



## WOMEN EMPOWERMENT THROUGH SELF-HELP GROUP IN INDIA

DR.S.SUGUMAR <sup>1</sup>

<sup>1</sup> ASSISTANT PROFESSOR, DEPARTMENT OF POLITICAL SCIENCE, GOVERNMENT ARTS COLLEGE COIMBATORE.

### ABSTRACT

*Poverty and unemployment are the major problems of any under developed countries, to which India is no exception. In India, The Expert Group Report (Tendular Report) Commissioned by Planning Commission Estimates India's aggregate below poverty line to be 37.2%. In the rural area 41.8% of the population was living under poverty. The overall unemployment rate is estimated to 7.32%. The female unemployment rate is 8.5%. The rate of growth of women unemployment in the rural area is 9.8%. This is because of the low growth rate of new and productive employment. In the end of IX plan the rate of growth of implemented various schemes to reduce poverty and to promote the gainful employment. But the more attractive scheme with less effort (finance) is "Self Help Group". It is a tool to remove poverty and improve the rural development (Sabyasachi Das. 2003).*

*The high level of dependence on the informal sector on non-institutional sources continued despite a rapid growth of banking network in India in the last five decades. The rural financial system at present functions through an impressively large network of more than 150,000 retail outlets. Despite such phenomenal expansion of the outreach of the formal banking structure, the All India Debt and Investment Survey (Gol), 1981, gave indications that the share of non-institutional agencies (informal sector) in the outstanding cash dues of the rural households was quite high at 38%. It was also seen that households in the lower asset groups were more dependent on the non-institutional credit agencies.*

**Keywords:** Growing From Poverty, Uprooting Financial Problem, Self-Empowering, Family Development.

### Introduction:

Poverty and unemployment are the major problems of any under developed countries, to which India is no exception. In India, The Expert Group Report (Tendular Report) Commissioned by Planning Commission Estimates India's aggregate below poverty line to be 37.2%. In the rural area 41.8% of the population was living under poverty. The overall unemployment rate is estimated to 7.32%. The female unemployment rate is 8.5%. The rate of growth of women unemployment in the rural area is 9.8%. This is because of the low growth rate of new and productive employment. In the end of IX plan the rate of growth of implemented various schemes to reduce poverty and to promote the gainful employment. But the more attractive scheme with less effort (finance) is "Self Help Group". It is a tool to remove poverty and improve the rural development (Sabyasachi Das. 2003).

The high level of dependence on the informal sector on non-institutional sources continued despite a rapid growth of banking network in India in the last five decades. The rural financial system at present functions through an impressively large network of more than 150,000 retail outlets. Despite such phenomenal expansion of the outreach of the formal banking structure, the All India Debt and Investment Survey (Gol), 1981, gave indications that the share of non-institutional agencies (informal sector) in the outstanding cash dues of the rural households was quite high at 38%. It was also seen that households in the

lower asset groups were more dependent on the non-institutional credit agencies.

The main hurdle faced by banks in financing the very poor seemed to be the comparatively high transaction cost in reaching out to a large number of people who required very small doses of credit at frequent intervals. The same held true of the costs involved in providing savings facilities to the small, scattered savers in the rural areas. Feelings were mutual among the very small savers and borrowers in the rural areas as well, as they tended to view banking as an institutional set up for the elite; even if they tried to reach the bank branch the long distances and loss of earnings on being away from work while visiting bank branch were hurdles and they were never sure whether they would get any service or not if they did approach the branch. The levels of mutual inconvenience and discomfort made the poor look at banking as an almost inaccessible service, and the banks felt that banking with the very poor was not a 'bankable' proposition.

### Origin and Concept of SHGs:

In India, Self Help Groups or SHGs represent a unique approach to financial intermediation. The approach combines access to low-cost financial services with a process of self management and development for the women who are SHG member. SHGs are formed and supported usually by NGOs or by Government agencies. Linked not only to banks but also to wider development

programmes, SHGs are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election or take action to address social or community issues like the abuse of women, alcohol, the dowry system, schools, water supply etc.,

But there are also some questions need to be answered like how effective are the groups in managing their financial transaction? Are the groups sustainable? Do they help in mobilizing women to take social action? How effective are such actions? Who is really benefiting? Do the poorest benefit, do they not join at all or if they do join, are they more likely to drop out?

