



# An analysis of Self Help Groups collective effort for Women Empowerment

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## **Abstract:**

Existence of Chronic poverty is the major concern for the country and mitigating it has been the core of all developmental efforts. Post independence, several poverty alleviation programmes initiated by the government have resulted in the overall development of the poor but these programmes were not able to achieve the targeted success. Lack of capital and inaccessibility to credit is the serious constraint to the development and inhibits poor from responding to the opportunities created by the process of development. Empowerment of women is the most important means of poverty eradication. Despite considerable improvement in the status of women post independence, they still constitute the largest section of deprived population. Certain problems such as poverty, illiteracy, lack of skills, availability of proper health care facilities, ignorance etc., which are persistent in rural economy, cannot be tackled individually but could be effectively solved through group efforts. It reminds of a childhood story, where few birds are caught in a net and could not escape one by one. They thought of an idea and decided to fly together in a group and similarly one stick is easily breakable but bundle of sticks is difficult to break. These stories narrate the same moral – ‘Unity is strength’, ‘Self help is the best help’ and ‘United we stand and divided we fall’. Hence attacking the problem through collective efforts yields better results. Today such collective group efforts are called as ‘Self Help Groups’, which has become a powerful tool in initiating the change and transforming the lives of crores of poor and marginalized women across the country.

**Key words:** Poverty, Collective effort, Group, Women empowerment, Self Help, Unity.

## Meaning of Self –Help Groups [SHGs]

It is a small, homogenous affinity group of rural poor, comprising of not more than 20 members each. These groups represent and foster true democratic culture, wherein all members of the group take active part in decision making. The membership is open, voluntary and group is primarily formed to practice voluntary savings and thrift on a regular basis.

Members save on a regular basis and contribute to the ‘Group Common Fund (GCF)’. The fund includes not only the savings of the members but also grants from Non-governmental organizations (NGO’s), or promoter, fine imposed on members for various irregularities, government aid for various programmes, service charges on external loan (inter SHG lending and borrowings) etc., All common expenses related to the group will be met from this ‘Group Common Fund’. All savings and surplus of the fund would be rotated as short term loans amongst members at a rate of interest, decided by the group and loan is given to the needy members on a priority basis.

These SHG’s, by and large, will be homogenous in nature, though all members are not from the same caste or religion. Homogeneity of members from social and economic perspective enables them to participate freely without any fear or adverse consequence and to minimize differences of opinion or conflicts. The target group must be the poor.

Such groups may be registered (formal) or unregistered (informal). These groups are suggested to be informal so as to keep themselves away from unnecessary administrative expenses, corruption and bureaucracy. Many research conducted to study the behaviour of SHG, reveals that the repayment rate tends to be lower in large SHG and the propensity to loan default is very high amongst heterogeneous group. Hence it is recommended to have members ranging from 5 to 20. Infact, these features differentiates SHG from large Co-operative Societies which are formal and registered, having large number of members who possess different socio-economic profile, despite both SHG and Co-operative Societies function on the same principle of ‘Co-operation’, where “Each for all and all for each” is the philosophy.

SHG programme has been successful in strengthening the collective self help capacities of rural women leading to their empowerment. Women empowerment is seen as an integral and inseparable part of a wider process of social transformation and converting poor women of villages as role models for change. The experience of several SHG’s reveals that rural poor are actually efficient managers and numerous case studies across the globe have proved the fact that rural poor, given assistance have demonstrated their potential to secure economic, financial strength and self help. Hence it is rightly said “To promote political, economic development, to achieve social justice, people’s institutions were created”.

SHG’s act as a catalyst for bringing the most vulnerable section of the society to the main stream. It acts as a forum, which provides space and support to members. Poor people voluntarily come together, mutually agree to save conveniently and to contribute to a “Group Common Fund”. This fund will be inturn used to lend for productive and

emergent needs of the members, without any collateral. Hence SHG's has been very relevant, provides light and hope to the poor people to be self reliant, an improved income, a better standard of living and status in the society.

### Objectives of Self Help Groups

- To sensitize women of target area, the need of Self Help Group and its relevance in their empowerment process.
- Enabling poor families to come together and help each other, to create group feeling amongst them and to make them realize "Self help is the best help".
- To enhance the confidence and capabilities of women enabling them to be independent and self reliant.
- Developing a spirit of mutual help and co-operation. To develop collective decision making among them.
- Providing organisational strength, a sense of confidence much needed for solving the problem of members.
- To encourage the habit of saving and to facilitate the accumulation of their own capital resource base.
- To motivate women taking up social responsibilities, entrepreneurial ability and encouraging them to take up income generating activities (IGA).
- Equipping the poor with basic literacy and enhancing the numerical skills required to understand the monetary transactions.
- To create a platform to discuss economic and social problems to exchange the ideas of members. To resolve conflicts through collective leadership and mutual discussion.
- Increasing general awareness amongst members such as women empowerment, bank lending, joint liability, importance of repayment, collateral free loans etc.,
- Enabling "Community Participation" through Self Help Group.

