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# Role of Self Help Groups in Women's Empowerment

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## ABSTRACT

*The paper looks at the growth and transformation of microfinance organisation (MFO) in India. We first, define microfinance and identify its "value attributes". Having chosen only those MFOs that have microfinance as the core, we look at the transformation experiences. To understand the transformation experiences better, we identify issues that trigger transformation via: size, diversity of services, financial sustainability, focus and taxation. Having identified these we look at transformation experiences internationally. We examine the Bolivian, Kenyan, Bangladeshi and the Indonesian experience. Each of these countries has important lessons on transformation to offer, which is examined in detail. Having examined the various options for moving into the mainstream, we conclude that there is no ideal or easy path for MFOs to mainstream in India. This has implications for regulatory framework.*

*This study is significant in the light of its contents, that purposes of include various aspects of Indian Microfinance and Self-Help Groups: An evaluation of their impacts in India's economic transformation.*

***Keywords:*** *Microfinance, SHGs, Mainstream, Transformation, Evaluation, Impacts*

## Introduction

Micro-finance enables access to credit facilities to the needy and most poor section of the society, who constitutes a significant portion of India's Thrive to eradicate the poverty, adds meaning to the term micro-finance. Micro-finance not only helps to prevent the country to deep into the poverty but also brings in individual development in poor as well as it encourages small entrepreneurial activities in economically week societies and regions. Since the micro-finance justifies it as a system that provides small loans to poor entrepreneurs in specific to small scale self-employed cottage and home based business if become the "newest silver bullet for alleviating poverty".

Micro-finance as tool for alleviating poverty got maximum success and managed to yield maximum benefit in Bangladesh in the form of Grameen Bank movement started by Mr Mohammad Yunus since 1976 through 30 years of successful running, bringing the same personality the Noble Peace prize in 2006 it got maximum applause for it success. This emerged as hype in the financial sector throughout the world in all the economic as a small or micro credit system not only has attracted the wealthy philanthropists and Banks but also to a great extent it has fascinated the online donors. Its impact can be felt from this that the effect of micro finance was such that The United Nations designated 2005 as the International Year of Microcredit, explaining on its Web site that micro entrepreneurs can use their small loans to "grow thriving business and, in turn, provide for their families, leading to strong and flourishing local economies."

THE United Nation (UN) – the organisation of all the countries of the world- declared the year 2005 "The UN year of Micro-credit". In year 2006, Mr Mohammed Yunus and the Grameen Bank Bangladesh, were awarded the Nobel Peace Prize "for their efforts to create economic and social development from below". Micro-finance is believed to be a tool of development that can be used to get rid of Poverty.

SHG is an association of people belonging to a similar socio-economic characteristic, residing in the same locality. The SHGs are voluntary association of people formed to attain some common goals. These are groups which have similar social identity, caste or traditional occupations, and have come together for a common cause to manage resources for the benefit of the group members. The SHGs is a group of rural poor who have volunteered to organize themselves into a group for eradication of poverty of the members. The agree to save regularly and convert their savings into a common fund. The members of the groups agree to use this common fund and such other funds that they may receive as a group through a common management.SHGs are presently promoted by governments, development Bank and voluntary agencies, with focus on social and economic issues, mainly thrift and credit programmes. They also take up issues relating to rural industries and modernization of agriculture.

An SHG is a group of about 15 to 20 people from a homogenous class who join together to address common issues. The involve voluntary thrift activities on a regular basis, and use of the pooled resource to extend interest- bearing loans to the members of the groups. In the course of this process, they imbibe the essentials of financial intermediation and also the basics of account keeping. The members also learn to handle resources of size, much beyond their individual capacities. They begin to appreciate the fact that the resources are limited and have a cost.

## Literature Survey

**MalathiRamanathan (2004)** the author through the article "Women and Empowerment, Shri Mahila Griha Udyog Lijjat Papad" has made an attempt to study the rise and growth of an organization, resulting from a group of women's practical step to get supplementary earning. It is about empowerment at an organized cooperative level. The article concludes that the organization was positive in its approach in promoting economic empowerment of women and was well recognized. The article has made an attempt to answer the questions like, what are the reasons for success and spread of Lijjatpapad as a women oriented organization? And In what way have the women of Lijjatpapad contributed to bringing about a constructive change in their own lives and that of the people in and around their orbit of work?

