ABSTRACT
Microfinance has appeared as popular method in recent years. This movement comes from the people’s desires to meet their needs and determine their own destinies through the principle “by the people, for the people and of the people”. The present paper is a study to examine whether microfinance is a tool for poverty eradication and women empowerment. The study suggested that the poor has assess to financial services and has shown a considerable positive impact on the reduction of poverty of SHG members and their households. It has also empowered women members substantially and contributed to increased self confidence and positive behavioral changes.

Key Words: Women empowerment, Micro finance, poverty

Introduction
Micro finance is the provision of thrift, credit and other financial services and products of very small amounts to the poor for enabling them to raise their income levels and improve their living standards. It has been recognised that micro finance helps the poor people meet their needs for small credit and other financial services. The informal and flexible services offered to low-income borrowers for meeting their modest consumption and livelihood needs have not only made micro finance movement grow at a rapid pace across the world, but in turn has also impacted the life’s of millions of the poor’s positively. In the case of India, the banking sector witnessed large scale branch expansion after the nationalization of banks in 1969, which facilitated a shift in focus of banking from class banking to mass banking. It was, however realized that, notwithstanding the wide spread of formal financial institutions, these institutions were not able to cater completely to the small and frequent credit needs of most of the poor. This led to a search for alternative policies and reforms for reaching out to the poor to satisfy their credit needs. The beginning of the micro finance movement in India could be traced to the self-help group (SHG) - bank linkage programme (SBLP) started as a pilot project in 1992 by National Bank for Agricultural and Rural Development (NABARD). This programme not only proved to be very successful, but has also emerged as the most popular model of micro finance in India. Other approaches like micro finance institutions (MFIs) also emerged subsequently in the country.

Literature Review
These literatures include books written on the subject by experts and also journals, manuals etc. In fact, there are very few literatures available, regarding socio-economic, political and entrepreneurial development of women. Philanthropic views and ideas of great people also reviewed. Most of the studies are more general in nature and some are more scientifical. “The habit of looking upon marriage as the soul economic refuge for women will have to go before women can have any freedom. Freedom depends on economic conditions, even more than political, and even if women is not economically free and self earning she will have to depend on the husband or someone else, and dependents are never free” (Jawaharlal Nehru). Dr.C.Rangarajan (2006) in his topic ‘Microfinance and
its future directions’ in the introductory part of the book, outline the evolution of SHG through microfinance evolve through in three stages. First, to meet survival requirement need, in the second stage is to meet the subsistence level through investing in tradition activities and in the final stage by setting up of enterprises for sustainable income generation. Robert Peck Christen (2006) in his paper “Microfinance and Sustainable International Experience and lesson for India”, he articulates the changing general perception of bankers, that SHGs are profitable clients or bank. Lanmdau Mayoux’s study (1998) on Participatory Learning for Women’s Empowerment in Micro Finance Programs (IDS Bulletin, Vol. 29 No.4, 1998) proposes a participatory approach for integrating women’s empowerment concerns into ongoing programs learning, which itself would be a contribution to empowerment. Micro finance programs for women are currently promoted not only as a strategy for poverty alleviation but also for women’s empowerment.

Various models for micro finance

The SHG model

The self help group model has evolved in the NGO sector. A variety of models arise out of NGO nurturing among which SHGs have become the most popular.

SHGs are small informal groups comprising of membership of 10-20 persons. The composition of membership is mostly exclusively male or exclusively female. The members are self selected with a liberty to choose their group depending on their level of affinity with the other potential members. The group meets regularly at an appointed time and place and carries out its financial transactions of savings and credit. The roles and norms of the group are determined by the members themselves. The NGO provides them with support services, training and developing linkages.

However, there are certain features of SHG that need to be looked into:

- The group promotion process is long and the poor have to wait for long periods.
- The amounts available in the beginning are very small and all the members cannot take loans at the same time.
- The functioning of the group relies completely on group dynamics which are very difficult to build in.
- Conflicts arise on seemingly trivial reasons which can lead to the break-down of the group and it is difficult to rebuild it.

Despite these few disadvantages SHG still is a popular model for micro finance in India.

Federated SHG approach

The federated SHG approach builds upon the unique features of SHG based micro finance and contributes to factors that improve the sustainability of SHGs. Federations increase the opportunity offered by the SHGs, expands empowerment through leadership building and addresses the component of security through insurance services. Federations usually come under the Societies Registration Act. PRADAN and MYRADA, two large NGOs that pioneered the concept of SHGs.
The Grameen Bank Model:

The Grameen bank methodology which was a case of exceptional success first evolved in Bangladesh and was launched by many other organizations in India with slight variations. Some of the features are as follows:

- Homogeneous groups of 5 members are formed at village level
- The field worker facilitates the process of group forming
- All the group members undergo a 7 day compulsory training
- Some groups undergo the group recognition test
- 8 joint liability groups affiliate together to form a centre
- The centre meets every week at a defined time and a bank assistant attends the meetings.

