. The living standard of the large borrowers has improved more than that of small borrowers in the study area. Moreover, it is important to note that decision making power of the women has significantly improved. Women have now great influence over the important decisions concerning economic matters of the family, education of the children, purchase of assets etc. This can be attributed to the

fact that the access to microcredit has increased and enabled the women to undertake economic activities that improve their financial position.

B. Linear Regression Analysis

In order to assess the impact of microcredit on economic empowerment, the following hypothesis has been tested using Linear Regression:

$H_0 =$ There exists no significant impact of micro-credit on empowerment of members of Self Help Groups.

The result of the Regression Analysis to evaluate the impact of microcredit on economic empowerment of women is presented in Table II. The regression coefficient value indicates that with a unit increase in the extent of micro-credit, the economic empowerment index increases by 0.0013 units in Punjab state as a whole. In the case of Ludhiana, Hoshiarpur and Ferozepur districts, similar results were seen. The regression coefficients indicate that the impact of microcredit is highly significant and has a positive relationship with empowerment index in the study area. In a nutshell, it is inferred that microcredit has contributed significantly towards the improved empowerment of the rural women in the study area.

TABLE II: IMPACT OF MICROCREDIT ON ECONOMIC EMPOWERMENT – LINEAR REGRESSION ANALYSIS

	Ludhiana	Hoshiarpur	Ferozepur	Punjab
Regression coefficient (β)	0.00296*	0.00076*	0.0047*	0.001281*
Standard error	5.16×10^{-5}	0.00011	0.00075	9.88×10^{-5}
't' value	57.35	6.76	6.35	12.97
R^2	0.961	0.232	0.565	0.347

* Significant at one percent level of probability

The main finding of the study reveals that with the intervention of microcredit programme, the rural women are coming outside the homestead to participate in various income-generating activities. The study shows that income of the women respondents has significantly improved which in turn improved their participation in household decisions. The women members have been able to increase their decision making ability, communications skills, influence on financial decisions in the family etc. by participating in microfinance programme. Thus, microcredit has strengthened the women empowerment in terms of economic and social aspects. The findings of the study are in tune with the literature [22], [23] which also reported the positive relationship between the access of microcredit and women empowerment.

VII SUGGESTIONS AND CONCLUSION

It emerges from the research that formation of SHGs is creating a positive impact on livelihood of women in Punjab state as income and empowerment levels of the women increased after joining SHGs and availing micro-credit. Sustainability of SHGs is possible only when the problems faced by them are addressed effectively. Hence, it is suggested that measures should be adopted to avoid

problems like delay in sanction of loan, inadequate loan size, lack of skill based training and difficulties in marketing the product for effective working and sustainability of SHGs in the state of Punjab.

The results of the study by Ferdoushi *et al*, 2011 [24] showed that the respondents availing microcredit contribute much higher to their family income than the respondents who does not avail microcredit. Therefore, there is a need to increase the quantum of loan, and enhance knowledge and management skills of the small borrowers for different types of ventures to convert them into large borrowers. This may act as a powerful endeavor to increase the impact of SHGs in terms of income and empowerment. To summarize the above, it is indicated that the microcredit has contributed significantly towards the empowerment of the rural women in the study area.

APPENDIX

TABLE III: IMPACT OF MICROCREDIT ON ECONOMIC EMPOWERMENT, PUNJAB

Particulars	Small borrowers		Large borrowers	
	Mean	SD	Mean	SD
Punjab				
Increase in Monthly Income	2.23	0.91	3.67	0.76
Increase in Household Savings	2.08	0.77	4.00	0.87
Help in Assets creation (Purchase of land, animals, jewelry etc)	2.38	0.78	3.61	0.98
Improved Decision making power regarding economic matters of the family	2.40	0.92	3.43	1.03
Improvement in standard of living	2.50	1.02	3.57	1.11
Greater ability to go alone for Marketing of Products	2.38	0.92	3.41	1.01
Improved role in economic decision making with regard to education, health, marriages of the children.	2.48	0.95	3.68	3.35
Improved role in decisions regarding the general welfare of the family	2.37	0.96	3.64	1.09
Improved ability to spend on self	2.60	0.96	3.66	0.98

TABLE IV: IMPACT OF MICROCREDIT ON ECONOMIC EMPOWERMENT, LUDHIANA

Particulars	Small borrowers		Large borrowers	
	Mean	SD	Mean	SD
Ludhiana				
Increase in Monthly Income	1.92	0.51	3.45	0.49
Increase in Household Savings	1.75	0.75	3.83	0.00
Help in Assets creation (Purchase of land, animals, jewelry etc)	2.17	0.58	3.57	0.97
Improved Decision making power regarding economic matters of the family	1.83	0.39	3.26	0.00
Improvement in standard of living	1.67	0.78	3.57	0.51
Greater ability to go alone for Marketing of Products	1.83	0.58	3.26	0.49
Improved role in economic decision making with regard to education, health, marriages of the children.	1.75	0.45	3.95	0.62
Improved role in decisions regarding the general welfare of the family	1.67	0.65	3.77	0.39
Improved ability to spend on self	2.17	0.39	3.59	0.49

TABLE V: IMPACT OF MICROCREDIT ON ECONOMIC EMPOWERMENT, FEROZEPUR

Particulars	Small borrowers		Large borrowers	
	Mean	SD	Mean	SD
Ferozepur				
Increase in Monthly Income	3.33	0.58	3.83	1.02
Increase in Household Savings	2.33	0.58	3.93	1.01
Help in Assets creation (Purchase of land, animals, jewelry etc)	3.33	0.58	3.87	1.22
Improved Decision making power regarding economic matters of the family	2.33	0.58	3.53	1.11
Improvement in standard of living	2.33	0.58	3.53	1.11
Greater ability to go alone for Marketing of Products	3.33	1.53	3.60	1.10
Improved role in economic decision making with regard to education, health, marriages of the children.	2.67	0.58	3.20	1.00
Improved role in decisions regarding the general welfare of the family	2.33	0.58	3.60	1.38
Improved ability to spend on self	2.67	0.58	3.37	1.19

