Real Impact Evaluation of Micro Finance on Urban Women in India

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ABSTRACT

In India, microfinance is one of the most important innovations in anti-poverty policy in the last half-century. Microfinance has been accepted as a tool for growth. Significant divergence exists between local and external perspectives on use of money and other resources for gender. The general idea of the paper is to assess and evaluate the contribution of microfinance institutions for the empowerment of urban poor women. It explores impacts of microfinance on economic, social and overall empowerment perspectives of women; using different frameworks. The paper is based on primary data collected from 120 women through questionnaire along with secondary data to assess the impact of MFIs in relation to Non-Government Organizations (NGOs). Results found that most urban women in this association experienced increased income and educational level, therefore improved their economic status and social conditions after receiving the loans from NGOs.

Keywords: Economic indicators, Empowerment, Microfinance, NGOs.

1.0 Introduction

The women population in India is much more in urban areas comprising more than half of the total women population, and their contribution is significantly important in urban areas for the mounting development of a country. Any development strategy that directly benefits such large numbers of women is obviously a very vital strategy. The microfinance field has come a long way towards identifying best practices based on the successes of micro finance institutions (MFIs) in expanding outreach and improving financial independence. While commercial MFIs are penetrating urban and highly densely populated sub-urban areas, their services and outreach need to be studied for urban poor women.

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The challenges currently facing the microfinance field is to increase the microfinance outreach to a significant number of not served or underserved micro entrepreneurs and middle class households living in urban areas. There is also a need to control indebtedness or diversion of scarce resources from investment or consumption to interest repayments. If financial services are linked to the wider sustainable development process, it will increase access to finance that will contribute to the development of markets, value chains and the strengthening of local and national economies. As challenges have gender dimensions that need to be taken into account in the current process of innovation and expansion, hence women empowerment is integral to urban finance interventions. It is a good idea to focus on women because they have traditionally been marginalised economically and socially. It is believed to be the basis of much of the difficulties women face in their effort at self-development and community development. Recent research has argued that greater participation in the financial systems by women can be a tool for national development. In India, there is a diversity of approach to microfinance, involving banks, government agencies, NGOs. This paper analyses economic upliftment of women to expand the provision of microfinance in urban areas. It will assess social development impact of MFI programmes in relation to NGOs.

1.1 Defining microfinance

Microfinance refers to a variety of financial services that target low-income clients, particularly women. Since the clients of microfinance institutions (MFIs) have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These services include loans, savings, insurance, and remittances. Micro loans are given for a variety of purposes, frequently for micro enterprise development. The diversity of products and services offered reflects the fact that the financial needs of individuals, households, and enterprises can change significantly over time, especially for those who live in poverty in urban areas. Due to these varied needs and because of the industry's focus on the poor, microfinance institutions often use non-traditional methodologies, such as group lending or other forms of collateral not employed by the formal financial sector.

‘Microfinance’ is often defined as financial services for poor and low-income clients offered by different types of service providers. In practice, the term is often used more narrowly to refer to loans and other services from providers that identify themselves as ‘microfinance institutions’ (MFIs). These institutions commonly tend to
use new methods developed over the last 30 years to deliver very small loans to unskilled borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan savings requirements, gradually increasing loan sizes, and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly. Broadly, microfinance refers to a movement that envisions a world in which low-income households have permanent access to a range of high quality and affordable financial services offered by a number of retail providers to finance income-producing activities, build assets, stabilise consumption, and protect against risks. These services include savings, credit, insurance, remittances, and payments, and others.

In India, the emergence of liberalisation and globalisation in the early 1990s aggravated the problem of women workers in unorganised sectors as most of the women who were engaged in various self-employment activities lost their livelihood. Despite the tremendous contribution of women to the agriculture sector, their work is considered just an extension of household domain and remains non-monetised.

Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, the microfinance sector is dominated by Self Help Group (SHG)-Bank Linkage Programme. It is a cost effective mechanism for providing financial services to the “unreached poor” and it has been successful not only in meeting financial needs of the urban poor women but also strengthening collective self-help capacities of the poor, leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the country. Economic empowerment results in women’s ability to influence or make decision, increased self-confidence, better status and role in household. Microfinance is necessary to overcome exploitation, create confidence for economic self-reliance of the urban poor, particularly among urban women who are mostly invisible in the social structure of the city life. The term microfinance sometimes is used interchangeably with the term micro credit. However while micro credit refers to purveyance of loans in small quantities, the term microfinance has a broader meaning covering in its ambit other financial services like saving, insurance etc. as well. The mantra of ‘microfinance’ is banking through groups. The essential features of the approach are to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode. The other dimensions of the microfinance approach are as follows:

