

Reformative Role of Microfinance: A Comprehensive Review of the Existing Literature

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Abstract: The purpose of this article has been to introduce the ASIAN finance academic community to the discipline of microfinance and microfinance institutions. Most of the studies reviewed were identified during the author's preparation for this paper, which involves India. This Study covers the issues of MFI sustainability, products and services, management practices, client targeting, regulation and policy, and impact assessment in a summary literature review. Our hope is that this article will help turn the attention of finance researchers to the important issues in microfinance. It helps to improve donor effectiveness in microfinance. This study provides insights into the Microfinance practices of the developing economies. A limitation to this paper is that the boundaries between the proposed categories of shareholder political connections are blurred.

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I. Introduction

The women work longer than men, contribute really substantially to the family income yet the women are not perceived as productive workers. (Pankajam and Lalitha, 2005)¹. The lives of most people in rural India have hardly improved (Abraham George, 2001)². As a result, women's economic, social, and cultural rights are routinely violated in housing, education, and employments, as well as their right to food or a means of subsistence (Ngwakwe, 2002)³. Women are considered central to the success of poverty alleviation efforts. Because of inequities in education, levels of skill, social constraints on their mobility and the attitudinal and institutional barriers to which their behavior is subjected, women in households with an income below the absolute or relative threshold of poverty remain poorer than men of the same households (Soofia Mumtaz, 2000)⁴. Women empowerment is important in order to make use of humankind's full potential; 70 percent of the world's poor are women (Khan and Noreen, 2012)⁵. "Microfinance is based on the premise that the poor have skills which remain unutilized or underutilized. It is definitely not the lack of skills, which make poor people poor. Charity is not the answer to poverty. It only helps poverty to continue. It creates dependency and takes away the individual's initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty" (Muhammad Yunus, 2003)⁶. An attempt is made to review the existing

¹ Pankajam G., Lalitha, N. 'Women Empowerment and Rural Development Programmes Gandhigram Experience,' in Samanta, R.K., (ed.), *Empowering Rural Women: Issues, Opportunities and Approaches*, The Women Press, Delhi, 2005, 44-45.

² Abraham George (2001) Text of a speech delivered at the conference on empowerment of women in developing countries, hosted by the Action Alliance on Women's Health, Santa Fe, New Mexico, USA, on 26-27 April, 2001.

³ Ngwakwe, J. (2002). "Realising Women's Economic, Social, and Cultural Rights: Challenges and Strategies in Nigeria." *Canadian Journal of Women and the Law* 14, 42-157.

⁴ Soofia Mumtaz, (2000) *The Pakistan Development Review*, Vol. 39, No. 4, Papers and Proceedings PART I Sixteenth Annual General Meeting and Conference of the Pakistan Society of Development Economists Islamabad, January 22-24, 2001 (Winter 2000), pp. 877-890.

⁵ Khan, R. and Noreen, S. (2012). *Microfinance and Women Empowerment: A case study of District Bahawalpur (Pakistan)*. *African Journal of Business Management*, 6(12), pp.4514-4521.

⁶ Muhammad Yunus, (2003) *Expanding Microcredit Outreach to Reach the Millennium Development Goals*, International Seminar on Attacking Poverty with Microcredit, Dhaka, Bangladesh.

available literature relating to functions of SHGs, impact of microfinance's on the social and economic status of women, in the following section.

II. Review of the Existing Literature

Rural women are silent workers in the rural economy. Very often, their contribution goes unnoticed. They are free labor in the family and works for the agricultural lands of rural families. This work of them not only goes unnoticed but also does not earn her the respect she deserves to get. It is not only the poor and the underprivileged; it is one more segment in the population that has no access to education, funds, quality of life and improvement in the living standards, the women of the country living under the poverty line. Micro finance therefore has been addressing the issue of women empowerment and emancipation and is a ray of hope to the women who had otherwise had no hope to say the least. This paper tries to address all such issues by highlighting the role of microfinance on Women SHG members.

Microfinance and Women Empowerment

The failures of the formal financial systems resulted in the development of the concept of microfinance. Poor people have continuously been denied access to financial services and in an attempt to reach these people, microfinance emerged as a possible solution (Brau & Woller, 2004)⁷. The literature on self-help groups (SHGs) and Microfinance on empowering women both economically and socially is one that shows a mixed record.

Women's empowerment is a process whereby women become able to organise themselves in order to increase their own self-reliance, to acquire the independent right to make choices and to control resources which will assist in challenging and eliminating their own subordination according to Keller and Mbwewe. A few overlapping concepts like those that option, choice, control and power are most often included in defining empowerment. These concepts refer to women's decision-making abilities, and the ability to affect desired outcomes for themselves and their families (Malhotra, 2002)⁸. Empowerment has also been related to terms like autonomy, self-determination, agency, control over own life and resources, and mobilization (Narayan, 2005)⁹. In line with these concepts, empowerment is frequently referred to as the ability to affect one's own well-being, and to make strategic life choices (Malhotra et al., 2002)¹⁰. This can be seen in Petesch (2005)¹¹, who defines empowerment as "increasing both the capacity of individuals or groups to make purposeful choices and their capacity to transform these choices into desired actions and outcomes".

Batliwala (1994)¹² defines empowerment as the process of how the powerless gain control over the circumstances of their lives, by challenging the ideologies, and getting access to and having control over resources. The definition according to G. Sen (1993)¹³ states empowerment as "altering relations of power, which constrain women's options and autonomy and adversely affect health and well-being". Narayan (2002)¹⁴ describes it as "the expansion of assets and capabilities of poor people to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives". The different definitions of empowerment can be essentially summarized as women having the ability to control their own life and also women having the ability to make own decisions.

⁷Brau, J. and Woller, G. (2004). Microfinance: A comprehensive review of the existing literature. *Journal of Entrepreneurial Finance, JEF*, 9(1), pp.1-27.

⁸Malhotra, A., Schuler, S. and Boender, C. (2002). Measuring Women's Empowerment as a Variable in International Development. World Bank, *Poverty and Gender: New Perspectives*, pp.3- 58.

⁹Narayan, D. (2005). *Measuring Empowerment*. Washington, DC: World Bank.

¹⁰Malhotra, A., Schuler, S. and Boender, C. (2002). Measuring Women's Empowerment as a Variable in International Development. World Bank, *Poverty and Gender: New Perspectives*, pp.3- 58.

¹¹Petes, P., Smulovitz, C. and Walton, M. (2005). Evaluating Empowerment: A Framework and Cases from Latin America. In: D. Narayan, ed., *Measuring Empowerment: Cross-Disciplinary Perspectives*, 1st ed. Washington D.C: World Bank, pp.39-67.

¹²Batliwala, S. (1994). The meaning of women's empowerment: new concepts from action. *Population Policies Reconsidered: Health, Empowerment and Rights*.

¹³Sen, G. (1993). Women's empowerment and human rights: The challenge to policy. *Population, the Complex Reality: A Report of the Population Summit of the World's Scientific Academies*. London: Fulcrum Publishing, Royal Society, pp.363-372.

¹⁴Narayan, D. (2002). *Empowerment and Poverty Reduction: A Sourcebook*. Washington D.C: World Bank.

