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Self Help Groups and Women Empowerment and Village Development

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KEYWORDS

INTRODUCTION

Micro finance is defined as provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards. Micro finance has gained a lot of importance in financial sector of India through Self help groups-Bank linkage programme (SBLP) covering more than 9.7 crore poor households. The SBLP is the largest and fastest growing in the world with 47.86 lakh Self help groups, of which 39.83 lakh are women groups (NABARD Report, 2011). In India, two broad approaches prevail in case of micro financing viz. self help group –bank linkage and micro finance institutions. NABARD has been supporting the SHG-Bank linkage programme since 1992. In the context of growing demand for micro finance by self help groups, RBI made linkage of self help groups with banks as a priority sector activity in 1996. The government of India has been supporting the programme by making special budgetary provision for promotion of self help groups since 1999. The bank credit flow towards self help groups amounted to Rs.31, 221 crore registering the growth of 11.35 per cent over the preceding year's figure. However, it constituted just 6.99 per cent of the aggregate rural credit flow which needs to go up at least 20 per cent (NABARD reports, 2001-11) In recent years, the group model has become one of the most widely adopted means for alleviating rural poverty in India and many other developing countries. Groups are used as achannel for both individual and community development through people's self-effort andself-reliance. Micro-credit groups and self-help groups are some examples of the group-basedmodels for community and women's development. Groups have been found particularlyrelevant for poor women in the rural areas where they are formed and nurtured to empower them both economically and socially.Women in India are victims of a multiple socio-economic and cultural factors. They are anintegral part of every economy. All round development and harmonious growth of a nationwould be possible only when women are considered as equal partners in progress with men.Emancipation of women is a pre-requisite for nation's economic development and socialupliftment. Poverty is the main obstacle for the improvement of the women. The role of women and the need to empower them are central to human development programs including poverty alleviation. In spite of various programs relating to poverty alleviation has beenstarted, it was observed that woman in rural areas, especially from the poor families could be benefited. Rapid progress in SHG formation has now turned into an empowerment movementamong women across the country.Economic empowerment results in women's ability to influence or make decision, increasedself confidence, better status and role in household etc. The formation of SHGs is notultimately a micro credit project but an empowerment process. The empowerment of womenthrough SHGs would give benefit not only to the individual women but also for the familyand community as a whole through collective action for development.

NABARD's Promotion of SHGs for Rural Development

The national bank for agriculture rural development (NABARD) was established in 1982 through an act of parliament, as an apex development bank for supporting and promoting agriculture and rural development in an integrated manner. It" s mission being to promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services, institutional development and other innovative institutions (NABARD report, 2000. The Reserve Bank of India advised the commercial banks to actively participate in this bank linkage program of the SHGs. NABARD initiated the pilot project for linking SHGs with the formal banking system in February 1992. It provides 100 percent refinance to banks on their lending to SHGs/vs/NGOs. A wide variety of support services is also extended by NABARD to all agencies involved in the promotion of SHGs. According to the NABARD Report of March 2003, the total number of SHGs formed is 7,16,000 and 12 million families are being assisted through these. The beauty of this is that 90 percent of the Self-Help Groups are of rural women (Nagayya, 2000). Today NABARD works in partnership with banks, NGOs and SHGs. The government as well as the NGO sector is also involved in the formation of SHGs in rural areas. The major development programs in the rural areas are also implanted through the SHGs. The women SHGs are involved in all kinds of activities ranging from watershed conservation and maintenance, to primary education, health, and lands reclamation and so on. The NABARD initiated SHGs show a positive effect on these above-mentioned programs. In India micro credit given to groups dealing with dairy farming has noted positive profit levels and short paybacks of loans. The following table shows the growth rate of the SHGs in the last ten years financed under NABARD schemes

SHG is a Group Approach for Development

The scientific study of groups began at the turn of the century. Early findings suggested that the presence of others has a significant influence on an individual group member. Numerous studies have shown that the people in the groups react differently than as individuals. "Gandhiji understood that nothing lasting is achieved unless people as groups participate in the birth and growth of a vision, an objective, and share the same aspiration as achievements" Women" s Self-Help Groups provide a very useful means whereby women can gain confidence and experience. They can also be a forum for discussion and demonstration for good participation. In this way, for example, the health and nutrition of the family, the community and the nation can improve. "Mahila Mandals from village to state levels have been successful in breaking the age-old backwardness and bringing the women folk out of slumber and darkness of ignorance" Group approach has been extensively adopted in promoting income-generating enterprises among the poor and weaker sections, in particular with women as one significant group under the overall financial support and guidance from NABARD. The group will see to it that prompt repayment is made as they are likely to get repeat loans.

