

# Women Empowerment through Microfinance at Kolkata and Howrah Region – An Empirical Study

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*Women empowerment through microfinance programmes remains debatable to date. Some studies show that these programmes help in women empowerment by increasing the availability of credit and other financial services, other studies suggest only improving economic condition does not help women empowerment as whole. This research chapter aims to evaluate the effectiveness of microfinance programmes on women empowerment by building an unofficial index using few key indicators to measure women empowerment. A survey was conducted through a structured questionnaire on 156 women in the state of West Bengal, India. All the respondents are associated with different self help groups. Two hypotheses are developed for evaluating the effectiveness of these indicators on empowerment. Percentage analysis is used to know the difference between before and after participation in microfinance programmes. The findings of this research chapter concludes that microfinance programmes are powerful weapon to fight poverty and for enhancement of empowerment using indicators.*

**Keywords:** *Economic Condition, Microfinance, Self Help Groups, Women Empowerment.*

## 1. Introduction

Microfinance defined by the RBI as “Microfinance is an economic development tool whose objective is to assist the poor to work their way out of poverty. It covers a range of services which include, in addition to the provision of credit, many other services such as savings, insurance, money transfers, counselling, etc.”

Microfinance is basically a type of banking service provided to low-income individuals or groups or who otherwise would have no other access to financial services. In India it is basically directed towards making women financially independent and empowers them.

The institutions participating in microfinance mostly provide microloans or microcredit—microloans can range from few thousands to 1.25 lakhs in India — many microfinance institutions offer additional services such as micro-insurance products as well as checking and savings accounts, and some even provide financial and business education. The goal of microfinance is to ultimately give poor and weakened population of a country an opportunity to become self-sufficient.

People often confuse the two specific terms “Microfinance” and “Microcredit”. The difference between these two terms is that microfinance means the broad spectrum of financial services which includes loans, insurance, savings etc. which are provided to the people of low income groups where microcredit means only small loan provided to the poor people for the betterment of their financial condition.

Microfinance plays an important more like revolutionary role in a country's economy specially the developing countries like India, Bangladesh, Sri Lanka etc. It helps the people in lower income group to fulfil their basic needs (which includes financial needs by making them self employed). In India most of the microfinance institutions provide services to the women who are financially weak or mostly dependent on the male member of the household. By making them financially independent microfinance encourages women empowerment and hence gender equality.

Empowering women is a vital tool to reduce poverty. An empowered woman not only contributes to the prosperity and productivity of the family but the community and also improves the future of next generation. In India several institutions are advocating for women empowerment, but women are still poor and vulnerable especially in rural areas as compared to men. The main reasons for the same are financially dependence on male members, illiteracy, unemployment and lack of access to credit.

Microfinance plays a vital role in increasing women's participation in economic activities and decision making in which poor women have the opportunities to access loans to get rid of poverty by creating

job opportunities other than their household responsibilities, by this the women belonging to lower income group and below the poverty line have something for themselves and their children without becoming too much dependent on their husbands' or on any other male family member's income.

## **2. Concept of Empowerment and Women Empowerment**

The term ‘empowerment’ does not have a straightforward definition as it means something different to every single person.

Basically empowerment can be defined as ‘the degree of autonomy and self-determination in people and in communities’. This autonomy enables ‘an individual or a group of people to represent their interests in a responsible and self-determined way, acting on their own authority’. Empowerment is the process of becoming stronger and more confident, especially in controlling one's life and claiming one's rights.

Women empowerment is empowering the women to take their own decisions for their personal development as well as social development. Empowerment of women world means encouraging women to be self-reliant, independent, have positive self-esteem, generate confidence to face any difficult situation and incite active participation in various socio-political development endeavours.

## **3. Literature Review**

- a) Banu D Et Al. (2001) have defined women's empowerment as the capacity of women in reducing their socio economic vulnerability and dependency on male household members, improving involvement and control over household decisions, economic activities and resources, contribution to household expenses, increased self confidence and awareness of social issues.
- b) Cheston & Kuhn(2002) have concluded their study strongly indicate that self help group members are empowered by participating in microfinance program in the sense that they have

a greater prosperity to resist existing gender norms and culture that restrict their ability to develop and make choices.

