



Entrepreneurial Empowerment of Self Help Group Through Micro Finance – A Review of Literature

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ABSTRACT

Micro finance programmes like the Self Help Group Bank linkage programme in India have been increasingly hailed for their positive economic impact and the empowerment of women. This is based on the view that women are more likely to be credit constrained have restricted access to wage labour market and have limited decision making and bargaining power within the household. The SHG's in India playing prominent role in the empowerment of women and they constitute major proportion among participatory development organizations. Women's productive activities, particularly in Industry, empower them economically and enable them to contribute more to overall development. Whether they are involved in small or medium scale production activities or in the informal or formal sectors, women's entrepreneurial activities are not only a means for economic survival but also have positive social repercussions for the women themselves and their social environment. The paper was made an attempt to evaluate the role of SHGs in the socio-economic empowerment of women through micro finance.

KEYWORDS

Introduction:

Self Help Group (SHG) is a self managed and regulated, community based organization formed by rural women. Group formation and its successful functioning involve various Management Skills and Abilities. Harper (2002), while differentiating SHG and Grameen Model, recognized the need for Management Skills for SHGs. Organizational discipline and systems related concepts such as members qualifications, their background, group meetings, attendance, recording minutes, transactions and decision making are required for the stability of the SHG. Members rotate the group corpus and learn Funds Management, acquire Repayment Culture and accept responsibility for the decision and they start and manage income generating activities with entrepreneurial, planning, organizational, communication and marketing related skills and abilities. The group becomes matured and sustainable when the leader of the group leads members as a team to achieve the goals and aspirations of the members and members are able to face conflicts, challenges and constraints with their courage, confidence and empowerment. All this managerial process helps the wage earner to graduate into a micro enterprise owner in turn starts a small scale enterprise which ultimately paves way for sustainable rural development.

Ghosh (2001) pointed out that combating poverty cannot be managed by the government alone. There are many areas where government needs collaboration and cooperation from NGOs particularly in creating opportunity facilitating empowerment and providing security to the poor. The pressure of the donor agencies on the recipient government to work through NGOs in development programme is also a dominant factor in increasing the role of NGOs to fight against poverty.

Bina Agarwal (2001) said that the secure and effective land rights are of critical importance for women's welfare and empowerment. But achieving this will need concerted efforts by gender-progressive NGOs, especially women's groups, as well as by those within the government who are concerned about women's empowerment, poverty and equitable development.

Subramanian (2001) pointed out that the NGOs are useful in organizing Self Help Groups and in capacity building and in developing access to the institutions and resources of the

State. However, officials were suspicious of the role of NGOs who were perceived as undermining their power. When NGOs were allowed to implement government projects there was too much bureaucratic meddling. The long list of do's and don'ts of government procedure accord ill with NGO thinking and approach. In the recently restructured self-employment programme in the form of the Swarna Jayanthi Gram Swarajgar Yojana (SGSY), group schemes through the formation of SHGs have been overwhelmingly preferred. However, in none of the North Eastern States BPL lists are ready to organize households into SHGs to implement the programme.

According to Ojha (2001) Self-Help Group model of self – employment generation seems to be a workable model. However, there will be need for utmost care in promotion of Self-Help Groups. Self-Help promotion consists of assisting individuals to join together and set-up an organization promoting their individual and collective skills and opportunities to develop their own. Self-help promotion aims at generating self-sustainable growth processes within the course of which the target group makes its own decision.

Dipendra Banarjee (2001) gives the most acceptable definition of micro finance. It is the provision of thrift credits, other financial services and products of very small amount to the poor in rural, semi-urban and urban areas to enable them to raise their income levels and improve the standard of living. The micro-finance service, unlike direct credit to weaker sections, and loan under SGSY banking institution have a discretion to determine the interest on micro-credit. The importance of micro-credit in financial markets is progressively gaining universal acceptance as an effective tool to eradicate poverty and unemployment prevailing in developing countries. It helps to provide credit for dispossessed people to build business and empowerment occurs when these people witness effort and outcome. The Central Bank has left the application of interest rate to loan extended to micro-credit organization or by the micro-credit organization to Self-Help Groups member of beneficiaries to the discretion of the bank with only stipulation.

