

# ROLE OF FEMALE LABOUR FORCE PARTICIPATION IN IMPROVING GENDER DEVELOPMENT INDEX, WITH SPECIAL REFERENCE TO SELF HELP GROUPS

Manoj Bhagat\* and Ranjana Srivastava\*\*

*In absence of employment opportunity, women entrepreneurship hold the key to progress of the individual women, family, society and nation. Women entrepreneurs (and employees) tend to hire significantly greater number of women. The same is true to males also. In the long run, such extreme levels of gender segmentation are obviously undesirable and inefficient. But in the short term, it serves to bring more women into the workforce. According to NSSO, only 14% of business establishments in India are being run by women entrepreneurs. , Most of them are small scale and about 79% of them are self financed. This speaks of the success rate of micro finance institutions and Self Help Groups in India.*

*Whereas in developed countries and for economically strong household, women entrepreneurship offers greater income and more varied life style choices in poor households and lower level GDP countries, it can provide a way to reduce poverty for women faced with few other opportunities. It may also lead to empowerment, providing greater personal autonomy, and a way out from discriminatory practices in the family and society*

**Keywords:** Female Entrepreneur, Human Development & Gender Parity

## INTRODUCTION

India has made a place for itself globally in the area of economic growth IMF (2017)<sup>1</sup> reports that it is the sixth largest economy in the world with a nominal Gross Domestic Product (GDP) of \$ 2.45 trillion. It ranks third in GDP in terms of purchasing power parity (PPP) at \$ 9.49 trillion. It has a robust average growth rate of 6.84% over the past 5 years (MOSPI 2017)<sup>2</sup>. Analysts see India surging in growth with its young and faster growing population being a key factor.

However its large population drags its GDP (PPP) per capita down to \$ 7153.25 ranking it 123 out of 187 (countries while Qatar with \$129.112 ranks first (Bajpai, 2017)<sup>3</sup>. This low value is reflecting its poor living standards and quality of life of its residents, making it stand in row with the poor countries of the world. More significantly per capita GDP reflects how productive, on the average, each citizen is. On the human resource side, lack of training, skill and education of workers together with their poor health, stand out as major impediment to increasing productivity in India.

In India, the poor status of the three basic dimensions of Human Development namely, access to decent standard of living, a long and healthy life and access to knowledge gives it a Human Development Index (HDI) of 0.624 (HDI, UNDP, 2016)<sup>4</sup> and a rank of 131 out of 188 countries of the world. It is heartening to note that the progress made in these dimensions have raised its status from low HDI to Medium HDI category. India's HDI value increased 46% between 1990 and 2015 doing better than most of SAARC countries. Unfortunately it has the lowest rank among

---

\* JRF & Research Scholar at University Dept. of Economics, Ranchi University, Ranchi

\*\* Associate Professor, Univ. Deptt. of Eco., Ranchi University, Ranchi

BRIC countries. Life expectancy at birth increased by 10.3 years to an average of 68.3 years (69.9 years for women and 66.9 years for men). Mean years of schooling increased by 3.3 years (Human Development Report, 2016).

However, this growth saga presents a dismal picture on the gender equality front. While women across the world on an average, have lower HDI than men, in many Very High and High HDI countries, the trend is reverse. Even in the medium HDI category of countries to which India belongs, countries like Republic of Moldova, Vietnam and Philippines have  $GDI > 1$ . Largest gender disparity has been observed in South Asia where female HDI value is 20% lower than male. In India, there is a 18% gender gap in HDI (0.549 for female and 0.671 for male giving a GDI of 0.819 compared to the average of 0.919 for the Medium HDI category. India ranks 125 out of 159 countries of GDI (HDR, 2016)<sup>5</sup>. Gender disparities in human development have been found to be inversely related to economic growth. Countries with high income have greater gender equality in education as well as health (Ahang, M. 2014)<sup>6</sup>. This raises the Human Development Index of females and brings greater gender parity as reflected in the Gender Development Index (GDI).

Traditional societies functioned mainly on the basis of self-help and mutual aid. The gradual transition to modern economics for growth and development resulted in disparities across regions, gender and classes, and also coupled with resulting indiscriminate exploitation of natural resources and drastic consequences on climate. This called for a rethinking. In 2015 UN member states adopted the 2030 Agenda for Sustainable Development and laid down 17 Sustainable Development Goals (SDGs) to fight poverty, inequality, injustice and tackle climate change by 2030.

