

# Impact of Micro Credit on Social Empowerment of Women in Madurai District - Tamil Nadu, A Study

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## Abstract

Micro-credit is a critical antipoverty tool, a wise investment in human capital. When the poorest especially women receive credit, they become economic actors with power to improve not only their own lives, but in a widening circle of impact, the lives of their families, their communities and their relations. Social Empowerment to create an enabling environment through various affirmative developments policies and programmes for development of women besides providing them easy and equal access to all the basic minimum services so as to enable them to realize their full potentials. The social empowerment of the respondents of sample beneficiaries was measured by using the changes in a set of parameters such as improvement in social recognition, participation, self – sufficiency, social communication, social independence, social interaction and social responsibility between pre – credit and post – credit situation. The relationship between social variables namely social recognition, participation, self – sufficiency, social communication, social independence, social interaction and social responsibility is calculated with the help of Karl Pearson correlation co-efficient at pre and post-credit situations. Combined group activism with social participation may be encouraged through imparting training and motivation to animators on the concepts like group cohesiveness, basic maintenance of records and success stories of other groups.

**Keywords:** Empowerment, Micro-credit, Parameters and Indices.

## INTRODUCTION

Social Empowerment to create an enabling environment through various affirmative developments policies and programmes for development of women besides providing them easy and equal access to all the basic minimum services so as to enable them to realize their full potentials.

Micro-credit is a critical antipoverty tool, a wise investment in human capital. When the poorest especially women receive credit, they become economic actors with power to improve not only their own lives, but in a widening circle of impact, the lives of their families, their communities and their relations.

Micro-credit now means providing small scale financial services to people, who operate very small or micro-enterprises who work in agriculture, fishing and herding, who provide services and other individuals or groups at the local levels of developing countries both rural and urban (Robinson, 1996).

The term ‘micro-credit’ is perceived to be a Paradigm shift in the quality of delivery of finance to micro-entrepreneurs. The old paradigm of micro-finance envisaged providing credit to poor people basically residing in rural and semi urban areas at subsidized rates of interest through public or government financial institutions. The new micro-finance continues to target the rural and urban poor household with emphasis on women borrowers, provision of finance for asset creation and on the principle of ‘Borrower knows best’.

Microfinance programmes and institutions have become important components of strategies to reduce poverty and to promote micro enterprise development. Sustainable employment and income generation for the rural poor are indicators of the success and potential of a credit programme. For individual borrowers, the question of viability involves undertaking income generating activities and ensuring regular repayment of loans. Such positive effects indicate the ability of the borrowers to repay their loans on time; and a high recovery rate improves the financial and institutional viability of the credit delivery system. Impact assessment involves evaluation of a microfinance programme or an institution in terms of its income generating capacity and related aspects.

## OBJECTIVES OF THE STUDY

To evaluate the impact of micro-credit on women empowerment with reference to social to offer suitable suggestions based on the findings.

## PERIOD OF STUDY

The present study is based on the primary. The primary data have been collected from the respondents directly for the period of study is impounded to one year. (i.e., 2015-2016)

## THE ANALYTICAL FRAMEWORK

In order to measure the social impacts on beneficiaries of micro credit, Social Empowerment (ESE) index was computed for each member combining the social parameters using the scoring technique applied by Singh,

Padam and Rattan Chand (2000)

The index of social indicators of h<sup>th</sup> member S<sub>h</sub> is given by

$$\frac{\sum S_i}{\sum S_{i(\max)}} \text{-----} (1)$$

Combined index (ESE model) SLI<sub>h</sub> is given by

$$W_1 S_h + W_2 E_h \text{-----} (2)$$

Where S<sub>i</sub> represent i<sup>th</sup> social indicator, respectively.

S<sub>i(max)</sub> are the maximum scores of i<sup>th</sup> social indicator indicator can take.

In order to examine the relationship between the level of empowerment and socio factors, the chi – square test has been applied. It is calculated by adopting the following formula.

$$\text{Chi – square} = \sum \frac{(O-E)^2}{E}$$

With (r-1) (c-1) degrees of freedom.

