



LITERATURE REVIEW ON THE SELF HELP GROUPS IN INDIA

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Introduction

For over two decades, and in response to the worldwide challenge to help women to help themselves, governments have been playing key roles in sponsoring and implementing programs especially those aimed at poverty alleviation. It has been realized in many parts of the world that an effective way to tackle poverty and to enable communities to improve the quality of life is through social mobilization of disadvantaged people, especially into Self Help Groups (SHGs). The concept of Self Help Groups is based on the idea of community participation, as sustainable community development requires the active participation of the entire community.

Women are an integral part of every economy. All round development and harmonious growth of a nation would be possible only when women are considered as equal partners in progress with men. Empowerment of women is essential to harness the women labor in the main stream of economic development. Empowerment of women is a holistic concept. It is multi-dimensional in its approach and covers social, political, economic and social aspects. Of all these facets of women's development, economic empowerment is of utmost significance in order to achieve a lasting and sustainable development of society.

Self- Help Groups are the voluntary organizations which disburse micro credit to the members and facilitate them to enter into entrepreneurial activities. In India, the Self-Help Groups are promoted by NGO's, banks and co-operatives. The National Bank for Agriculture and Rural Development (NABARD) launched a pilot project for linking SHGs in February, 1992. The Reserve Bank of India advises the commercial banks to participate actively in the linkage programme. Normally, after six months of existence of SHGs and after collecting a sufficient thrift fund, the Group approaches the link banks (either commercial or co-operative) with its credit plan. The NABARD gives 100 per cent refinance to the Banks on their lending through the SHGs.

Let us look into the recent literature of different studies on the SHGs in India. The reviews are from the various empirical studies available on Self Help Groups and micro finance and its impact on the lives of rural people. Though the literature available is fairly large, the review is limited to the core issues to identify the major trends.

1. **AlkaSrivastava(2005)¹** has undertaken a study with a micro sample of women members of SHGs (Self Help Groups) in four Indian States - Bihar, Chattisgarh, M.P. and U.P. and found that through Micro-Finance based entrepreneurship, SHG women have been able to contribute to household finances, which led to some decision making role for them in their household. The study focused on the extent to which SHGs build up confidence and mutual support for women striving for social change by establishing a forum in which they can critically analyze their situation and devise collective strategies to solve their problems.

2.

It was found that membership of SHGs has had a positive impact on the lives of the members in the sense that after joining the groups they were able to arrange money in crisis situations. The data on the indicators of the impact of the SHGs on the status of members in the family show that the percentage of women involved in the household decision making increased substantially. However, although the number of women who had no role to play in decision regarding family matters has substantially declined, the number of those who have an active role is still limited. Still most of the women have gained some say in these decisions.

Thus, the author found that although being in the groups has made impact on the lives of women members, its extent is not much. Women have started taking up issues of common interest of the village people (infrastructures, health and education related, poor functioning of officials) but such action predominantly depends more on individual stand of a group or good leadership of a facilitator. Most of the members shared that they find confidence and self-dependence by



being in the group. However, it is expressed that more in depth study and qualitative information is required to explore the potential role of women SHG in civil society.

- Anjugam M (2007)**ⁱⁱ explained in her paper the factors determining participation of women in microfinance programme in Tamil Nadu. She has identified the groups by following the multi-stage purposive and random sampling technique and selecting Coimbatore and Ramanathapuram districts for the study. It has been observed that socially backward, landless and marginal farm households participate more in this programme. Possession of livestock and consumer goods by the member households has been found to deter the joining of group. However, the number of households having informal borrowings, especially from moneylenders has been recorded to be higher among the members before joining the group. The study has revealed that landless and marginal farm households and socially backward households participate more in the SHG-led microfinance programme. Livestock and the material goods ownership by the member households have been found to be less prior to the group formation. Moreover, households having informal borrowings have been found to have higher priority to the group formation.

Her analysis on the determinants of women's participation in the microfinance programme using probit model revealed that the age of women and value of productive assets other than land have negative relationship with the participation of women, whereas social backwardness, indebtedness and presence of other micro credit programmes in the same or nearby villages have positive association with women's participation in the microfinance programme. It has been suggested that higher number of self-help groups may be formed among the economically and socially disadvantaged households in order to relieve them from the clutches of moneylenders and at the same time to bring the poor under the fold of formal banking institutions.