Poverty eradication is at the heart of the 2030 Agenda of SDGs, and so is the commitment to leave no-one behind. The goals of “No Poverty”, “Zero Hunger”, “Good Health and Wellbeing”, “Quality Education”, “Gender Equality”, “Clean Water and Sanitation”, “Reduced Inequalities” and “Decent work and Economic growth” have a direct bearing on the emancipation of poor, uneducated rural women who have no formal employment and no collateral to obtain credit for entrepreneurial activities.

Achieving the SDGs requires the partnership of governments, private sectors, civil society and citizens alike to make sure we leave a better planet for future generation.

Yuri Afanasiev, UN Resident Coordinator for India has commented that the improvement in HDI in India between 1990-2015 is to a large extent attributed to government programs aimed at bridging gaps in Human Development & continued efforts are crucial in ensuring the success of Agenda 2030 (The Hindu, 2017)<sup>7</sup>. Self Help Groups go a long way in addressing these goals by raising female LFPR, promoting higher living standards and raising health and education levels of the household.

## OBJECTIVES

- To highlight India’s position in economic growth, human development and gender parity.
- To compare the female labour-force participation rates globally and examine the causes of low rates in India.
- To examine the role of SHGs in raising female LFPR, income & standards of living.
- To examine the relation between income and health at macro and micro level
- To examine the relation between income and education at micro and macro level.
- To examine the relation between income inequalities and health and education.

## DATA AND METHODOLOGY

The paper is based on secondary data on macro variables like nominal GDP(PPP), HDI (male & female), GDI, LFPR, Indian Demography etc. from established sources namely HDR of UNDP, NSSSO of MOSPI, GOI, Census data etc. Correlation and linear regression by OLS technique have been used to establish the relation between income and health, income and education, and also income inequality and health & education. Theoretical association between female LFPR and SHGs and also family income, standard of living, health and education have been extensively explored and established from available literatures.

### Female Labour Force Participation and Role of Female Entrepreneurship

With a sex ratio of 943 in 2011, women constitute almost 50% of Indian population but have been socially, economically and politically discriminated against, in spite of provisions of equality in our Constitution. The focus of programs for improvement of their condition has rightly shifted from welfare to empowerment. Empowering women and bringing them into the mainstream of development is a major concern of Government of India. With 68.84% of country's population living in rural areas (Census, 2011)<sup>8</sup>, focus is rightly on empowering rural women so that they are able to develop self esteem, confidence, decision making power, realize their potential, build their capacities and enhance their bargaining power. According to India Rural Development Report (2012-13), poverty ratio fell to 21.9% in Financial year 2012 & in 2011-12 only 6.8% of rural population was "very poor". Also it is encouraging that the ratio of reduction of rural poverty accelerated to 2.3 percentage points during 2001 -11 (compared to 8 percentage points in 1993-2004) (Tiwari, 2015)<sup>9</sup>.

Enhancing financial access of the poor by encouraging micro-enterprises through provisions of investment facilities, training and business service support is a strategy widely being adopted by developing countries to overcome the problems of poverty, unemployment, inequality and deteriorating welfare. Microfinance and self Help Groups fill this gap. The success stories of SHGs across the countries brings out their relevance in raising income levels. This, in turn will raise standard of living, health and education, thereby raising Human Development Index (HDI), especially of women. The rise in Gender Development Index (GDI) will reflect India's growing gender parity at global level.

In recent years India's economic growth has been high, fertility has fallen substantially, life expectancy at birth for women has increased and there has been improvement in female education. This ordinarily should have led to rising labour force participation rates. But NSS data for India show that these rates of women aged 25-44 usual status (including primary and subsidiary status) have stagnated at about 26-28% in urban area, and fallen from 57% to 44% in rural areas between 1987 – 2001 (NSS 61<sup>st</sup> round)<sup>10</sup>.

The demographic transition in female labour force participation is comparable to global trends according to levels of income.