According to CGAP, "Comprehensive impact studies have demonstrated that: Microfinance helps very poor households meet basic needs and protect against risks; The use of financial services by low-income households is associated with improvements in household economic welfare and enterprise stability or growth; Microfinance helps to empower women, by supporting women's economic participation. This promotes gender-equity and improves the well-being of the households. The magnitude of impact is positively related to the length of time that clients have been in the program. This is true for almost all significant impacts. "Microfinance is not only used for investments in economic activity, but also to finance health controls, education, household consumption, as well as reducing vulnerability to crises. Having access to financial services has the potential to enable poor people to improve health and nutrition, increase assets and household income, and plan for their future (Armendariz & Morduch, 2010)¹⁵.

The women self-help group in India has been recognized as an effective strategy for the empowerment of women in rural as well as urban areas, bringing women together from all spheres of life to fight for their rights, according to Sunil Subhash Patil (2013)¹⁶. The economic factor is the most effective in empowering women. The results reveal that for the SHG members this is true. Greater autonomy and social attitudes also have a significant women empowerment impact (Ranjula Bali Swaina, Fan Yang Wallentinb, 2012)¹⁷. The examples from the various micro finance groups support, Granovetter's (1985)¹⁸ claim that continuing economic relations often become overlaid with social content that carries strong expectations of trust. Microcredit influences women's decisions-making power on household expenditure, non-land assets, and children's education according to Pitt and Khandker (1998)¹⁹. Furthermore, Schuler et al. (1996) suggests that microfinance programs can decrease women's vulnerability to domestic violence.

Murlidhar A. Lokhande (2013), found overall personality index grown by 59.01 per cent and it was inferred that micro financing through women self-help groups had brought a positive change in the lives of the members. The study concluded that poor, discriminated and underprivileged women if join the groups, can come out of poverty.

Microfinance Impact at the Individual Level

Reviews of microfinance efforts (Morduch, Haley, 2001)²⁰, from various parts of the world suggests that, by and large, access to microfinance has had a positive economic impact, that this impact has been often larger for those closer to the poverty line than those further away and that they increase with duration of membership or intensity of loans as members begin to invest in assets rather than consumption. The economic impact is visible in terms of savings habit, increased credit accessibility, contribution to household income, and acquisition of household assets (E.M. Reji, 2009)²¹. The 'wider impacts' of micro-lending on the lives of the poor aim at gauging the social impact analyses of microfinance programs. This wider impact can be taken to be a 'public good' that benefits the sector the microfinance institutions (MFIs), donors, borrowers, and even the non-borrowers, in its entirety: (Asad Ghalib, 2009)²².

¹⁵ Armendá riz, B. and Morduch, J. (2010). *The economics of microfinance*. Cambridge, Mass: MIT Press. *The Economics of Microfinance*. Cambridge, Mass: MIT Press.

¹⁶ Sunil Subhash Patil, (2013) *Self Help Groups Promotes Rural women Empowerment-A Study Of Selected Villages In Kolhapur District*, BVIMSR's Journal of Management Research, Vol. 5 Issue – 2, 160 – 169.

¹⁷ Ranjula Bali Swaina and Fan Yang Wallentinb, 2012(a), 2009(b) *Factors empowering women in Indian self-help group programs*, *International Review of Applied Economics*, Vol. 26, No. 4, July 2012, 425–444.

¹⁸ Granovetter, Mark. (1985) "Economic Action and Social Structure: The Problem of Embeddedness." *American Journal of Sociology* 91(3) :481-510.

¹⁹ Pitt, M. and Khandker, S. (1998). *The Impact of Group-Based Credit Programs on Poor Households in Bangladesh: Does the Gender of Participants Matter?* *Journal of Political Economy*, 106(5), p.958.

²⁰ Morduch, J and B Haley (2001) *Analysis of the Effects of Microfinance on Poverty Reduction*, CIDA, Ottawa.

²¹ Reji E.M, (2009) *Socio-Economic Impact of Microfinance: A Study of Neighbourhood Groups (NHGs) in Nilambur Block of Malappuram District, Kerala*, *Indian Journal of Agricultural Economics*, Vol. 64, No. 2, 246 – 258.

²² Asad Kamran Ghalib, (2009) *Impact Assessment Research Centre (IARC), University Of Manchester, IARC Working Papers Series No. 24/2009*.

However, Women empowerment is a process where to effectively promote their wellbeing, women challenge the existing norms and culture, (Ranjula Bali Swaina, 2009)²³. The participation of women in Self Help Groups (SHGs) both in social and economic aspects made a significant impact on their empowerment (Ramesh Ajmeera, 2014; M. Meganathan, 2015; V.N. Jothi, 2010)²⁴.

There is a high correlation between microcredit and children's education (Yasmine F. Nader, 2008)²⁵, also income and assets. It has also been proved in various studies that microcredit has improved the health and harmony in the family that has taken the credit. The net impact not only in case of all the borrowers but also in case of the poorest borrowers, shows that the better outreach of the bank linkage programme of borrowing on income is positive. However, certain shortcomings were also observed in some studies. The process of empowerment was poor (K. Sivachithappa, 2013)²⁶, although a positive impact on poverty was observed.

The self-help group (SHG) is a form of social institution, which has acted as an instrument for social change (Smith and Pillheimer, 1983)²⁷. These self-help groups have performed micro-banking operations and have acted as micro-level banks for the poor, vulnerable and unprivileged section of the society (Reddy, 2002)²⁸. The SHGs were able to provide micro-loans like business loans, consumption loans, and old debt resettlement loans to the members (Datta and Raman, 2001)²⁹. The greatest gift of the self-help groups in India was that of women empowerment (Amma and Panicker, 2008)³⁰.

Socio-economic impact of Self Help Groups was studied by Puhazhendi (2002)³¹ and found that the overall impact of Self Help Group was significant both on social and economic domains of the house hold. Changed self-image and organizational and collective action, enhanced access to information and skills, broadening the knowledge of the members about resource availability, developing leadership qualities comes as a result of participation in-group activities.

Microfinance is the proper tool to reduce income inequality, allowing citizens from lower socio-economical classes to participate in the economy. Moreover, its involvement has shown to lead to a downward trend in income inequality (Hermes, 2014)³². However, that microfinance brought psychological and social empowerment than economic empowerment argued Sarumathi (2011)³³.

²³Ranjula Bali Swaina and Fan Yang Wallentinb, 2012(a), 2009(b) Factors empowering women in Indian self-help group programs, *International Review of Applied Economics*, Vol. 26, No. 4, July 2012, 425–444.

²⁴Ramesh Ajmeera, (2014) Self Help Groups In Empowering Women: A Study In Warangal District, Telangana State, *IRACST – International Journal of Commerce, Business and Management (IJCBM)*, ISSN: 2319–2828 Vol. 3, No. 5, October 2014, 659 – 667.

²⁵Yasmine F. Nader, (2008) Microcredit and the socio-economic wellbeing of women and their families in Cairo, *The Journal of Socio-Economics* 37 pp 644–656.

²⁶Sivachithappa. K, (2013) Impact of Micro Finance on Income Generation and Livelihood of Members of Self Help Groups – A Case Study of Mandya District, India, *Procedia - Social and Behavioral Sciences* 91 (2013) 228 – 240.

²⁷Smith, D H and Pillheimer, K (1983). “Self-Help Groups as social movement organizations: Social structure and social change” *Research in social movements: conflicts and change*, Vol. 5, No. 2, pp. 203-233.

²⁸Reddy, G N (2002). “Empowering Women through Self Help Groups and Micro Credit: The Case of NIRD Action Research Project” *Journal of Rural development*, Vol. 21, No. 4, pp. 511-535.

