

ECONOMIC EMPOWERMENT OF SELF HELP GROUP MEMBERS THROUGH MICRO FINANCE

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ABSTRACT

Microfinance has evolved over the past quarter century across India into various operating forms and to a varying degree of success. The policy environment in India has been extremely supportive for the growth of the microfinance sector in India. Particularly during the International Year of Microcredit 2005, significant policy announcements from the Government of India and the Reserve Bank of India (RBI) have served as a shot in the arm for rapid growth. SHGs have spread rapidly due to their ease of replication. One such form of microfinance has been the development of the self-help group movement. Based on the concept of “self-help,” small groups of women have formed into groups of ten to twenty and operate a savings-first business model whereby the member’s savings are used to fund loans. The results from these self-help groups (SHGs) are promising and have become a focus of intense examination as it is proving to be an effective method of poverty reduction. The rise of SHGs and more formal SHG Federations coupled now with SHG Bank Linkage have made this a dominant form of microfinance in addition to microfinance institutions (MFI). SHG Bank Linkage has provided the capacity for SHGs to increase their capital base to fund more members and bigger projects.

The empowered women are an asset to any family, organization, society and the nation. Women empowerment is influenced by factors such as education, income, job, property right, technical skills and self-decision making. The welfare governments accord much the importance of women empowerment, this ensures the overall progress of women members. Many prominent thinkers like Swami Vivekananda, Raja Ram Mohan Rai, Periyar E.V.Ramasamy and Bharathiyar advocated for the empowerment of man and women should have access to education, quality food, health and freedom. Further this paper deals a microfinance in India, emergence of the SHG movement and SHG linkage and economic empowerment of women.

KEYWORDS: *Women Empowerment, SHG, Microfinance, Fertility Rates, Female Literacy, Poor, Poverty Gender Discrimination*

INTRODUCTION

The formation of common-interest groups consisting primarily of women has had a substantial impact on their lives. The impact of SHGs on women’s empowerment and social security has been invariably an improvement from the status quo but there is a need for support in several areas which are analyzed in this report. The status of women has

generally improved as they have developed stronger confidence which has changed gender dynamics and their role in the household. In south India, significant improvements in fertility rates, female literacy, participation in development programmes and economic independence are evident. Women are able to fight for their rights and entitlements and have emerged as a force to be reckoned with. Further, SHGs are becoming more than just financial intermediaries, instead they have emerged into a more political and social unit of society. More importantly, the penetration of microfinance to the poorest of the poor is still weak and needs a wider reach.

The Economic Empowerment

The Economic empowerment is often defined as a increase income or assets, in the day-to-day lives of the poor, poverty becomes a network of disadvantages, and it can be removed by eradicating through increasing women economic empowerment, this result in generation after generation of people who attain access to education, health care, adequate housing, proper sanitation and good nutrition through SHGs.

Women Empowerment

Men and women are equal and there should not be any unfavorable field towards a particular seat. The Sixth World conference on women was conducted in Beijing in 1995. The conference indicated about women empowerment and the full participation of women based on equality in all spheres of society.

If we want development and equality the women participation is essential, Human Development Report 2003 throws light on the millennium development goals to be achieved, especially gender equality and empowerment of women.

Women Empowerment in India

The women empowerment is essential for the development of a nation. The male dominated society did not allow the women to occupy the covetable positions on various walks of life. Some countries have registered the plausible path in the execution of providing equal status and employment opportunities. Still it has not culminated in the form of socio-economic development. Gender discrimination is still at large in the world. Women form a major chunk (70 percent) in the total poor of the world. They are deprived of freedom, employment, equal status and opportunities. All these need to be reduced or removed from the soil for the betterment of the society as a whole. The year 1975 was declared as the year of women by United Nations in order to make positive impact on the lives of women in the world.

Self Help Group

A self-help group (SHG) is a village-based financial intermediary usually composed of 10–20 local women. Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of *microcredit*.

Definition

Inspired by the ideas of 1996 Nobel Prize winner Prof. Muhammad Yunus, popularly known as “father of micro-credit system”, started a research project in Bangladesh in 1979 and came out with the idea of micro-credit that resulted in the establishment of Bangladesh Grameen Bank in 1983, Self Help Group (SHG) was initiated to support rural entrepreneurship in pursuant to Article III, Section B of the Article of Incorporation to “sponsor activities to heighten

social and environmental awareness ” in “the low-income, underdeveloped communities of developing and under developed nations especially India”. This definition noted the important characteristics of voluntary association of poor with a common goal of social and economic empowerment, homogenously formed informal group and it having common interest for intend to carry on savings & credit for their family benefit.

