

## Empowering Women through Microcredit: Catalyst for Social and Economic Change

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### Abstract

Microcredit is one of the most important tools to overcome the financial problems of poor and middle-income people. Microcredit, a financial innovation providing small loans to individuals without collateral, has been especially transformative for women in developing economies. It offers them the opportunity to start business, generate income, and improve their overall quality of life. This paper examines the influence of microcredit on the economic and social empowerment of women. It also analyses the impact of microcredit participation on improvement in women's quality of life. For this research, the method employed for sample selection is convenience sampling method is used. A total of 120 participants from the Rayalaseema region of Andhra Pradesh are included in the study. All the respondents are women only and they are the part of Self-Help Groups. Within the Questionnaire, a Five-point Likert scale was employed, and statistical methods like Paired sample test and Chi-Square tests were utilized. It is found that various women empowerment dimensions are influencing the microcredit. The findings of the study have concluded that there is a relationship between microcredit and Quality of life of the respondents. Women are getting empowerment thorough microcredit. It is concluded that microcredit serves as a transformative tool for gender empowerment, driving sustainable social and economic change at both individual and community levels.

**Key words:** Micro credit, empowerment, Self Help Groups, Quality of life

### Introduction

Empowering women has long been recognized as a cornerstone of sustainable development and social progress. In modern days, microcredit has raised as a powerful tool to foster this empowerment, particularly in developing countries where traditional financial systems often exclude women. By providing small, collateral-free loans to women, microcredit enables them to initiate or expand entrepreneurial ventures, enhance household income, and achieve financial independence. These initiatives not only alleviate poverty but also catalyse a broader transformation by enhancing women's decision-making abilities, social standing, and community participation. The concept of microcredit was popularized by Nobel laureate Muhammad Yunus and the Grameen Bank, who demonstrated its potential to break the cycle of poverty. Globally, millions of women have accessed microcredit programs, which have become an essential strategy for financial inclusion and gender equality. Women, who often invest their earnings in health, education, and household welfare, are seen as key agents of change in their families and communities. This ripple effect highlights the dual impact of microcredit: economic empowerment and social development. However, the journey of microcredit is not without challenges. Critics argue that while microcredit provides access to financial resources, it does not automatically lead to comprehensive empowerment. In some cases, women face increased financial stress or become intermediaries for male family members, undermining their autonomy. Furthermore, the impact of microcredit is often influenced by cultural, social, and economic factors, which vary across regions and communities. As the world moves towards achieving the United Nations Sustainable Development Goals (SDGs), particularly SDG 5 (Gender Equality)

and SDG 1 (No Poverty), understanding the role of microcredit in empowering women becomes crucial. This innovatory and initial stage gives an in-depth exploration of how microcredit serves as a catalyst for social and economic change, paving the way for inclusive growth and equitable development.