- c) Sultana S, Hassan SS (2010) conducted a study at Gazipur district in Bangladesh. In this study they used stratified random sampling technique. The half sample study of 45 women had involvement with microfinance program and rest half had no involvement with any other form of microfinance program. These both groups belonged to the same socio-demographic profile. The study collected data on women empowerment considering three economic indicators namely personal income, savings behaviour and asset ownership. Results revealed that women involved with microfinance program were more benefited than the control group.
- d) Dr. Loomba (2013) studied about the performance of self help groups in Ghaziabad district. The study suggests that microfinance has a profound influence on the economic status, decision making power, knowledge and self worthiness of women participants of self help group linkage program in Ghaziabad. Microfinance is capable of helping the poor to upscale themselves to a better living and playing a significantly positive role. Microfinance loan availability and its productive utilization found to be having impact on women empowerment.
- e) K Swapna (2014) in has examined women empowerment by a study on the self help group linkage program in Raipur. Results revealed that microfinance has significant influence on socio-economic indicators. These indicators are considered as economic position, decision making power, knowledge and self worthiness.
- f) Gangadhar & Malyadri(2015) used five indicators such as Economic Security, Household Economic Decision Making, Legal Awareness, Mobility and Family Decision Making to form the Empowerment index. Further the researcher did not clarify that which indicators are more

important for enhancing women empowerment. The demographic variables are used as controlled variables here. How microfinance impacted women in their financial conditions and other roles in household were analyzed in this research chapter. Factor analysis and paired samples t test are used for the analysis here.

- g) Kumar (2020) examined the various factors that contribute to women empowerment through various microfinance initiatives. This study shows that the self help group formation through microfinance initiatives helps the most important factors at women empowerment like mobility and freedom, economic independence, self confidence and respect, educational relevancy, protest against social ills etc.
- h) Biswas(2020) in examined that participation in microcredit programs help women to have access to financial and economic resources, significant role in household decision making, have greater social networks, have greater communication in general and knowledge about family planning and parenting concerns and have greater freedom of mobility.

#### **4. Need & Relevance**

This book chapter provides information about the different factors about microfinance as well as its benefits and challenges. The study also encourages the general people to know how microfinance works and helps for betterment of lives and women empowerment. In future other student researchers can do another in-depth research on microfinance and other factors of microfinance regarding women empowerment.

In the reviewed literature above the main research gap is that there is not any clear indication or correctly identified way to determine the indicators which can measure women empowerment. The key indicators to measure empowerment which are given in few of the research papers there also have not been studied or reported that how those indicators are only important not the others and among those indicators which one is more important to enhance empowerment.

## 5. Scope of the Study

This research chapter provides information about different aspects of women and how their economic independence made them empowered. It also looks at the how much aware the participants are about their legal rights and health. This gives an idea of how empowered the women are by analyzing their decision making power about the household. This study also encourages the general people to understand how microfinance helps people specially women with low or no income.

## 6. Objectives of the Study

- ◆ To study the role of micro finance in women empowerment
- ◆ To highlight how the pandemic affected microfinance and provide suggestion for betterment of women's empowerment through microfinance
- ◆ To understand the respondents perception about their economical, social, legal awareness and interaction with those activities by using few key predictors such as economic condition, decision making power, health awareness, legal awareness.

## 7. Research Methodology

**7.1. Sources of Primary Data:** The study is exploratory in nature and is based on mainly primary data. The secondary data was collected from various articles, research papers, reports etc. Primary data was enumerated from a field survey in the study region which is Kolkata and Howrah, districts of West Bengal.

**7.2. Sample Size:** 175 women were chosen from different self help groups in the study region mentioned. Out of 175 responses, 19 responses were rejected due to missing data or high response bias leaving overall sample size to 156.

**7.3. Area of Sampling:** The study or the research was conducted in the two districts of West Bengal i.e. Kolkata and Howrah through a field survey to get an insight of the benefits and challenges faced by women in microfinance.

**7.4. Method for data collection:** For the purpose of the research, the data was collected via primary source. In order to gather data and make inferences from them, a questionnaire has been created. 156 respondents have been chosen for this study through the following sampling process. The critical information was obtained with a questionnaire. The questionnaire was translated to Bengali as per the needs of the respondents. With the help of Google forms the questionnaire was distributed online. Most of the responses were collected by face to face interview. Survey instrument was administered personally by the author.

