

## Chapter 20

# Empowerment of Women Through Microfinance: The Significance of Self-Help Groups

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### **ABSTRACT**

*One of the most popular goals of most of the development programs and especially of microfinance programs is empowerment of women. Empowerment is closely related to the concept of power, which can be understood in terms of “power to,” “power within,” “power with,” and “power over.” Empowerment can be judged at various levels such as at individual level, family level, and collective level. Microfinance has become an important component of development, poverty reduction, and economic regeneration strategy around the world. By the early 21<sup>st</sup> century, tens of millions of people in more than 100 countries were accessing services from formal and semi-formal microfinance institutions (MFIs).*

### **INTRODUCTION**

One of the most popular goal of most of the development programmes and especially of microfinance programmes is empowerment of women. Empowerment is closely related to the concept of power which can be understood in terms of “Power to”, “Power within”, “Power with” and “Power over”. Empowerment can be judged at various levels such as at individual level, family level and collective level. Within these different types of empowerment and levels of empowerment, there is growing interest to study and analyse the “Power within” which mainly focuses on the empowerment at individual level. Empowerment which means becoming powerful is a process by which individuals, groups and communities are able to

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take control of their circumstances and achieve their goals. It enables them to work towards helping to empower themselves in educational, economical, psychological, social and political aspects.

Microfinance has become an important component of development, poverty reduction and economic regeneration strategy around the world. By the early twenty-first century tens of millions of people in more than 100 countries were accessing services from formal and semi-formal microfinance institutions (MFIs). Micro Finance has proved to be an effective tool for women empowerment. Microfinance includes micro credit, micro savings, micro insurance and micro pension etc. Micro credit has extension of small loans to the poor to enable them to take up income generating activities. Microfinance has evolved as an economic development approach intended to benefit low-income women and men. The term refers to the provision of financial services to low-income clients, including the self-employed. Financial services generally include savings and credit; however, some microfinance organizations also provide insurance and payment services. In addition to financial intermediation, many MFIs provide social intermediation services such as group formation, development of self-confidence, and training in financial literacy and management capabilities among members of a group. Thus the definition of microfinance often includes both financial intermediation and social intermediation. Microfinance is not simply banking, it is a development tool.

In India, Microfinance programme are implemented through Self Help Groups (SHGs). The SHG is an association of people belonging to similar socio-economic characteristic, residing in same locality. The SHGs are voluntary associations of people formed to attain some common goals. These are groups, which have similar social identity, heritage, caste or traditional occupations, and come together for a common cause and manage resources for the benefit of the group members. The SHG is a group of rural poor who have volunteered to organize themselves into a group for eradication of poverty of the members. They agree to save regularly and convert their savings into a common fund. The members of the group agree to use this common fund and such other funds that they may receive as a group through a common management. SHGs are presently promoted by governments, development banks and voluntary agencies, with focus on social and economic issues, mainly thrift and credit programmes. They are also taking up issues relating to rural industries and modernization of agriculture.

## **DEVELOPMENT AND EMPOWERMENT OF WOMEN**

Over the last few years, “people’s participation” and ‘Empowerment’ has become the buzzwords in rural development and local planning. In this context, Self Help Group (SHG) has emerged as the most successful strategy, in the process of participatory development and empowerment of women. The rural women are the marginalized groups of our society. Due to the presence of socio – economic constraints in the rural areas, women’s potential for development remained far from fully utilized and they have been pushed further back into the social hierarchical system. The concept of Self Help Group (SHG) models women as a responsible citizen of the country achieving social and economic status. In all stages of economic and social activities, involvement of women has been added significance to them. Women led SHGs in many parts of the country have achieved success in bring the women to the mainstream of decision-making. The self Help Group (SHGs) in our country has become a source of inspiration for women welfare. Now days, formation of SHG is a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. SHG is also a viable organized set up to disburse micro credit to the rural women and encouraging them to enter into

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