Where,

O – Observed frequency

E – Expected frequency

**Row total X Column total**

$$E = \text{-----}$$

Grand Total

C – Number of rows in a contingency table

R – Number of column in a contingency table

‘t’ test has been used to examine the significance in change of pre-post credit periods.

In order to access the contribution of independent variables to women empowerment, step wise multiple regression analysis was carried out.

The social empowerment of the respondents of sample beneficiaries was measured by using the changes in a set of parameters such as improvement in social recognition, participation, self – sufficiency, social communication, social independence, social interaction and social responsibility between pre – credit and post – credit situation. The social index is presented with the help of seven questions related to seven related variables which are binary in nature. The social indices of the respondents are classified as, upto 20, 21 – 40, 41 – 60, 61 – 80, and 81 – 100. The average value of social index for each area is calculated in the Table 1

The above Table 1 observed that in manufacturing sector activity, the percentage of the respondents who had an index value upto 20 was 16.05 which declined to 2.47 in post-credit. But the percentage of the respondents who had 81 – 100 as index had increased from 12.35 to 24.69 during the two periods respectively. In case of service sector activity, the percentage of the respondents who have the social index value upto 20 has declined from 17.65 in pre-credit to 3.92 in post-credit situation. In case of trading sector activity, the percentage of the respondents who have the social index value upto 20 has declined from 19.66 in pre-credit to 4.27 in post-credit situation. The average value of the social index for the respondents in manufacturing sector activity at pre and post-credit situation was 48.65 and 67.15 respectively, whereas the indices of the service sector activity were 45.19 and 64.16 during the same period. The average value of social index for the respondents in trading sector activity at pre and post-credit situation was 43.21 and 49.19 respectively. The average value of social index for the respondents in trading sector activity at pre and post – credit situation was 43.21 and 49.19 respectively. It indicates that the social empowerment of the respondents had increased during the two periods of pre-credit and post-credit of the study.

The social indices of the respondents belonging to each area are separately calculated to verify the changes in pre – credit and post – credit situation. For that purpose, the average social index for the respondents in all the four sectors and also overall data has been calculated separately. The ‘t’ test was applied to find out the test of significance of the two means in an area in two different periods. Table 2 shows the details.

The table 2 reveals that the average economic indices to the respondents in manufacturing sector, service sector, and trading sector activity had increased by 20.66, 18.25 and 6.14 respectively. Regarding the overall data, the average economic index has increased from 43.66 in pre-credit stage to 79.25 in post-credit. In the case of manufacturing sector activity the average economic index has increased from 47.65 in pre- credit to 66.25 in post-credit stage. In service sector activity, the average economic index has increased from 45.21 in pre-credit to 63.75 in post- credit stage. Finally in trading sector activity, average economic index has increased from 43.92 in pre-credit to 49.77 in post-credit stage. The changes of the economic index during the two periods in all the sectors and the overall data are statistically significant, since its ‘t’ values are greater than the respective table values.

## CHANGE IN THE SOCIAL PERFORMANCE

The social performance of the respondents is measured with the help of the social index which consists of seven variables namely social recognition, participation, self-sufficiency, social communication, social independence, social interaction and social responsibility. The respondents are rated according to the performance of social variables. The score value of each variable and also the social index of each respondent are calculated. In order to find out the significant changes in social performance of the respondents, the respondents score in the social variables at pre and post – credit situations are taken into account. The Fisher ‘F’ test is used to find out the significant changes in the two periods regarding the social performance. The resulting ‘F’ statistics is presented in table 3

It is clearly evident from the table 3 that the significant social variables in manufacturing sector, service sector and trading sectors all the significant social variables are found except social communication and social responsibility. For the overall data, the significant changes are seen in social recognition, social participation, self-sufficiency, social independence, social responsibility. It shows that the social empowerment of women has improved through micro credit programmes but it is a matter of time and active participation.