Ministry of Rural Development, Government of India, on 1<sup>st</sup> April 1999, launched its flagship programme 'Swarnajayanthi Gram Swarozgar Yojana (SGSY)', by merging Integrated Rural Development Programme (IRDP), Training the Rural Youth for Self Employment (TRYSEM), Supply of Improved Tools for Rural Artisans (SITRA), Ganga Kalyan Yojana (GKY), Million Wells Scheme (MWS), Development of Women and Children in Rural Areas (DWCRA).

The main objective of SGSY is to bring the assisted poor families above poverty line by providing them income generating assets through bank credit and capital subsidy through group approach. It aims at providing self employment to villagers through the establishment of Self Help Groups. This programme has been conceived as a holistic self governing programme covering all aspects of self-employment of rural poor such as organization of the poor into self help groups, their capacity building, selection of key activities, planning of activity clusters, training and skill development, infrastructure build-up, technology and market support.

Soon after the SHG is formed, an agreed, minimum voluntary savings amount is collected from all the members regularly in the group. The savings amount may be small but savings must be regular. “Savings first-credit later”, should be the motto of every group and its members. For about six months in the beginning, the group collects the thrift and savings and no loan is given to any member. This tests the patience and tries to instill mutual trust amongst the members. During this period the groups are expected to open a savings bank account with a bank or financial institution which would like to extend loan or credit at later stage. In turn RBI has directed all banks to allow Self Help Groups, both registered or unregistered, to open savings bank account with them.

The savings of the members will be used to constitute ‘Group Common Fund’ and it is used for giving loan to members. The needy members, the amount, the rate of interest will be decided by the group through mutual discussion. The group members learn to handle cash because of large claimants and small resource base, the group identifies the neediest person with regard to endowment level and the purpose of loan. Involving banks as self help promoting institution (SHPI’s) would facilitate in credit linkage of groups, which is crucial for economic empowerment and sustenance of Self Help Group. A free and transparent conduct of the meeting and a fair discussion amongst the members, makes the borrowers realize the value of loan and how repayment is important for the growth and sustainability of the group. Accountability and credibility with the lending institution develops mutual trust between two. Hence it is quintessential for the Self Help Group to open a savings bank account with the financial institution who would like to extend credit in the later stage.

Commercial banks (including Regional Rural Banks and Co-operative Banks) are eligible to get refinance from NABARD for the loans disbursed under SGSY, as per their guidelines. The eligibility for refinance is related to the recovery position of the banks. In addition, insurance cover to Commercial Banks and Regional Rural Banks is also available through the Deposit Insurance and Credit Guarantee Corporation (DICGC).

SHG has played a vital role in providing supplementary work to members, who earlier had only one alternative i.e, working as wage worker. As per NABARD annual report of 2015-16, now there are 7.9 million Self Help Groups with a total thrift and deposits of Rs. 1,36,914 million, annual loan off take of Rs. 3,72,869 million, touching lives of almost 101 million households.

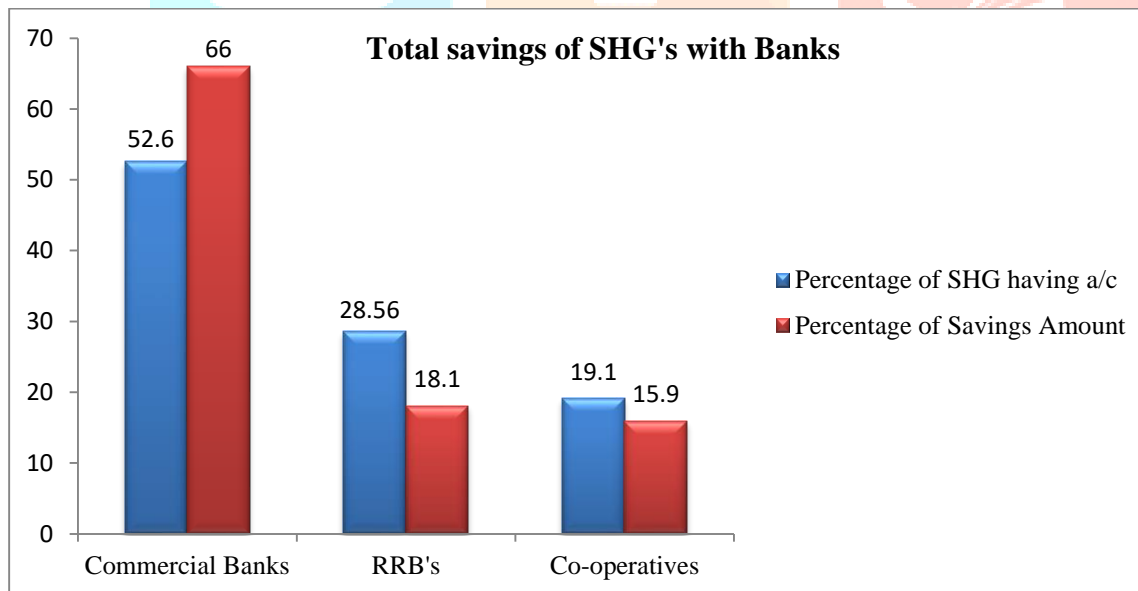
During 2015-16, banks and financial institutions provided loans to 18.32 lakh SHG’s (23.2% of the total SHG’s) as compared to 16.26 lakh SHG’s (21.1% of total SHG’s) during 2014-15. There is an overall 35% increase in the amount of loan disbursed by banks to SHG’s during 2015-16, taking it to 37,287 crore as against 27,582 crore during 2014-15. The average loan disbursement per group during 2015-16 was Rs. 2.03 lakh which showed a healthy increase of 20% from Rs. 1.69 lakh during 2014-15. With the advantage of vast network of branches in the country, commercial banks enjoy the prominence. More than half (41.40 lakh, 52.39%) of the SHGs in the country maintain their savings account with Commercial Banks. During 2015-16, Commercial Banks had disbursed Rs. 25,185 crore (Rs. 17,334 crore in 2014-15) to 11.32 lakh SHGs (8.56 lakh in 2014-15) with an average of Rs. 2,22,482 (Rs. 2,02,567 in 2014-15) per SHG, against national average of Rs. 2,03,495.