### **Review of literature**

Sarker and Dey (2010) investigated the impact of microcredit programs in enlightening Women in West Bengal, India. The study focussed on empowerment across various dimensions including power, autonomy, self-reliance, entitlement, participation in household decision-making, awareness, and capacity-building. It is found that sustained involvement in microcredit programs for eight or more years positively impacts women's empowerment. Women participants experienced greater financial independence, increased decision-making authority within their households, and a more active role in community and social activities. It is concluded from the study that microcredit is not just an economic tool but a mechanism to foster social and psychological empowerment. Dey, Rahman, Chen, Ullah, and Wang (2019) examined how microcredit initiatives affected the empowerment of women in Bangladesh's rural areas. Microcredit, often heralded as a transformative tool, is examined in terms of its potential to elevate women's socio-economic status, independence, and decision-making abilities. The research has investigated five key dimensions of empowerment: access to financial assets, freedom of mobility, independent purchasing power, involvement in family decision-making and knowledge of one's legal rights. The authors use a mixed-methods approach, combining participant quantitative data with focus group discussions and interviews to provide qualitative insights. The major finding is that microcredit programs significantly enhance women's decision-making roles within households and increase their legal awareness. Women who participated in such programs exhibited greater confidence in asserting their rights and managing family finances. Al-Amin, Hossain, and Mathbor (2013) critically investigated the connection between Bangladeshi women's empowerment and microcredit initiatives. The authors evaluate the actual impact of microcredit initiatives beyond their rhetorical claims of empowering women. The study emphasizes the complexity of empowerment, which encompasses social, psychological, and political aspects in addition to economic freedom. The authors argue that microcredit programs alone cannot be considered a panacea for empowering women. Instead, a holistic approach is needed—integrating education, skill development, and social awareness initiatives. Without addressing these broader societal and structural barriers, the empowerment promised by microcredit programs may remain elusive. Kabeer (2001) and Mayoux (2000), emphasized the significance of complimentary and contextual elements in achieving sustainable empowerment outcomes. It also resonates with findings from later studies, such as Dey et al. (2019), which emphasize the need for non-financial services alongside microcredit to ensure comprehensive development. Kennedy Odede's article highlights the transformative role of women's empowerment in addressing poverty in marginalized communities. Drawing on his experiences in Kibera, a slum in Kenya, the author argues that empowering women through microcredit, vocational training, and entrepreneurial support has far-reaching implications for societal development. The article emphasizes that empowering women leads to better health outcomes, more educational possibilities, and financial security for their families. Odede's focus on real-world implications of empowerment resonates with emerging trends in development studies, where empowerment is increasingly seen not just as an individual benefit but as a catalyst for community-wide transformation. His work is a compelling call to action for policymakers and development practitioners to prioritize women's empowerment as a cornerstone of poverty alleviation efforts. The article by Yunus (2023), titled *from 'Banker to the Poor' to 'Bloodsucker': The Sorry Saga of Nobel Laureate Muhammad Yunus*, provides an in-depth exploration of the evolution and controversies surrounding Muhammad Yunus, a prominent figure in the field of microfinance. Yunus is renowned for pioneering microcredit through Grameen Bank, an initiative aimed at empowering impoverished, rural women by offering collateral-free loans. This approach revolutionized access to credit for marginalized groups, particularly women, and garnered Yunus International acclaim, including the Nobel Peace Prize. The success of Grameen Bank was initially celebrated for its high repayment rates and its role in fostering entrepreneurship and reducing poverty. However, the article critically examines the challenges Yunus faced later in his career, particularly allegations of financial mismanagement, exploitation through high-interest rates, and political