**7.5. Questionnaire or Instrument Design:** A basic questionnaire was created for the purpose of this analysis with a total of 12 questions. Out of 12 questions 10 of the questions were of multiple choice and the respondents had a limit of 6 choices. 2 questions were open ended.

**7.6. Statistical Tools:** The statistical tools used for this analysis are Regression Analysis, ANOVA and Percentage Variance. These tools were used with the help of SPSS application and MS-excel to test the proposed hypotheses.

## 8. Data Analysis & Interpretation

Frequency Table-1- AGE

Age Range	Frequency	Percentage (%)
21-30	38	24.36
31-40	70	44.87
41-50	36	23.08
51-60	11	7.05
61-70	1	0.64
<b>TOTAL</b>	<b>156</b>	<b>100</b>

**INTERPRETATION:** The survey shows that almost 45% of respondents belong to the AGE group between 31-40, followed up by the group between 21-30 and 41-50, which constitute 25% and 24% of the respondents.

Frequency Table-2- OCCUPATION

Occupation	Frequency	Percentage (%)
JOB	33	21.15
BUSINESS	41	26.28
HOUSE MAKER	82	52.56
TOTAL	156	100

INTERPRETATION: As per TABLE-2, 33 respondents belong from JOB category, 41 respondents belong to the BUSINESS category, 82 respondents belong from the HOUSEMAKER category. Therefore, it can be concluded that majority of the respondents who participate in microfinance belongs from HOUSEMAKER category.

Frequency Table-3- EDUCATIONAL QUALIFICATION

Educational Qualification	Frequency	Percentage (%)
NIL	22	14.10
ELEMENTARY	19	12.18
PRIMARY	21	13.46
SECONDARY	32	20.51
HIGHER SECONDARY	38	24.36
UNDER GRADUATE	24	15.38
TOTAL	156	100

INTERPRETATION: 38 participants studied up to higher secondary which is the highest and 32 participants have studied till secondary and only 15% of the respondents are undergraduate where no of participants without any education is 22.

Frequency Table-4- INCOME OF HOUSEHOLD PER ANNUM

Income p.a.	Frequency	Percentage (%)
LESS THAN 1.2 LAKH	88	56.41
1.2 LAKHS TO 3 LAKHS	41	26.28
3 LAKHS TO 5 LAKHS	24	15.38

5 LAKHS TO 10 LAKHS	3	1.92
MORE THAN 10 LAKHS	0	0.00
TOTAL	156	100

INTERPRETATION Majority above 50% of the participants have annual income of lesser than 1, 20,000.

Frequency Table-5- LOAN TAKEN

Loan Frequency		
Loan Taken	Frequency	Percentage (%)
TWICE A YEAR	24	15.38
ONCE A YEAR	72	46.15
ONCE IN 2/3 YEAR	42	26.92
ONCE IN 5 YEARS	18	11.54
TOTAL	156	100

INTERPRETATION: In Table-5 we can see a majority of the respondents take loan ONCE A YEAR which is 46% and followed by ONCE IN 2/3YEARS i.e. 27%. Then 15% of the respondents take loan TWICE A YEAR and only 12% of the participants take loan ONCE IN 5 YEARS.

Frequency Table-6- LOAN PURPOSE

Loan Purpose Frequency		
Loan Taken For	Frequency	Percentage (%)
HOUSEHOLD	39	25.00
BUSINESS	56	35.90
EDUCATION	14	8.97
REPAYMENT	21	13.46
OTHERS	26	16.67
TOTAL	156	100

INTERPRETATION: In Table-5 we can see a majority of the respondents take loan ONCE A YEAR which

is 46% and followed by ONCE IN 2/3YEARS i.e. 27%. Then 15% of the respondents take loan TWICE A YEAR and only 12% of the participants take loan ONCE IN 5 YEARS.