Group discipline is enforced through peer pressure. Collateral is replaced by peer pressure. The incentive to timely repayment is repeat loans and continuous access to increasing credit from the bank. A field worker maintains a check on loan utilization.

Non Banking Finance Companies

The NBFCs has emerged as a nearest substitute for those MFIs who want to go the for-profit route. Since getting registered as a bank is costly and the local area bank idea has not been pursued beyond the initial approvals, the NBFC route is increasingly being chosen by profit driven MFIs. They can also enter the capital markets. Since the poor are bankable and lending to them can be commercially viable it is not necessary to depend on low cost funds to lend to them. Secondly, since the amounts required are huge, the financial markets are the only way to mobilize resources. This would mean mobilizing debt at market rates of interest. The for-profit NBFC route is currently the best way to operate in the capital markets. For regulatory purposes, NBFCs have been classified into 3 categories:

a. Those accepting public deposits.
b. Those not accepting public deposits but engaged in financial business.
c. Core investment companies with 90 per cent of their total assets as investments in the securities of their group/holding/subsidiary companies.

Need For Micro Finance

Micro finance aims at assisting communities of the economically excluded to achieve greater levels of asset creation and income security at the household and community level. Access to financial services and the subsequent transfer of financial resources to poor women enable them to become economic agents of change. Women become economically self-reliant, contribute directly to the well being of their families, play a more active role in decision making and are able to confront systematic gender inequalities. Access to credit has long been considered a major poverty alleviation strategy in India. Micro credit has given women in India an opportunity to become agents of change. Poor women, who are in the forefront micro credit movement in the country use small loans to jump start a long chain of economic activity. Micro finance is accessing financial services in an informally formal route, in a flexible, responsive and sensitive manner which otherwise would not have been possible for the formal system for proving such services because of factors like high transaction cost emanating from the low scale of operation, high turnover of clients, frequency of transaction etc. (Vijay Mahajan and G. Nagasri, 1999). Microfinance and Self Help Group (SHG) must be evolved to see that SHGs do not charge high rates of interest from their clients and improve access to those who cannot sign by
making their use through thumb impression. The current literature on micro finance is also dominated by the positive linkages between micro finance and achievement of Millennium Development Goals (MDGs). Micro Credit Summit Campaign’s 2005 report argues that the campaigns offers much needed hope for achieving the Millennium Development Goals especially relating to poverty reduction. IFAD along with Food and Agriculture Organisation (FAO) and the World Food Programme (WFP) declared that it will be possible to achieve the eight MDGs by the established deadline of 2015 “if the developing and industrialized countries take action immediately” by implementing plans and projects, in which micro credit could play a major role.

Objectives
a) To Study whether Micro finance is a tool for empowerment of the poor women
b) To Check Whether Micro finance is creating maximum employment opportunities.
c) To Study the saving habits of the members before and after joining the microfinance programme.

Key Players In The Micro Finance System

1) National Bank for Agricultural and Rural Development (NABARD): NABARD is an apex institution, accredited with all matters concerning policy, planning and operations in the fields of credit for agriculture and other economic activities in rural areas in India. NABARD was established in 1982 as a Development Bank, in terms of the Preamble of the Act, “for providing and regulating credit and other facilities for the promotion and development of agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts and other allied economic activities in rural areas with a view to promoting integrated rural development and securing prosperity of rural areas and for matters connected therewith or incidental thereto”. The corporate mission set by NABARD for making available microfinance services to the very poor envisages coverage of the rural poor through SHGs & MFI’s.

2) Reserve Bank of India
The earliest reference to micro credit in a formal statement of monetary and credit policy of RBI, April 1999. The policy attached importance to the work of NABARD and public sector banks in the area of micro credit. The banks were urged to make all out efforts for provision of micro credit, especially forging linkages with SHGs, either at their own initiative or by enlisting support of Non-Government Organisation (NGOs). The micro credit extended by the banks is reckoned as part of their priority sector lending, and they are free to device appropriation loan and saving products in this regard. Considerable work had been done by RBI in this sector since 1991. In 1991-92 a pilot project for linking up SHGs with banks was launched by NABARD in consultation with the RBI. In 1994, the RBI constituted a working group on SHGs. On the recommendation of the SHGs would be reckoned as part of their lending to weaker sections and such lending should be reviewed by banks and also at the State Level Bankers’ Committee (SLBC) level, at regular interval. Banks were also advised that SHGs, registered or unregistered, which engaged in promoting the saving among their members, would be eligible to open savings bank accounts with banks irrespective of their availment of credit facilities from banks.

