

## Views on the impact of microfinance on the poverty eradication and women's empowerment

**Suman Paul**

Research scholar

Department of Geography

Aligarh Muslim University, Aligarh, India

### Abstract

The traditional literature implies that, the impact of microfinance have been divided between those who see it as a means for women's empowerment and others who looks SHGS as a challenge with respect to poverty reduction and empowerment of poor women. It becomes apparent that while access to financial services can and does make vital contributions to the economic productivity and social well-being of poor women and their households. However, the claims of poverty reduction due to microfinance are still a matter of debate. The fundamental question that we face right now is, has microfinance actually contributed to development. This research paper attempts to understand the impact of SHG on women empowerment through a case study in Imphal East District in Manipur as a story of unsuccessful case. The failures of SHGs to achieve the goal of poverty reduction and fulfill its role as an instrument for poverty alleviation have been evaluated and lessons and evidences learnt have been incorporated in the paper.

**Keywords:** 1.SHGs, 2.Women Education Project, 3.Instrument for poverty alleviation, 4.Women's empowerment.

### Introduction

Views on the impact of microfinance have been divided between those who see it as a means for poverty eradication and women's empowerment and others who are dismissive of its abilities as a cure-all panacea for development. In recent years, doubts about the long term viability of SHGs as a model for supply of micro credit to low income groups have risen. It becomes apparent that while access to financial services can and does make vital contributions to the economic productivity and social well-being of poor women and their households, it does not "automatically" empower women, just as with other interventions, such as education, political quotas, etc, that seek to bring about a radical structural transformation that true empowerment entails. Around the globe, the issues of poverty eradication and socio economic empowerment of women have taken precedence over the problem of growth, and over the years the community involvement and the concept of self-help were felt most required for the success of these efforts. In India, women Self Help Groups (SHGs) have served as tools for providing financial access to the rural women. However, there is still huge gap in demand and supply of micro finance to the rural women, necessitating the numbers of SHGs to developed as model of success story.

The paper made an empirical study of SHGs in Imphal East, Manipur as a case for illustration for unsuccessful story. The study shows that microfinance and SHG is very closely related and is considered as two sides of the same coin. The failures of SHGs to achieve the goal of poverty reduction and fulfill its role as an instrument for poverty alleviation

have been evaluated and lessons and evidences learnt have been incorporated in the paper. The study has covered the specific constraints and challenges of SHGs, and policy prescriptions to address the specific problems are suggested.

**The objectives of the present study are as under:**

The present study is undertaken to enquire into the performance of groups of poor commonly known as Self-Help Groups (SHGs)

To identify the factors contributing to their failure so that the strategy may be replicated effectively for empowering down trodden and poor.

**Research methodology and data source:**

Present study is based on Secondary data sources of information such as field survey and operation covered by the NCUI-women Cooperative Education Project, Imphal East district. The study is empirical study of the selected one SHG in Imphal East District of Manipur.

The movement of Self Help Group arrived very lately at Manipur. A few studies on Self Help Group(SHG) have been carried out focusing on some issues. Till today, the studies made so far in this field do not highlight the socio-economic conditions of the SHG members in the State of Manipur in general and Imphal East District of Manipur in particular.