## Labour Force Participation Rates of Females as Percentage of total Population Aged 15 plus.

Countries	Female Work Force Participation	
	1990	2016
High Income Countries	48.81	52.08
Medium Income Countries	52.26	46.96
Low Income Countries	69.32	70.01
India	34.82	26.91
World	52.34	49.48

Source : The World Bank – 2016; <http://data.worldbank.org>

Figures of 1990 clearly show an inverse relation between economic development and female labour force participation. Whereas there has been an increase in these rates between 1990 and 2016 in low and high income countries, Middle income countries including India, witnessed a decline. Figures of 2016 support the ‘feminisation U hypothesis’ (Luci, 2009)<sup>11</sup> where in the development process, female work force participation first declines and then increases. Women labour force participation in India is about 50% of that in high income countries.

While the supply side slack is explained mainly by low level of skill and training, poor health, family responsibilities, social stigma, cultural impediments, young women are studying longer, women who worked only out of necessity have retreated to their homes, etc. On the demand side, especially in rural India, a striking feature is that declining agricultural employment has reduced employment opportunities for women as non-agricultural jobs have not emerged at the required pace. This fall in labour force participation rate (LFPR) in the first phase of the U-shaped female labour force function (Bhattacharya, 2017)<sup>12</sup>.

Macro policies, trade policies & structural policies also play a role in India’s low LFPR. India’s growth strategy has focused on domestic demand and high value service exports which generate few employment opportunities for women particularly for those with medium levels of education unlike Bangladesh, where export oriented, manufacturing centered growth leads to increasing female employment opportunities. (Klasen 2017)<sup>13</sup>

India is now in the phase of demographic dividend where it has a high share of working-age population. UNDP’s chief economist Thongavel Palanivel (2016)<sup>14</sup> has commented that “when countries have a greater share who can work, save and pay taxes, they have a potential to transform their economies and power investments in healthcare, education and other building blocks of future prosperity. The report also detailed that the working-age population of Asia-Pacific region, comprising 58% of the global total, continues to grow. India and China comprised 62% of region’s share in 2015. But China’s share is now falling while India’s continues to rise, expected to touch a maximum of about 1.1 billion in 2050. India has more than 50% of its population below 25 and more than 65% below the age of 35. It is expected that in 2020, the average age of an Indian will be 29 years compared to 37 for China and 48 for Japan (Basu, 2017)<sup>15</sup>. This can propel per capita growth rates through larger labour – force participation, increased productivity and production, savings effect and investment effects.

But if women stay largely away, this effect will be weak. If India’s growth story has to translate into

shared prosperity for all, it cannot let one half of its population sit out.

Several reasons can be cited to explain the success stories of women entrepreneurship. Multitasking has been in their blood for ages and they can balance profession and personal life. They believe that hard work leads to success and work in a calculated and well thought out manner. They are perfectionists. They possess proficiency in network and do not shy from sharing credit or taking help when needed.

The important problems that need mention which women face in entrepreneurship are family problems, lack of self confidence, lack of mobility, lack of skill both technical and communication, management of finance, managing manpower and above all professional disrespect. The growing entrepreneurship among women is heartening and indicates that the obstacles are being overcome as a result of active intervention of government and Non-Government organizations, society, family, and most important, the women herself.

### **Role of SHG in Promoting Women Entrepreneurship and Fostering and Raising Income and Standard of Living**

The role of gender in economic development process has been increasingly recognized as crucial, both in terms of potential for success and in the nature of the impact on socio-economic transformation. Considering the traditional home centred role of women, micro enterprise specially SHG approach can make it easier for women to work as opposed to the more traditional, large and medium scale enterprises giving formal employment.

According to 2011 census, 68.84% of the population live in rural areas which is primarily backward. The major challenges in these areas are the vicious circle created by unemployment, poverty, lack of education and poor health – all having direct or indirect bearing to the reliance of the poor on the unorganized sources of rural credit. Affordable finance can break this vicious circle by creating opportunities for income generating activities and capital formation.

The focus today is on enhancing financial access of the poor and promoting micro entrepreneurship through micro-finance which emphasizes on bringing credit, savings and other financial services within the reach of millions of people who are too poor to be served by regular banks in most cases because they are unable to offer sufficient collateral to help them start productive activities or expand an existing business. The potential and success of this rural credit delivery system in empowering the poor the world over, was recognized through the World Micro Credit Summit in Washington in 1997.

Going back to the traditional roots and believing in the philosophy of self help and mental cooperation, Self Help Groups (SHGs) have emerged as a powerful agent of transforming lives of rural poor, mainly women through use of micro finance.