- Savings/Thrift precedes credit
- Credit is linked with savings/thrift
- Absence of subsidies
- Group plays an important role in credit appraisal, monitoring and recovery.
2.0 Review of Literature

Bennet and Goldberg (1993) asserted that in developing economies, low-income women are often victims of societal suppression and abuse; while their counterparts in developed economies are victims of lending discrimination. It is therefore argued that lending to women may help empower them economically and socially. Microfinance is the provision of a broad range of financial services such as credit and savings to poor and low-income household and their micro enterprises (Rhyne, 2003). Women are often seen as instruments for societal change and development and as such, empowering them may be of great benefit to society. Access to credit by women has therefore become the main subject of many global and regional conferences and seminars (Ablorh, 2011). Despite several methodological variations, evaluation studies fairly widely accept that microcredit does improve household incomes and also linked with other associated benefits like increased livelihood diversification, more labour market activity, more education and better health (Mosley and Rock, 2004). Some studies suggest that while lending to women benefits their households, its beneficial impact on women themselves is somewhat uncertain (Kabeer, 2001). Financial institutions are reluctant to lend money and mobilize savings for women. This is based on the perception that women are unable to control household income, have limited access to property and fewer source of collateral (Samuel et. al, 2012).

3.0 Objectives

The main objectives of this study are:
- To assess the extent to which microfinance can be a tool for economic improvement among urban women.
- To evaluate and analyse the level of impact of the microfinance services on the social status of the urban women.
- To analyse the role of microfinance in the empowerment of women at family and community level.

4.0 Research Methodology

The study used the survey method to analyse the effect of microfinance on economic and social impacts on women. All urban women who assessed microfinance constitute the population of the study. A sample which is representative of the population is considered for the study. Sampling involves selecting some of the elements in a
population and drawing conclusions about the entire population (Cooper and Schindler, 2001). The compelling reasons behind the decision to sample includes the lower cost, greater accuracy of results and greater ease of data collection associated with sampling. The non-probability sampling method adopted is the purposive sampling. The choice of purposive sampling method is motivated by the fact that it aids the study to focus only on urban women beneficiaries of microfinance programme. The technique entails the use of structured questionnaires and interaction with NGOs owners. The study is basically a survey research; hence the researchers rely mainly on primary data. The study also relies on some secondary sources of information such as journals, textbooks, newspapers and articles among others. The data so collected is analysed by using statistical techniques such as frequency, percentages, pie charts and bar graphs.

4.1 Brief Profile of the Study Area

The Delhi/NCR (National Capital Region), which constitutes about 5% of the NCR\(^1\) is selected for the survey. The survey data used for the estimation in this paper is a part of a small study that investigates the impact of Non-Government Organisations (NGOs) linkage programme on economic and social development of urban poor women. The survey conducted consists of a sample of 120 women from the sub-region of Delhi from Delhi NCR. The respondents from the NGOs\(^2\) members at the district level were randomly chosen representing similarity in religion, cultural factors and infra-structural facilities.

5.0 Data Analysis

5.1 Profile of respondents

The first part of the analysis represents the general characteristics of the respondents. These include the age brackets, marital status, number of children and educational level of the respondents. These are presented with the help of pie charts and tables. Figure 1 summarises the age distributions of all urban women sample from these selected organisations. It is observed that eighty three of the respondents were between the ages 18-35 years which represents 69% as the majority, sixteen were between 36-50 years and it represents 13% whiles twenty one were above fifty years which represents 18% after aggregating the both groups.

Table 1 and 2 summarise the educational profile and marital status of the respondents. The data on marital status and the number of children of the urban women surveyed reveals that the majority of the respondents (41%) are unmarried women. Married women with roughly same percentage have mostly 1-2 children. As the
children are dependents on widowed (13) and divorced women (9), it grounds the responsibility towards their children along with them. An increase in the family’s responsibilities means that more finance will be needed and this is where the NGOs come in.