Since early days, affinity ideas of SHG have been generated in Manipur covering Imphal areas also with the expectations of changes in different aspects associated with socioeconomic and cultural well being of the people. Manipuri society has a peculiar character of helping one another socially, economically and culturally. In rural areas most of the group of families shares their agricultural work force during peak season of agriculture. In rural area at least one member of a family used to join in group for performing plantation of paddy, weeding, harvesting etc. Similarly in social and cultural events like birth, death and marriage ceremonies people from concerned area, representative of each family used to extend their help either in kinds or physical or in cash irrespective of poor or rich, cast or creed. In other words, Manipuri society has been a classless and cooperative society since time immemorial. The modern SHG system based on Grameen bank model was introduced in Manipur fairly late and also with low institutional response. Although efforts were made by NGOs and other bodies since early 1990s, but cannot achieve any commendable momentum. The Institute of cooperative Management (ICM) Imphal, a regional unit of National Council for Cooperative Training (NCCT), New Delhi undertook the NCUI-Women Cooperative Education Project (WCEP) in Imphal East in August 2000. This project could make certain visible development of SHG in the state of Manipur. According to observation of All India Rural Credit Survey, in India except some successful cooperative societies, cooperative movement in general has failed, but in the poor country like India there is no other alternative for reduction of poverty other than cooperation and it must succeed. Hence, the new alternative in the form movement which is based on the principles of cooperative with fewer member has been introduced in the country Under the NCUI-Women Cooperative Education Project, Imphal East various activities are undertaken for ensuring socio-economic upliftment of women by bringing them into the fold of cooperative movement. The project was basically established for Imphal East District. In the first phase i.e. from August 2000 to March 2001, ten villages were covered viz. Wangkhei, Kangla Sangomsang, Tellipati, Kongpal and Kiyamgei which lie under the purview of Imphal East-I CD Block, Bamom kampu, Thongju, Kshetrigao and Kiyamgei under the purview of Imphal East-II CD-Block. Later, the area of operation was divided according to Assembly Constituencies such as Thongju, Andro, Heingang, Khurai, Khundrakpam, Keirao, Kshetrigao, Wangkhei and Lamlei. Jiribam CD Block of Imphal East District was excluded from the project because of physical distance of the area from main district head quarter. Among all aims and objectives of the Project, formation of Women Self Help Group is top priority of the project. of self help group (SHG).

**Case study of an unsuccessful group**

In this section, an analysis of the case study of an inactive or partially failed SHG is presented based on the field data and discussion made with the members, of the Leima Self Help group.

Leima SHG was established on November 2003, under the aegis of National Cooperative Union of India (NCUI)-women cooperative Education Project, Imphal East and Institute of Cooperative Management (ICM), Imphal, located at Singjamei Wangma Kshetri Leikai, Imphal East. The group has 20 women members who are in the age group of 18-45 year. The members were contributing Rs.50 per month as thrift. After 12 months of its formation the State Bank of India, Imphal branch made available 1.5lakh as loan. Out of this loan amount Rs. 60,000/- was distributed among members as individual loan by charging interest rate 2% per month. And Rs.40, 000 was invested in group enterprise unit for Bori making business. Bori is a popular kitchen item and familiar cuisine stuff popularly uses in day to day food preparation in every Manipuri kitchen. It is traditionally used in every Hindu religious feast, and other grand feasts in the State. It means that there has been high demand for this item in the market. Initially the business was run very smoothly.

The remaining loan Rs. 50000 was invested as marketing security to one Iramdam Marketing Agency for smooth marketing of their finished product under the following terms and conditions.

Iramdam Marketing Agency would act as sole authorized Marketing Agency of the finished product of the group and payable the worth value of the finished product within 3 days of procuring of the goods.

The group can not revise the price of the finished produce however, revisable for every six month in consultation with the Marketing Agency.

On this agreement the group and the agency worked together for nearly 2(two) years and the members were earning Rs 800/900 per month as income. After some time due to severe hiked (nearly by 50%) of the price of main raw material for Bori making, business became unremunerative and group could not sustain production and supply of Bori to the marketing agency. Currently, the groups stopped Bori making business. After shutting down, working capital of the unit was equally distributed among the members of the group and started business at the individual level. And money invested for marketing security and the money invested on machineries and tools of the unit has remained sunk capital after shattering the unit.

**Table.1**  
**Employment Status of the Respondents**

Employment status	Member before joining SHG		Member after joining the SHG	
	No.	%	No.	%
Self employee	10	50	20	100
Wage employee	6	30	0	0
Unemployment	4	20	0	0
Total	20	100	20	100

Source: Field survey

The above table indicates the employment status of the respondents of the group before and after joining the SHG. Before joining SHG majority (50%) of the respondents were working as self employee and remaining 30% and 20% of the respondents were working as wage employee and unemployed respectively. After joining the SHG all the members become self-employed.

