

Research Article



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Role of Microfinance in Women's Empowerment and Poverty Eradication in India

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Microfinance is considered a panacea for poverty alleviation through financial inclusion. Among the multiple disparities that hinder inclusion, gender inequality is the most pervasive. Therefore, the reach of microfinance through women's collective is seen as ideal for achieving zero poverty. The Self Help Group (SHG) -Bank Linkage program in India is a model for microfinance that promotes the tripod of microfinance, women empowerment, and poverty alleviation for inclusive and sustainable development. Against this backdrop, this study analyzed the role of microfinance in empowering women and eradicating poverty in the Nizamabad district in Telangana, India. This survey design studied 303 women SHG members selected through stratified random sampling. The results confirmed that SHG women's shift to better economic activities significantly increased their income. Their contribution to household savings has blazed a creative path for poverty alleviation.

INTRODUCTION

Poverty is one of the biggest problems in the modern world, so poverty eradication has been set as the first sustainable development goal to be achieved by 2030 (Kamruzzaman, 2016; Zavyalova and Krotova, 2021). A multifaceted interaction of a set of factors promotes sustainable development, where reducing inequality and eradicating poverty are vital factors (Roy *et al.*, 2018). Inequality is multidimensional, but as a feature of social relations, gender inequality is pervasive in most societies. Therefore, gender mainstreaming is crucial in poverty eradication (Kabeer, 2003). Women and men should be considered equally while formulating economic and social policies and poverty alleviation strategies to eradicate poverty and achieve adequate progress.

Microfinance is a vital tool supporting poor rural people to improve their standard of living and socio-economic status. It is about providing thrift, credit, and other financial services and products of a very minimal to the poor. It is considered a panacea for poverty alleviation (Dadhich, 2001) as it provides banking services to low-income people without access to other financial services. It evolved as a needs-based program for the empowerment of the marginalized section. Microfinance institutions (MFIs) play a critical role in gender and development

strategies that enable women's empowerment and poverty reduction (Sinha *et al.*, 2022).

National Bank for Agriculture and Rural Development (NABARD) launched a Self-Help Groups (SHGs)-Bank Linkage Programme (SBLP) in 1992 to support females in rural areas (Karuppannan, 2012; Sujlana and Kiran, 2018), which became an accepted institutional framework to provide financial services to the poor (Mansuri, 2010). As a financial intermediary, SBLP promotes women empowerment influencing their economic status, knowledge, decision-making power, and self-worthiness (Aruna and Jyothirmayi, 2011). Therefore, SBLP has been widely promoted to empower women and eradicate poverty in India (Swain and Wallentin, 2009). Thus, microfinance has proven to be a powerful tool for increasing women's empowerment across all indicators, including family decision-making, household financial decision-making, financial security, mobility, and legal awareness (Sujatha Gangadhar and Malyadri, 2015).

Microfinance development through SHG aimed at empowering women to eliminate all forms of poverty, such as basic needs, income, knowledge, information, and capacity poverty (Sultana *et al.*, 2017). However, women attained more knowledge and social empowerment than economic development through SBLP (Sultana *et al.*, 2017).

However, microfinance depoliticized the progressive politics for gender equality and provided an entry point for poor women to access material resources (Kumari, 2011). Since many studies link the triad of microfinance, women's empowerment, and poverty alleviation, this study analyzed the role of microfinance in women's empowerment and poverty eradication in Nizamabad, Telangana.

METHOD

This descriptive research adopted a survey design to study the economic empowerment of women SHG members through microfinance. It examined the financial activities and changes in employment, monthly income, and savings of SHG members to assess the difference in their economic status, confirming their economic empowerment toward poverty eradication.