Figure 1

<table>
<thead>
<tr>
<th>Age of respondents (%)</th>
<th>18-35</th>
<th>36-50</th>
<th>51-64</th>
<th>65 AND ABOVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent</td>
<td>69%</td>
<td>13%</td>
<td>11%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: Sample survey

Table 1: Educational Background of the Respondents

<table>
<thead>
<tr>
<th>Educational qualification</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>10th Standard</td>
<td>38</td>
<td>31.7</td>
</tr>
<tr>
<td>Secondary Education</td>
<td>42</td>
<td>35.0</td>
</tr>
<tr>
<td>University Education</td>
<td>40</td>
<td>33.3</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Sample survey

Table 2: Marital Status of the Respondents

<table>
<thead>
<tr>
<th>Marital status / no. of children</th>
<th>0</th>
<th>1—2</th>
<th>3—4</th>
<th>More Than 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unmarried</td>
<td>49</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Married</td>
<td>0</td>
<td>37</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Widowed</td>
<td>1</td>
<td>3</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>Divorced</td>
<td>1</td>
<td>7</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Sample survey
The education level of the respondents (Table 3) when seen with marital status has a mix of all the selected range. Thirty eight have basic education which is first condition to take a loan; forty two have secondary education while forty have reached the university level education. As education alone is not the only deciding factor, hence it is combined with marital status to understand the socio-economic position of the respondent. It is seen that 40 respondents having university education are either single or married. 22 numbers of the respondents for the 10th education have majority for married while for secondary education have greater part for single women.

<table>
<thead>
<tr>
<th>Marital status/education level</th>
<th>10th Standard</th>
<th>Secondary Education</th>
<th>University Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>8</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>Married</td>
<td>22</td>
<td>6</td>
<td>21</td>
</tr>
<tr>
<td>Widowed</td>
<td>6</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Divorced</td>
<td>2</td>
<td>7</td>
<td>0</td>
</tr>
</tbody>
</table>

*Source*: Sample survey

5.2 Characteristics of loans

The second part of the analysis discusses the characteristics of the loans including the easy access to loans, purposes for loans, duration and no. of times that a loan has been taken.

*Easy access to loans*

The data from the survey (Figure 2) indicates that 61% of the respondents reported no easy access to additional credit from other sources; 39% of the respondents had additional access of loans that can be from savings, traditional moneylenders, banks etc. This indicates that out of total one hundred twenty respondents, over 61% of them had access to the micro-finance and NGOs. This implies NGOs is helping to fill the vacuum that has been created by the formal and informal financial services to poor entrepreneurs especially women in Haryana.

*Impact of loans on independent sources of income*

Figure 3 shows that the source of income from microfinance activity shifts from ‘any other’ (that may be father or brothers) to the self. There is decrease in the percentage of ‘any other’ from 28.3% with increase of 40% in self-sourced income. Somehow we noticed that most women who are unmarried took microfinance loans to
get support from their fathers. It therefore felt important to ask them if they felt empowered or independent as gap is high for single, widowed and divorced women. However, this decrease is very low for source of income from the spouse to self. So, still in society, many of these women found support from their husbands in the family.

**Figure 2: Ease of Access to Loans**

![Ease of Access to Loans](image)

*Source: Sample survey*

**Figure 3: Impact of loans on Independent Sources of Income**

![Impact of loans on Independent Sources of Income](image)

*Source: Sample survey*
They seemed not to be confined to the home first and are now foremost with the 100% support from their husband. For the married women, the reason could be that women do all the household work which leaves them little time to pursue productive/rewarding activities.

**Considerations for microfinance**

The purpose of considering microfinance can be studied dividing all the selected reasons into three major categories: Consumption expenditure, Education and income related purpose. Given all this background, at a very basic level, the need of poor women is often education (55% of respondents—Figure 4). It can be said from the results of the survey that awareness of education is getting promoted among urban girls and women. The reach to education is made easy by microfinance to the greater extent.

**Figure 4: Considerations for Microfinance**

The consumption expenditure includes house related expenses, health care, family occasion, personal emergency and paying off other loans. Use of financial services is to
reduce the volatility in income and expenditure. While this need of income related purpose is also valid for other categories of clients, it is especially true for the urban women. The other considerations include tailoring (13.3%), then diverse small business specially beauty parlor (6.7%), cloth/saree sales (5.0%), shop/business (4.2%), pickle (3.3%), cow/goat (2.5%), rice grinding/packaging (1.7%) and at last catering (0.8%) for managing their income and expenditure. As incomes rise, and general prosperity increases, it is expected that some of the more volatile expenditure reduces. For instance, with the spread of affordable primary healthcare, the extent of expenditure may be expected to reduce. However, some of these may be more long term trends that will take time to impact people’s lives.

The volatility in consumption expenditure may be driven by several factors, e.g. illness or accidents leading to inability to work, illness in the family leading to expenditure, expenditure on house and temptation goods etc. NGOs seek to serve this segment as 7.5% urban women are provided finance help to address the above mentioned volatility. In addition, they may also provide other more conventional benefits of financial intermediation like ease of transactions and convenience in payments, safety and returns.