**Table. 2**  
**Occupational Status of the Respondents**

Occupation	Member before joining the SHG		Member after joining the SHG	
	No.	%	No.	%
Occupation Embroidery	2	10	2	10
Handloom weaving	8	40	8	40
Bori making	0	0	6	30
Poultry and piggery	3	15	4	20
Casual worker	7	35	0	0
Total	20	100	20	100

Source: Field survey

The above table indicates the detailed information of the income levels of the respondents before and after joining SHG. Before joining the SHG monthly income level of the respondents were so low, less than Rs500/-. After joining the SHG, and later after shutting down their previous group enterprise of Bori, all the members are experiencing a transition period while setting up their own private business. For 2-3 months majority of the members were not able to generate income. After that, slowly and steadily the members are generating income. Currently majority (80%) are able to earn Rs.500-600 per month in average. The remaining 20% of the members are able to earn Rs.1001-1500 per month in average.

The aftermath impact of the change in business of the member was drastic fall in income level of the majority members of the group. There is also unequal distribution in the level of income among the members. Income level of the majority of the members is at dismal level. Majority of the members is not able to continue their group saving in the Post Office due to very low income. Consequently, members have been defaulting in repayments of group loan as well as internal loan repayment since the last 14/15 months. They seldom meet as most of the members have concentrated to their individual business venture. However, they still continue monthly thrift saving. The group has intimated their grievances to the bank and their mentor the (Nation Cooperative Union of India) NCUI-Women Cooperative Education Project, Imphal East for the reasons of their default in repayment activity. Now some of the members of the group are regaining their strength for repayment of their due share of bank loan but some are not ready for it.

In addition to the above factor, based on the discussion with the members, it is observed that the educational status of the President of the group is just literate and other office bearers are also not acquiring good education level. Other well-educated members are not very much involved in functioning of the group as they have their own private business. It is also observed that lack of farsightedness in business planning was also another cause for the downfall of the group. 30% of the members are still doing Bori making at individual level at home.

The case study also reveals other factors responsible for downfall of the group. That, it was the absence of the essential determinants of group success like strong and stable leadership, group solidarity, clarity about the goals of SHG among the members, and co-operation and mutual understanding that lead to ineffective functioning and consequently to failure of the groups.

### **Major Problems faced by SHGs**

On the basis of the investigation and interaction with the member from the selected SHGs as well as from the secondary data collection of the study area, it is found that SHGs are facing emerging problems from time to time. The major emerging problems are briefly presented as follows:

1. Inadequate training facilities: Training is an important input for enhancement of quantitative and qualitative outputs in any enterprises big or small. The training facilities given to the members of SHGs in the specific areas of product selection, quality of products, production, techniques, accounting and managerial ability, packing and other technical knowledge etc. are not adequate to compete with that of strong units. Most of the SHGs are formed and started the process of production based merely on the traditional skill and experience without much benefit of formal training. This may affect to the production because of the competitive environment.

2. Problem related with raw materials: In most cases each SHG member undertakes individual enterprise and self employed at their own premises. Hence, SHG member procures raw material individually from the supplier. They purchase raw material in smaller quantities and may not be able to enjoy the benefits of large-scale purchase like discount, credit facilities etc. Moreover, there is not systematic arrangement to collect raw materials in bulk quantities and preserve them properly. There is no linkage with major supplier of raw materials. Most of the SHGs are ignorant about the major raw material suppliers and their terms and conditions. All these cause high cost of raw materials. Moreover, most of these raw material are not indigenously produced in the state for instance cotton yarn which is coming from outside, and hence, dealer of such raw material in the market can manipulate in supply and raise its price and consequently raise the cost of production of SHG.

3. Problems of marketing: Marketing is an important area of functioning of the SHGs. Marketing efficiency would promote forward and backward linkages which ensure the horizontal expansion of unit of production. However, they face different problems in the marketing of products produced by them. The following are major hurdle reported by the SHGs.