## Correlation between Social Variables and Income Generation

The relationship between social variables namely social recognition, participation, self – sufficiency, social communication, social independence, social interaction and social responsibility is calculated with the help of karl pearson correlation co-efficient at pre and post-credit situations. The study of correlation represents how far the variables are correlated with income generation. The correlation co-efficient of different social variables with income generation for two different groups at pre credit situations are calculated separately and shown in table 4

It has been observed from the table 4 that all the social variables except one namely social communication are positively correlated with the income generation but the degree of correlation is too low. In the thee activities, correlation co-efficient is significant. The study of correlation indicates that at the pre-credit situation, the correlation between the social variables and income generation is less and also insignificant.

The relationship between the social variables and income generation is also calculated in the post-credit situation for the purpose of comparison. The calculated correlation co-efficient for two different activities are shown in table 5

It has been revealed from the Table 5 that there is a positive correlation between all social variables and the related income generation. In the case of the three sectors namely manufacturing, service and trading sectors, significantly correlated variables with income generation are self-sufficiency and social independence. The overall data reveals that there is a positive and significant correlation existing between self – sufficiency, social independence, social interaction and income generation. The study shows that there is a significant improvement in the correlation between social variables and income generation between the two periods.

## SUGGESTIONS

Leadership position should not be given to a particular person each year. A chart can be prepared which should carry the performance of each member. Every member in a group should be given a chance of becoming a leader according to the performance chart. This will encourage their active participation.

Regarding their health issues, the members of the SHGs should follow a hygienic sanitation. Many of the members use manual type toilet facility in their houses. The Government should take steps to provide them flush out latrines.

Combined group activism with social participation may be encouraged through imparting training and motivation to animators on the concepts like group cohesiveness, basic maintenance of records and success stories of other groups.

The facilitators like NGOs, banks should communicate information to to start self employment in the field which provides ample opportunities for income generation with the locally available raw materials.

Periodical lectures on health care, consumer protection and legal provisions relating to women issues must be arranged by the NGOs and Banks to create social awareness among the SHG members.

## SUMMARY

The social empowerment of the respondents was measured by taking the changes in a set of parameters such as improvement in social recognition, participation, self-sufficiency, social communication, social independence, social interaction and social responsibility between pre and post-credit situations. The social index was prepared with the help of the above said seven variables, and it was classified as upto 20, 21–40, 41–60, 61–80, and 81–100.

The social index of the respondents belonging to each sector was calculated separately and ‘t’ test was applied to find out the test of significance of the two means at a sector in two different periods. The change in social index in manufacturing, service and trading sectors and for pooled data were statistically significant since

the 't' values were greater than the table values.

'F' test shows that in the significant social variables in manufacturing sector activity, significant variables except social communication and social responsibility are seen during the two periods of the study. In the case of service sector activity, the significant social variables except social communication and social responsibility are found. In trading sector activity, significant social variables except social communication and social responsibility are present. For the overall data the significant changes are seen in social recognition, social participation, self-sufficiency, social independence, social responsibility. It shows that the social empowerment of women through the micro credit is attained.

Karl Pearson co-efficient of correlation ascertained that there is a positive correlation between all social variables and the related income generation. In the case of manufacturing sector activity, the significant variables are self-sufficiency and social independence. In service sector activity, the significantly correlated variables with the income generation are self-sufficiency and social independence. In the case of trading sector activity, the significantly variables are self-sufficiency and social independence. The overall data reveals that there is a positive and significant correlation existing between self-sufficiency, social independence and social interaction with the income generation.