Frequency Table- 7- REDUCTION IN POVERTY

Reduction in Poverty Frequency		
Poverty Reduction	Frequency	Percentage
NOT AT ALL	14	8.97
NOT MUCH	37	23.72
TO AN EXTENT	79	50.64
VERY MUCH	26	16.67
TOTAL	156	100

INTERPRETATION: In Table-7 we can see 51% of the participants have admitted that poverty has reduced TO AN EXTENT and only 9% think poverty has reduced not at all. From this we can conclude microfinance helps to improve financial condition.

To analyse the reason that Reduction in Poverty depends on which variables; Regression function was tested on two independent variables i.e. Loan Frequency and Income p.a. after participation in microfinance program.

## 8.1 Regression Analysis-1

### 8.1.1. Hypotheses:

Null Hypothesis ( $H_0$ ): There is no significant contribution of Loan Frequency on Reduction in poverty

Alternate Hypothesis ( $H_1$ ): There exists significant contribution of Loan Frequency on Reduction in poverty

Here, Y= Reduction in Poverty (Dependant Variable) and X= Loan Frequency (Independent Variable)

OUTPUT:

Output Table-1-Regression Statistics of Regression Analysis-1

Regression Statistics	
Multiple R	0.341
R Square	0.117
Adjusted R Square	-0.325
Standard Error	32.547
Observations	4

INTERPRETATION: **R Square:** It is the Coefficient of Determination, which is used as an indicator of the goodness of fit. It shows how many points fall on the regression line. The R<sup>2</sup> value is calculated from the total sum of squares, more precisely; it is the sum of the squared deviations of the original data from the mean. In our example, R<sup>2</sup> is 0.12 (rounded off to 2 digits), which is not that good. It means that only 12% of our values fit the regression analysis model. In other words, 12% of the dependent variables (y-values) are explained by the independent variables (x-values).

Output Table-2-Anova of Regression Analysis-1

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	279.367	279.367	0.264	0.659
Residual	2	2118.633	1059.316		
Total	3	2398			

**Significance F:** It implies the p value of a regression analysis. The p value gives an idea of how reliable (statistically significant) the results are. If Significance F is less than 0.05 (5%), then the model is OK. If it is greater than 0.05, then it's better to choose another independent variable. Here the p value is 0.66 (rounded off to 2 digits) which is way greater than 0.05.

That means the model is not good at all. Reduction in Poverty does not depend on the Loan Frequency at all. Therefore the null hypotheses is accepted. 8.2.

## Regression Analysis-2

### 8.2.1. Hypotheses:

Null Hypothesis ( $H_0$ ): There is no significant contribution of Income p.a. after participation in microfinance program on Reduction in poverty.

Alternate Hypothesis ( $H_1$ ): There exists significant contribution of Income p.a. after participation in microfinance program on Reduction in poverty.

Here, Y= Reduction in Poverty (Dependant Variable) and X= Income p.a. after participation in microfinance program (Independent Variable)

OUTPUT:

**Output Table-3- Regression Statistics of Regression Analysis-2**

<i>Regression Statistics</i>	
Multiple R	0.444
R Square	0.197
Adjusted R Square	-0.205
Standard Error	31.034
Observations	4

In this regression it can be seen that the R square value is higher than the previous one. Here R square value is 0.20 (rounded off to 2 digits) which means that only 20% of our values fit the regression analysis model. In other words, 20% of the dependent variable (y-values) is explained by the independent variables (x-values).

**Output Table-4-Anova of Regression Analysis-2**

ANOVA					
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>
Regression	1	471.809	471.809	0.490	0.556
Residual	2	1926.191	963.096		
Total	3	2398			

If Significance F is less than 0.05 (5%), then the model is OK. If it is greater than 0.05, then it's better to choose another independent variable. Here the p value is 0.56

(rounded off to 2 digits) which is greater than 0.05. **That means the model is not good at all. Reduction in Poverty does not depend on the Income p.a. after participation in microfinance program at all. Hence the null hypothesis is accepted.** From the analysis done above it is clear that reduction in poverty depends on neither loan frequency nor income p.a. after participation in microfinance program.