- Bennett (2002)**ⁱⁱⁱ has developed a framework in which "empowerment" and "social inclusion" are closely related but separate concepts. Drawing on Narayan (2002)¹, Bennett describes empowerment as "the enhancement of assets and capabilities of diverse individuals and groups to engage, influence and hold accountable the institutions which affect them." Social inclusion is defined as "the removal of institutional barriers and the enhancement of incentives to increase the access of diverse individuals and groups to assets and development opportunities." Bennett notes that both of these definitions are intended to be operational, and describe processes rather than end points. The empowerment process, as she characterizes it, operates "from below" and involves agency, as exercised by individuals and groups. Social inclusion, in contrast, requires systemic change which may be initiated "from above."

Another line of thought in development promotes social inclusion in institutions as the key pathway to empowerment of individuals and has at times tended to conflate empowerment and participation. For example, Narayan (2002) focus on state and civil society institutions at both national and local levels, including informal institutions such as kinship and neighborhood networks. Institutions at the micro level, such as those of marriage and the household, are not considered part of the state or of civil society, but interpersonal gender dynamics within the household are considered part of the equation of social exclusion and in need of directed efforts at change.

- Dr.A.V.Yadappanavar (2008)**^{iv} in his paper explained the Role of Credit being a critical component in SGSY. He analyses the constraints faced by the financial institutions by conducting a study in Tripura. 12 Banks and 39 Swazozgaris were selected for his study. He analyzed the entrepreneurial activities carried out by them and found that most of the commercial banks don't have a special field staff to look after SGSY scheme. He found that rate of interest and the repayment period varied depending upon the kind of activity chosen by the SHG members. Further he identified that delayed financing has resulted in poor income generation and diversion of funds by Swagozgaris.
- K.R.Nayar (2005)**^v in his research paper focused to investigate how community participation in health has fared in Kerala. The study attempted to determine the extent to which NHG are involved in health related work and to compare expectations of NHG members and health professionals by conducting a cross-sectional study mainly using qualitative methods in Alappuzha district in May-June 2002. The results that Nayar has drawn from the Focused Group Discussion concentrated on the different themes like involvement of SHG in Health related work like disease control activities and Health care financing along with the expectation towards more role performance by the NHG members. It is found that

¹Narayan, Deepa (ed). 2002. *Empowerment and Poverty Reduction: A Sourcebook*. Washington: World Bank.



though conditions are ideal for community participation in health, NHG participation in Alappuzha, is limited. The full potential of widespread and robust CBO structures has not been realized. It is seen that CBO are only actively involved in traditional health education activities especially during crises. The involvement of NHG in planning, priority setting and management of social services is mostly non-existent and is a mere token at the most.

7. **Kay(2002)^{vi}** in his paper addresses the challenging issue of whether self-help microcredit programmes are tools for empowering poor women and expresses that Empowerment can take place at a hierarchy of different levels – individual, household, community and societal and is facilitated by providing encouraging factors and removing inhibiting factors. He analyzed and found that multiple aspects of self-help groups are developing in a phased process, starting with economic enhancement, leading to empowerment at the individual level, and then moving on to collective action at the community level. It also shows that various government bodies can play supportive roles. However, these initiatives will not be able to bring about social transformation in the aggregate unless issues of control and ownership of the production process, linkages with a broader market and greater decision-making at the political level are tackled. Initiatives at the community level can be a useful tool to empower women, forging gender equality from the grass-roots to the national level. However, these initiatives have to incorporate strategies and measures that empower the poor, especially poor women, and enable them to participate in the development and transformation of society if poverty is to be truly alleviated.

Microcredit schemes have in general succeeded in empowering and emboldening women by giving them control over assets, enhancing self-esteem and self-confidence, and increasing knowledge. However, these schemes are not a panacea as their limitations prevent them from transforming social relations or the structural causes of poverty. Thus, additional measures are needed to improve access, ownership and control of productive resources by women and their inclusion in the decision-making process.