Sampling

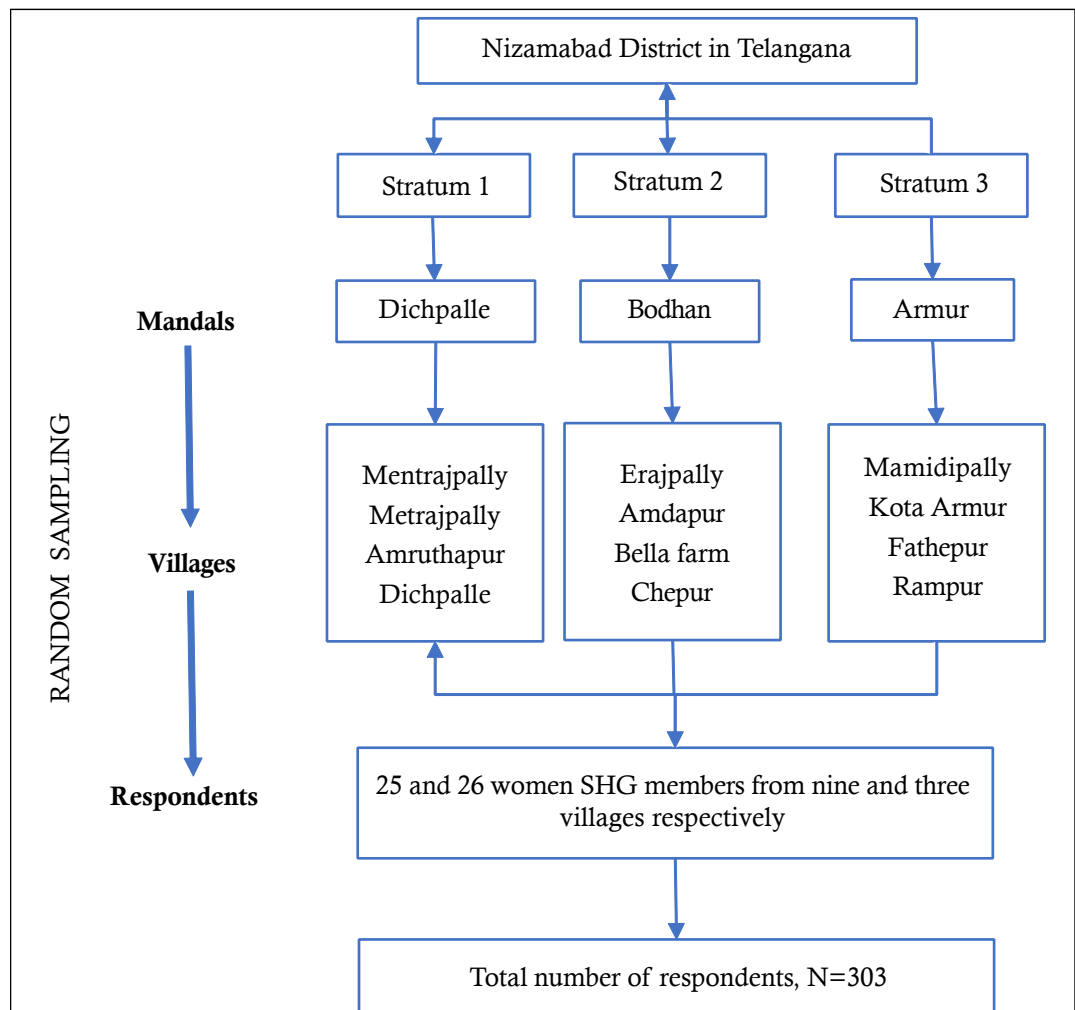
This study selected the Nizamabad district in

Telangana using purposive sampling. Then the study participants were chosen from Nizamabad using stratified random sampling. Figure 1 shows the sampling strategy of this study.

This research divided the Nizamabad district into three strata and randomly selected one *Mandal* (constituency) from each stratum. Further, four villages were randomly selected from each *Mandal*. Then, the women SHG members were chosen from each village randomly as the study respondents. 25 and 26 respondents were selected from nine and three villages, respectively. The total number of respondents for the study was 303.

The researcher developed a questionnaire to measure the study's variables and collected data through one-to-one interviewing of the respondents using the questionnaire. The data were analyzed statistically, and interpreted the results. To test the role of microfinance in empowering women and alleviating poverty, this study hypothesized that,

Figure 1. Sampling Strategy



H (0): The difference between women's income before and after joining SHG is insignificant. The hypothesis was tested using XLMiner Analysis Toolpak.