SHG and Inter Loaning

The Inter-Loaning is the essential procedure of the SHG. It offers an alternative credit system to the women to avoid the local moneylenders. The group formulates its own norms for disbursing and criteria for selecting the beneficiaries and fix-

es the interest rates. Initially the members will take small-sized loans for consumption purpose, like medical, educational, agricultural, and so on. Gradually, the loan size increases and members start to access loans to supplement their requirements for other needs as well. As the group progresses, the aspirations of the members also grow. The members develop the need to access larger loans. However, their saving does not permit any large size-loans. In order to fill in the gap between the need for the loan and the availability, the groups can access the facility up with banks. Under this scheme, the group gets access to bank loans or a „cash credit limit" as a certain proportion of its savings. However, the group keeps a check on the repayment of the loans. In order to minimize the risks of default, it is important that the loan carries the following features:

The loan amount should be in consonance with the needs of the member.

It should be available at the time of need.

It should be available without going through complicated procedures.

The repayment should suit the members occupational and earning pattern, financial position, and repayment capacity.

The loan repayment should be monitored very closely and should be on the standard agenda of each meeting

SHG and Bank Linkage
When the SHG starts meeting regularly and collecting savings, it needs to open a savings account in the name of the group with the local bank. NABARD launched a pilot project in 1991-1992 to evolve supplementary credit strategies for meeting the credit needs of the poor by the SHG Bank Linkage program. One of the objectives was also to build mutual trust and confidence between the bankers and the rural poor. Those SHGs that have worked successfully for a period of six months should approach the bank for the sanction of loans. Here the entire group would be responsible for the repayment of the loan to the bank (Yadav, 2005).

The mission of NABARD is to link one million SHGs with the overall banking systems by the year 2008 facilitating access of formal credit systems to 100 million rural poor (NABARD Report, 2001). It has come to be known as „micro finance". It is a useful tool in building up the capacity of the poor in the management of sustainable self-employment activities besides providing other financial assistance like savings, housing, consumption credit etc. The banks have developed some criteria under which they would assess the groups for their credit-worthiness.

SHGs Meet the Credit Requirements of the Rural Poor Women and the Rural Credit System
Rural credit is not easily available to the poor. Even if it is available from private sources, it is very strictly controlled. Only those who have material assets are considered credit worthy. And often the rural poor women are not trusted in money matters. Since most of the rural women do not own land or other assets, therefore it is very difficult for them to get credit. Private loans are usually given for the shorter duration, between 3-6 months, and the interest rate is very high up to 10 percent. And the uncertainty of their income does not encourage them to pledge whatever little they own

Women and the Formal Banking Systems
There are many factors preventing small borrowers and poor people from securing adequate credit from formal credit agencies. First of all people don"t have enough awareness of banking. Hence, the credit facilities, which are available through the nationalized banks, are not reachable to the rural poor, particularly to poor women. Secondly there is lack of effective co-ordination among officials concerned at the village, block, and district levels for proper planning, implementing, and evaluation. Rural banks are also finding it difficult to meet the credit requirements of the needy sections in view of accounts being scattered over a wide area, mounting over-dues, staff problems and so on. There are also other problems like lack of skills and the non-availability of infrastructure facilities

SHGs vs. Formal Credit System
As compared to the formal credit system, willful default has no place in SHGs.

Diversion of income to other channels cannot be done easily in SHGs.

SHG movement relies on development through empowerment and not through subsidies.

Repayment procedure is flexible in SHGs.

SHGs members repay loan properly due to group pressure. Various studies show that SHGs repay more than 90 percent loans of the bank on time in contrast to less than 35 percent of repayments under IRDP

SHGs as financial intermediaries in the villages
A unique feature of SHG-Banking is the concept of lending by Self-Help Groups as a very effective financial intermediation, for it retails loan funds to the poor members and mobilizes regular savings. The poor people"s most urgent needs used to be to find opportunities for depositing their small savings and access to additional external funds for loans to meet emergencies

The promotion and bank linkage of SHGs is not merely as a credit program but is part of an overall arrangement for providing financial services to the poor in a sustainable manner leading to empowerment of the members of these SHGs. The bank loans are given without any collateral and at market interest rates. Banks find it easier to lend money to the groups as the members have developed a credit history