²⁹Datta, S K and Raman, M (2001). “Can Heterogeneity and Social Cohesion Coexist in Self Help Groups? An Evidence from Group Lending in A.P. in India” *Indian Journal of Agricultural Economics*, Vol. 56, No. 3, pp. 387-400.

³⁰Amma, K P S and Panicker, K S M (2008) “Microcredit and Women Empowerment: A Study in India” *International Journal of Global Business*, Vol. 1, No. 1, pp. 184-213.

³¹Puhazhendi, (2002) Self Help Group Bank linkage programme for Poor: An impact assessment. Paper presented at Seminar on Self Help Group – Bank Linkage programme at New Delhi 25, 26-11-2002.

³²Hermes, N. (2014). Does microfinance affect income inequality? *Applied Economics*, 46(9), 1021-1034. doi:10.1080/00036846.2013.864039.

³³Sarumathi1 and K.Mohan, (2011)Role Of Micro Finance In Women's Empowerment An Empirical Study In Pondicherry Region Rural Shg's, *Journal of Management and Science*, Vol. 1, No.1, pp. 1-10.

For the credit need of rural women, the SHG as a model of microfinance has proved to be an effective tool to meet the same (Das and Nanda, 2008)³⁴. Analysis of findings showed that the overall impact of microfinance operations in the social sphere was positive, though the extent of impact on the selected social aspects is not alike. For instance, while a significant impact observed on potable water and on the sanitary condition of the respondents an insignificant impact was observed on health, nutrition and family planning and a moderate impact on children's education of the sample borrowers of microfinance. (Mohammad Kamal Hossain, 2012)³⁵.

The women-based micro finance model of SHG in India has not only helped in increasing the income and productive capacity of poor but has also increased the decision-making ability, literacy and empowerment. When it came to rural women in increasing their income, there were strong evidences of positive impact of SHG-based interventions (Panda, 2009; Reddy, 2008; Sham Bhat and Durai Raj, 2008), increase in savings (Reji, 2009), higher consumption patterns (Koul and Mohan, 2009), increase in literacy (SIDBI, 2008; Sharma, 2007), increase in employment and microenterprise (Patra, 2008; Nath and Baruah, 2008; Sinha, 2007), and reduction in migration (Athavale, 2001)³⁶.

Microfinance has an impact on income, savings, expenditure, and the accumulation of assets, as well as non-financial outcomes including health, nutrition, food security, education, child labor, women's empowerment, housing, job creation, and social cohesion. When to the livelihoods of the poor, the available evidence shows that microfinance does harm, as well as good, (Van Rooyen, R. Stewart & T. De Wet, 2012)³⁷. There was a positive impact of Self-help Groups on income, employment, savings, migration reduction, literacy position, household decision-making, participation in PRIs and micro-enterprise development of the women SHG members (Debadutta Kumar Panda, 2009)³⁸.

Families receiving microfinancing are less likely to pull their children out of school for economic reasons. As well, in relation to employment, people are more likely to open small businesses that will aid the creation of new jobs. Overall, the benefits outline that the microfinancing initiative is set out to improve the standard of living amongst impoverished communities (Rutherford, 2009).

The impact of microfinance on living standard of poor people and poverty alleviation in Davanagere District, Karnataka, examined was Gowda and Manjula (2012)³⁹. They found that women were able to increase their income and provide financial support to their families through the microfinance programmes. They also found that microfinance had brought a positive impact in their economic and social situation. This enabled them to take an important role in the decision making process in their family and in society.

The role of microfinance in transforming the socio-economic conditions and livelihood diversification of tribal in Wayanad district of Kerala was studied by Krishnan and Silvi (2011)⁴⁰. They found that the microfinance programmes acted as a catalyst in the livelihood diversification among the tribals, and had improved the employment, income, and savings of the tribals. However, they found only limited social empowerment attained by the beneficiary households. They suggested that more measures have to be taken by microfinance institutions for social empowerment of tribal people and government should take proper action against exploitative activities by informal agencies.

³⁴Das, S K and Nanda, B P (2008). "Microfinance and Sustainable Rural Development" in (New Delhi: New Century Publications), pp. 1-7.

³⁵ Mohammad Kamal Hossain, (2012) Assessment of Social Impact of Microfinance Operations: A Study on BRAC, Interdisciplinary Journal of Research in Business, ISSN: 2046-7141, Vol. 2, Issue. 3, (pp.34- 44).

³⁶Athavale, M C, Sharma, K G and Mishra, A M (2001). "Working of Self-Help Groups and Their Success Story in Hoshangabad District of Madhya Pradesh" Indian Journal of Agriculture Economics, Vol. 56, No. 3, p.480.

³⁷ Van Rooyen, R. Stewart & T. De Wet (2012), The Impact of Microfinance in Sub-Saharan Africa: A Systematic Review of the Evidence, World Development Vol. 40, No. 11, pp. 2249–2262, 2012, ISSN: 0305-750X.

³⁸DebaduttaKumar Panda, (2009) Measuring Impacts Of Women Self-help Group-based Microfinance In Eastern India: An Analysis Through Econometric Models, GMJ, VOL 3,ISSUE 2, pp. 41 -49.

³⁹Gowda, C., and Manjula, B. G. (2012). Impact of microfinance on poor people: A study of living standards, empowerment and poverty alleviation in the Davangere district of Karnataka state. International Journal of Research in Commerce, Economics & Management, 2(5), 56-59.

⁴⁰ Krishnan, C., and Silvi, T. S. (2011). Tribal transformation through microfinance. National Seminar on "Microfinance - Issues and Challenges," Lucknow.

The social and economic impact of the Kudumbashree projects on poor women in rural and urban areas of Kerala was examined by Raghavan (2006)⁴¹. The Kudumbashree project, a vital scheme for alleviating poverty based on microcredit and SHGs, was introduced by the state government of Kerala. It was found that these projects helped in eradicating poverty, and also encouraged women to get involved in the planning and implementation process of various activities. Also, it has enhanced the confidence and status of women in their families and their community.

The microfinance movement and the impact it has had on women was examined by McCarter (2006)⁴². The study pointed out that microfinance programmes have enabled women to use small amounts of money received as credit in innovative and successful ways to develop their livelihoods, improve the well-being of their families, and improve their savings. It also helped to tackle the gender inequalities faced by women. However, the study suggests that microfinance has not really been able to empower women, did not create upward mobility, and was not good enough to create long-term economic growth. The study suggests that microfinance institutions should provide various products, services, and interventions to help advance its clients up the financial ladder, and they should also address the financial requirements of small and microenterprises, which will create more employment opportunities, wider markets, and economic development of the country.

Chakrabarti (2005) evaluated the state of SHG-based microfinance in India. The study pointed out that SHG based microfinance is becoming an important way to meet the financial requirements of people in rural areas, which is nurtured and supported by NGOs. This is leading to the empowerment of women by providing financial training and guidance to the poor. This in turn helps them to reap long-term social and economic benefits. The study suggested the credit availability problem can be alleviated. The beneficiaries of microfinance programmes need guidance on various matters such as micro-consulting, business planning and services, marketing, and so on,⁴³ through microcredit programmes.

Oommen and Meenakshi Sundararajan (2005) analyzed the working pattern, financial status, and socio-economical activities undertaken by the SHGs in Kanyakumari district. They suggested that because they were not able to provide proper guidance and training, the SHGs were not able to create enough employment opportunities to its members and failed to empower women. The study suggested either by buying the commodities of the SHGs, or by helping market them, the government should play a larger role. In this way, the sales of the SHGs would boost up and this in turn will help rejuvenate them. In addition, the study suggested that the microfinance institutions should monitor the activities done by SHGs and should provide guidance.