RESULTS

Education Status of Respondents

This study measured and analyzed the education status of the respondents. Table 1 shows the *Madal*-wise results.

Table 1 illustrates that nearly half (48.5%) of respondents were illiterates. Women SHG members with graduation were merely 6.6%. However, education is well thought of as an active tool to empower women, and the educational level of women SHG members in this study needed to be more profound.

Employment Profile of Respondents

The employment profile of respondents before and after joining SHG was measured in this study. Figure 2 shows respondents' employment profile changes after joining SHG.

Figure 2 depicts nearly a 50% increase in self-employment after joining SHG. The number of laborers and unemployed women reduced according to the rise in self-employment.

Monthly Income of Respondents

The average monthly income of respondents was measured in this study. Figure 3 shows the respondents' average monthly income before and after joining SHG.

Most women in the study had a monthly income between 5,000 and 10,000 Rupees before joining SHG. However, 38.4% of them moved to higher-income categories after joining SHG. The most significant addition of women occurred in the above 100,000 Rupees category.

Source of Family Savings

This study explored the savings sources of the respondents' families before and after joining SHG. Table 2 illustrates the results.

Table 2 demonstrates that the number of women contributing to family savings increased fourfold with

Table 1. Education Status of the Respondents

Mandal	Education					
	Illiterate	Up to Class V	Class VI to X	Intermediate	Graduation	Others
	26	32	34	06	05	00
Dichpalle	62	13	14	07	04	00
Bodhan	59	15	05	10	11	00
Armoor	147	60	53	23	20	00