Absence of proper brand name. Poor and unattractive packing system .Lack of regular market for the products of the SHGs. Poor quality of products due to the application of traditional technology resulting in poor marketing. Weak in competition with other well organized sector. Lack of well organized and well knit channel of distribution for marketing.

4. Snag in the supply of credit: At present in Manipur only three banks viz; SBI, Gandhi Avenue, Imphal, UBI, Thangal Bazaar Imphal, and Manipur Rural Bank (MRB), Imphal have responded to the national directive to participate in the SHG-Credit linkage Program while there are 18 banks with 104 branches in the State. The loan amount advanced by MRB and UBI ranges from Rs.4000 to Rs.50000 while SBI advances comparatively higher Rs 100000 and above. All these banks have their own annual loan target for microfinance to SHG. Once it reached its target no further loan is sanctioned to any SHG. So, there is unmatched between demand and supply of micro credit in the state in general and in the study area in particular. Recently, the Vijaya Bank, Imphal branch has also agreed to join SHG credit linkage program of NABARD in the state.

5 Lack of stability and unity : SHG movement is dominated by women and in most of the SHGs it is found that women members are over reacted over petty matter which create unnecessary turmoil and instability of the unit . Many married women are not in the position to associate with the group due to change in their address of residence. Besides, many women members are not able to concentrate fully on group business due to busy household chore and look after their children. All these factors cause internal misunderstanding and it affects the stability of the group.

6. Exploitation by strong member: In few cases it is found that strong members try to earn a lion's share of the profit of the group by exploiting the ignorant and illiterate members.
7. Weak financial management: It is also found that in certain units the return from the business is not properly invested further in the unit and the fund diverted for other personal and domestic purposes like marriage, construction of house etc.
8. Non-cooperative attitude of the Financial Institution: SHGs are not considered seriously for providing needful microfinance and other helps by the financial Institutions in spite of National directive towards poverty alleviation and women empowerment in the country.
9. Inadequate support from line departments: For obtaining assistance and support, the SHG members have to approach the line officers. However, the officers are not cooperative with the SHGs. This will hamper in the achievement of the objectives of the developmental schemes.

### **Conclusions and Observations**

In the State of Manipur SHG movement started late. In spite of that it brings an important aspect of development within the mind set of poor people and women in particular to uplift them out of the age old vicious cycle of poverty. The impact of the SHG movement on various aspects of civil society have been varied, regardless of the phase of evolution, SHGs require external help to continue to grow and have greater outreach and impact to civil society. We should learn the system of working from well organized microfinance institution like Grameen bank and Mysore Resettlement Development Agency (MYRADA) and adapt according to the local condition of the state. It is clear from the outcome of the research that some of the obstacles are beyond the control of the SHGs. The government, NGOs, Banks and others, including the private sector, can work together to help answer the needs to SHGs in a mature and effective manner in hopes of not overloading them leading to failure. SHGs have played an important role in the lives of distressed members, it is to be expected that SHGs take up the cause of their members. The support of livelihoods is increasingly being seen as an important area related to microfinance. The need for livelihood support is critical to SHGs development as livelihoods are typically financed by the loans that members receive from the SHG. The needs of SHGs vary from the introduction of new livelihoods to providing support such as market linkages or procurement techniques to refine existing livelihoods. Thus, self help promoting institutions (SHPIs) can provide the technical livelihood support as needed to help and develop SHGs. In addition to actual technical support, government policy can help support the SHG movement in the previously mentioned areas. Poverty is invariably characterized by lack of public investment in infrastructure or dysfunctional public systems including education and health care and underdeveloped markets. Large scale investment is required to build infrastructure like roads and bridges so that there can be access to markets. These sorts of investment will have to be completed by the state government. The payoff of such costs though is infinite. Further, livelihoods can be enriched through greater access to markets. As some SHGs have grown and matured to a sizeable scale, they need access to more financial services. Governments can address this need through their state-owned banks by introducing flexible and easily accessible products. Specifically, products such as innovative savings products, micro-insurance, larger loans and enterprise financing can be introduced. If the state government is really serious about the matter of SHGs development issue, the remaining majority nationalized banks in the state should naturally follow up in providing microfinance activities. The bankers should expand their services to them. In the state like Manipur where resource mobilization capacity is limited and avenue for employment generation is very scarce there is no way rather than microfinance through SHGs. SHG is the indispensable institution for poor and downtrodden people to raise their income and standard of living. Microfinance through SHGs is observed unsatisfactory in terms of income generation and social change. Hence, the ultimate aim is to start up sustainable group enterprises among the members of SHG or individual enterprises by learning lesson from the experience of SHG movement of Imphal East District of Manipur State.