International Initiatives of Self Help Groups

In 1984, the Federal Ministry of Economic Co-operation and the Agency for Technical Co-operation of the Federal Republic of Germany undertook a series of studies and workshop on rural finance in developing countries that resulted in a new policy of Self-Help Groups as a financial intermediation between rural poor and financial institutions on one hand and micro enterprises on the other. In 1986, the participation of Asia and Pacific Regional Agriculturalist Credit Association decided on a coordinated programme for the promotion of linkage between banks and Self-Help Groups for the mobilization of rural savings and credit delivery to the rural poor. In 1989, the Central Bank of Indonesia with the involvement of Self Help Promoting Institution started a pilot-project entitled “Linking Banks and Self-Help Groups”. In 1997, the World Micro Credit Summit in Washington announced a global target of ensuring delivery of credit to 100 million of the world’s poorest families.

Formation of Shgs Movement in India

While no definitive date has been determined for the actual conception and propagation of SHGs, the practice of small groups of rural and urban people banding together to form a savings and credit organization is well established in India. In the early stages, NGOs played a pivotal role in innovating the SHG model and in implementing the model to develop the process fully. In the 1980s, policy makers took notice and worked with development organizations and bankers to discuss the possibility of promoting these savings and credit groups. Their efforts and the simplicity of SHGs helped to spread the movement across the country. State governments established revolving loan funds which were used to fund SHGs. By the 1990s, SHGs were viewed by state governments and NGOs to be more than just a financial intermediation but as a common interest group, working on other concerns as well. As per a NABARD report (1995) the scheme on SHGs was made applicable to RRBs and co-operative banks of the country in 1993 and in April' 96, RBI advised the banks that lending to SHGs should be considered as an additional segment under priority sector advances and it be integrated with mainstream normal credit operation. Since the inceptions of NABARD promoted SHG linkage programme there has been an appreciable increase both in formation of SHG and their linkage with the banks.

The agenda of SHGs included social and political issues as well.

SHGS in Tamil Nadu

The first SHG was started in Dharmapuri district of Tamil Nadu in 1989. Government of Tamil Nadu initiated Magilar Thittam in 1997 to develop the women in Tamil Nadu. On the basis of its success, from 1997 all the district organizations receive a great benefit from World Agricultural Fund. It was expanded to all the other districts too. Any women in the age group of 18 to 60 belong to the same village can become the member of SHG. The groups are organized by the Panchayats board and self-service groups. Both men and women could be the part of SHG. The SHG is a homogenous group of rural people including women who decide to form group voluntary. At present more than 3 lakhs SHGs with a membership of more than 54 lakhs have been formed. This includes 2.61 lakhs SHG directly covered by the Tamil Nadu Women

Development Corporation through the successful Fostering of savings habit and promptness in loan repayment. Earlier women were reluctant to attend Gram Sabah meetings of-late the attendance of women at the meetings went up by 65 per cent. Tamil Nadu is ranked the second in the country, after Andhra Pradesh, in SHG-Bank Linkage Programme. This is a place for wide network of NGOs, encouraging support of banks and government agencies paving the way for the growth of SHGs. Regular savings, maintenance of books and accounts, internal lending are the major factors determining the credit absorption capacity of the groups.

Microfinance

Micro finance refers to the entire range of financial and nonfinancial services, including skill up gradation and entrepreneurship development, rendered to the poor for enabling them to overcome poverty. And it offers poor people access to loans, savings and other basic financial services. People living in poverty require these types of financial services to operate their businesses and both manage and grow their assets, just like everyone else. The difference is, the poor can't simply walk into a bank and take out a loan or open a savings account. In most cases, they have very little assets or collateral, lack credit histories and employment records, and may not even be able to read or sign their names.

Microfinance in India

In the early 1980s, the Government of India launched the Integrated Rural Development Program (IRDP), a large poverty alleviation credit program, which provided government subsidized credit through banks to the poor. It was aimed that the poor would be able to use the inexpensive credit to finance themselves over the poverty line.

Globalization and economic liberalization have opened up tremendous opportunities for development and growth resulting in the modifications of livelihood strategies. These leads to transform the social structures in rural poor women of the society with the help of SHGs. Keeping in view the widespread rural poverty, there is needed not only to ameliorate the economic conditions of marginalized and disadvantaged social groups, but also to transform the social structures.