Role of RBI:
1) Support financial Liberalization & create conditions suitable for sector.
2) Prudential regulation & supervision.
3) Supporting the pilot projects of microfinance.
4) Collecting data and publication.
3) Self Help Groups

The origin of SHGs is from the brainchild of Grameen Bank of Bangladesh, which was founded by Mohammed Yunus. SHG was started and formed in 1975. The establishment of SHGs can be traced to the existence of one or more problem areas around which the consciousness of rural poor is built and the process of group formation initiated. SHG are considered a new lease of life for the women in villages for their social and economic empowerment. SHG is a suitable means for the empowerment of women. Since SHGs have been able to mobilize savings from persons or groups who were not normally expected to have any ‘saving’ and also to recycle effectively the pooled resources amongst the members, their activities have attracted attention as a supportive mechanism for meeting the credit needs of the poor (NABARD, 2004). The main characteristics of SHGs are as follows:

a) The ideal size of an SHG is 10 to 20 members. (In a bigger group, members cannot actively participate)
b) The group need not be registered.
c) From one family, only one member. (More families can join SHGs this way)
d) The group consists of either only men or of only women. (Mixed groups are generally not preferred)
e) Women’s groups are generally found to perform better.
f) Members have the same social and financial background. (Members interact more freely this way)
g) Compulsory attendance. (Full attendance for larger participation)

Function of SHGs

The following are the main functions of SHGs:

a) The amount may be small, but savings have to be a regular and continuous habit with all the members. ‘Savings first – Credit later’ should be the motto of every group member.
b) The savings to be used as loans to members. The purpose, amount, rate of interest, etc. to be decided by the group itself. Enabling SHG members to attain loans from banks, and repaying the same.
c) Every meeting, the group will discuss and try to find solutions to the problem faced by the members of the group.

4) The MFI model

It is given that MFIs are not the pioneers in microfinance. They have come into existence only after the SHG-Bank Linkage Model proved that poor are bankable. Further, the practices followed by most of the MFIs in the country are discussed below.

1) Individual Method
2) Group Method

Micro-finance institutions are organizations involved in the delivery of financial services to the population segment that is otherwise considered un-bankable. They may range from benign and socially responsible NGOs to profit-oriented NBFCs. There has been an explosive growth in MFI activity in India over the past decade as a plethora of NGOs and private organisations have converged into this field, some having the genuine intention of socio-economic advancement, while others cashing in on the “fortune at the bottom of the pyramid”.
MFIs generally source credit from donors, banks and other institutional sources to finance their lending operations. They may also provide other services like micro-insurance and remittance services to augment their product range. Due to the level of outreach any MFI needs, there is a high operational cost associated with them and this is transferred to the end client in the form of higher interest rates, making the borrowing of money from MFIs relatively costlier. Apart from the financial cost of funds borne by MFIs, they have to bear extra costs on agent salaries, social mobilization and day to day operations. This makes it imperative for the MFIs to lend at interest rates over and above the market rates. Moreover, the regulatory authorities in the nation seem to accept this fact and hence have not imposed any strict interest rate restrictions on MFIs. This grey area of interest rates is one major reason behind profit oriented organizations being attracted to the micro-finance sector. It may also happen that organizations which started off with a genuine sense of social responsibility may experience a “drift” in their mission and slowly slip into profit-oriented operations to ensure MFIs, like SHGs operate on the principle of group lending whereby they form Joint Liability Groups where the liability of a loan lies with the group as a whole. MFIs structure these JLGs in such a way that peer pressure would ensure compliance of individual clients in most cases. Even though some MFIs also give financial services to individuals in rare instances, the overwhelming majority of their operations are restricted to giving loans to JLGs their continued growth.

5) Non Government Organizations (NGOs)
The Non Government Organizations involved in promoting SHGs and linking them with the Formal Financial Agencies (FFAs) perform the following functions:

   i) Organizing the poor people into groups
   ii) Training and helping them in the organizational, managerial and financial matters
   iii) Helping them access more credit and linkage with formal financial agencies
   iv) Channelizing the group effort for various development activities
   v) Helping them in availing opportunities, widening the options available for economic development
   vi) Helping them in sustaining the group effort independently even after withdrawal of the NGO.

Research Methodology:
The following methodology is adopted for conducting the study. Out of 150 respondents the researcher was able to get responses from 100 respondents. The study is based on primary data collected from the slum areas of the Nagpur from sample of 100 respondents and through interview method. The questionnaire designed for study is structured and consists of multiple choice, closed ended and open ended questions.