SHGs for Transfer of Technology
Rural development cannot be conceived of without the improvement of rural women. There are several technologies that have not reached to the user population. The growth of the SHGs movement among the rural people in different parts of the country is emerging as a very efficient mode for transfer of technology to the user group population. Women SHGs members in the backward areas have discovered themselves that SHGs offer them not only an organizational base and resource but also access to modern technology leading to employment and income-generating activities Women members of SHGs are sensitized to the vast potentials of rural technology. The technological empowerment of the rural poor, especially the women, is widely recognized as a crucial element in the strategy for poverty eradication. Development functionaries have reported many successful case studies of rural poor women, benefiting from the modern and improved technologies through SHGs. For example, hundreds of poor scheduled caste women in Kolhapur Mandal of Mahbunagar District, Andhra Pradesh, who have manufactured cement bricks for constructing toilets in their houses at 40 percent of the market price, through improved and low cost brick moldings machines Thus women in SHG have acquired skills in non-traditional trades such as mansonry, vaccination of poultry and manufacture of charcoal, leading to higher income for them.

SHG and Economic Empowerment of women
Micro-credit and Self-Help groups are being used to foster solidarity and collectivism among the rural poor, particularly the women. The SHGs are being framed as tools to bring about holistic empowerment of the poor rural women. Micro-credit has been advocated as the new universal remedy for reduction of poverty specially when it is done through SHGs. Micro-credit has thus undoubtedly emerged as one of the entry points in engaging self-help groups of poor women in dialogical relationship There have been many examples and experi-

ences available in the country, which reveal that women are empowered when savings, credit, and enterprise are used as tools for mobilizing and building the capacities of women at the grass-root level. The SHGs are able to cater to the immediate and emergent credit needs of the individual members. The group has the freedom to decide its members credit needs. This processes also helps them to acquire confidence to manage credit, use problem-solving skills, prioritize needs and function in a democratic manner. "If we need a few thousand rupees today, it is possible for us to borrow it. But there was a time when our women had not even seen a five hundred-rupee note" described by leading lady of SHG. The women take loans from the group corpus and invest it in their business from time to time. In the process, they earn some money and add it to their family income. Once the families are financially sound to some extent, the women start showing interest in different issues like their own health, nutritious food for the children, initiative to send both boys and girls to school and so on. The saving and credit groups also provide a base for poor women to organise themselves, expand options for livelihoods and to participate actively in development. The SHGs thus often provide a platform for women to become functionally literate, to sharpen their communication and conflict-resolution skills, and acquire skills The empowerment of the women leads to development of the family and of the community at large. "Empowering women through micro-enterprise creation may lead to financial empowerment and all other forms of empowerment-social, political will followSHGs not only provide the members with an opportunity to carry out economic activity but also discuss and analyze their social and economic situations to arrive at the root cause of their problems. SHGs therefore, become a forum for the collective voice of the poor against common socio, economic and political oppression The SHGs are serving as an effective tool for economic emancipation and are also ushering in social transformation in a big way, empowering women to fight against many social evils and the age-old atrocities in the villages. But most importantly, they are giving a tangible form to the cherished dreams of many women by liberating them and giving them the wings to soar higher and higher.

WHAT IS A S.H.G

Self Help Groups are small groups of people facing similar problems. The members of thegroup help each other to solve their problems. A reasonably educated but helpful local persontakes the lead in mobilizing these people to form a group.The person, called animator or facilitator, helps the group members develop the habit of thriftand promote small savings among them. The group savings are kept in a common bank account from which small loans are given to members.After six months, the SHG can approach any bank for availing loan facility to undertake asuitable entrepreneurial activity. The group loan is distributed among the members to run asmall business. The loan is repaid out of the profits earned.

WHO CAN BECOME ANIMATOR? WHAT ARE HIS FUNCTIONS

The animator plays important role in functioning of SHG. Anybody can be animator. For example: A retired school teacher, government employee, an educated but unemployed youthin the locality, or any NGO. The animator (he or she) should have inclination to help others.1. The animator talks to the people by arranging small meetings or approaching individually.2. He/she explains the benefits of thrift and group formation.3. He helps the group in identifying their leader.4. He also guides them in maintaining their accounts etc. In general, the role of animator is toguide and motivate the leader and members of SHG.