The following table depicts the information.

### Total Savings of SHG with Banks

Name of the Agency	Total Savings of SHGs with Banks as on 31 March 2016		Loans disbursed to SHGs by Banks during the year		Total Outstanding Bank Loans against SHGs		NPAs	
	No. Of SHGs	Savings Amount	No. Of SHGs	Loans disbursed	No. Of SHGs	Loan Outstanding	Amount of Gross NPA	NPA (%)
Commercial Banks	41,40,111	9,03,389	11,32,281	25,18,497	26,26,364	37,14,562	2,32,140	6.25
% Share	52.6	66.0	61.8	67.5	56.2	65.0	62.98	
Regional Rural Banks	22,56,811	2,48,428	4,70,399	9,16,493	14,45,476	16,10,935	1,06,429	6.61
% Share	28.56	18.1	25.7	24.6	30.9	28.2	28.87	
Cooperative Banks	15,06,080	2,17,322	2,29,643	2,93,700	6,00,781	3,86,426	30,054	7.78
% Share	19.1	15.9	12.5	7.9	12.9	6.8	8.15	
<b>Total (in Rs. Lakh)</b>	<b>79,03,002</b>	<b>13,69,139</b>	<b>18,32,323</b>	<b>37,28,690</b>	<b>46,72,621</b>	<b>57,11,923</b>	<b>3,68,623</b>	<b>6.45</b>

Source: Status of Micro Finance in India 2015-16, Micro Credit Innovations Department, NABARD, Mumbai.



Commercial banks accounted for 67.5% of bank loans disbursed to 61.8% SHGs during the year. The share of RRBs in credit disbursement to SHGs stood at 24.6%. However, the number of SHGs declined substantially to 25.7% from 32.1%. The average loan disbursement by RRBs during the year was Rs. 1,94,833. The share of Cooperatives both in number of SHGs provided bank loan during the year as well as the quantum of loan disbursed declined in 2015-16 as compared to previous year. The average loan per SHG provided by Cooperatives was Rs. 1,27,894.

The following table depicts the Savings of SHG's with different financial institutions in the Karnataka (as on 31<sup>st</sup> March 2016).

Commercial Bank		Regional Rural Bank (RRB)		Co-operative societies		Total (amount in Lakh rupees)	
No. of SHG	Savings Amount	No. of SHG	Savings Amount	No. of SHG	Savings Amount	No. of SHG	Savings Amount
6,05,154	79,879.15	1,37,921	16,132.89	2,19,371	48,230.09	9,62,446	1,44,242.13

**Source:** Micro credit division, NABARD.

The following table depicts the total loan disbursed to SHG's from different financial institutions in the Karnataka (as on 31<sup>st</sup> March 2016).

Commercial Bank		Regional Rural Bank (RRB)		Co-operative societies		Total (amount in Lakh rupees)	
No. of SHG	Loan disbursed	No. of SHG	Loan disbursed	No. of SHG	Loan disbursed	No. of SHG	Loan disbursed
1,95,477	4,83,737.82	43,056	65,159.58	42,856	77,010.73	2,81,389	6,25,908.13

**Source:** Micro credit division, NABARD

It is quite evident that, there is good number of Self Help Groups functioning and performing well in Karnataka. Initially these Self Help Groups were formed to encourage voluntary savings and thrift.

### **Conclusion:**

Though Self Help Groups came into existence to promote savings amongst members, of late, members of the groups are encouraged to take up income generating activities, so that they grow socially and economically to become more responsible citizens of the country. Many of these members became independent and earning comparatively well than before when they were working as wage earners. Many of these women were good at communication and also had good marketing abilities. The networking amongst these members enabled them to upgrade their capabilities. The SHG members, who were into trading activities, had the initial investment capacity due to finance access at the time of need, because of SHG. As a result of taking part in discussions, group meetings – familiarity is developed. In the process, communication and logical ability is also strengthened. Their increased earning and savings capacity is a clear depiction of women empowerment.

**References:**

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