Source: Field Survey

Figure 2. Employment profile of Respondents Before and After Joining SHG

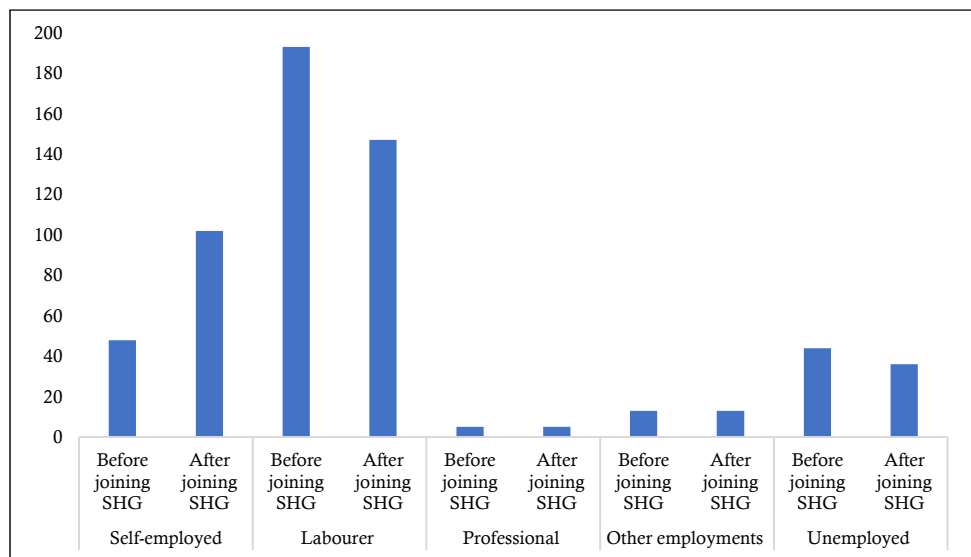


Figure 3. Average Monthly Income of Respondents Before and After Joining SHG

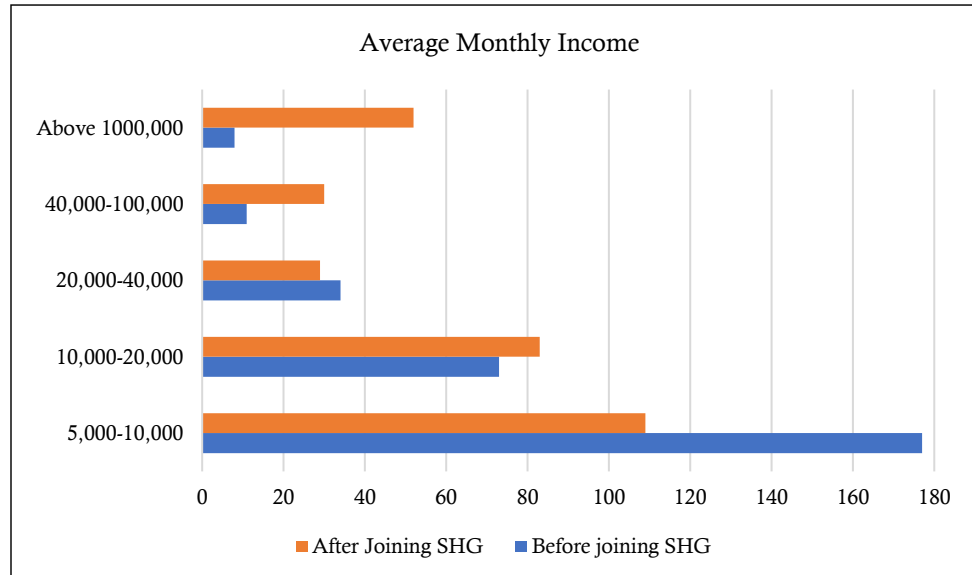


Table 2. Savings Sources of the Respondents' Family

Source	Before joining SHG	After joining SHG
Respondent's earning	55	235
Husband's earning	110	36
Farming	13	21
Animal husbandry	07	03
Borrowed money	13	08

participation in SHGs. On the contrary, the contribution from their husbands to the savings decreased significantly. While the income from agriculture has increased, the income from animal husbandry has reduced. Household borrowing also fell with women's SHG participation.

Economic Activities of Respondents

The economic activities of women changed with their participation in SHGs. Figure 4 shows the change in the pattern of economic activities of respondents before and after joining SHG.

Table 3 shows that after joining SHGs, more women were engaged in restaurants, tiffin centers, petty shops, cloth trade, fruit and vegetable selling, flower selling, tailoring, and dairy farming. Many of them left agriculture, goat rearing, and weaving.

Hypothesis Testing

The null hypothesis was tested using paired two-sample for mean in Microsoft excel to confirm respondents'