The origin of SHGs is from the brainchild of Grameen Bank of Bangladesh, which was founded by Mohammed Yunus. SHGs were started and formed in 1975. In India NABARD is initiated in 1986-87. But the real effort was taken after 1991-92 from the linkage of SHGs with the banks. A SHG is a small economically homogeneous affinity group of the rural poor voluntarily coming together to save small amount regularly, which are deposited in a common fund to meet members emergency needs and to provide collateral free loans decided by the group. (Abhaskumar Jha 2000). They have been recognized as useful tool to help the poor and as an alternative mechanism to meet the urgent credit needs of poor through thrift (V. M. Rao 2002) SHG is a media for the development of saving habit among the women (S. Rajamohan 2003). SHGs enhance the equality of status of women as participants, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life. (Ritu Jain 2003). The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity building and empowerment (N. Lalitha).

The National Bank for Agriculture and Rural Development (NABARD) estimates that by March 2006 over 33 million women have been linked to banks for financial services through 2.2 million SHGs 'Linkage' is defined by NABARD as taking a loan from a bank, although banks in fact first become linked to SHGs by taking their deposits. Growth has been spectacular in the past couple of years: 'over 400 women per hour' according to the NABARD web-site. The hourly rate is actually more than this, with an increase in 2006 of 620,000 SHGs or over 9 million women SHG members.

Growth has been strongest in the southern region where SHG bank linkage first began, with three State Andhra Pradesh, Tamil Nadu, and Karnataka the top three in the country. The south accounts for 54% of SHGs half of this in Andhra Pradesh along and 75% of bank credit. The rest of the country is beginning to catch up, at least in terms of SHG numbers, although the share of credit remains at one fourth, both cumulative and current.

### Role of NABARD:

It is in this background that NABARD conducted studies in the mid-eighties that brought out the simple fact that the most important and immediate banking needs of the poor households, in the order of their priority were:

- ✓ Opportunities to keep safe their occasional small surpluses in the form of thrift
- ✓ Access to consumption loans to meet emergent needs and
- ✓ Hassle-free access to financial services and products, including loans for micro-enterprises

Viewed against this demand, there were serious limitations on the supply side, as the existing products and services of the banking system were largely meant for a different type of customer segment. In trying to fulfil the credit needs of the poor for financial services, the banks had to contend with regulated interest rates, high transaction costs and high cost of mobilization of funds. In cases where credit was made available to the poor through special programmes, absence of an integrated savings component and something to fall back upon in case of any adversity was leading to poor repayment performance. The problem was further confounded, as the users were unable to distinguish between the State support (grants/reliefs) and bank credit as the rural and agricultural banking system was getting identified with the State. The political expediency for 'removing poverty at a stroke' was putting resources for running micro enterprises in the hands of the poor without nurturing them to handle such resources. The high cost of appraisal and monitoring led many banks to jettison those systems in the context of low-value advances, aggravating the already vitiated repayment climate further.

### Working of SHGs:

SHGs are working in democratic manner. The upper limit of members in a group is restricted to 20. Among them a member is selected as an 'animator' and two members are selected as the representatives. The animator is selected for the period of two years. The group members meet every week. They discuss about the group savings, rotation of sangha funds, bank loan, repayment of loan, social and community action programmes.

### Functions of SHGs

- Create a common fund by the members through their regular savings.
- Flexible working system and pool the resources in a democratic way.
- Periodical meeting. The decision making through group meeting.
- The loan amount is small and reasonable. So that easy to repay in time.
- The rate of interest is affordable, varying group to group and loan to loan.

However it is little higher than the banks but lower than the money lenders.