Microfinance and Savings

It is reported in many studies that primary benefits of participation in SHG is the opportunity to save regularly, access formal savings institutions and participate in the management of these savings (Dasgupta, 2001; Lakshmanan, 2001; Sharma, 2001; Dasgupta, 2001; Puhazhendi and Badatya, 2002; Samanta, 2009; Meetei, 2011; Baruah, 2009; Sahoo, 2011 and Gajbhiye, 2012). Within microfinance, there are typically two types of savings. The two types of savings can either be forced or voluntary. It is common that microfinance clients must make saving deposits in order to receive loans or be a member of lending groups. When they are into savings deposits to be a member this is known as forced savings. The clients must make small deposits at a required minimum amount to their savings account at short time intervals, monitored by the lenders. Additionally, the lenders set restrictions on the withdrawal and use of saved money. The main reasons for enforcing savings on clients is to guarantee some sort of financial collateral while at the same time teaching the clients how to control loans, savings, and repayments. The second method of savings, voluntary, enables the client to make deposits to a savings account at their own will, at a self-chosen amount, and in their own time (Brau & Woller, 2004)⁴⁴.

⁴¹Raghavan, V. P. (2006). Towards a new approach in poverty alleviation and women empowerment: The case of Kudumbashree projects in Kerala. Indira Gandhi Institute of Development Research, Retrieved from http://www.igidr.ac.in/money/mfc_10/V P Raghavan_submission_48.pdf.

⁴²Mc-Carter, E. (2006). Women and microfinance: why we should do more. University of Maryland Law Journal of Race, Religion, Gender and Class, 6(2), 353-366.

⁴³Oommen, U., and Meenakshi sundararajan, A. (2005). Microfinance and self-help groups – the way ahead (with special reference to Kanyakumari district). in G. Isabelle & P. Jane (Eds.), *Microfinance Challenges: Empowerment or Disempowerment of the Poor?* Pondich.

⁴⁴Brau, J. and Woller, G. (2004). Microfinance: A comprehensive review of the existing literature. *Journal of Entrepreneurial Finance, JEF*, 9(1), pp.1-27.

During pre-SHG period, 96.6% of the respondents did not have any savings with any formal/informal institution. But after the introduction of SHG program, the situation has been changed as all the respondents are now availing benefit of savings. 40% of total WSHG members have their savings with common pool, while 30% respondents have a saving account with both common pool as well as RRBs. Further, 30% of members have savings account with common pool and cooperatives, and common pool and chit fund (Navin Kumar Rajpal, 2014). However, there are some issues with this microfinance saving program. One of the issues is that while saving, clients are actually losing part of their savings. When these slum dwellers find someone they trust, they are willing to pay up to 30% to someone to safely collect and keep their savings. There is also the risk of entrusting their savings to unlicensed, informal, peripatetic collectors. However, the slum dwellers are willing to accept this risk because they are unable to save at home, and unable to use the remote and unfriendly banks in their country (Rutherford, 2009).

Microfinance and Decision-Making Power

According to Holvoet, (2005)⁴⁵, decision-making power within the domain of money management is an important aspect of women's empowerment, as these decisions are traditionally taken by men. Microfinance programs aim to increase the decision-making power of the clients, as an increase strengthens the clients control over resources and assets, and enhances their ability to manage and prioritize spending (Littlefield, 2003)⁴⁶. As the female income continues to increase, it enhances her agency within the household to make decisions. This process may eventually reach a tipping point (M.G. Quibria, 2012)⁴⁷, when the balance of power shifts in the favour of women. This is reported in many studies that the impact of the SHG programme increased involvement in household decision-making. Change in the attitude of male members of the families, especially in children education, schoolings decisions, sanitation etc. is observed by various researchers (Manimekalai and Rajeswari, 2001; Kabeer, 2001; Prem Chander & Vanguri, 2007; Banerjee, 2009; Soroushmehr, 2012). The women experienced feelings of freedom, strength, self-identity and increases in levels of confidence and self-esteem. Besides, involvement in SHGs has enabled women to have a voice in the community affairs. The women have been able to tackle problems. They have gained power over decision making in the households (Jatin Pandey, Rini Roberts, 2012)⁴⁸. SHG women experienced increased decision-making power within three areas: food items, use of borrowed money, and kinship and family matter (Mukherjee & Kundu, 2012)⁴⁹.

Other researchers have made the point that only providing women with the opportunity to access financial services will not necessarily improve their well-being or increase their empowerment. Women have to take control and make their own decisions related to their credit, resources and work; actions that are made easier by the nonfinancial services provided by SHGs (Malhotra & Mather, 1997)⁵⁰.

"By providing the members with better access to loans, the SHGs enable them to generate income thereby, increasing their bargaining power within the household" Swain and Wallentin (2009)⁵¹ reported in their study. Similarly, women's partaking in decision-making was increased by joining a SHG, as stated by Suja (2012)⁵². However, in terms of control over income and decision-making, the member group was not found to

⁴⁵ Holvoet, N. (2005). The Impact of Microfinance on Decision-Making Agency: Evidence from South India. *Development & Change*, 36(1), pp.75-102.

⁴⁶ Littlefield, E., Morduch, J. and Hashemi, S. (2003). Is microfinance an effective strategy to reach the Millennium Development Goals?. *Focus Note*, 24, pp.1- 11.

⁴⁷ Quibria M. G. (2012) *Microcredit and Poverty Alleviation: Can microcredit close the deal?* Working Paper No. 2012/78, UNU World Institute for Development Economics Research.

⁴⁸ Jatin Pandey, Rini Roberts, (2012). *Abhinav; National Monthly Refereed Journal Of Research In Commerce & Management* Volume No.1, Issue No.8, Issn 2277-1166.

⁴⁹ Mukherjee, A. and Kundu, A. (2012). *Microcredit and Women's Agency: A Comparative Perspective across Socioreligious Communities in West Bengal, India. Gender, Technology and Development*, 16(1), pp.71-94.

⁵⁰ Malhotra, A. and Mather, M. (1997). Do schooling and work empower women in developing countries? *Gender and domestic decisions in Sri Lanka. Sociological Forum*, 12(4), pp.599-630.

⁵¹ Swain, R. and Wallentin, F. (2012). Factors empowering women in Indian self- help group programs. *International Review of Applied Economics*, 26(4), pp.425-444.

⁵² Suja, S. (2012). *Women Empowerment through Self-Help Group- an Evaluative Study. Sona Global Management Review*, 8(3), pp.68-82.

be significantly different from the comparison group (Rajasekhar, 2002)⁵³. Age of the woman has an influence on her decision making power. If the woman is young, or if there is a large age gap between the husband and wife, it was found that the woman's decision-making power did not increase through SHG participation (Munkherjee & Kundu, 2012).