**Nailakabeer (2005)** in a study apparently concludes that while access to financial services can and does make important contributions to the economic productivity and social well-being of poor women and their households, it does not "automatically" empower women – any more than do education, political quotas, access to waged work or any of the other interventions.

**M. Anjugam (2007)** observed that socially backward, landless and marginal farm house holds participate more in the self-help group programme. Possession of livestock and consumer goods by the member households has been found to deter the joining of group.

**Gladis Mary John (2008)** found that membership in SHG inculcated a great confidence in the mind of majority of women to succeed in day to day life. Positive change was found in the attitude of relatives and friends towards the women in self-help groups.

**Harlod Welsch Earl Young (2009)** have focused on a comparative analysis of male and female entrepreneurship along selected demographic, psychological and behavioral dimensions in the article "Male and Female Entrepreneurial Characteristics and Behaviors: A Profile of Similarities and Differences". The major findings of this study are that no difference exists in personality characteristics between male and female entrepreneurs and it has several important implications such as, female entrepreneurs do not necessarily view themselves as victims of their environment more so than male entrepreneurs.

**S. Subramanian (2010)** in the article "Empowerment of Women through SHGs in Tirunelveli District, Tamil Nadu-A SWOT Analysis" has identified strengths, weaknesses, opportunities and threats by conducting SWOT analysis of SHGs. Field observation methods were used to identify observable physical data. Moreover, group discussion with women who were involved in activities and group functions were conducted to elicit the information in detail. The study reveals that capacity buildings exercise taken up by the promoting agencies are not adequate to meet the need of SHGs members. They lack proficiency in soft skills, technical skills and managerial skills. The article suggested that the promoting agencies like government and non-government agencies can contribute effectively for the success and sustainability of SHGs.

**Lalit Kumar Sharma (2011)** through the article "Self Help Group as an Effective Strategy and Feasible Approach to Empower Women in India" has highlighted the benefits of psychological, social and economical factors accrued by women participating in SHGs and to explore the merits of SHGs as strategy and approach to empower women in India. Empowerment is a process of awareness and capacity building leading to greater participation, greater decision making power and control and transformative action. The study concludes that women participation in SHG have created tremendous impact upon the life pattern and style of poor women especially in rural areas and empower them at various level not only as individual but also as member of family.

## Statement of Problem

In olden days women were restricted to take part in any social activities and not given roles in decision making in her family. The situation was even more worsening in rural and remote areas. Now the situation has been changed. She is given freedom to do what she wishes. In today's scenario more women are engaged in income generating activities. This is because of NGO and other financial institution came forward to provide micro finance to poor women. They believe that a woman is the small credit risk and often benefits the whole family.The main aim of microfinance is to empower women. This induced the researcher to focus more on the empowerment of rural women who participates in the microfinance Several studies indicate that self-help group programmes often in the form of credit or micro credit schemes and savings have succeeded in changing the lives of poor women by making way for enhanced income and increased self-esteem in remote areas which are socially, economically and educationally backward. This is evident from the mushrooming growth of self-help groups in the state. This study is undertaken to analyse the structure, conduct and performance of self-help groups and their impact on the women.

## Objectives of the study

i. Understand the importance of micro-finance.

ii. Get a glimpse of the history of economic growth in India.

iii. Understand measures of human poverty and human development index.

iv. Know what the financial need of the poor are.

v. Understand the importance of micro-finance in satisfying some needs of the poor.

vi. To study the performance of SHGs in India rural region.

vii. To study the problems women members face in SHG.

viii. To analyse the freedom women members get in SHG.

ix. To analyse the empowerment of the women psychologically, economically and sociologically.

x. To offer suggestions for the betterment of women's empowerment in SHG.