Research Tool:
Primary data collected by means of questionnaire and interaction with members.

Data Tool:
The data analysis was done by graphical representation using charts with help of MS-Excel 2007.

<table>
<thead>
<tr>
<th>1) Gender of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
</tbody>
</table>

Source: Primary data
The maximum respondents as members of microfinance programme are women.

2) Age of Respondents

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>25</td>
</tr>
<tr>
<td>26-45</td>
<td>55</td>
</tr>
<tr>
<td>46-60</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Primary data

The respondents are maximum in the age group of 26-45 followed by 18-25 and 46-60.

3) Educational Qualification of Respondents

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>25</td>
</tr>
<tr>
<td>SSC</td>
<td>15</td>
</tr>
<tr>
<td>HSC</td>
<td>40</td>
</tr>
<tr>
<td>Not at all</td>
<td>20</td>
</tr>
</tbody>
</table>

Source: Primary data

The Education qualification of members is HSC followed by Primary education and SSC. There are respondents who are not educated but after joining microfinance programme they are able to sign and read to some extent as per their saying.

4) The position of income after joining microfinance programme

<table>
<thead>
<tr>
<th>Position</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased</td>
<td>72</td>
</tr>
<tr>
<td>Same</td>
<td>28</td>
</tr>
<tr>
<td>Decreased</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Primary data
Maximum members are in the opinion that their position of income has been increased after joining the microfinance programme.

5) The Status of monthly savings of members before and after joining microfinance

<table>
<thead>
<tr>
<th>Monthly Savings</th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\leq$ Rs.50</td>
<td>55</td>
<td>5</td>
</tr>
<tr>
<td>$\leq$ Rs.50-100</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Rs.100-150</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>$&gt;$ Rs.150</td>
<td>5</td>
<td>30</td>
</tr>
</tbody>
</table>

Monthly savings as per mutual decision is one of the base for creating financial resources. Each member contributes its monthly contribution into the savings and same is used for internal lending among the members. Saving & Internal lending set the basis for banks to sanction loans to the SHGs. From the above graph it is clear that the monthly saving of the members after joining the microfinance is reasonably high as compared to earlier.

6) Purpose of Borrowing from Microfinance programme

<table>
<thead>
<tr>
<th>Purpose of Borrowing</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumption</td>
<td>21</td>
</tr>
<tr>
<td>Income generating</td>
<td>43</td>
</tr>
<tr>
<td>House hold asset</td>
<td>13</td>
</tr>
<tr>
<td>Repayment of old loans</td>
<td>11</td>
</tr>
<tr>
<td>Life cycle needs</td>
<td>12</td>
</tr>
</tbody>
</table>

Source: Primary data
The purpose of borrowing of the members are more for income generating activities like business & self employment activities followed by life cycle needs ie. for marriage, education etc, 21 members are borrowing for purpose of consumption, 13 members have borrowed for purchasing of household assets and 14 members for repayment of old loans.

7) Employment Opportunities before & after joining microfinance programme

<table>
<thead>
<tr>
<th></th>
<th>Before</th>
<th>After</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>60</td>
<td>25</td>
</tr>
<tr>
<td>Self employment</td>
<td>10</td>
<td>36</td>
</tr>
<tr>
<td>Micro enterprise</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>Unemployment</td>
<td>30</td>
<td>14</td>
</tr>
</tbody>
</table>

It is apparent from that to the intervention of microfinance programme members are able to diversify their occupations through self employment and earn more income. The spatial mobility that was encouraged from the microfinance movement is one of the important factors that has contributed to engage in various occupation. Thus microfinance services created new hopes in the lives of the poor and uplifted them from poverty by improving employment opportunities.

Discussion of Findings

Micro-Finance is a powerful instrument initiating a cyclical process of growth and development. Micro-Finance activity improved access of poor to financial services, both savings and credit. Increased access signifies overcoming isolation of women in terms of their access to financial services and denial of credit due to absence of collateral. The pool of savings generated out of very small but
regular contributions improved access of the poor women to bank loans. It also helped in strengthening poor families’ resistance to external shocks and reducing dependence on moneylenders.

Suggestions
Lending to the poor through microcredit is not the end of the problem but beginning of a new era. If effectively handled, it can create miracle in the field of poverty alleviation. But it must be bundled with capacity building programs. Government cannot abdicate its responsibility of social and economic development of poor and down trodden. In absence of any special skills with the clients of microcredit, the fund is being used in consumption and procurement of non-productive assets. Hence it is very important to provide skills development training program like handicraft, weaving, carpentry etc. Government has to play proactive role in this case. People with some special skills have to be given priority in lending microcredit. These clients should also be provided with post loan technical and professional aid for success of their microenterprises.

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