The Ministry of Human Resource Development (2001) pointed out that in order to enhance women's access to credit for consumption and production, the establishment of new, and

strengthening of existing micro-credit mechanisms and micro-finance institution will be undertaken so that the outreach of credit is chanced. Other supportive measures would be taken to ensure adequate flow of credit to financial institutions and banks, so that all women below poverty line have easy access to credit.

Vijay Kulkarni (2000) has described in his article "Empowerment of Women through Self-Help Groups" the difference between women who have become part of SHGs and those who are not members of the SHGs from the same village. Empowerment has taken place across caste / class. It has also helped to some extent to go beyond caste politics and to bring them together as women.

Barik and Vannan (2001) in their work "Promoting Self Help Groups as a subsystem of Credit Cooperatives" have stated that SHGs can be developed as a sub – system to primary agricultural co-operative societies at village level. They have seen that by and large SHGs have been linked with commercial banks in the rural areas. However, the linkage with the co-operative credit system is proverbially poor. As such the need of the hour is to make an earnest effort to bring about effective linkage with the co-operatives.

Ojha (2001) in his article "Self Help Groups and Rural Employment" has expressed that the self help group model of self-employment generation seems to be a workable model. However, there will be need for utmost care in promotion of self help groups. He has also mentioned that these are number of possible routes to the promotion of self employment and strengthening self help groups is one of them.

Mani Singh (2001) has explained in his article "Self – Help Groups: Some Organizational Aspects" that the organizational functions are motivation, meeting, adoption of a fixed area of operation, monthly meeting, fixation and collection of monthly thrift, maintenance of books of accounts, formulation of rules and regulations, increase in membership and framing of policies/programmes follow co-operative norms. He has also revealed that the social functions are providing education, knowledge and information, providing idea of consumer protection and environment protection, preventing harmful diseases, eradication of poverty, and linkage with other agencies for socially useful activities.

Review of Literature

Malhotra (2004) explores potential of micro-finance programmes for empowering and employing women and also discusses the opportunities and challenges of using micro-finance to tackle the feminisation of poverty. According to her, the micro-finance programmes are aimed at increasing women's income levels and control over income leading to greater levels of economic independence. They enable women's access to networks and markets, access to information and possibilities for development of other social and political role. They also enhance perceptions of women's contribution to household income and family welfare, increasing women's participation in household decisions about expenditure and other issues leading to greater expenditure on women's welfare. The clients are often unable to secure loans from banks because they don't have the business track record, established credit or collateral that traditional firms require (Temple, 2009).

Mehla, Prasad (2007), find that the SHGs have contributed to empowerment of women, reduced dependency on money lenders, easy access to credit to their members and savings and moderate economic benefits. Women form the basis of social mobilization and therefore aiming at women's empowerment is the most cost effective strategy available, even for economic development (Meenambigai, 2005). Excellent opportunities of rural microfinance in a later stage when remunerative investment opportunities in rural areas become limited and the volume of savings overtakes volume of credit (Moll, 2005). Excess capital would be channeled via Microfinance institutions (MFIs) to urban banks where large scale in-

dustries and services offer extensive investment opportunities. Poudyal (2007) enlists the contributions of microfinance as promotion of income-generating activities and thus employment opportunities, increase in income and accumulation of assets, empowerment of women through income generation, social mobilization and political awakening.

Microfinance is more than just credit and can play an important role beyond enterprise development in supporting the likely hood of the poor by considering a mixture of resources, activities and resources and capabilities that enable individuals and households to pursue their economic goals (Rena, 2008). Verma's (2007) confirms that microfinance has played a major role in developing and underdeveloped countries as an instrument of improving the economic condition of the poor and reducing their vulnerability through delivery of collateral free small amount loans for creating micro-enterprises, acquiring productive asset.