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**TABLE 1**  
**DISTRIBUTION OF HOUSEHOLDS ACCORDING TO SOCIAL INDEX**

Index	Manufacturing Sector		Service Sector		Trading Sector	
	Pre – credit	Post – credit	Pre – credit	Post – credit	Pre – Credit	Post – credit
<b>Upto 20</b>	13 [16.05]	2 [2.47]	18 [17.65]	4 [3.92]	23 [19.66]	5 [4.27]
<b>21 – 40</b>	25 [30.86]	9 [11.11]	32 [31.37]	12 [11.76]	37 [31.62]	17 [14.53]
<b>41 – 60</b>	20 [24.69]	18 [22.22]	25 [24.51]	27 [26.47]	30 [25.64]	29 [24.79]
<b>61 – 80</b>	13 [16.05]	32 [39.51]	17 [16.67]	43 [42.16]	24 [20.51]	48 [41.03]
<b>81 – 100</b>	10 [12.35]	20 [24.69]	10 [12.35]	16 [15.69]	3 [12.57]	18 [15.38]
<b>Total</b>	81	81	102	102	117	117
<b>Percentage</b>	100.0	100.0	100.0	100.0	100.0	100.0
<b>Average Value of Index</b>	48.65	67.15	45.19	64.16	43.21	49.19

Source: Computed Data.

**TABLE 2**  
**SOCIAL INDEX IN PRE AND POST-CREDIT PERIOD**

Sector	Average Social Index		Incremental Index (2)–(1)	t-Statistics
	Pre-credit (1)	Post-credit (2)		
Manufacturing Sector	47.65	66.25	20.66	6.2516*
Service Sector	45.21	63.75	18.25	3.3162*
Trading Sector	43.92	49.77	6.14	4.2661*
Overall	43.66	79.25	37.21	3.6264*

\* Significance at 5 per cent level.

**TABLE 3**  
**FISHERS 'F TEST OF SOCIAL VARIABLES**

Social Variables	F – Value			Overall
	Manufac-turing Sector	Service Sector	Trading Sector	
Social Recognition	1.2213*	2.2216*	3.2261*	6.2214*
Social participation	1.2561*	2.2512*	4.2215*	5.2216*
Self – sufficiency	2.6761*	3.2661*	3.6624*	5.2241*
Social Communication	2.6861	2.6361	4.2516	4.0818
Social Independent	1.0822*	2.1622*	4.2261*	4.6721*
Social Interaction	3.2561*	2.6861	4.2517*	6.2214
Social Responsibility	3.2862	2.2262	4.2662*	4.1542
Overall Social Index	2.6761*	1.2662*	5.2216*	5.2216*

\* Significance at 5 per cent level

**TABLE 4**  
 RELATIONSHIP BETWEEN SOCIAL VARIABLES AND INCOME GENERATION IN PRE-CREDIT PERIOD

Social Variables	Correlation Co-efficient			Overall
	Manufac-turing Sector	Service Sector	Trading Sector	
Social Recognition	0.1316	0.1431	0.1522	0.2762
Social participation	0.2962	0.3012	0.3162	0.2831
Self – sufficiency	0.1821	0.1922	0.1824	0.3553
Social Communication	-0.1646	-0.1622	-0.1822	-0.1969
Social Independent	0.1821	0.1961	0.1822	0.4732
Social Interaction	0.1342	0.1345	0.1542	0.3541
Social Responsibility	0.1822	0.1822	0.1861	0.3012
Overall Social Index	0.1425	0.1541	0.1624	0.2962

\* Significance at 5 per cent level

**TABLE 5**  
 RELATIONSHIP BETWEEN SOCIAL VARIABLES AND INCOME GENERATION IN POST – CREDIT PERIOD

Social Variables	Correlation Co-efficient			Overall
	Manufac-turing Sector	Service Sector	Trading Sector	
Social Recognition	0.1922	0.1922	0.1925	0.3318
Social participation	0.2531	0.2631	0.2762	0.2215
Self – sufficiency	0.3262*	0.3362*	0.3462*	0.3015*
Social Communication	0.1741	0.1862	0.1931	0.1811
Social Independent	0.5260*	0.5364	0.5516*	0.2762*
Social Interaction	0.3162	0.3260*	0.3317	0.3318*
Social Responsibility	0.1825	0.1924	0.2015	0.1822
Overall Social Index	0.4314	0.4361	0.4462	0.2916

\* Significance at 5 per cent level