The origin of SHGs can be attributed to the innovative work of Prof. M. Yunus Khan of Bangladesh in 1975, who later got his Nobel Peace Prize in 2006 for emphasizing on the role of micro-credit in rural upliftment.

According to NABARD, a SHG is a small economically homogeneous and affinity group of rural poor, voluntarily coming together to save small amounts regularly; to mutually agree to contribute to a common fund; to meet their emergency needs; to have collective decision making; to solve conflicts through collective leadership and mutual discussion; to provide collateral-free loan with

terms decided by the group at market driven rates.

## **Micro and Macro Level Association between Economic Growth and Human Development mainly Health and Education**

There is no dearth of literature on the role of SHGs through out the length and breadth of India in socio-economic empowerment of women. In almost all the micro studies it has been observed that the economic condition of women have improved. This in turn improves standard of livings, the level of education and health of the participants and the family. At the macro level it raises HDI of the country and fosters gender parity. In India all the large scale surveys conducted in recent years, namely 'The rounds of NFHS', 'District level Reproductive and Child Health Survey (RCH)', and the 'NSSO data', established the inverse situation between standard of living and mortality and direct relation of the same with education.

The inter-linkage and multi-directional relationship between income, health and education is established in many studies but clearly brought out in the writing of (Benzeval, 214)<sup>16</sup> who has shown that employment – a major source of income in adulthood, will be influenced by education, which in turn is influenced by childhood health and circumstances that will have been influenced by income and health of the parents. However, the famous Esterlin Paradox states how these pathways or chains of risks differ in different macro social economic and policy contexts in unclear (Easterlin et. al, 2010)<sup>17</sup>. Evidence of the association can be found in a wide range of disciplines, epidemiology, public health, sociology, economics, psychology, politics etc.

Income is related to health in three ways : through the GNP of countries, the income of individuals, and the income inequalities among nations.

The central question is the degree to which these associations reflect a causal association. At the macro level, few studies (Marmot et.al 1931)<sup>18</sup>, Adler (1993)<sup>19</sup> have found a linear relationship between income and health, most studies find income-health relationship to be non-linear (Backlund et. al. 1996)<sup>20</sup>. After a certain level of development, increase in income has little effect on increasing life expectancy.

Whereas in the low HDI group of countries, a positive relation was observed between per capital GNI and health (measured by life expectancy at birth), in the middle HDI group of 41 countries to which India belongs, no such relation is observed. The correlation between these two macro variables was – 0.35 and the linear regression coefficient of -0.00036 confirms this statement (HDR, UNDP 2016).

Income growth will affect mortality only if it leads to a more equitable distribution of income. However, the linear regression coefficient between inequality in per capita GNI and life expectancy at birth of -0.96 indicates that a more equitable distribution will lead to improved health status (a low  $R^2$  of 0.068 indicates that a host of other factors are responsible for improving health).

The micro level association between family income and health is theoretically much stronger. There is the materialist argument that money enables family to buy health, promoting goods and services (Deaton, 2002)<sup>21</sup>. The psychosocial mechanism explains the stress of not having enough money and this affects health. Behavioural argument of people with low income having unhealthy behaviours is also true. Finally poor health affects education and employment opportunities such that subsequently health suffers.

The relationship between income and education is even more critical. At macro level there appears a weak relationship as evident from the correlation coefficient of for Medium HDI countries, to which India belongs. The linear regression coefficient of 0.000068 too supports the statement. But reducing income inequality has a positive effect on educational attainment.

Income inequality is negatively related to education level measured by years of schooling. According to HDR of UNDP (2016), in the middle income countries, to which India belongs, the correlation coefficient was - 0.12 and linear regression coefficient 0.02. ( $R^2 = 0.16$  again shows the weak prediction power. Income inequality leads to greater dispersion of educational attainment. In India, this relative economic disadvantage is compounded by social and regional disadvantage causing the gap in education to become even larger. At micro level, the relationship is more direct and strong. SHGs again hold the key. By reducing gender, racial and rural-urban inequalities in income, they promote higher levels of educational attainment.

It has been observed that the general awareness of importance of education is increasing in rural areas, specially for the girl child. SHGs have empowered women to take control of decisions affects schooling of their children. Children are also relieved of the compulsion of child labour to support family income. More interestingly, women have themselves started attending adult literacy classes in order to run their business efficiently.