Shillabeer (2008) notes that the training involved would give them the basic knowledge and more importantly, the confidence needed to be build enterprise that they lack at the moment. Financing the poor entails some measures of up-front investment to nurture human capacity (e.g. knowledge, skills, confidence and information) and build local institutions as a bridge to reduce gaps created by poverty, illiteracy, gender and remoteness (Ledgerwood, 1999)

One important feature of group-based lending mechanism is its potential to reduce transaction costs in credit delivery and disbursements (searching, monitoring and enforcement) by shifting some of these functions to the groups (Dusuki, 2008).

Savings are also regarded crucial in building self-sufficient microfinance institutions. Saving mobilization can strengthen microfinance institutions and reduce their dependence on government subsidies and donors for loanable funds (Gurgad, 1994). As Ximiya (2000) points out, rural people have an affinity to save their financial benefits by keeping livestock (cattle, goats, sheep, etc), and poor people have an affinity to save their benefits, partly because of the hopelessness of their situation, to provide for the future.

The emerging microfinance revolution with appropriately designed financial products and services enable the poor to expand their economic activities, increase their incomes and improve their social well-being (Bennett and Cuevas, 1996). Gender-related differences in human capital could be at least partly responsible for lower rates of women entrepreneurs (McManus, 2001). With regard to financial support needs, research suggests that female entrepreneurs use less capital and consequently -tend to set-up smaller enterprises (Carter and Rosa, 1998). To improve women's status in the society, non-government organizations (NGOs) promote microcredit programmes to provide employment opportunities, skills training, and rights information awareness (Ghosh, Lucy and Kuja-wa, 2008).

Studies on the efficacy of microfinance bring out conflicting results. Some studies reveal that micro-finance programmes have had positive as well as negative impacts on women. Some researchers have questioned how far micro-finance benefits women (Hisako and Hamori, 2009). According to some, assessments of the effectiveness of Indian microfinance institutions in achieving their economic and social goals have largely identified only limited success (Megicks, Mishra, Lean, 2005). Osman (2000) notes that micro-finance schemes alone can not alleviate poverty. The battle for total eradication of poverty requires combining micro-finance schemes with parallel, complementary programmes addressing the social and cultural dimensions of want, privation, impoverishment and dispossession.

The change in women's contribution to society is one of the striking phenomena of the late twentieth century (Narasai-ah, 2004). According to Narasaiah, micro-credit plays an im-

portant role in empowering women. Giving women the opportunity to realise their potential in all spheres of society is increasingly important. Cheston & Kuhn (2004) find that micro-finance programmes have been very successful in reaching women. This gives micro-finance institutions an extraordinary opportunity to act intentionally to empower poor women and to minimise the potentially negative impacts some women experience. Kapur (2001) opined that women's empowerment is much more likely to be achieved if women have total control over their own organisations, which they can sustain both financially and managerially without direct dependence on others.

Manimekalai (2004) observed that to run the income generating activities successfully, the SHGs must get the help of NGOs. The bank officials should counsel and guide the women in selecting and implementing profitable income generating activities. According to him, the formation of SHGs has boosted the self-image and confidence of rural women.

Seventy per cent of world's poor are women (Servon, 2006). Access to the poor to banking services is important not only for poverty alleviation but also for optimising their contribution to the growth of the economy. Self Help Groups (SHGs) have emerged as the most vital instrument in the process of participatory development and women empowerment.

A paradigm shift is required from "financial sector reform" to "micro-finance reform" (Das Gupta, 2005). While the priority sector needs to be made lean, mandatory micro credit must be monitored rigorously. Sinha (2005) has observed that micro-finance is making a significant contribution to both the savings and borrowing of the poor in the country. The main use of micro-credit is for direct investment.

Conclusion

Self Confidence, Self esteem and freedom of women are the central theme of socio-economic empowerment. SHGs are creating opportunities for women by developmental schemes and programmes. Economic independence of a woman in an important factor for developing status of women. Micro finance scheme should be implemented as a source for generation of self employment by not only providing the funds but also skills and education. The government should search ways and means for the reducing the defaulters by imposing inspections and controlling their activities. They should create a market for their product which will help them to survive in long run.

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