

# Empowering Women at Bottom of Pyramid through Microfinance

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**Abstract**---Women are an essential part of society. Their empowerment is very a prime factor for the growth of the economy of the country. This study attempts to identify the most influencing and dominating factors of women empowerment of rural areas of western Uttar Pradesh in India. Rural women play a vital role to enhance the economy and eliminate social evil as gender inequality, society's perception towards backward people. Women's empowerment plays an important role to eradicate poverty through microfinance. Microfinance provides a small number of loans to low-income people without any security. It helps to reduce unemployment and increase the motivation to become an entrepreneur. In this study, data were collected from one hundred eight rural women who involved in self-employment activities through a questionnaire using personal interviews. Convenience sampling technique was used to select the sample size from three villages of different districts in Uttar Pradesh. The exploratory factor analysis was performed on twenty-one variables for screening and reducing the variables to identify the influencing and dominating factors on women's empowerment. The result of this study abridged the variables into eight factors as socio-economic factors, source of income, poverty eradication, microfinance awareness, personal empowerment, social empowerment, society's perception and family empowerment.

**Keywords**--- Microfinance, women empowerment, exploratory factor analysis, poverty, rural women, rural areas, India.

## I Introduction

In India, a developing country woman has been restrained under custom and law. Women have the same rights as a man to make their own destiny. She is a human being where attraction, authority, control and nobility with respect as a mother, a wife, a daughter and a sister cordially. In the ancient period of time, in India, many girls and women are still becoming a victim of violence, gender inequality, poverty eradication and insecurity and other contravention to their human rights in their patriarchal system of decision making and power (Nasir & Farooqi, 2016). The word "Women Empowerment" means to empower women with education, employment, and decision-making, independent and better health in the examination of equality and justice in society. Women ever since ages have been besieged to be socially and professionally acknowledged as comparable to men.

In women's personal and professional life, there are many incidents where her capabilities and their potential are undermined against the man's having an untimely reaction to her overall image and obstructing her growth. Empowering women is a vital tool for eradication poverty. Empowered women add to the health and betterment of complete families and to improved prospects for the next generations (Shrivastava, 2009). There have been

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numerous social and financial institutions supporting women empowerment, but women are still deprived and assailable as compared to men. The main reasons for the same are financial and economic dependence on male members, the rapid increase in population, unemployment, illiteracy rate, and lack of source of funds. Rural women in India play a vital role to enhance economic growth and change society's perception towards backward people and therefore, country development is not possible without the betterment of this part of the society (Gangadhar & Malyadri, 2015). As per 2011 Census of India, the sex ratio is 871 females per 1000 males and literacy rate is 51.29% in Budaun (U.P), the sex ratio is 895 females per 1000 males and literacy rate is 61.47% in Pilibhit (U.P), the sex ratio is 880 females per 1000 males and literacy rate is 77.10% in Hathras city (U.P). Women's empowerment simply means their economic status of society and culture improves. It is one of the major tool for encouraging women or empowering women in microfinance. In India, mainly the (SHG) Self Help Group dominated the distribution of microfinance. For self-employment in the rural areas microfinance helps in giving loans without any security and help in financing too.

### **1.1 The concept of Microfinance**

Microfinance is the provision of financial services and products which is provided to low-level income group who traditionally are not used or lack of accessibility of banking-related services. Microfinance has many services as microcredit, micro-savings, micro-insurance and loan available to poor and low-income entrepreneurs without any collateral security or assets. Most often, microfinance is given to those living in still-developing countries who are currently working in a variety of different areas, including small scale industry, bridge manufacturing, transportation and outsourced worker. The conceptual frame of microfinance is helping the rural and poor persons to create opportunities for economic growth and to eliminate the evils from the society. In India microfinance has fuelled the efforts of rural development, women empowerment and wealth generation by providing small scale savings, guarantee free loans to low-income households.

Conceptually, microfinance is provided for the people who do not qualify for the banking system and have no collateral (sometimes own land but not hold any title), no credit history. In simple terms, microcredit is a mechanism of lending of a small piece of the loan at low interest to new businesses in the developing world. As borrowers successfully pay off their micro credits, they may become eligible for loans of larger amounts. Microcredit has been defined by the microcredit summit held in Washington D.C in February 1997 as "programs that provide credit for self-employment, other financial and business services to very poor persons".