**Frequency and duration of loans**

Figure 5 shows the frequency and duration of loans. Out of the 120 women surveyed, 55% women were obtaining microfinance for the first time; 30.8% were obtaining the loan for the second time, 5% for the third time and 9.2% for more than three times. Mostly women opt for the loans for first time showing education, consumption expenditure and diverse small business start up. Some of them are successfully running their business or income related business for more than one time of loan. The duration of loans for the most time are 0-2 and 2-5 years (Figure 5). Only 5 out of the 120 women have taken loans for 5-8 years and no loan is approved for more than 8 years. It can be judged that women have short and medium term loan orientation to ensure repayment at right time.

**5.3 Impact microfinance on women**

This part of the analysis represents the real impact of microfinance on the respondents. As discussed in earlier studies, NGOs channelise financial support to various clients in the society for various purposes. They make powerful impacts through various development initiatives that directly target women. Through NGOs, members also get empowered by their linkages to other networks. In this study, we look at the impact of microfinance (directly and indirectly) on women through economic and financial factors (economic), social awareness and participation (social), and women
empowerment in total of the all respondents. Table 4 gives the details of the various observed indicators that are used to measure economical and financial impacts on women. It is well-established in literature that an economically active woman with her own independent savings and greater income share within the household, has more economic power (Asraf et al. 2006). A woman capable in meeting a family financial crisis and/or the ability to arrange credit has more financial confidence (Swain and Wallentin 2008).

**Figure 5: Frequency and duration of Loans**

![Graph showing loan frequency and duration](image)

*Source: Sample survey*

<table>
<thead>
<tr>
<th>Economical and financial indicators</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to improved Healthcare</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Improvement in the standard of living of family</td>
<td>94</td>
<td>78</td>
</tr>
<tr>
<td>Better education for children</td>
<td>50</td>
<td>42</td>
</tr>
<tr>
<td>Improvements in housing infrastructure</td>
<td>33</td>
<td>28</td>
</tr>
<tr>
<td>Increment in income and Saving</td>
<td>76</td>
<td>63</td>
</tr>
<tr>
<td>Self enhancement with self-education</td>
<td>60</td>
<td>50</td>
</tr>
</tbody>
</table>

*Source: Sample survey*

Majority of the respondents (78%) reported an improvement in the standard of living of family, whilst only 13% of the respondents said there is relatively less use of
microfinance for healthcare purposes (Table 4). From the study, 63% of the respondents reported of an increment in income and saving; 50% have self enhancement with self-education. This implies importance they attach towards the self-education. This is the critical output from the survey because education is ladder to achieve a goal in present scenario. It builds the ability to contribute to decision-making in the family, generating a source of income and ability to visualize and convert dreams into reality about family members. 42% of the respondents asserted that they are able to provide better education for children. 28% claimed for the improvements in housing infrastructure. In sum, it is evident to say that NGOs microfinance programmes have an appreciable positive economic and financial impact on its clients.

Table 5 having social indicators represents the impact of microfinance on clients’ level of social improvement after joining NGOs microfinance programme. The level of self-confidence to express them in public is nearest to the peak of sample size, representing 93%. It is known that 95% of the respondents reported better social life in community. It portrays a picture in which women social life is improving. They have positive outlook about their own self in the family and society. The results from the study also indicated that they still lack in participation and leadership activities. Only 33% of the clients are now able to participate in any communal, political, social group or Church activities in the communities and when they are asked that they are aspiring to take up leadership roles, 40% were positive in doing so.

Table 5: Social Impact of Microfinance on Women

<table>
<thead>
<tr>
<th>Social indicators</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Are you able to express yourself in public?</td>
<td>112</td>
<td>93</td>
</tr>
<tr>
<td>Do you participate in any Communal, Political, social group or Church activities?</td>
<td>39</td>
<td>33</td>
</tr>
<tr>
<td>Are you aspiring for any Leadership position?</td>
<td>48</td>
<td>40</td>
</tr>
<tr>
<td>Do you have better social life in community?</td>
<td>114</td>
<td>95</td>
</tr>
</tbody>
</table>

Source: Sample survey

Women empowerment is measured by the indicators that cover the decision-making in traditionally male-dominated areas along with socioeconomic determinants (Table 6). Decision-making means managerial decision about her work related activities and is measured by the respondent taking crucial decisions and planning in personal and family’s matters. The survey results show that 73% of the respondents said that their ability to make decisions has increased (Table 6). Due to training programmes held by
NGOs, their awareness level on the issues like gender subordination, reproductive health, and domestic violence have improved and provide a platform for women to discuss problems with others. Most of the women (90%) feel superior and 98% feel that their level of Self-esteem has improved. Along with this, 83% feel that their status has increased in society. Involvement with NGOs activities made big changes possible to their lives by bringing new dimensions besides homesickness and resulted in commitment to the outside world as well. This vitality in life is giving them a sense of satisfaction.