The Indian Micro Credit service providers includes SIDBI and NABARD, Government owned Societies like Rashtriya Mahila Kosh, formal sector financial institutions, Commercial Banks, Regional Rural Banks, in addition to member-based institutions like Cooperative, Mutually Aided Cooperative Societies, SHG Federations, private sector companies like specialized NBFCs, Societies, Trusts, etc. Beside the existence of such a large number of players in the organized/semi-organized sector, the rural credit market in India is still largely dominated by the all pervading network of indigenous money lenders.

The Microfinance institutions (MFIs) in India today offer a variety of products, follow different pricing strategies, adopt varied credit delivery models and have different legal forms and organizational structures.

Importantly SHG formation is crucial to the empowerment process as women draw strength from number. The group provides:

- Confidence and mutual support for women striving to social change;
- A forum in which women can critically analyze their situations and devise collective strategies to overcome their difficulties;
- A framework for awareness training, confidence building, dissemination of information and delivery of services

and for developing communal self reliance and collective action; and

- A vehicle for the promotion of economic activities.

Interestingly, the Self Help Groups Linkage Programme has been showing faster progress as well as high rate of success. The initiative in this regard has been taken by the NABARD, by sponsoring an Action Research Project in 1986-87.

It attempts to bring together four trends and derives strength from the positive environment created by these independently of each other. These are

- Maturing and expanding SHG movement initiated by the NGO sector;
- Focus on micro-credit to the poor as a strategy for poverty alleviation;
- Ongoing national policy commitment to improve access to finance for the poor;
- Policy environment through financial sector reforms to increase banking outreach.

Self Help Groups form the social capitals which facilitate financial linkage of poor borrowers with formal financial institutions (FFI's) in India.

The Basic Principles on Which the SHG's Function Are

- The SHG is a network of members who fulfill vocational criteria.
- They are resident in the area and are homogeneous.
- They have rules/norms regarding their functioning.
- Savings first, credit thereafter. Personalized services suiting the requirements of the members are ensured.
- SHG's hold regular meetings to ensure participation of members in the activities of the group.
- SHG's maintain accounts.
- Group leaders are elected by members and rotated periodically.
- Market rates of interest on savings and credit are charged.
- Group liability and peer pressure act as substitutes for traditional collateral for loans.

To answer the need for microfinance from the poor, the past 25 years has seen a variety of microfinance programs promoted by the government and NGOs. In 1999, the Government of India merged various credit programs together, refined them and launched a new programme called Swarnajayanti Gram Swarajgar Yojana (SGSY). The mandate of SGSY is to continue to provide subsidized credit to the poor through the banking sector to generate self-employment through a self-help group approach and the program has grown to an enormous size.

Today, Self-Help Groups and MFIs are the two dominant form of microfinance in India. This report focuses on the aspects of the SHG as an effective means to provide financial services to the poor. The success of any income generating activity can be measured by the profit gained from the activity and the improvement in the economic condition

of the beneficiaries.

The Economic Empowerment for Women in SHG Includes the Following

- Access to income;
- Access to productive assets and household property.
- Control over loan use;
- Control over income from loan and other household productive activities;
- Control over productive assets and household property;
- Freedom from the burden of domestic work including childcare.

REVIEW OF LITERATURE

Amith Roy and Sumanash Dutta (2011) conducted a study in Karimganj district of Assam to identify the factors that affect most the women empowerment. The study examined the cases of 120 SHG members of 40 matured SHGs of different development blocks of Karimganj district. It was found that participation and involvement of women with SHGs had increased women's empowerment in a spectacular proportion. The study confirmed a better standing position of women in the family and outside because of their involvement in SHG related activities over a period of only four years.

Duflo E. (2011) asserted that women's Empowerment and Economic Development, would be beneficial. The study argued that the inter relationships of the Empowerment and Development were probably too weak to be self-sustaining Continuous policy commitment to equality for its own sake may be needed to bring about equality between men and women.

Khan, A. A., Haider, H., &Asad, M. (2011) showed the role of Akhuwat in changing gender relations, as it has been recognized that behaviour of people towards the involvement of their women in decision making improved and almost 38 percentage to 58 percentage of people started involving their women in decision making. Similarly after taking loan from Akhuwat, it was made possible for 46.1 percentage girls to attend school. Success ratio of Akhuwat could be gauged by its repayment rate which is 99.83 percent up to 30 September 2012 and is being replicated around the world and taught in foreign universities so it would be worthy to get insight of this MFP.