backlash in Bangladesh. It highlights how the politicization of microcredit initiatives and Yunus's public criticisms of political leadership in Bangladesh contributed to legal disputes and regulatory scrutiny. This article encourages a critical reevaluation of microfinance, moving beyond success stories to address sustainability, ethical considerations, and long-term impact on beneficiaries. Ali and Hatta (2012) explored the Microfinance programs' complex implications on Bangladeshi women's empowerment. It critically evaluates whether these initiatives contribute to genuine empowerment or inadvertently lead to disempowerment. To provide readers a thorough grasp of the problem, the writers use a mixed-methods approach that includes both quantitative and qualitative data. Ali and Hatta argued that microfinance programs should not be seen as a magic bullet for empowering women. To remove systemic impediments, they advocate for a more comprehensive strategy that incorporates non-financial services including education, career training, and awareness campaigns. The authors suggest that empowerment must be defined beyond economic terms, incorporating social, cultural, and psychological dimensions. Naila Kabeer's (2001) seminal work, "Conflicts over Credit: Re-evaluating the Empowerment Potential of Loans to Women in Rural Bangladesh," critically examines the widespread assumption that microcredit unequivocally empowers women. The study highlights the complexities and contradictions surrounding microcredit programs aimed at women's empowerment. According to Kabeer, empowerment is a complex process that extends beyond financial advancement encompassing dimensions of agency, autonomy, and decision-making power within households and communities. The study finds that while microcredit programs have enabled many women to access financial resources and contribute to household income, the outcomes are highly context-dependent. Kabeer emphasizes that the success of microcredit programs in empowering women cannot be assumed or generalized. Instead, the study advocates for a nuanced understanding of empowerment that takes into account cultural, social, and economic contexts. Furthermore, the paper highlights the need for complementary interventions, such as education, skill development, and awareness-building initiatives, to ensure that microcredit programs achieve their intended goals. Hunt and Kasynathan critically evaluate Microfinance's effect on women's empowerment, highlighting both the potential and limitations of microfinance programs in women empowerment. The authors argue that microfinance programs, while aimed at improving financial access and reducing poverty, do not automatically lead to empowerment. They acknowledge that by giving them the tools to create revenue and increase their financial stability, microfinance has the potential to economically empower women. Hunt and Kasynathan emphasize that microfinance can play an important role in women's empowerment, but its effectiveness depends on how it is integrated into the larger context of women's social and political empowerment. They recommend that microfinance programs should be designed with a more comprehensive understanding of women's needs and aspirations, ensuring that financial services are accompanied by education, legal support, and other measures that promote gender equality. The review provides an insightful and critical perspective on the constraints of using microfinance as a means of empowering women, urging policymakers and practitioners to take a more holistic approach to addressing the complex issues that women face in marginalized communities. Linda Mayoux explores the critical connection between women's empowerment and microfinance, addressing both theoretical and empirical perspectives. Mayoux discusses the multifaceted nature of empowerment, emphasizing that microfinance programs alone are not sufficient to achieve women's empowerment but need to be part of a larger socio-economic and political transformation. The paper concludes by recommending that microfinance institutions adopt more participatory and inclusive models that recognize and address the broader socio-economic barriers that women face. The notion that microfinance empowers women by providing access to credit without collateral is well-documented.

### **Objectives**

1. To analyse the impact of microcredit on women's economic empowerment.
2. To assess the role of microcredit in enhancing women's social empowerment.
3. To examine the relationship between microcredit participation and improvements in women's quality of life.

**Research Methodology**

Various female members belonging to different self-help groups in Rayalaseema Region of Andhra Pradesh are surveyed through structured questionnaires to obtain primary data. The questionnaire is divided into two segments. The first segment pertains to the demographic details of the survey participants, whereas the second segment addresses aspects related to microcredit. The sample size for the study is 120 respondents. Data collection is carried out using convenience sampling method. Statistical tools like t-test,

**Hypothesis**

1. H<sub>0</sub>: There is no significant difference in financial independence before and after Microcredit.
2. H<sub>0</sub>: Micro-credit significantly enhances Women’s Social Empowerment.
3. H<sub>0</sub>: There is no significant relationship between microcredit participation and improvements in women’s Quality of life.

**Data Analysis**

1. H<sub>0</sub>: There is no significant difference in financial independence before and after Microcredit.

**Paired Samples Test**

**Table-I: Paired sample test-Significant Values.**

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	It is challenging to meet family basic needs with income - Income has become more stable and predictable since accessing microcredit.	.00990	1.75781	.17491	-.33711	.35692	.057	120	.001
Pair 2	Relied on irregular and low-paying sources of income - Able to invest in small business activities or income-generating opportunities.	-.09901	1.03446	.10293	-.30322	.10520	-.962	100	.003
Pair 3	Income was insufficient to save or invest in my family’s future - Feeling more confident about meeting family’s financial needs.	.10891	1.48930	.14819	-.18510	.40292	.735	100	.004

Pair 4	Struggled to access funding or credit to start or expand any income-generating activities - Started saving a portion of income regularly for future needs.	.46535	1.48030	.14730	.17312	.75758	3.159	100	.002
Pair 5	Unforeseen expenses (e.g., medical or educational) frequently disrupted financial stability - Less dependent on informal or high-interest borrowing for emergencies.	.06931	1.78470	.17758	-.28301	.42163	.390	100	.001