## 9. MEASUREMENT OF WOMEN EMPOWERMENT

To measure women empowerment, standard index are made of many critical indicators. These indicators include economic participation, economic opportunity, political empowerment, educational attainment, support for social networks, legal awareness, decision making power etc. Based on these indicators, this research chapter uses four indicators to measure women empowerment. These indicators are Economic Condition (EC), Decision Making Power (DM), Health Awareness (HA), and Legal Awareness (LA). All items are measured using questionnaire based on multiple choices.

**9.1. Economic Condition (EC):** It is measured through five items.

- EC1: I don't have any personal savings
- EC2: I have personal savings and I don't need any permission from anyone
- EC3: I have personal savings but I need permission from my husband/guardian to spend
- EC4: I can spend from my earnings as I want
- EC5: I cannot spend from my earnings as I want

**9.2. Decision Making Power (DM):** It is measured through six items.

- DM1: Nil
- DM2: I take decisions regarding my children and their futures
- DM3: I take decisions about household's financial status
- DM4: I take all the decisions other than financial ones

- DM5: Me and my husband take all the decisions together
- DM6: I take all the decisions of the household by myself

**9.3. Health Awareness (HA):** It is measured through four items.

- HA1: My husband/guardian/in-laws take care about my medical needs
- HA2: I take care about my menstrual needs but my husband/in-laws takes decision about child bearing and other medical needs of family
- HA3: Me and my husband mutually take decisions about child bearing and other medical needs
- HA4: I can take all the decisions about my medical needs

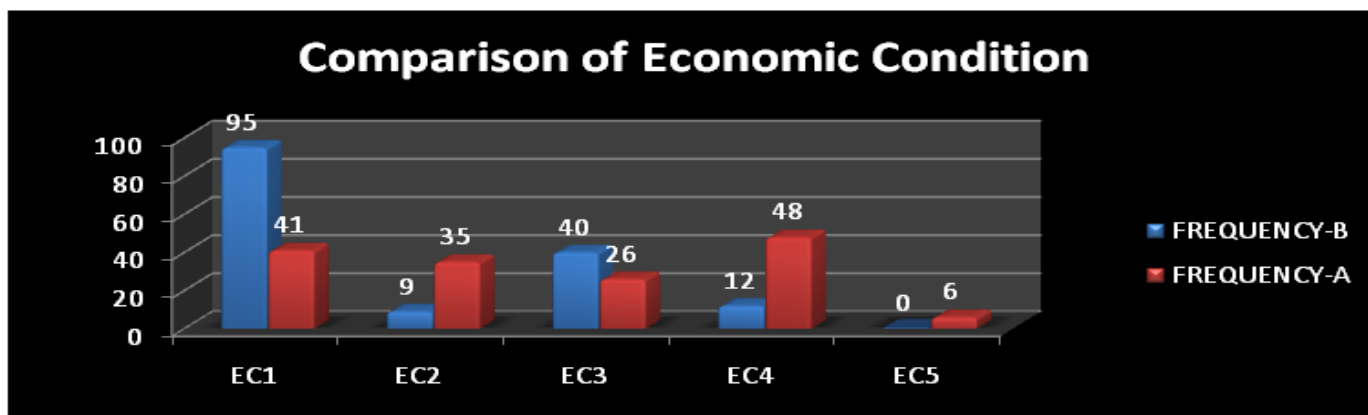
**9.4. Legal Awareness (LA):** It is measured through four items.

- LA1: I don't have any idea about my legal rights
- LA2: I know about legal rights but not about its uses or benefits
- LA3: I know about legal rights and it's benefits but don't seek any help of that
- LA4: I am completely aware about my rights and it's benefits and willing to seek help if needed in future

The multiple choice questionnaire had 24 questions divided into two sections of 15 each representing pre-loan and post-loan scenario. All respondents are married women having at least one child.