Microfinance is not more than several amounts of rupees as the small amount is to be provided. Microfinance helps those persons who can provide better livelihoods to their family members and try to improve the standard of living and increase social status in society. National Bank for Agriculture and Rural Development (NABARD) has defined microfinance as "provision of thrift, credit and other financial services and products of a very small amount to the poor's in rural, semi-urban and urban provided to customers to meet their financial needs; with the only qualification that (1) transaction value is small and (2) Customers are poor". It has a large portfolio of financial services including micro-savings and micro insurance. Micro saving proposed small savings account to low-level income groups as an incentive to save funds for future use. Micro-savings accounts work similar to a normal savings account, are designed around a small amount of money. Insurance Regulatory and Development Authority (IRDA) has designed a special category of insurance policies called micro insurance policies. Micro-

insurance is insurance with low premiums and low coverage. A micro-insurance policy which can be general insurance and life insurance policy with a sum assured of Rs. 50,000 or less.

### **1.2 Microfinance and Women Empowerment**

What is the real meaning of empowerment? The word “Empowerment” is derived from the word ‘Empower’ which means to give the authority of a person to do something. The ability of an individual relies on different types of factors like personal attributes, behavioral elements, and social attributes. The main aim of microfinance programs is to empower women and helps them for becoming part of economic growth and development. It provides underlying motivations for pursuing women empowerment. Microfinance helps to increase the strengths of women for alleviating one of the major problems ‘gender inequality’. There are four ways where microfinance empowers women as they create entrepreneurship, helps the family, generate employment and empowerment. Finally, keeping up the objectives of financial feasibility, most of the microfinance institutions prefer women as they believe that they become full of creative ideas and have the power to take decisions that are perfect for their family.

## **II Literature Review**

The objective of microfinance is to provide the loan to the poor and lower-income segment that has no collateral security and no other options to get credit services from anywhere. Microfinance comes into the focus of various economists and researchers are working up in this field in the manner to provide the right and fruitful product to them. The various researches done in the field is given to understand the actual impact and make a success story of microfinance in rural women empowerment:

Microfinance increases gender equality and focused on savings and credit avenues. The basic objective of this study is to understand the status of empowerment of women beneficiaries after access to microfinance. This study observes that the impact of empowering females increases after demonetization (Ramchandani, 2017). Obaidullah (2015) studied about the social consequences of microfinance, he perceived that the legitimacy of microfinance business providing social and economic development builds on the nation that they are more transparent and effective. He finds that microfinance has provided strong positive effects on empowerment and as strengthening the democratic fabric. Moreover, a study by (Rathirane & Semasinghe, 2015) was based on identifying the household level in selected rural areas in Sri Lanka. It compiled three variables as decision making power, freedom to mobility and family support and which are positively associated with empowerment. However, researches also conduct to obtain insights regarding factors as financial freedom, social status. It was found that microfinance is generally used by the respondents for agricultural-related allied activities and self-employment (Obaidullah, 2015). The researcher explains the efforts of empowering women to help society to eliminate the social evils which are spread out in the country. In India, micro-finance distribution channels are mainly overshadowed by Self-help groups (SHGs) - Bank linkage program. The main focus is that at imparting a minimum cost instrument for providing financial services to the poor section of the society. This study also increases the legal awareness and mobility and economic security giving the maximum impact of women empowerment (Gangadhar & Malyadri, 2015). This research is based on poverty alleviations and contributes to resolving the problems of inadequate household services through micro-credit. This study is made on the deep

research of women of Nepal to support to suppression of poverty and encouraging women to improve their standard of living. Microfinance institutions are a major player in the study. There is a general perception that microfinance is not equal to all poor women. The result shows the optimistic impact in income and savings despite different interest rates charged by the companies. Micro financial institutions try to reduce poverty in rural areas of Nepal and improve their standard of livings for the next generations (Shakya & Eldon, 2012). This paper is based on the principles of women entrepreneurship.