FORMATION OF SHG

The ideal size of SHG is 10-20 members. A smaller size is preferred because in a big groupmembers cannot participate actively. The group may or may not be registered. Only one person from one family can become member of a SHG. A group of either men or women isformed. A mixed group is generally not preferred. It is important that the members have acommon social and financial background. For example, the group should be of farmers,artisans, craftsmen, housemaids, mill workers etc. The advantage of a homogeneous group isthat members can interact freely. Following could be some of common factors for membership of SHG:1. Women / men from poor households.2. Those with dry land holding not more than 2 acres.3. Having no access to safe drinking water 4. Have illiterate adults in family.5. Presence of alcoholic or drug addict or a person with prolonged illness in the family.6. SC or ST families

MAJOR FUNCTIONS OF A SHG

1.Savings and thrift2. Internal lending3.Keep proper accounts of transactions4.Discussing problemsAfter a satisfactory performance of SHG and sufficient balance in the common account, theSHG can approach any bank of its convenience for availing loan. The RBI and NABARDhave issued special guidelines to all the banks to encourage microfinance to such SHGs. TheSHG can approach the bank with following documents:Resolution from SHGAuthorization from SHGCopy of rule and regulations of SHGPassbook of its account

Details of financial transactions

The bank manager / field officer assesses the performance of SHG based on guidelines issued by RBI/NABARD and if found fulfilling the criteria, the SHG is sanctioned with creditfacility. NABARD rules stipulate that no collateral security is necessary for the loanssanctioned to SHG. The credit is given to the group at substantially lesser interest rate. Thegroup can charge 2-3 percent more to its members for its operation.A repayment schedule is drawn up with the SHG and the loan is to be repaid regularly insmall and frequent installments. The loan is the collective responsibility of the members. Theexperience of the bankers tells that repayments from SHGs are far better than individualaccounts.The SHG movement thus has taken root in India and is contributing in poverty alleviation,and more importantly women empowerment. The government needs to encourage thismovement on a bigger scale.Self Help Groups in Rural Development:Definition, Objectives & Role of Self Help Groups:The Self Help Groups (SHGs) Guiding Principle stresses on organizing the rural poor intosmall groups through a process of social mobilization, training and providing bank credit andgovernment subsidy. The SHGs are to be drawn from the BPL list approved by the GramSabha wherein about ten persons are selected, one each from a family and focus on the skilldevelopment training based on the local requirement. The SHG movement has gathered pacein countryside and is directly or indirectly contributing towards the economic development of rural areas. This article throws light on forming self help groups in rural areas as well as itseffect on the rural economy. The objective of Swarnjayanti Gram Swarozgar Yojana(SGSY)is to bring the assisted poor families; that is; the beneficiaries or Swarozgaris;above the poverty line by ensuring appreciable increase in income over a period of time. This objectiveis to be achieved by organizing the rural poor into SHGs through a process of socialmobilization, their training and capacity building along with the provision of income-generating assets through a mix of bank credit and government subsidy. The main objectiveof SHG concept is to improve the economic development of women and create facilitating environment for their social transformation in the lift of gender discrimination in work andthe household.Code of Conduct & SHG Mechanism:SHG is a registered or unregistered group of microentrepreneurs having homogeneous social and economic background, voluntarily comingtogether to save small amount regularly, to contribute a common fund and to meet their emergency needs on mutual help basis.Ten persons are selected, one each from a BPL family to form a group which is expected toimplement following code of conduct like Assigning name to the SHG, Regular meetings in aDemocratic way, Open exchange of thoughts in these meetings, Participation in the DecisionMaking process, Bank Account in the name of the SHG and Selecting a President andSecretary from the SHG.





The groups' total fund is to be deposited in the bank account so created. SHGs that are inexistence for about six months and have demonstrated the potential of a viable group entersthe 3rdstage, wherein it receives a 'Revolving Fund' fromDRDAand Bank as a cash-creditfacility. This money may be utilized for internal lending among the members. If group isfound to be regular in its internal lending and successfully utilizes this revolving fund; proposal for bank loan may be forwarded for sanctioning.

SHGs and Rural Development

In order to change the face of socio-economic scenario, micro enterprises and SHGs are playing significant role in the self-employment by raising the level of income and standard of living rural people. In this framework, one of the most vital aspects of rural self employmentis the formation of SHGs which is a valuable investment in human capital through trainingand capacity building measures. From dairy to mechanized farming, weaving, poultry, food processing units, mushroom cultivation; Rural India has been busy setting up micro-enterprises by forming SHGs. The group members use collective wisdom and peer pressureto ensure appropriate use of fund and its timely repayment. These are informal groups innature where members come together towards collective action for common cause. Thecommon need is meeting their emergent economic needs without depending on external help.SHG movement is supposed to build economic self reliance of rural poor, overcome misuseand create confidence predominantly among women who are mostly unseen in the social structure.