Microfinance and Self-Employment

The Self Help Group is a programme which can help the poor become self employed by being able to reach the vulnerable poor at an affordable cost. Medical facilities, water supply services, and there is growth in schools for children, and increase in self-confidence, communication skill, decision-making skills and transport facilities are the facilities that the rural women enjoy after joining group. They access and enjoying all kind of social amenities stated above to name a few major ones (M. Meganathan & M. Arumugam 2012)⁵⁴. It has been found that after joining the SHGs the poor people particularly the women have not only increased their income but also improved their living standard by performing various economic activities independently according to the study of Diganta Kumar Das & Dipul Boruah. The SHGs have been playing an important role in social-economic development and performing their savings and credit functions with the help of Rural Financial Institutions, revealed as a result of the data analysis. 90 per cent of the micro credit borrowers utilized micro credit to graduate from wage work into self-employment and micro credit. This intervention has benefited the group members in the acquisition of productive assets, repayment of old debts, increase of income and savings, construction of toilets, sending girl children to schools, purchase of jewels and enhancement of employment ratio according to another study by Purushotham (2004)⁵⁵.

The implementation of SHG has generated self-employment opportunities by establishing own income-generating units. Participation in microcredit program increases employment-generating opportunities at household and community level (Abdullah- Al- Mamun, 2011)⁵⁶.

In the US and Canada, aims of microfinance include the graduation of recipients from welfare programs and an improvement in their credit rating. In the US, as 60% of borrowers were able to hire others, microfinance has created jobs directly and indirectly (Alterna, 2010)⁵⁷. Every domestic microfinance loan creates 2.4 percent jobs according to various reports. These entrepreneurs provide wages that are, on average, 25% higher than minimum wage (Harman & Gina, 2010)⁵⁸. Being an SHG member is useful for gaining employment that leads to better recognition in the family and society. However, employment opportunities and organisational experiences mean that the benefits are not equally shared among all members (Bishnu Maya Dhungana & Kyoko Kusak, 2010)⁵⁹.

Microfinance and Social Awareness

There are currently a few social interventions that have been combined to increase awareness of HIV/AIDS, with micro financing. Such interventions like the "Intervention with Microfinance for AIDS and Gender Equity" (IMAGE) which incorporates microfinancing with "The Sisters-for-Life" program a participatory program that educates on different gender roles, gender-based violence, and HIV/AIDS infections

⁵³Rajasekhar, (2002) Economic Programmes and Poverty Reduction: NGO Experiences from Tamil Nadu, Economic and Political Weekly, Vol. 37, No. 29 (Jul. 20-26, 2002), pp. 3063-3068.

⁵⁴Meganathan, M. Magheswari, Arumugam, (2015): Self Help Groups and Economic Empowerment Of Women In Paramakudi, International Journal of Research in Engineering and Social Sciences ISSN 2249-9482, Impact Factor: 5.343, Volume 5 Issue 5, 9 – 16.

⁵⁵Purushotham, P. (2004). Micro credit for micro enterprises Paper presented during course on Micro finance and credit for the poor 23 to 28.2.2004. Hyderabad: NIRD.24-37.

⁵⁶Abdullah- Al- Mamun, Sazali Abdul Wahab, C. A. Malarvizhi (2011) Examining the Effect of Microcredit on Employment in Peninsular Malaysia, Journal of Sustainable Development Vol. 4, No. 2 pp 174-183.

⁵⁷Alterna (2010). "Strengthening our community by empowering individuals."

⁵⁸Harman, Gina (2010). "PM BIO Become a Fan Get Email Alerts Bloggers' Index How Microfinance Is Fueling A New Small Business Wave". Huffington Post.

⁵⁹Bishnu Maya Dhungana and Kyoko Kusak, (2010) The role of self-help groups in empowering disabled women: a case study in Kathmandu Valley, Nepal, Development in Practice, Vol. 20, No. 7, pp. 855-865.

to strengthen the communication skills and leadership of women (Kim, 2007)⁶⁰. Women participating in SHGs experienced decreased HIV risk behaviour and increased relationship power and general power (Rosenberg 2010)⁶¹.

Members of SHGs spread social awareness among people of their locality and villages. They make people aware of their social rights & responsibilities. Involvement in SHGs by the women have positive influence on achieving lower child mortality, improved maternal health, better nutrition, housing & health (Kabeer 2001; Singh, 2006; Prem Chander & Vanguri, 2007; Kumar, 2009; Balachandran & Sekar, 2013). Al-Mamun et al. (2014)⁶² found that more than 52% of the respondents to his study reported that, “their level of awareness about legal right regarding family abuse and violence increased after participation in AIM’s microcredit program”.

Increased awareness about women’s rights and legal rights have also been found in the studies by Garikipati (2008), Mukherjee (2015) and Swain and Wallentin (2012)⁶³. SHGs can lead to changes in social attitudes of the respondent, her spouse and family members, by providing training and awareness creation activities. This is crucial toward contributing to women’s empowerment. Furthermore, increased awareness has influenced the women’s attitudes towards the importance of children’s education; women now have a much greater say on the education of their children, and even daughters get sent to school.

Impact of Microfinance on Access to Amenities

A corollary of participation in SHGs is an improvement in a woman access to credit. The financial mobility due to participation in the SHG has led to an improvement in the quality of life, according to some of the successful groups. Overall, many families were able to address their basic needs better than before which is also reported in many studies (Dasgupta, 2001, Madheswaran and Dharmadhikary, 2001; Sharma, 2001; Dasgupta, 2001; Puhazhendi and Badatya, 2002 and Samanta, 2009).

Thus the SHGs programmes has economic as well social implications. There has been an increase in standard of living in terms of their status of access to amenities factors and this can be predominantly observed by the members. After joining the SHG the members, it is reported that the members have been getting access to amenities like medical, sanitation, education, market, water supply, transport (Manimekali and Rajeswari, 2001; Kabeer, 2001; Prem Chander & Vanguri, 2007; Yamuna, 2007; Kumar, 2009; Mehta et al., 2011). After joining the SHG the members have improved in getting access to amenities like medical, Sanitation, education, market, water supply, transport (Sundaram. A, 2012). Researchers also observed positive impacts on nutritional intake of the family members of SHGs (Kabeer, 2001; Kumar, 2009; Deininger & Liu, 2009).

Beneficiaries’ Participation in Local Government

SHG leadership or in participation in local bodies has been due to the involvement in SHG. This has resulted further involvement in the democratic set up. These impacts of SHGs are also refereed in many studies (Abdulla, 2000; Manimekalai and Rajeswari, 2001; Cheston & Kuhn, 2002; Khatibi & Indira, 2011; Chitagubbi, 2011; Sahu & Singh, 2012, Reddy & Reddy, 2012; Balachandran & Sekar, 2013). The microfinance offers has an important and effective means to achieving change on a number of different fronts, economic, social and perhaps also political. Many other development interventions have not been able to achieve the success of MFOs in building up the organisational capacity of poor women. This provides the basis for their social mobilisation. Indeed, their very success may be their undoing: there is growing unease at the way in which both governments and populist political parties may be seeking to capitalise on the idea of self-help groups for their own instrumental purposes (Naila Kabeer, 2005)⁶⁴. The culture of active participation in-group leads to

⁶⁰ Kim, J.C., Watts, C. H., Hargreaves, J. R., Ndhlovu, L. X., Phetla, G., Morison, L. A., et al. (2007). Understanding the impact of a microfinance-based intervention of women's empowerment and the reduction of intimate partner violence in South Africa. *American Journal of Public Health*.

⁶¹ Rosenberg, M., Seavey, B., Jules, R. and Kershaw, T. (2010). The Role of a Microfinance Program on HIV Risk Behavior Among Haitian Women. *AIDS and Behavior*, 15(5), pp.911-918.

⁶² Al-Mamun, A., Wahab, S., Mazumder, M. and Su, Z. (2014) Empirical Investigation on the Impact of Microcredit on Women Empowerment in Urban Peninsular Malaysia. *The Journal of Developing Areas*, 48(2), pp.287-306.