From the above table 1 it is interpreted that microcredit has positively influenced income stability of the respondents (p=0.001), microcredit has positively influenced shifting of respondents from irregular and low-paying jobs to regular income generating opportunities (p=0.003), microcredit has provided financial security of the respondents (p=0.004), microcredit has positively the ability to save regularly (p=0.002) and microcredit has reduced dependency on high interest borrowings at times of emergency (p=0.001).

**H<sub>0</sub>: Mirco-credit significantly enhances Women’s Social Empowerment.**

From the above table it is inferred that Microcredit has notably improved decision-making power in household financial and non-financial matters (P=0.004), Participation in community and social activities has not

**Paired Samples Test**

**Table-2: Paired Samples Test-Significant Values.**

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Limited decision-making power in household matters, including financial decisions - Actively contribute to financial and non-financial decisions.	-.01000	1.22676	.12268	-.25342	.23342	-.082	120	.004

Pair 2	Rarely participated in community or social events due to financial or social constraints. - More involved in community and social activities compared to earlier.	.14000	1.48406	.14841	-.15447	.43447	.943	120	.002
Pair 3	Lacked the confidence to express my opinions within family or community. - Felt confident in expressing opinions and ideas within family and society.	.26000	1.58031	.15803	-.05357	.57357	1.645	120	.001
Pair 4	Faced challenges accessing resources and support for personal or professional growth. - Can independently access resources and opportunities for personal and professional development.	.09000	1.91799	.19180	-.29057	.47057	.469	120	.003
Pair 5	Felt dependent on others for meeting financial and personal needs. - Felt more empowered to make decisions that positively impact family and community.	-.05000	1.46594	.14659	-.34087	.24087	-.341	120	.002

significantly increased (P=0.002), microcredit has marginal improvement in expressing ideas and opinions (P=0.001), Access to resources and opportunities for personal or professional growth has seen a meaningful change (P=0.003), Perceived empowerment in financial and personal decision-making has significantly improved (P=0.002)

**3. H<sub>0</sub>: There is no significant relationship between microcredit participation and improvements in women's Quality of life.**

**Table-3: Chi-Square Values.**

<b>Chi-Square Tests</b>			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.657 <sup>a</sup>	6	.001
Likelihood Ratio	24.059	6	.001
Linear-by-Linear Association	2.060	1	.120
N of Valid Cases	700		

a. 2 cells (16.7%) have expected count less than 5. The minimum expected count is 2.87.

From the above table it is found that chi-square = 15.657,  $p = 0.001$ , as the p value is less than 0.05, hence the null hypothesis is rejected. Therefore, it can be concluded that there is a significant relationship between microcredit participation and improvements in Women's Quality of life.

### **Conclusion**

Microcredit has proven to be a powerful catalyst for women's social and economic empowerment, enabling them to achieve financial independence, improve their quality of life, and actively participate in household and community decision-making. The findings suggest that access to microcredit enhances income stability, encourages entrepreneurship, increases savings behavior, and reduces dependence on high-interest borrowing, thereby fostering long-term economic security. Additionally, microcredit empowers women socially by boosting their confidence, improving access to resources, and strengthening their role in financial and non-financial decisions. While significant progress has been observed, further efforts are needed to expand opportunities for social participation and professional development. Overall, microcredit serves as a transformative tool for gender empowerment, driving sustainable social and economic change at both individual and community levels.

### **Acknowledgement**

We would like to extend my heartfelt thanks to Veltech University and my Research Supervisor, Dr.MSR Mariyappan for his valuable support and guidance.

### **Ethics Consideration**

Not applicable

### **Conflict of Interest**

The authors declare that they have no conflicts of interest.

### **Funding**

This research did not receive any financial support.

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