Kulkarni VS (2011) pointed out the women empowerment in the International Conference on Population and Development (ICPD) held at Cairo 1994. A central focus had to be put on empowerment if human development was not endangered. Women empowerment was inevitable for the overall progress of community and the country which also stressed in Millennium Development Goals (MDG - 3).This has to be under taken for to promote gender equality and empower women.

Sahu Lopamudra and Singh Suresh K (2012) states that in India, Micro finance and Self Help Group (SHG) intervention have brought tremendous change in the life of women at the gross root level by empowering women. The first organized initiative in this regard was taken in Gujarat in 1954 and was given a more systematized structure in 1972, when Self Employed Women's Association (SEWA) was formed.

Govindarajan and Latha Padhmanabhan (2013) examined the relationship between women Self-Help Group (SHGs) satisfaction and process dimensions of workgroup characteristics. Women SHGs are formed for the purpose of promoting women's economic and social empowerment. Members are motivated to engage in any economic activity in groups like producing bakery products, home furnishing decorative items and packaged readymade food mixes. These SHGs were selected through eight NGOs affiliated with women's welfare program, a scheme under 'Mahalir Thittam', Women Welfare Project, Coimbatore District Collectorate, Tamil Nadu, India, using multistage sampling.

Dr. Arjun. Y. Pangannavar (2015) states that all the previous self-employment programmes suffered flaws and limitations the Governments have introduced a single self-employment programme i.e. Self-Help Group Programme as a new experiment in lieu of them. The women 'Self-Help Group' (SHG) is an informal organization of up to 20 women from the poorer section of the village society, organized, owned, operated and controlled by the members, based on solidarity, reciprocity, common interest and resource pooling. These groups have common perception of need and impulse towards collective activity. These groups promote savings among members and used the pooled resources to meet the emergent needs of members including the consumption needs. Many have contended that it is an informal organization of homogeneous poor women means the women in the group should be living in poor socio-economic conditions and they should be from same caste or class or category and place.

Sreemoyee Das, A. Mitra and Md. H. Ali (2015) worked aiming at focusing some specific areas pertaining to possibilities and constraints of developing rural entrepreneurship exclusively governed by rural women SHGs. The Role of SHGs for promoting rural entrepreneurship using local skills, local knowledge and local resources involving women workforce has long been emphasized. During the last three decades rural development practitioners have been focusing on SHGs as an instrument for rural entrepreneurship development in rural sector. Despite the social and economic barriers there are a number of promising women entrepreneurs groomed by SHGs. However, constant watch, monitoring and dissemination of skills, knowledge among the women –folk in a systematic way with linkages with different rural institutions will usher in new hope in rural areas.

CONCLUSIONS

A most notable milestone in the SHG movement was when NABARD launched the pilot phase of the SHG Bank Linkage programme in February 1992. This was the first instance of mature SHGs that were directly financed by a commercial bank. The informal thrift and credit groups of poor were recognised as bankable clients. Soon after, the RBI advised commercial banks to consider lending to SHGs as part of their rural credit operations thus creating SHG Bank Linkage. Thus, we see a broadening of the concept of microfinance--our current challenge is to find efficient and reliable ways of providing a richer menu of microfinance products.

The linking of SHGs with the financial sector was good for both sides. The banks were able to tap into a large market, namely the low-income households, transactions costs were low and repayment rates were high. The SHGs were able to scale up their operations with more financing and they had access to more credit products. The important difference of microcredit was that it avoided the pitfalls of an earlier generation of targeted development lending, by insisting on repayment, by charging interest rates that could cover the costs of credit delivery, and by focusing on client groups whose alternative source of credit was the informal sector. Emphasis shifted from rapid disbursement of subsidized loans to prop up targeted sectors towards the building up of local, sustainable institutions to serve the poor. Microcredit has largely been

a private (non-profit) sector initiative that avoided becoming overtly political, and as a consequence, has outperformed virtually all other forms of development lending.

Traditionally, microfinance was focused on providing a very standardized credit product. The poor, just like anyone else, need a diverse range of financial instruments to be able to build assets, stabilize consumption and protect themselves against risks. The Economic empowerment is often defined as a increase income or assets, in the day-to-day lives of the poor, poverty becomes a network of disadvantages, and it can be removed by eradicating through increasing women economic empowerment, this result in generation after generation of people who attain access to education, health care, adequate housing, proper sanitation and good nutrition through SHGs.

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