⁶³ Swain, R. and Wallentin, F. (2009). Does microfinance empower women? Evidence from self-help groups in India. *International Review of Applied Economics*, 23(5), pp.541-556.

⁶⁴ NailaKabeer (2005) Is Microfinance a 'Magic Bullet' for Women's Empowerment? Analysis of Findings from South Asia, *Economic and Political Weekly*, Vol. 40, No. 44/45 (Oct. 29 - Nov. 4, 2005), pp. 4709- 4718.

improvement in political acumen, which would in turn strengthen and sustain the overall process of empowerment (Lalitha & Nagarajan, 2004).

Political engagement includes active involvement by SHGs in government including local assemblies, Lok Sabha or Panchayati Rai Institutions (PRIs) (APMAS, 2005)⁶⁵. One of the key benefits of SHGs is women's empowerment and this can be seen with the number of women involved in public affairs. Research has indicated that of those women that stand for election, over 70% had won their seat though the number of women actually involved in politics is still very low (APMAS, 2005)⁶⁶. And, the female contribution to civil issues ranges from issue of ration cards, laying of pucca roads, building of school, ensuring appointments in vacant positions in schools and health centres, recovery of river bank lands from encroachers and laying of drinking water pipes (APMAS, 2005).

Impact of Microfinance on Skills

According to various researchers, Micro-finance movement is having a good impact on members, in their ability to express their feelings and has made people more confident to express themselves (Manimekalai and Rajeshwari, 2001; Tilekar, 2001; Krishnaraj and Kay, 2002; Putnam, 2002; Anjugam and Ramasamy, 2007; Reddy & Reddy, 2012; Gajbhiye, 2012). SHG women experienced increased in income, decision-making power, participation in social activities, confidence, entrepreneurship and management skills, communication skills, economic contribution to household, legal and business awareness, standard of living, involvement in village development, politics, and networking (Suja, 2012; Swain & Wallentin, 2012).

Impact of Microfinance on Self-Confidence

The women have improved their status in family and it has observed that after joining the SHG, they improve in their skills and feel confident in establishing economic units. The women in the SHGs now feel confident in consulting with government, non-government and bank officials for access to credit and other benefits. Such interaction helped them to articulate their problems and improved their self-confidence (Manimekalai and Rajeshwari, 2001; Cheston & Kuhn, 2002; Moyle, Dollard and Biswas, 2006; Tilekar, 2001; Chiranjeevulu, 2003; Krishnaraj and Kay, 2002; Prem Chander & Vanguri, 2007; Borbora and Mahanta, 2008; Chitagubbi, 2011, Sahu & Singh, 2012; Balachandran & Sekar, 2013). Suja (2012)⁶⁷ found that women became more confident in discussions, and this would suggest an improvement in psychological empowerment. Swain and Wallentin (2012) reported the same, that women became confident in communicating and raising their concerns within the group meetings. Discussions about women's rights, community problems, political, and similar family problems would make the women express solidarity towards each other, and empower women both as individuals and as a group to address their problems as Suja (2012) further reported. Being part of a group gives the members social and economic support, which can lead to empowerment (Amin et al., 1998)⁶⁸. Women's access to and control over their savings, credit and income have improved. Women have become empowered with improved freedom to move and interact with the officials and interactions with other women after joining the SHGs of DWCRA (Galab and N. Chandrasekhara Rao, 2003)⁶⁹.

Microfinance programs help women get out of their homes and participate in meetings where they can interact with others, and by doing so reduce women isolation (Swain & Wallentin, 2009). Several studies (Al-Mamun, 2014; Amin, 1998; Haile, 2012; Lyngdoh & Pati, 2013; Mukherjee, 2015) argue that women's ability to go outside increases after joining a SHG program. Al-Mamun (2015) found that women's ability to go outside without husband's permission had increased along with the ability to work outside. This is further observed by Amin (1998) that reported increased participation in jobs outside their homes, while Haile (2012) added that women spent more time in markets, and had market-oriented activities outside their homes.

⁶⁵APMAS, (2005) Optimizing SHGs.

⁶⁶APMAS, (2005) Optimizing SHGs.

⁶⁷ Suja, S. (2012). Women Empowerment through Self-Help Group- an Evaluative Study. *Sona Global Management Review*, 8(3), pp.68-82.

⁶⁸ Amin, R., Becker, S. and Bayes, A. (1998) NGO-Promoted Microcredit Programs and Women's Empowerment in Rural Bangladesh: Quantitative and Qualitative Evidence. *The Journal of Developing Areas*, 32(2), pp.221-236.

⁶⁹ Galab and N. Chandrasekhara Rao, (2003) Women's Self-Help Groups, Poverty Alleviation and Empowerment, *Economic and Political Weekly*, Vol. 38, No. 12/13, pp. 1274-1283.

Lyngdoh and Pati (2013)⁷⁰ found that group activities had enhanced women's need of travelling near and far to associate with many others.

Participation in Community Development Programmes

As reported Lyngdoh and Pati (2013) found that women were more aware of the community development programs, and subsequently participated in them. SHG members undertook many community activities. Social and community development initiatives and other social welfare programmes were participated by several women from the SHGs. Involvement in such programmes has ensured fewer conflicts and resulted in increased interaction with the experts, which further has resulted in building congenial relationships. It has also had the multiplier effect of spreading the SHG movement. Awareness of health-related issues, personal hygiene, communicable diseases; effects of malnutrition, environmental issues and sanitation have also increased because of training programmes and their participation in the related projects. Many community development events were also organized by the women, which was also observed by many researchers (Kabeer, 2001; Krishnaraj and Kay, 2002; Putnam, 2002; Singh, 2006; Borbora and Mahanta, 2008; Choudhury, 2008; Prem Chander & Vanguri, 2007; Kumar, 2009; Gajbhiye, 2012). Rio Declaration (1992) stated that "women have a vital role to play in environmental management and development" and their full participation is essential in achieving sustainable development. The need to promote gender equality and empowerment of women, the need to alleviate poverty and ensure sustainable environmental management has been recognized as the Millennium Development Goals. Involvement of SHG members in development programs through SHGs can effectively increase awareness of society to ward environmental sustainability (Farzaneh & Indira, 2011).

Microfinance Impact at the Household Level

The empowerment of women through SHGs would lead benefits not only to the individual women but also for the family and community as whole through collection action for development these SHGs have collection action (A. Angel Anila, 2012)⁷¹. The access to loans not only leads to increased economic activity, it also enhances the women's personal and group savings, especially in the long-run (Haile 2012). It helps women's capacity to increase self-reliance, their right to determine choices, and their ability to influence the direction of change by gaining control over material and nonmaterial resources (Moser, 1989).

Programme loans are one of the main ways clients overcome food insecurity with sickness, disease, emergencies and crises, where programme participants seem to transfer the loan source from friends and moneylenders to SHG loans to meet these expenses (Gayathiri, 2014). Participating in the microcredit programme through SHGs sustains for longer period (8 years or more) then such programme might contribute to a higher level of women empowerment. Women's earnings from saving and credit were found to have positive and significant effect on nutritional status of the children of women members of SHGs and on the protein intake for the households (Sudipta, Sarkar & Debnarayan, 2011).