Table 6: Impact of Microfinance on Women Empowerment

<table>
<thead>
<tr>
<th>Empowerment indicators</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do you feel superior about yourself?</td>
<td>108</td>
<td>90</td>
</tr>
<tr>
<td>Do you feel that your ability to make decisions has increased?</td>
<td>87</td>
<td>73</td>
</tr>
<tr>
<td>Do you feel your level of Self-esteem has improved?</td>
<td>118</td>
<td>98</td>
</tr>
<tr>
<td>Do you feel marginalized in your society?</td>
<td>99</td>
<td>83</td>
</tr>
</tbody>
</table>

Source: Sample survey

In general, the respondents confessed that their perception has changed from those days when they had to sit back and watch the men make all decisions and cater for the development of the entire family, community and the nation. Now they actively participate in decision making of their homes. On a whole, urban women are gaining recognition and potency in the society and also contributing their meaningful part of life to socio-economic development. Self-confidence, self-esteem and empowerment show that they have experienced empowerment within themselves with the assistance of microfinance provided by NGOs.

6.0 Conclusion

From the analysis above, it can be concluded that the urban women are now more empowered and their condition can be significantly improved by promoting education and increasing their income generating small activities. In this direction, they need to be provided loan facilities through different microfinance programs. The overall conclusion of this study is that age, marital status, education level and no of children are influential factors of urban women. It highlights that middle age women are more alert and loan rate is higher for them. Adult women supported by their father and/or husband are much mobile, have a greater access to resources to take decision both inside and
outside the home. Discrimination in society is now reducing with girls/women being allowed to go for studying, working in an organisation and entrepreneurial job. The atmosphere for married women is changing now, and they are not restricted to home handling and following the husband’s decisions. Most married females have the power to share their ideas with their husband. Divorced females are feeling independent to fight strongly with their conditions. Widowed are much older and are able to support their long families now.

The analysis on economic and social impact on women reveals that indicators such as improvement in standard of living of family, increase in income, savings and self-education, expressiveness and desire for good social life are more influenced by microfinance and play an important role for the women supremacy as they do invest in income-generating activities and education getting sources. This implies that as women become financially better, have more self-confidence and bargaining power within the household, this indirectly leads to their empowerment. Although increased self-confidence does not automatically lead to empowerment, it may contribute decisively to a woman’s ability and willingness to challenge the social injustices and discriminatory systems that they face. This study have found that microfinance programs allows women to take a greater role in household decision making; to have greater access to financial and economic resources; to have greater social networks and more bargaining power vis-a-vis their husbands; and to have greater freedom of mobility.

7.0 Recommendations

In the light of above research conducted, NGOs should be strengthened having special focus on urban women to provide more resources to poor. Additional services like training, awareness raising workshops and other activities over and above microfinance programs should be promoted with potential and existing loans in which they must be told about the proper and possible use of loans. Loans should be channelised through women groups combined with more investment in social intermediation. If government and other developmental partners work together in addressing these issues, they could better address the need of urban women. Strategies to combat the lack of empowerment must address not only the immediate need of urban women but also focus on the root cause of women’s powerlessness. Further research can be there to identify a woman’s practical needs and their linkage to gender roles, responsibilities, and social structures, which can fulfill women’s practical needs in the short-term and promoting long-term strategic change.
Endnotes

1. The study area is National Capital Region (NCR) which includes New Delhi, as well as urban areas surrounding it in the neighbouring states of Haryana, Uttar Pradesh and Rajasthan. NCR is India's largest and the world's second largest agglomeration with a population of 22,157,000. The four constituent sub-Regions of NCR are as follows: (i) the Haryana sub-region comprising of 13 districts; (ii) Uttar Pradesh sub-region comprising of 5 districts, (iii) Rajasthan sub-region comprising of 2 districts, and (iv) Delhi which constitutes about 5% of the region. In 1985, with the enactment of the National Capital Region Planning Board Act, 1985 of Government of India, NCR Planning Board (NCRPB) was constituted. The aim of the concept was to develop a metropolitan area around Delhi, so as to divert increasing pressure of population from the region. The concept was essential in order to protect Delhi's infrastructure from excessive pressure and a planned development of the region.


References