## CONCLUSION

Health and education thus have a close and direct bearing to family income. Though the relation at macro level is weak. Income inequalities lowers the health and educational status of the residents of the country. Micro finance institutions, through SHGs, help to foster the socio-economic condition specially of rural women in India. By promoting entrepreneurship, they on the one hand increase the female LFPR and this positively affects the GDP, economic growth and inequality reduction. On the other hand and more significantly, at micro level it raises family income and standard of living. This has a direct bearing on the health and educational attainment of the women herself and of the family members, leading to human resource development of India. This is particularly revelvant for India which has a large and growing population in working age.

The rise in female health and education will raise female HDI and the Gender Development Index by ensuring gender parity, in line with the goals of sustainable development laid down by the United Nations.

## Notes

1. International Monetary Fund, (2017), World Bank Outlook Database, retrieved from <https://data.worldbank.org>)
2. Ministry of Statistics and Program Implementation, (2017), "GDP Growth rates of India", MOSPI, Planning Commission, Government of India, retrieved from [www. Statistics times.com](http://www.statistics.gov.in).
3. Bajpai, P. (2017), "World GDP Per Capita Ranking 2017", retrieved from [knoema.com/sijweyg/world-gdp-per-capita-ranking](http://knoema.com/sijweyg/world-gdp-per-capita-ranking))
4. Human Development Report, (2016), United Nations Development Program, retrieved from <http://hdr.undp.org>
5. Human Development Report, (2016), United Nations Development Program, retrieved from <http://hdr.undp.org>.
6. Mohammadreza Ahang (2014), "Impact of gender in equality on economic growth" paper presented in The Accounting, Economics & Financial Management Conference, 26-27 Oct. 2014, Tehran, Iran.

7. The Hindu (2017), "India Slips in HDI", retrieved from [www,thehindu.com article 17566555](http://www.thehindu.com/article/17566555).
8. Census, 2011
9. Ruhi Tiwari (2015), "Why Poverty in Rural India is Still a Concern", The Indian Express, Oct. 7, 2015, New Delhi.
10. NSS 61<sup>st</sup> Round (2004-05), "Employment and Unemployment", retrieved from [www.mospi.nic.in>files>publication\\_reports](http://www.mospi.nic.in/files/publication_reports)
11. Luci, A. (2009), "The Impact of Macro-economic Growth on Female labour force participation", Close Panel Data Confirm the 'feminisation U hypothesis', retrieved from [www.inssp2009.princeton.edu](http://www.inssp2009.princeton.edu)
12. Bhattacharya, Gaurav (2017), "Consistent De-Feminisation Moves Rural Economy into Unorganised Abyss", retrieved from [www.thecitizen.in](http://www.thecitizen.in)
13. Klasen, Stephen, (2017), "Stagnating female labour force participation in India", retrieved from [www.livemint.com](http://www.livemint.com).
14. Thongavel Palanivel (2016), Regional Human Development Report, April 27, 2016, UNDP
15. Basu, Kaushik (25 July 2017) "Indias Demographic Dividend", BBC News, retrieved from [news.bbc.c.uk](http://news.bbc.c.uk).
16. Benzeval, M. (2014), "How Does Money Influence Health", retrieved from [www.jrf.org.uk](http://www.jrf.org.uk)
17. Easterlin, R.A.; McVey, L.A.; Suittek, M; Swagata, O; Zweig, T.S. (2010), "The Happiness – Income Paradox Revised", Proceedings of the National Academy of Sciences, Vol. 107(52), p. 1.
18. Marmot, M. (2010), "Fair Society, Healthy Lives : Strategic Review of health Inequalities in England Post-2010", retrieved from [www.gov.uk>dfid-research-outputs](http://www.gov.uk>dfid-research-outputs).
19. Adler, N (1993), "The Income - Health Gradient", Institute for Research on Poverty, San Francisco, retrieved from [www.irp.wisc.edu>focus>pdfs](http://www.irp.wisc.edu>focus>pdfs)
20. Backlund, P.D. Sorlie and N.J. Thomson (1996), "The shape of the Relationship between Income and Mortality in United States", Evidence from the National Longitudinal Mortality Study, Annals of Epidemiology, 6(1), pp 12-13.
21. Deaton, Angus (2002), "Policy Implication of The Gradient of Health and Wealth", Wealth Affairs, 21(2), pp. 13-30.