Micro enterprise is an effective instrument of social and economic development and a perfect solution to the growing unemployment among rural youth. It helps to generate employment for a number of people within their own social system and is best tool for rural women as it enables them to add to the family income while takes care of their own home and domestic animals centred task. Through micro – entrepreneurship women feel emancipated in so many things such as socio-economic activity, property rights, political participation, social equality, personal rights, market development, and societal development (Sahab Singh, Gaurav Thakur & P C Gupta 2013).

Microfinance has helped SHGs to improve their household income, participation in house hold financial decisions, improvement in standard of living, decision making on family budgeting and purchase of house hold items, change in social status, involvement in social issues, family relationship, ability to solve family related problems, self-confidence, knowledge and skills, and interest to develop leadership qualities (S. G. Sureshrajani & S. Uma Priyadarshini, 2013). Microfinance through SHG seems to be a unique action

⁷⁰Lyngdoh, B. and Pati, A. (2013). Impact of Microfinance on Women Empowerment in the Matrilineal Tribal Society of India: An Analysis Using Propensity Score Matching and Difference-in-Difference. *International Journal of Rural Management*, 9(1), pp.45-69.

⁷¹Angel. A Anila, (2012) A Study On Socio-Economic Condition Of Self Help Group Members In Tirunelveli District, Tamil Nadu *ZENITH International Journal of Business Economics & Management Research* Vol.2 Issue 2, February 2012, ISSN 2249 8826 pp. 216-224.

oriented rural development strategy to tap the gesture for the up-liftment in social and economic point of view (Mula G. & Sarker S. C, 2013)⁷².

The net effect of microfinance on few household durable items like fan, bicycle and sewing machine, of the poor borrowers was found to be positive while the net effect of microfinance on household's durables of the non-poor borrowers was marginal'. The majority of the poor non-borrowers reported no change in their livestock compared to the poor borrowers (Nasim Shah Shirazi, 2012)⁷³.

Microfinance Leads to Informal Borrowings

Asadul Islam, Chau Nguyen and Russell Smyth (2015), found that households' access to microfinance reduces the incidence of borrowing from informal sources, but not the amount of borrowing and less poor households benefit more in terms of reducing their reliance on informal borrowing and that the benefit accrues over time. Study also finds that without facilitating access to new business opportunities, having access to microfinance increases women's informal borrowing for small consumption usage, Another study found. Relatively wealthy individuals grouping with poorer individuals, with the wealthier members obtaining a higher proportion of the loans in the group evidence of negative assortative matching in-group (Kumar Aniket, 2006)⁷⁴.

However, other study argued that micro finance has had a positive effect on the women's lives the increased access to money, ability to buy consumer goods, release from the dependence on daily wage labour, and improved housing. In addition, the widened range of contacts during training, and learning how to interact with the bank officials and other people in the Bellary urban environment have contributed to women's empowerment. The number of women who reported "less dependence on husband," was more. There was also a clear reduction in physical violence from husbands, which is striking evidence of improved empowerment and better life conditions (Lakshmi Ramachandar, Perti J. Pelto, 2009)⁷⁵.

Mishandling of Funds

Access to credit from microfinance programmes enables women to become active players in their own economic life. Rather than for productive ventures like self-employment micro enterprises, often the credit facilities are used for meeting the immediate needs of the family, (R. Sooryamoorthy, 2007)⁷⁶. Women's micro-finance work can become overwhelmingly difficult when only small loans are available. However, microfinance also increases women's and children's workloads (Cynthia Arku, Frank S. Arku, 2009)⁷⁷. Few studies find that loans that were given to women are controlled by their husbands, resulting in more dependence on husbands for repaying loans, and this in turn possibly leading to domestic violence (Rahman, 1999; Leach & Sitaram, 2002). Goetz and Gupta (1996) further report that husbands controlling loans could postpone the positive social outcomes expected from increasing women's bargaining power within the household.

Microfinance impact is insignificant on physical assets, savings, production, sales, productive expenses, labor time, and most measures of expenditure on health care and education (Brett E. Coleman, 1999)⁷⁸. There is no evidence in these results that village bank loans are being directly invested in productive activities with a positive return. Micro-credit programmes and institutions have generated a positive impact on the number of days of family employment. However, their performance has been poor, in the generation of

⁷²Mula G. and Sarker S. C, (2013) Impact of microfinance on women empowerment: An economic analysis from Eastern India, African Journal of Agricultural Research, Vol. 8(45), pp. 5673-5684.

⁷³Nasim Shah Shirazi, (2012) Targeting and Socio-Economic Impact of Microfinance: A Case Study of Pakistan, Islamic Economic Studies Vol. 20, No. 2, pp 1-28.

⁷⁴Kumar Aniket, (2006) Self Help Group Linkage Programme: A case-study, Economics Department, University of Edinburgh, Edinburgh EH8 9JY, UK.

⁷⁵Lakshmi Ramachandar and Perti J. Pelto, (2009) Self-Help Groups In Bellary: Microfinance And Women's Empowerment, The Journal of Family Welfare, Vol. 55, No. 2, 1 – 16.

⁷⁶ Sooryamoorthy R, (2007) Microcredit for Microenterprises or for Immediate Consumption Needs? Sociological Bulletin, Vol. 56, No. 3, pp. 401-413.

⁷⁷Cynthia Arku and Frank S. Arku, (2009) More Money, New Household Cultural Dynamics: Women in Micro-Finance in Ghana, Development in Practice, Vol. 19, No. 2 (Apr., 2009), pp. 200-213.

⁷⁸Brett E. Coleman, (1999) The impact of group lending in Northeast Thailand, Journal of Development Economics, Vol. 60 _1999. 105–141.

wage employment (Pallavi Chavan, R. Ramakumar, 2002)⁷⁹. The production activities SHG's were engaged in were traditional and less remunerative as indicated in further studies (V. Nirmala and Kavika K. Yepthomi, 2014)⁸⁰. Those average monthly incomes from SHG production activity were a little more than the per capita rural poverty line income per month (Government of India 2012). These results are consistent with Adams and von Pischke's assertion that "debt is not an effective tool for helping most poor people enhance their economic condition" and that the poor are poor because of reasons other than lack of access to credit.

Critics say that microcredit has driven poor households into a debt trap, in some cases even leading to suicide and has not increased incomes, as many would like to contend. They add that the money from loans is often used for durable consumer goods or consumption instead of being used for productive investments, that it fails to empower women, and that it has not improved health or education. Moreover, as the access to micro-loans is widespread, borrowers tend to acquire several loans from different companies, making it nearly impossible to pay the debt back (Biswas & Soutik, 2010)⁸¹. Poorly conceived programs in some cases, have retarded the development of inclusive financial systems. They have distorted markets and displaced domestic commercial initiatives with cheap or free money (Brigit Helms, 2006)⁸². Microfinance groups have the potential to promote women's social capital and normative influence, thereby facilitating women's collective empowerment, argues Paromita Sanyal (2009). Greater impact of SHGs is seen through improved access to markets and faster communication and transportation with comes with better infrastructure like paved roads (Ranjula Bali Swain 2012)⁸³.

Microcredit can both have positive and negative effects concludes Stewart et al (2010)⁸⁴; some people are made poorer, while others are made richer- mainly depending on if the microcredit client invests or spends its money. Furthermore, the study shows that microfinance can help the poor in dealing with shocks, such as natural disaster or death.