In this study, the researcher talks about the various schemes and programs to encourage women entrepreneurship (Maden, 2015). This report shows that microfinance is currently considered one of the most important tools for international development and poverty alleviation (Mader, 2016). According to this study, it consists of a lack of assist to capital such as education, health and poverty elevation and the major role of microfinance in improving financial services to the poor peoples. The study finds that the Programmed has bypassed the poorest of the poor. The tools that are used here are Regression and the variables are Poverty, Political economy of growth and development, SHG (Mohapatra & Sahoo, 2015). This research shows the effect of microcredit on women's empowerment in rural Bangladesh using the latest primary data. Primary data have been collected by the household sector. The result shows the optimistic improvement of Micro Finance on most of the selected indicators for Women Empowerment. The tools used in this study are Regression Analysis and the variables are Economic Security, Self-employment and mobility, the Household indicator (Rahman, Khanam, & Nghiem, 2016). According to this study, women are the most important part of society and for the country's development. And women's participation in decision making of social life is very less. The findings of this study are Socio-economic empowerment index measures the relative social and economic profile of the group members and analyze the service of finance. The variables are used here are Financial Services, Empowerment, Socio-cultural development. And the tools are multiple linear regressions (Nasir & Farooqi, 2016).

A study based on the sustainable development of the nation by way of reducing poverty, empowering women, creating awareness of microfinance and other financial services was conducted by (Loomba, 2013). This study shows the benefits and challenges faced by women in SHGs. Many statistical tools for data analysis as paired t-test, correlation coefficient and cross-tabulation analysis were applied. Moreover, to ascertain whether the movement of microfinance in reality had uplifted the social economic and capability wellbeing of the below the poverty line people. A study was conducted in this regard including both qualitative and quantitative aspect

This study considers four hypotheses to check the significant difference of impact of microfinance on the social, economic and capability of BPL people (Priyadarshani, 2017). Microfinance had a pioneering role in embracing and promising the use of many products and tries to increase innovation to develop new financial products. This article considered three services of microfinance as micro-credit, micro-savings and micro-insurance (Saleh Torkestani & Ahadi, 2008; Olaosebikan and Adams, 2014; Maden, 2015).

### **III Objectives of research**

1. To examine the microfinance factors that influence women empowerment.
2. To identify the most dominating factors that impact women empowerment.

## **IV Research Methodology**

The present study focused on two regions Budaun and Mathura. A structured questionnaire was adopted and filled up by 108 respondents through personal interactions. The non-probability sampling has been used for sampling of the population in this research, in which the study used convenience sampling to tap the target audience. In convenience sampling, we have met with the respondents personally and collect sufficient data according to our convenience. The data was collected from rural women of the western zone of Uttar Pradesh. The data were analyzed using standard techniques of descriptive statistics and exploratory factor analysis. The questionnaire is divided into two parts. The first part includes demographic variables like marital status, Age, Occupation and Monthly income of the family. The second part includes 23 variables that show the influencing and the most dominating factors of women's empowerment with microfinance. We are using five-point Likert scale (1-Strongly agree, 2-Agree, 3-Neutral, 4-Disagree, 5-Stronglydisagree).

## **V Data Analysis and results**

### **5.1 The profile of the study's respondent**

The questionnaire is developed where in the first part of demographic variables that are being filled. About 42% of the respondents are married women, 35% are unmarried and 31% are a widow. Moreover, 27% of respondents are age 18-28, 39% of respondents are the age of 28-38, 24% of respondents are the age of 38-48 and 18% of respondents are the age of above 48 years. The third demographic factor is the occupational status. We have taken four categories of occupation as 42% are involved in agriculture, 29% in business, 24% in employees and 5% in others. Concerning income of the family 24% respondents are in less than 10000, 33% respondents are in 10000-20000, 18% respondents are in 20000-30000, 21% respondents are in 30000-40000 and 12% respondents are earned above 40000.

### **5.2 Reliability**

The internal consistency of the questionnaire is tested through Cronbach's Alpha. As per the rule, if the coefficient is greater than or equal to 0.7, it is considered a good indicator. In our study, the value of Cronbach's Alpha is 0.788 which in turn can be considered as 78.8%. It simply concludes that our questionnaire is 78% reliable for proceeding to further analysis. This reliability test includes 40 samples with 23 scaled variables taken from the questionnaire. Hence, we can say that 23 variables are 78.8% correlated with each other.

### **5.3 Descriptive Statistics**

A descriptive statistic is a summary statistic used to describe the basic elements of the data. In this form of statistic values that describe the characteristics of a sample or population. It shows the descriptive coefficients that summarize the given data which can be an entire population or a small sample. Descriptive statistics include central tendency as mean (average), median (midpoint) and mode (most occurring frequencies), measures of variability as variance (spread out sample), standard deviation (how much variations exists from the mean) and others.

As per table 1, Loan (2.86) and improve decision power (2.79) shows the data is widely distributed and respondents have a good impression towards microfinance investment. On the other hand, Microcredit (0.735) and income-generating activities (0.762) show the low variation

and very close relationship with average investment. Gender equality (1.328) need further analysis because variables have no relation, all are spread out.