SHGs: Effects & Outcome

In India, self employment has been recognized as an essential force of development in ruralareas. It has emerged as a strategy designed to improve the socio-economic life and mainlyfocuses on extending the benefits of development to the poorest in the rural areas improvingtheir standard of living and self-realization. SHGs in India are integrating the low incomesegments with rest of the rural community by ensuring them a better participation in a moreequitable share in the benefit of developments. These Groups are not only speeding upeconomic growth, but also providing jobs and improving the quality of rural life towards self-reliance. Self-employment needs a very wide ranging and comprehensive set of activities,relevant to all aspects of rural economy and covering rural people including skilled, unskilledand landless labours and artisans of Rural India. Even though the Rural Indians put their entrepreneurial skills in all the rural development activities their economic status has notimproved to the expected level. Although they have much potential; they are ignorant of converting their skills ntreality.Village Development through Micro-Financing the SHGs:



Though there is variety of programmes to alleviate poverty and empower rural people, SHGshave done well in the country. The emergence of small enterprises and its activities havemade a considerable contribution in the socio-economic development of rural poor in thesociety. In the11th Five Year Plan; in view of inclusive growth; we cannot think of rural self employment on sustained basis without consideration of Micro-Finance and SHGs. The Plan provides a new vision of inclusive and faster growth at the rate of 9%. No doubt; the SHGswill help in achieving this new vision of growth with the support of Micro-Finance. Theimpact on the lives of rural people is not just an economic one; gaining more self-confidenceis often a more lasting achievement that forms the basis for social and economicimprovements. But are SHGs the answer to all problems in India? Few issues need to beconsidered when attempting to answer this question:•

How the poorest participate in this revolution? More effective targeting mechanismsare required, and SHG programs need to be geared towards the specific needs of poor people.•Are these SHGs the most significant way of bringing about socio-economic change?Lasting improvement; especially of the situation of rural women; can only be broughtabout subject to their control over resources increases.Are SHGs the most appropriate institutional-arrangement for Rural Indians? Differenttypes of SHGs are required for different types of people, depending on their particular socio-economic backgrounds.

The Roles of a Social Worker in S.H.G.

1. Enabler:In the enabler role, a social worker helps a group member become capable of coping withsituations or transitional stress. A social worker conveys hope, reducing resistance,recognizing and managing feelings, identifying and supporting personal strengths and socialassets, breaking down problems into parts that can be solved more readily, and maintaining afocus on goals and the means of achieving them.2. Mediator:The mediator role involves resolving arguments or conflicts. The mediator helps varioussubsystems within a community and some other system, work out their differences. Amediator remains neutral and does not side with either party in the dispute.

Integrator/Coordinator:Integration is the process of bringing together various parts to form a unified whole.Coordination involves bringing components together in some kind of organized manner.4. Manager:Management in S.H.Gs involves having some level of administrative responsibility. Toacquire resources and allocate them to carry out programs; coordinate activities toward theachievement of selected goals; and monitor, assess, and make necessary changes in processesand structure to improve effectiveness and efficiency. 5. Educator:The educator role involves giving information and teaching skills to group members. To be an effective educator, the worker must first be knowledgeable. Additionally, the worker must be a good communicator so that information is conveyed clearly and is understood bythe group members.6. Analyst/ Evaluator:Social workers with a broad knowledge base of how various systems function can analyzeor evaluate how well programs and systems work. They can also evaluate the effectiveness of their own interventions.

Conclusion:

It is very important and vital to address these issues and for this an integrated approach of Government, Banks and NGOs is crucial. The institutional efficiency needs to be increased. Speeding up the delivery process is also very important. Easy access to credit, flexibility inthe repayment schedule, conceptualization of new schemes for the poor should beconsidered. Role of NGOs, too, is equally important as they serve as the most importantelement to create awareness among the rural poor. They should give wide publicity to rural banking and its linkage programmes at local level and must enable the Rural Indians to participate in the decision making process at the bottom level. These measures cansignificantly make the Self Help Groups effective and efficient in order to boost the RuralEconomy of India.

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