Figure 4. Economic activities of Respondents

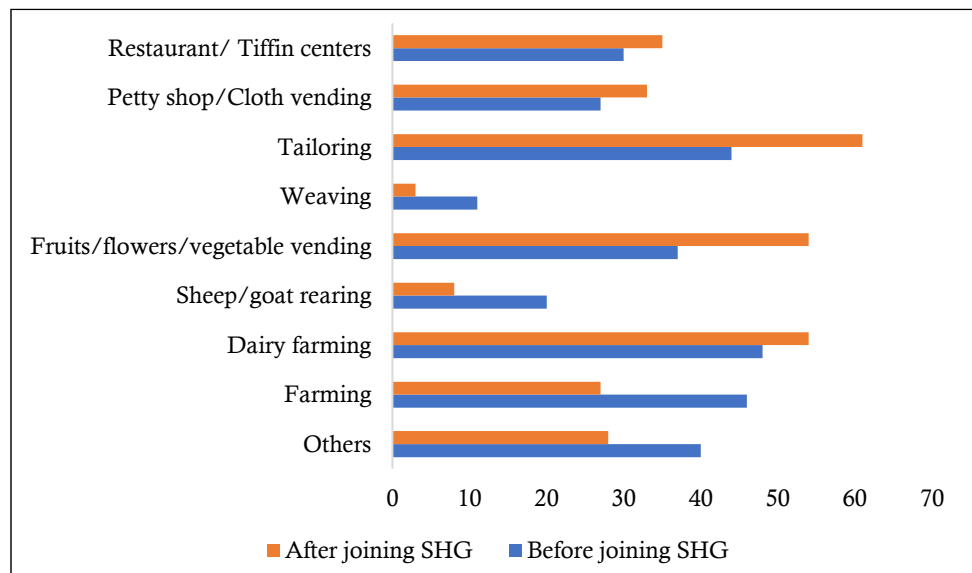


Table 3. T Test: Paired Two Sample for Means

	Before Joining SHG	After joining SHG
Mean	16551.15512	41641.91419
Variance	468736612.9	2657663569
Observations	303	303
Pearson Correlation	0.700400075	
Hypothesized Mean Difference	0	
df	302	
t Stat	-11.04754704	
P(T<=t) one-tail	2.33807E-24	
t Critical one-tail	1.649914767	
P(T<=t) two-tail	4.67614E-24	
t Critical two-tail	1.967850163	

income growth after joining SHG. Table 3 shows the test result. Further, the p-value was calculated as 0.000, using the T score to p-value calculator. Since $p < 0.01$, this study rejected the null hypothesis and accepted the alternative hypothesis that the difference between the monthly income of respondents before and after joining SHG is significant.

DISCUSSION

Microfinance through SBLP has improved the standard of living of SHG members; Hence, SHGs were recognized as public development vehicles (Reddy and Malik, 2011). SBLP is an indigenous microfinance model developed in India and widely known as successful (Kumar and Golait, 2008). SBLP was envisioned to bridge the gap in the formal financial network and extend banking reach to the poor. This microfinance model aimed at the financial inclusion of the marginalized to ensure the country's inclusive and sustainable growth (Pokhriyal and Ghildiyal, 2011).

This study's results agree that focusing on loans for productive purposes will increase borrowers' income and improve their repayment capacity (Manohar, 2015). Disbursing small amounts to SHG members through MFIs encouraged them to convert their economic activities into more income-generating ones. Many SHG members in this study quit traditional weaving and goat rearing and became entrepreneurs in restaurants, petty shops, tailoring units, etc. This study confirms that their income increased with a change in economic activities. Thus, SHG became a keystone of microfinance in India (Reddy and Manak, 2005).

By weakening informal money lending in India, the SBLP model of microfinance improved access to financial services for the rural poor (Basu and Srivastava, 2005). As this study has shown, women SHG members in Nizamabad received financial assistance to transform their economic activities into more income-generating ones. Their financial activities increased their income to contribute to family expenses and savings. It supports the view that, besides saving habits, microfinance opens up more financial opportunities for women to become micro-entrepreneurs by building confidence in earning and managing money (Samineni and Ramesh, 2020).

SHGs create employment opportunities leading to poverty alleviation while uplifting the status and position of women in the family and society. As a financial intermediary, SHGs are a powerful medium for promoting entrepreneurship among the poor, whose success as entrepreneurs is crucial for increasing their per capita income and poverty alleviation (Chakraborty *et al.*, 2019). Therefore, microfinance is a veritable tool for women's empowerment and poverty alleviation (Ilavbarhe and Izeckor, 2015).

CONCLUSION

When credit was recognized as a remedy for poverty, India created several pro-poor financial services with customized credit packages to meet the needs of the poor. SHGs facilitated this flow of credit to marginalized sections of society. The linkage of SHGs with banks triggered the hike of the microfinance sector and resulted in women's income growth. The involvement of women in the economic process contributed substantially to poverty reduction. Moreover, the financial base that the women acquired through SBLP enhanced their decision-making power in the financial management of households, resulting in their financial growth. Thus, the women-inclusive, more specifically, the women-centered economic process proved to resolve poverty. In addition, microfinance supported financial freedom, shattered culturally ingrained gender notions, and gave women the power to contribute to household budgets. It provided financial stability to women. Economic empowerment served as a base for their psychological empowerment to make decisions on their own and family matters. Moreover, women's engagement with SHGs improved their social visibility and upskilled them to deal with financial and

social issues. In conclusion, microfinance is instrumental in women's empowerment and poverty alleviation.

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