**References**

1. Amartya Sen, (1984) 'Poverty and Famines (An essay on Entitlement and Deprivation) Oxford University Press, Second Impression.
2. A.Devidas and M.Tangkeswor Sharma (2014) Microfinance through SHGs-A case study of Imphal East District, Manipur, page no 174-186 Manipur, Journal of International academic research for multidisciplinary, Volume 1, Issue 12, January.
3. Anita Kumari and others (2013) Socio-Economic empowerment of Woman SHG in Punjab Journal of International Academic Research for Multidisciplinary volume i, June issue 5
4. Bhattacharya.M G and Ray,S N.(1992) An Appraisal of the methodoligies and Data issues relating to poverty analysis,in poverty in India Data Base issue,eds- G.K.Kadekodi and GVSN Murty,Vikas publishing House,New Delhi.
5. Mohendro,N and Sancharani Devi,L (2004) Micro fianance and Self Help Group in Manipur-A new perspective, kounu printing Press,Naoremthong, Imphal
6. Anurag Rajivan,(2008),Microfinance in India,Yojana Vol.52 January.
7. Baljit Singh,Suhag,K.S and Snajay Kumar,(2008),Loan Disbursal pattern under Self Help Group-A Comparative Study of karnal District of Haryana' Indian Cooperative Review,Vol 45,No.3,January,New Delhi.
8. Fiona Leach and Shashikala Sitaram ( 2002),Microfinance and Women's Empowerment: A Lesson from India, Development in Practice, Vol. 12, No. 5 pp. 575-588
9. Lakshmi Kumar(2013),Illusion of Women Empowerment in Microfinance, A Case Study, April 13, vol. xlvi no. 15 Economic & Political Weekly.
10. Meetei,K.I,(2008) Microfinance through Self Help Group- The realities in economic operation,Indian Cooperative Review Vol.45 No. 3, January New Delhi.
11. Naila kabeer (2005), Microfinance a 'Magic Bullet' for Women's Empowerment? Analysis of Findings from South Asia, Economic and Political Weekly October 29
12. Pallavi Chavan and R.Ramakumar Micro-Credit and Rural Poverty:An Analysis of Emperical Evidence,Economic and political Weekly Vol.37 No 10 March 2002
13. Rekha Datta (Spring, 2003), From Development to Empowerment: The Self-Employed Women's Association in India, International Journal of Politics, Culture, and Society, Vol. 16, No. 3, Toward Gender Equity: Policies and Strategies, pp. 351-368
14. Rebecca M. Vonderlack and Mark Schreiner (2002), Women, Microfinance, and Savings: Lessons and Proposals, Development in Practice, Vol. 12, No. 5 Nov.,, pp. 602-612
15. Statisal Abstract(2004), Manipur, published by Department of Economics and Statistcs, Government of Manipur .
16. Tara S Nair (2011), Microfinance: Lessons from a Crisis, Economic & Political Weekly EPW february 5, vol xlvi no 6
17. Annual Administrative Report, (2005-06),published by Department of Rural Development and Panchayati Raj, Government of Manipur .
18. Annual Administrative Report (2005-06), Department of Labour and Employment, Government of Manipur15NABARD (1992), A Handbook of Forming Self Help Groups, February.