From the previous studies related to SHGs, it is clearly understood that the SHGs are tool to promote rural savings and gainful employment. Through this the rural poverty is reduced considerably. Therefore women members are economically independent and their contribution to household income is also increased. The present study is also focusing the economic improvement of women after they join SHGs.

### **Objectives:**

The overall objective of the SHGs analysis the economic empowerment of women through SHGs. However more specifically:

1. To study the income, expenditure and savings of the members after joining SHGs.
2. To know the role of SHGs in providing rural credit.

### **Rural Credit and SHGs:**

One of the reasons for joining SHGs is to avails credit (V.M. Rao 2002), which is true in the present study area. The second objective of the present is to know the rural credit by SHGs. The credit organizations like nationalized banks, Co-operative Societies and so on, follow many formalities to provide credit to the rural people. At the sometime village money lenders charge very high rate of interest. In this situation SHGs are the boon to the rural people, because instead of approaching banks individual, SHGs can easily approach the banks and other institutions to get loan. The SHGs get loan from credit institutions then, they refinance (share) to the members in the SHGs. The SHGs charge reasonable interest. The prevailing interest rate is 1% to 4%. All the members are responsible to repay the loan to the banks. Therefore members are repaid the loan in time. Moreover banks instruct the members to save minimum Rs.200 per month. So re-payment is very easy to SHGs. The loans can be used by individual group members for their personal needs, sometime the group may invest on any economic activities. Nowadays many SHGs are starting small business, cottage industries, food processing units etc. The SHGs in the study area grant the loan to their member for various purposes. The maximum loan amount per members is decided by the general body meeting.

### **Conclusion:**

Congruity with human nature enhances the relevance and utility of human development initiatives. The core of SHG-bank linkage in India has been built around an important aspect of human nature - the feeling of self worth. Over the last ten years, it has come to symbolize an enduring relationship between the financially deprived and the formal financial system, forged through a socially relevant tool known as Self Help Groups (SHGs). An amazingly large number of formal and non-formal bodies have partnered with NABARD in this unique process of socio-economic engineering. What had

started off in 1992 as a modest pilot testing of linking around 500 SHGs with branches of half a dozen banks across the country with the help of a few NGOs, today involves about 20,000 rural outlets of more than 440 banks, with an advance portfolio of more than Rs. 1,200 crore (\$ 240 m.) in micro Finance lending to SHGs. Financial services have reached the doorsteps of over 8 million very poor people, through 500,000 SHGs, hand-held by over 2,000 development partners.

State Government was providing sufficient support to the SHGs under various programmes. The SHGs should not only concentrate on small savings but also get actively involved in social activities. Women's SHGs would be provided financial assistance and training under the Swarna Jayanti Rozgar Yojana. Each of them would be given Rs. 1.25 lakhs as subsidy under this scheme, Zilla panchayat had come forward to create a permanent marketing facility for the products manufactured by the many SHGs in the taluk. A sum of Rs. 10 lakhs was given to members of Sri Mahalaxmi, Sri Marikamba and Sridevi women's self-help groups of the taluk

The KSOU Vice-Chancellor K.S.Rangappa announced that the Open University will offer three months and six months duration course would be launched next year to guide SHGs. "We need time to prepare the curriculum; Experts in microfinancing will be consulted before the courses are announced". Prof.Rangappa also said that there are plans to invite members of the SHGs for about five to six days to the university campus. Resource persons from the government, institutions, banks and others will be invited to hold classroom sessions for them. KSOU Dean (Academic) Jagadees said there are about 14 crore SHGs in the country and a good number are in the State. The certificate programmes for them would be launched in 2012-13.

It is found that the income of the women has been increased after joining the SHGs. The good practice of the women SHGs in the study area is repayment of the loan in time. Nearly large number of the debtor paid their monthly due within the time, even some members paid their due in advance. A few members do not pay in time but this is not affecting the further credit of SHGs. Since the repayment of loan is regular and within the time, we may conclude that the economic activities of SHGs are quite success. In this way SHGs are very successful to develop women empowerment and rural areas.

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