## 10. Analysis of Empowerment

### 10.1. Economic Condition



[Figure 5, Source: Primary Data]

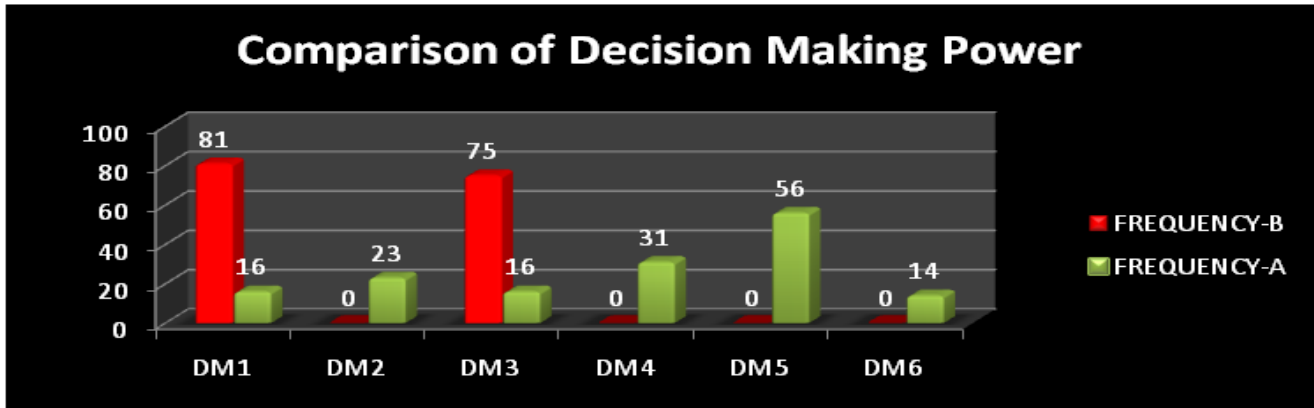
FREQUENCY-B: Before participation in microfinance programme

FREQUENCY-A: After participation in microfinance programme

**INTERPRETATION** In the Figure-1 we can see 95 out of 156 respondents which is 61% didn't use to have their own savings(EC1) before participation in microfinance programme which reduced to 41; more than 50% reduction of the previous number after participation. Number of participants having own savings (EC2) increased 9 to 35. Accordingly number of EC4 and EC5 increased where as number of EC3 has decreased where participants needed permission to spend after participation.



**10.2. Decision Making Power**



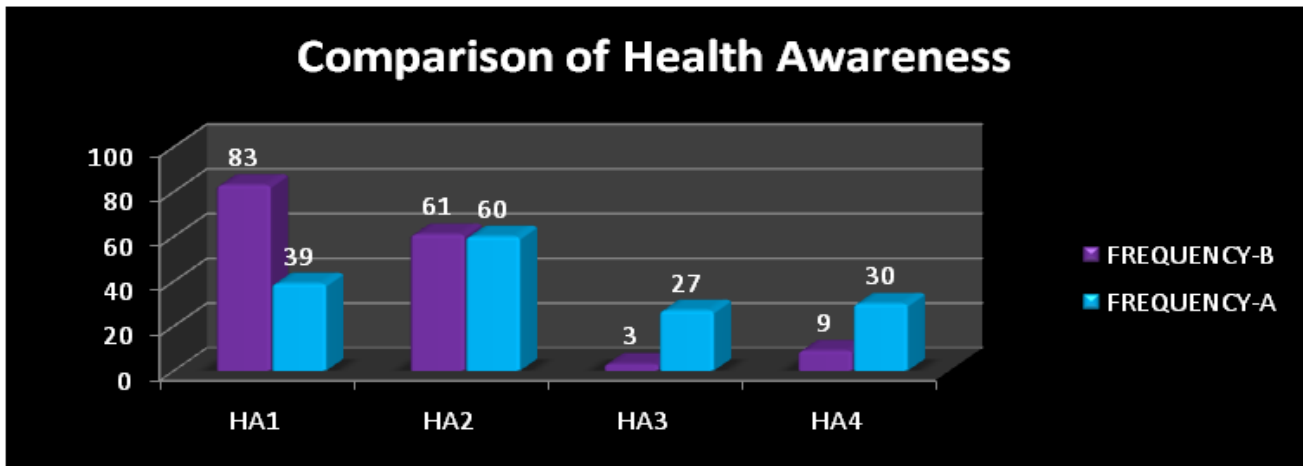
[Figure 6, Source: Primary Data]

FREQUENCY-B: Before participation in microfinance programme

FREQUENCY-A: After participation in microfinance programme

INTERPRETATION In the Figure-2 we can see 81 out of 156 respondents which is 51% didn't use to have the power of taking any household decisions(DM1) before participation in microfinance programme which reduced to 16; almost 80% reduction of the previous number after participation. Number of participants not having the power to make any decision regarding the financial status (DM2) reduced from 75 to 16. Accordingly number of DM3, DM4, DM5 and DM6 has increased which involves people participating in household decision making including financial ones.