Table 1: Descriptive Statistics

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Variance</b>
Micro credit	108	1.76	0.735	0.54
Micro saving	108	1.98	0.917	0.841
micro insurance	108	2.79	1.024	1.048
loan	108	2.86	1.009	1.018
Agriculture	108	1.84	0.866	0.751
Income generating activities	108	1.87	0.762	0.581
Education to children	108	2.21	0.958	0.917
Social Security	108	2.63	1.082	1.17
Poverty reduction	108	2.23	1.073	1.152
accessibility of micro finance services	108	2.4	0.995	0.99
utilize of micro finance	108	2.4	0.995	0.99
Employment	108	2.38	1.021	1.041
Increase in savings	108	1.7	0.94	0.883
Increase in income	108	1.91	0.972	0.945
Improve decision making power	108	2.79	0.948	0.898
Social Status	108	2.31	1.009	1.018
Development activities	108	2.55	1.062	1.129
self esteem	108	2.27	0.882	0.778
health improvement	108	2.31	0.971	0.943
gender equality	108	2.59	1.152	1.328
improvement in the standard of living	108	2.06	1.031	1.062
basic facilities and amenities	108	2.37	1.028	1.058
child education	108	2.42	1.019	1.038
Valid N (listwise)	108			

**Source: Author's calculation**

#### **5.4 Exploratory Factor Analysis**

Using SPSS Tools for identification of underlying dimensions, the Factor analysis technique (Principal Component Analysis with Varimax Rotation) has been used to identify whether the scale items are suitable for factor analysis or not. We have relied on two statistical tests: one is a Kaiser-Meyer-Olkin (KMO) test for suitability and another one is Bartlett's test of sphericity to checking the scale item correlation. The Minimum acceptable value of KMO is 0.6 and it also indicates the adequate sample.

#### 5.4.1 KMO and Bartlett's Test

The value of the KMO test is 0.683 which is above 0.6. The KMO value indicates the adequacy of the sample size for applying the exploratory factor analysis.

#### 5.4.2 Communalities

Communalities measure the variance of each component of the variable. The value of communalities in the table is high which indicates that the extracted components represent the variable. If the value is low it shows low extraction with other component variables (Table 2).

Table 2: Communalities

	Initial	Extraction
Micro credit	1	0.63
Micro saving	1	0.625
micro insurance	1	0.703
Loan	1	0.702
Agriculture	1	0.606
Income generating activities	1	0.716
Education to children	1	0.545
Social Security	1	0.615
Poverty reduction	1	0.679
accessibility of microfinance services	1	0.438
utilize of microfinance	1	0.552
Employment	1	0.607
Increase in Savings	1	0.782
Increase in income	1	0.772
Improve decision making power	1	0.774
Social status	1	0.584
Development activities	1	0.69
Self esteem	1	0.752
Health improvement	1	0.755
Gender equality	1	0.57
Improvement in standard of living	1	0.732
Basic facilities and amenities	1	0.707
Child education	1	0.549

**Source: Author's calculation**

#### 5.4.3 Total Variance explained

To extract the factors, principal component analysis with Varimax rotation was used. The result of extraction generates eight factors by following Eigen value  $\geq 1$ . The total variances explained by these factors are 65.595% in this model (Table 3). The Varimax rotation tries to maximize the variance of each factor.

**Table 3: Total Variance Explained**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.777	20.771	20.771	4.777	20.771	20.771	2.936	12.767	12.767
2	2.265	9.847	30.617	2.265	9.847	30.617	1.903	8.274	21.041
3	1.672	7.269	37.886	1.672	7.269	37.886	1.863	8.099	29.14
4	1.539	6.69	44.576	1.539	6.69	44.576	1.85	8.044	37.184
5	1.433	6.231	50.808	1.433	6.231	50.808	1.766	7.677	44.861
6	1.213	5.273	56.08	1.213	5.273	56.08	1.717	7.465	52.326
7	1.157	5.032	61.113	1.157	5.032	61.113	1.573	6.839	59.165
8	1.031	4.482	65.595	1.031	4.482	65.595	1.479	6.43	65.595
9	0.906	3.939	69.534						
10	0.826	3.593	73.127						
11	0.806	3.504	76.631						
12	0.775	3.368	79.999						
13	0.678	2.949	82.949						
14	0.62	2.697	85.646						
15	0.56	2.435	88.081						
16	0.479	2.084	90.165						
17	0.431	1.872	92.037						
18	0.38	1.651	93.688						
19	0.373	1.623	95.311						
20	0.337	1.466	96.778						
21	0.32	1.39	98.168						
22	0.256	1.111	99.279						
23	0.166	0.721	100						