Microfinance and Gender Issues

The presence of male micro credit programs had a negative effect on an overall measure of empowerment for eligible households. This was specifically seen in women's control of resources, finance, freedom of movement and development of networks, and on fertility and parenting decisions (Mark M. Pitt, 2006)⁸⁵. Many MFIs consider the risk of lending to men to be too high because operating margins become tighter as the smaller the loans are delivered. This focus on women is questioned sometimes, however a recent study of micro entrepreneurs from Sri Lanka published by the World Bank found that the return on capital for male-owned businesses (half of the sample) averaged 11%, whereas the return for women-owned businesses was 0% or slightly negative (McKenzie, David, 2008)⁸⁶. Even if the men's hostility to the project had been overcome, the women's micro enterprises were unlikely to have been viable commercially argued Fiona Leach

⁷⁹ Pallavi Chavan and R. Ramakumar, (2002) *Micro-Credit and Rural Poverty: An Analysis of Empirical Evidence*, Economic and Political Weekly, Vol. 37, No. 10 (Mar. 9-15, 2002), pp. 955-965.

⁸⁰ Nirmala V and Kavika K. Yepthomi, (2014) *Self-Help Groups: A Strategy for Poverty Alleviation in Rural Nagaland, India*, International Research Journal of Social Sciences, Vol. 3(6), 23-32, June (2014), ISSN 2319-3565, 23 – 32.

⁸¹ Biswas, Soutik, (2010). "India's micro-finance suicide epidemic". [2], BBC News. Retrieved July 15, 2015.

⁸² Oommen, U., and Meenakshi sundararajan, A. (2005). *Microfinance and self-help groups – the way ahead (with special reference to Kanyakumari district)*. in G. Isabelle & P. Jane (Eds.), *Microfinance Challenges: Empowerment or Disempowerment of the Poor?* Pondich.

⁸³ Ranjula Bali Swaina and Fan Yang Wallentinb, 2012(a), 2009(b) *Factors empowering women in Indian self-help group programs*, International Review of Applied Economics, Vol. 26, No. 4, July 2012, 425-444.

⁸⁴ Stewart, R., van Rooyen, C., Dickson, K., Majoro, M. and de Vet, T. (2010). *What is the impact of microfinance on poor people? A systematic review of evidence from Sub-Saharan Africa*. London: EPPI-Centre, Social Science Research Unit, University of London.

⁸⁵ Mark M. Pitt, Shahidur R. Khandker and Jennifer Cartwright, (2006) *Empowering Women with Micro Finance: Evidence from Bangladesh*, Economic Development and Cultural Change, Vol. 54, No. 4 (July 2006), pp. 791-831.

⁸⁶ McKenzie, David (2008). "Comments Made at IPA/FAI Microfinance Conference Oct. 17 2008". *Philanthropy Action*. Retrieved 2008-10-17.

& Shashikala Sitaram (2002)⁸⁷. This is because the project insisted that the women operate as a group in what was a high-risk area of economic activity, with no clear strategy as to how their work could be sustained. As cited by Karl (1995)⁸⁸, Empowerment is a process of awareness and capacity building leading to greater participation, to greater decision making power and control, and to transformative actions.

Microfinance's emphasis on female-oriented lending is the subject of controversy, that Microfinance improves the status of women through an alleviation of poverty as it is claimed. It is argued in a manner, which would encourage sustainable growth of enterprise and eventual self-sufficiency and that, by providing women with initial capital, women will be able to support themselves independent of men. This claim has yet to be proven in any substantial form. Moreover, the attraction of women as a potential investment base is precisely because they are constrained by socio-cultural norms regarding such concepts of obedience, familial duty, household maintenance and passivity (Bruton, Chavez & Khavul, 2011)⁸⁹. The result of these norms is that while micro-lending may enable women to improve their daily subsistence to a more steady pace, they will not be able to engage in market-oriented business practice beyond a limited scope of low-skilled, low-earning, informal work (Bee & Beth, 2011)⁹⁰. This is also due to a general trend for interpersonal microfinance relations to be conducted on grounds of similarity and internal/external recognition: lenders want to see something familiar, something supportable in potential borrowers, so an emphasis on family, goals of education and health, and a commitment to community all achieve positive results from prospective financiers (Allison & Davis, 2015)⁹¹.

Microfinance - Size of Loan

Larger loan sizes were recommended by Lyngdoh and Pati (2013)⁹². Their study shows that access to larger loans leads to larger investments and thereby more economic activity. The women can influence the loan size by increasing their initial savings and through longer SHG participation, as the loan sizes grow with time. This recommendation was contradictory to the other study which feels small amounts of loan, coupled with financial discipline, ensure that loans are given more frequently; thus credit needs for a variety of purposes and at shorter time intervals can be met. Microfinance in extending the reach of credit in rural India can thus play an effective role (Kamal Vatta, 2003)⁹³.

The micro finance revolution, a recent product of development, ensures the availability of institutional credit and financial inclusion to the poor, who were so far excluded from the institutional credit system. The literature review portrays a mixed picture. It has shown the impact of micro finance and self Help Groups as an effective instrument and tool to pull the poor households from poverty in developing countries where it becomes a philosophy and practice of poverty eradication, empowerment and inclusive growth, especially in Asia, Africa and Latin American countries. In India, as evident from the study that most of the literature on micro finance revolves around four southern states where Governments and Non-Governmental Organizations are taking lead in the spread of micro finance. Studies carried out in India, indicated that micro finance and Self Help groups, by and large contributed to the development of core poor in terms of economic wellbeing, alleviating poverty and empowerment leading to overall development of rural poor. This has been very much evident from the above extensive literature review.

⁸⁷Leach, F. and Sitaram, S. (2002). Microfinance and women's empowerment: a lesson from India. *Development in practice*, 12(5), pp. 575-588.

⁸⁸Karl, M, (1995) *Women and Empowerment: Participation and Decision Making*. Women and World Development Series. United Nations. New York, NY.

⁸⁹Bruton, Chavez & Khavul, G.D.,H. & S. (2011). "Micro-lending in emerging economies: building a new line of inquiry from the ground up". *Journal of International Business -Studies* 42 (5): 718–739.

⁹⁰Bee, Beth (2011). "Gender, solidarity and the paradox of microfinance: Reflections from Bolivia". *Gender, Place & Culture* 18 (1): 23–43.

⁹¹Allison, Davis, Short & Webb, (2015) "Crowdfunding in a prosocial microlending environment: examining the role of intrinsic versus extrinsic cues". *Entrepreneurship* 39 (1): 53–73.

⁹²Lyngdoh, B. and Pati, A. (2013). Impact of Microfinance on Women Empowerment in the Matrilineal Tribal Society of India: An Analysis Using Propensity Score Matching and Difference-in-Difference. *International Journal of Rural Management*, 9(1), pp.45-69.

⁹³Kamal Vatta, (2003) *Microfinance and Poverty Alleviation*, Economic and Political Weekly, Vol. 38, No. 5 (Feb. 1-7, 2003), pp. 432-433.

III. Concluding Remarks

The extensive study of existing literature indicates that several studies have been undertaken either by individuals, institutions or research agencies to review the prospects of the microfinance and socio-economic status of women. The purpose of this article has been to introduce the finance academic community to the discipline of microfinance and microfinance institutions. We have discussed the issues of MFI sustainability, products and services, management practices, client targeting, regulation and policy, and impact assessment in a summary literature review. Our hope is that this article will help turn the attention of finance researchers to the important issues in microfinance. Many of the tools, models, and frameworks in the existing finance literature can be brought to bear on the problem of world poverty and have the potential to significantly move both the theory and practice of microfinance forward.

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