**10.3. Health Awareness**



[Figure 7, Source: Primary Data]

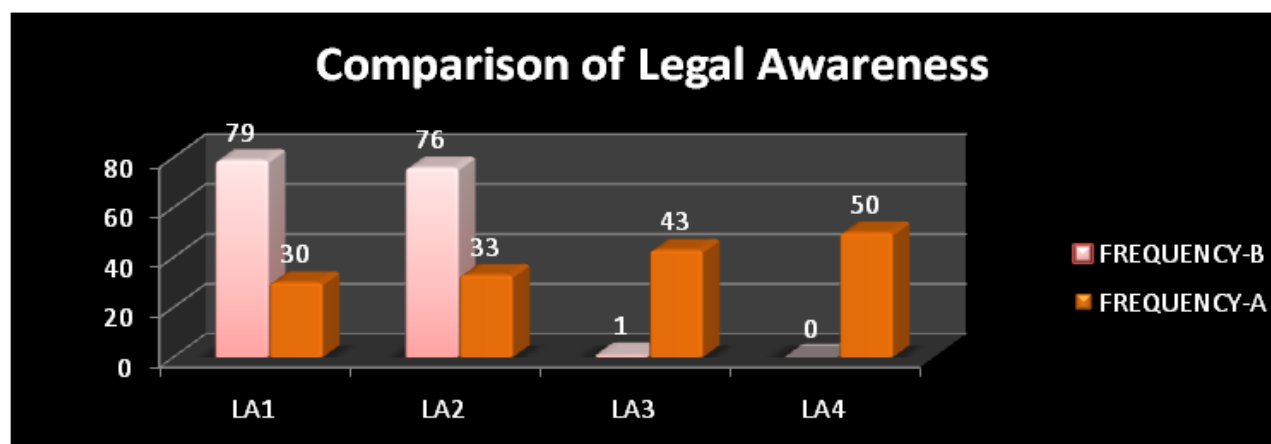
FREQUENCY-B: Before participation in microfinance programme

FREQUENCY-A: After participation in microfinance programme

INTERPRETATION: In the Figure-3 we can see 83 out of 156 respondents which is 54% didn't use to have the power of taking any decisions regarding their health (HA1) before participation in microfinance programme

which reduced to 39; almost 53% reduction of the previous number after participation. There isn't much difference in the number of participants in HA2 but there are substantial increases in the number of participants in HA3 and HA4 which includes having the power of taking decisions equally with their spouse and taking all the decisions alone.

#### 10.4. Legal Awareness



[Figure 8, Source: Primary Data]

FREQUENCY-B: Before participation in microfinance programme

FREQUENCY-A: After participation in microfinance programme

INTERPRETATION In the Figure-4 we can see 79 out of 156 respondents which is 51% didn't use to have any idea regarding their legal rights (LA1) before participation in microfinance programme which reduced to 30; almost 63% reduction of the previous number after participation and 76 out of 156 respondents had no idea of its uses (LA2) before participation in microfinance programme which reduced to 33; almost 57% reduction of the previous number after participation. There are substantial increases in the number of participants in LA3 and LA4 which includes having the knowledge of women's legal rights and use those rights if needed.

#### 11. Conclusion

The findings of this research showed that microfinance is a very powerful economic tool in enhancing empowerment for all its indicators like economic condition, decision making power, health awareness and legal awareness. But it also true that only participating in a microfinance program is not enough to enhance empowerment but when it is clubbed with the training programs self employment training programs, seminars, grooming workshops then the effectiveness is much greater. Microfinance is contributing to the economy to solve the financial crisis of the people in the lower income group and in the rural areas. It is also playing a vital role in the economical, social as well as psychological empowerment of women in India. Microfinance programmes increasing women's access to credit and savings which are actively promoting gender equality and women empowerment. The findings from the research suggest that microfinance has a profound influence on the economic condition, decision making power, health awareness and legal awareness of women participants of Kolkata and Howrah.

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