TABLE VI: IMPACT OF MICROCREDIT ON ECONOMIC
EMPOWERMENT, HOSHIARPUR

Particulars	Small borrowers		Large borrowers	
	Mean	SD	Mean	SD
Hoshiarpur				
Increase in Monthly Income	2.24	0.96	3.86	0.74
Increase in Household Savings	2.16	0.77	4.21	0.61
Help in Assets creation (Purchase of land, animals, jewelry etc)	2.38	0.81	3.58	0.74
Improved Decision making power regarding economic matters of the family	2.56	0.45	3.60	1.14
Improvement in standard of living	2.73	0.76	3.58	1.15
Greater ability to go alone for Marketing of Products	2.47	0.89	3.52	1.13
Improved role in economic decision making with regard to education, health, marriages of the children.	2.67	0.98	3.52	1.11
Improved role in decisions regarding the general welfare of the family	2.56	0.97	3.52	1.14
Improved ability to spend on self	2.71	1.06	3.82	1.15

REFERENCES

[1] Poverty in India, Retrieved from worldbank.org, 2012.
 [2] Yunus, M. *Banker To The Poor: The Story Of The Grameen Bank*. New Delhi, India: Penguin Books India Pvt. Ltd, 2007.
 [3] Graflund, F. *The Impact of Microcredit on Women's Empowerment - A Case Study of Microcredit in the Tangail District, Bangladesh*. Sweden : Department of Economics at the University of Lund, 2013.
 [4] Yakekdevi, A. A Study on Growth of SHGs in karjat Tuluka, India, *Indian Streams Research Journal*, Retrieved from ISRJ.org, 2014.
 [5] Saarthi, M. The Role of Women Self – Help Groups in Rural Development of Karnataka State, India. *International Research Journal of Social Sciences*, 2(9), 23-25,2005.
 [6] Basher, M.A. Empowerment of Microcredit Participants and Its Spillover Effects: Evidence from the Grameen Bank of Bangladesh. *The Journal of Developing Areas*, 40(2), 273-293,2007.
 [7] Kar, J. Improving Economic Position of Women through Microfinance: Case of a Backward Area, Mayurbhanj-Orissa, India, *Indus Journal of Management & Social Science*, 4(6), 31-38,2008.
 [8] Chaudhry, I.S. & Nosheen, F. The Determinants of Women Empowerment in Southern Punjab (Pakistan): An Empirical Analysis. *European Journal of Social Sciences*, 10(2), 216-229,2009.
 [9] Bansal, D. Impact of Microfinance on Poverty, Employment and Women Empowerment in Punjab. Doctoral Thesis: Punjabi University, Patiala, 2011.
 [10] Baro, P.K. & Sarania. R. Employment and Educational Status: Challenges of Women, *International Journal of Humanities & Social Science*, 3(4), 17-19,2011.
 [11] Mula, G. & Sarker, S.C. Impact of Microfinance on Women Empowerment: An Economic Analysis from Eastern India. *African Journal of Agricultural Research*, Nairobi Academic Journals, 5673-5684, 2012.
 [12] Morris, G. & Barnes, C. An Assessment of the Impact of Microfinance: A Case Study from Uganda, *Journal of Microfinance*, 7(1), 39-54,2005.

[13] Basu, P.A. Scaling-Up Microfinance for India's Rural Poor. World Bank Policy Research Working Paper, No. 3646, World Bank, Washington DC,2005.
 [14] Bates, J.O. Micro Entrepreneurship and Job Creation: A Multiple Case Study of HUD Microenterprise Development Assistance Programs in Upstate New York. *Journal of Microfinance*, 7(2), 127-147,2005.
 [15] Banerjee, T. Economic Impact of Self Help Groups – A Case Study. *Journal of Rural Development*, 28(4), 451-467,2009.
 [16] Panda, D.K. Socio-Economic Impacts of Self-Help Groups on Rural Women: Findings from Orissa and Jharkhand States of India, *ASBM Journal of Management*, 6(30), 88-102,2009.
 [17] Rahman, M.M. & Ahmad, F. Impact of Microfinance on the Rural Poor's Livelihood in Bangladesh: An Empirical Study, *International Journal of Islamic and Middle Eastern Finance and Management*, 3(2), 168-190,2010.
 [18] De Haan, L. & Lakwo, A. Rethinking the Impact of Microfinance in Africa: Business Change or Social Emancipation. *The European Journal of Development Research*, 22(4), 529-545, 2010.
 [19] Ganga & Jain, D. Impact of Dairy Financing Through Self-Help Groups on Income and Employment Generation in Jaipur District of Rajasthan, *Indian Journal of Dairy Science*, 65(4), 337-341,2012.
 [20] Economic Advisor to Government, Punjab. *Statistical Abstract Punjab*. Chandigarh: Economic and Statistical Organization, Government of Punjab,2013.
 [21] Census of India (2011).
 [22] Bali, R. S. Can Microfinance Empower Women? Self Help Groups in India. *Dialogue*, 61-82,2007.
 [23] Holvoet, N. The Impact of Microfinance on Decision Making Agency: Evidence From South India. *Development and Change*, 75-102,2005.
 [24] Ferdoushi, A., Chamhuri, S. & Nor Aini Hj. Idris. Contribution of Rural Women to Family Income Through Participation in Microcredit: An Empirical Analysis. *American Journal of Applied Sciences*, 238-245,2011.