## Economic Growth and transformation

The Indian economy has shown a remarkable performance of economic growth in the 90s. The growth rate of real Gross Domestic Product (GDP) passed 6% p.a. with a peak of 9.7% in the fiscal year of 2006/7. GDP is defined as the value of goods and services product during a year in the country and its growth from one year to another is expressed in percentage terms. Experts have estimated that India's GDP can grow annually @ 7%.

The Indian economy unless the country urbanizes more rapidly and in a better manner that it has done so far. One slow-down factor of Indian urbanization no doubt is the insecurity of urban poor's jobs which restrict them from bringing their families from the villages to the cities. As these jobs are often available only on a day to day basis, the job-holder are never sure if they will have work and income the next day.

Micro-finance has emerged as a major intervention aimed at poverty reduction. A majority view, reflecting a broad consensus among various stakeholders, is enthusiastically promoting channelling of resources to poor households in urban and rural areas through those NGOs and MFIs engaged in Microfinance. Many people also see microfinance as the preserve of the non-government sector. This is true even in India where the public sector banks and the formal financial sector predominate in leading to the poor. However, linkages with the formal banking system are sought to be created, such as in the Self-Help Groups-bank linkage programme of the national bank for agriculture and rural development (NABARD).

## Origin and Concept of SHG

The origin of Self Help Groups (SHGs) is the brainchild of Grameen Bank of Bangaladesh, founded by Prof. Mohammed Yunus in 1975, who tried out a new approach to rural credit in Bangaladesh. Grameen gave loans without asking borrowers either to provide collateral or engage in paper work. In India NABARD initiated SHGs in the year 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 forward to save a small amount of money regularly, which is deposited in a common fund to meet the members' emergency needs and to provide collateral free loans decided by the group. The SHGs have been recognised as useful tool to help the poor and as an alternative mechanism to meet the urgent credit needs of poor through thrift **(N. Thalavaipillai and S. Nadarajan 2010).**

## Working of SHG's

The SHGs in India are small, informal and homogenous groups of not more than twenty members each. Among them a member is selected as an animator and two members are selected as representatives. The animator is selected for a period of two years. Members of the group meet every week. They discuss social and community programmes, group savings, rotation of funds, bank loan and repayment of loan. The group members are encouraged to make voluntary thrift on a regular basis. These pooled resources are used to make small interest bearing loans to their members.

The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and condition, and accounts keeping. This gradually builds financial discipline in all of them. Once the groups show this mature financial behaviour, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. **(Progress of SHG-Bank linkage in India 2003-2004, NABARAD).**

## Empowerment after Joining the Self Help Group

It is difficult to measure empowerment and there is no single method to measure it. It is defined through indicators. Indicators of empowerment should encompass personal, social and economic change. The following few indicators of empowerment were referred to the respondents. To estimate and compare the mean satisfaction scores on the factors among the respondents weighted average analysis is performed using five rating scale and assigning score 1 for strongly disagree; 2 for disagree; 3 for neutral;ngly agree and the results are presented in following tables.

| S. No | Indicators of Empowerment | Weighted Average |
|---|---|---|
| 1 | Economic independence | 3.072 |
| 2 | Standard of living has improved | 3.026 |
| 3 | Understand the banking operation and knowledge on credit management | 3.434 |
| 4 | Good public relation and social participation | 2.688 |
| 5 | Self-expression-decision making in community, village and house holds | 2.618 |
| 6 | Breaking social, religious and cultural barriers | 2.209 |
| 7 | Leadership qualities | 3.164 |
| 8 | Skill up gradation and better technology | 3.082 |

## Conclusion

Women's empowerment is not a one-time affair but a continuous process. The study shows that the main reason for joining SHG is not be merely to get just credit, it in an empowerment process after joining the self-help group the women are economically and socially empowered. The self-help group is responsible for empowering women by the way of promoting self –reliance, self-confident, self-dependent and educating them to realize their fundamental rights.

This empowerment cannot be transformed or delivered it must be self-generated such that it enables those who are empowered to take control over their lives. India is committed to the cause of empowerment of women. However, the journey towards progress is long and arduous. As cited by Karl Empowerment is a process of awareness and capacity building leading to greater participation, to greater decision-making power and control, and to transformative action

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