**Source: Author's calculation**

The above matrix provides the correlation of the variables with each of the extracted factors. The values have been emphasized in each of the rows to group the 23 variables into 8 core factors. Thus, all the factors of rotation depend on the variance and their values accounts as (Factor 1-12.767%, Factor 2- 8.274%, Factor 3- 8.099%, Factor 4- 8.044%, Factor 5- 7.677%, Factor 6- 7.465%, Factor 7- 6.839%, Factor 8- 6.43%). These all eight component factors indicate for 65.595% of the cumulative variance in the implementation of microfinance.

#### **5.4.4 Rotated component matrix**

Rotated component matrix is used to reduce the number of factors on which the variables have high factor loading. The above matrix shows the eight factors which are bifurcate 23 different variables. Factor loading values can be either positive or negative both (Table 4). In self-esteem factor (-0.547) shows negative values that measure the opposite result of the intended measured construct. The 8 factors are categorized with their loading values in table 5.

<b>Table 4: Rotated Component Matrix</b>								
	Component							
	1	2	3	4	5	6	7	8
Microcredit						0.765		
Micro saving						0.603		
micro insurance						0.569		
Loan	0.712							
Agriculture		0.664						
Income generating activities								0.742
Education to children				0.572				
Social Security	0.71							
Poverty reduction			0.782					
accessibility of micro finance services								
utilize of micro finance	0.669							
Employment				0.725				
Increase in Savings		0.634						
Increase in income		0.76						
Improve decision making power					0.831			
Social status	0.632							
Development activities	0.718							
Self esteem								- 0.547
Health improvement				0.542				
Gender equality					0.581			
Improvement in standard of living							0.647	
Basic facilities and amenities							0.795	
Child education								
Extraction Method: Principal Component Analysis.								
Rotation Method: Varimax with Kaiser Normalization.								

**Source: Author's calculation**

Table 5: Factors with variables showing the microfinance impact

<b>Factor Name</b>	<b>Variables Included</b>	<b>Factor Loading</b>
Socio Economic Factors	Loan	0.712
	Social Security	0.71
	Utilization of micro finance	0.669
	Social status	0.632
	Development Activities	0.718

Sources of Income	Agriculture	0.664
	Saving	0.634
	Income	0.76
Poverty Eradication	Poverty reduction	0.782
Personal Empowerment	Education to children	0.55
	Employment	0.732
	Health improvement	0.542
Social Empowerment	Improve decision power	0.831
	Gender equality	0.581
Micro Finance Awareness	Micro Credit	0.765
	Micro Saving	0.603
	Micro Insurance	0.569
Family Empowerment	Improvement in standard of living	0.647
	Basic facilities and amenities	0.795
Society's Perception	Income-generating activities	0.742
	Self-esteem	-0.547

## VI Conclusion

The main aim of this research is to study the microfinance impact on women's empowerment in the different areas of the region. It is descriptive research. The main purpose of the study is to check the present situation over past conditions. The results revealed substantial evidence of the importance of microfinance in socio-economic environment and play important role in reducing poverty, reduce gender inequality, increase health and living status, provides diversified, reliable and timely financial services to poor people and it creates employment opportunity. The microfinance industry provides financial services to small business owners, individuals without any collateral security and easy repayment conditions. They have not only empowered women only but also create women entrepreneurs for increasing the growth and economic stability of the country

Therefore, the study has found that there are many influencing and dominating factors between microfinance and socio-economic development of rural women and provide better opportunities for investment. Although some rural women who are not taken any microfinance services facility from anywhere therefore communication gaps and inadequate awareness, improper regulations and limited management facilities are there.

## VII Scope for Future research

The study paves way for further research in the development of micro-enterprises by microfinance, development of rural and urban women entrepreneurs by microfinance as providing low-interest loans with suitable repayment mode, creating the awareness of microfinance and makes a program for the development of women by education, activities, understanding the functions of banking. Social and economic elements are influencing the huge impact on women's life and it can create a perception towards societal, empower of women is a very deep concept to make a woman self-sufficient and become an entrepreneur

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