8. **Mansuri (2010)^{vii}** in his paper explains on the micro financing programme of NABARD through which SHG is working very effectively, but feels that the viability of non-farm economic activities is a major challenge for this programme. He says that, It is also difficult to find an economic activity that will yield a rate of profit necessary to cover the interest rate on the loan. Since market for non-farm activities is in the urban areas, hence, when these activities are taken up by rural women the produced goods cannot meet the standards of the urban market. Moreover, the distance also imposes a cost of marketing, which these women cannot bear. It is also seen that at macro level, there is the problem of sustaining the business that could engage much larger number of people. Unless there is a proper marketing system, merely producing the goods would not help. If the goods produced by the rural poor are sold at a right time with profitable price, then the poor will be able to improve their savings potential, credit handling capacity and access to financial institutions, inculcate entrepreneurial skill, develop an urge for investment and also risk taking attitude through SHGs. Thus he concludes that micro-financing can do wonders to the rural poor living even in remote villages in improving their economic condition and protecting them from the clutches of the village moneylenders.
9. **Mayoux (2005)^{viii}** has done an extensive research work based on secondary sources and the author's research and consultancy for programmes in Asia, Africa and Latin America. First she gives an overview of three contrasting paradigms of 'Best Practice', each of which have differing understandings of women's empowerment and the aims of microfinance: the feminist empowerment paradigm, the poverty alleviation paradigm and the financial self sustainability paradigm. In the last two paradigms, despite the rhetoric of 'empowerment', gender policy risks 'evaporation' into merely using women's time and resources for programme efficiency or community development. She also finds that although micro-finance programmes do potentially have a significant contribution to women's empowerment, this is not an automatic consequence of women's access to savings and credit or group formation per se. In many cases benefits are marginal and women are even be disempowered. There is therefore a need to develop effective structures for participatory management which combine requirements of efficient service delivery and contribution to empowerment.
10. **NABARD (2011)^{ix}**, 76 per cent of the women members were able to interact with officials and 28 per cent of the members were able to save in banks; the result were seen in decision making in household matter, sending children to school, changing undesirable habits of their spouse, participating in Gram Panchayat election. Access to bank credit after joining SHG (98 per cent) as compared to mere two per cent before joining, increase in income by undertaking income generating activities, etc.
11. **Nidheesh (2009)^x** examined in this research article on an evaluation of tribal women's Self Help Groups (SHGs) in an area of Kerala. Groups were evaluated, in terms of their success as in relation to their contribution to gender development. The study reveals that tribal women alleged changes in their identity towards working collectively to



pressure for change at the village and panchayat levels. They organized in community and social action programmes, both at the local level and by joining with issues beyond the local. When well thought-out within constructs of empowerment, potential poverty, citizenship and participation in democratic processes, such SHG outcomes, and the community development processes that go together with their work, can be seen to make a modest but significant contribution to broader transformations of repressive structures.

12. **Purushotham (2009)^{xi}** in his study examines the maturity levels of self-help groups (SHGs) and their access to institutional credit. The study was carried out in 18 backward districts in nine states. The members of SHGs in the sample districts are not different from the swarojgaris in the control group i.e., while most of the SHGs in the sample districts were weak, immature and untrained to participate in the programme, the author finds that the SHGs in the control group in contrast to the have gained the threshold-level maturity and emerged as vibrant people's-level micro-institutions so as to access the assistance available under the programme. This was due to very effective social mobilization, repeated doses of capacity building, skill development and training carried out by a dedicated, mission oriented organization called SERP, under a United Nations Development Programme (UNDP) project and proactive policies and initiatives of the state government. The control group SHGs were subjected to a scientific grading system in which all stakeholders i.e., the SHGs, the NGO, the DRDA, and banks participated.

The SHGs have learnt to prepare micro-credit plans at village level, monitor the members' credit utilization and loan repayment. They have also been trained to function as community-based loan recovery agents who made the banks' job easier. Multiple transactions with the banks have given them confidence to plan for projects involving higher investments and yielding larger incomes. Their competencies have encouraged the banks to consider them as credit worthy clients.

13. **Raghavan (2009)^{xii}** in his study on the Kudumbashree projects in Kerala with respect to Micro Credit and Women empowerment, analyzed in detail on the Kudumbashree, a State Poverty Eradication Mission launched by the government of Kerala which stresses on the women empowerment as a powerful tool to eradicate poverty. A new paradigm of participatory economics has been found emerging in "God's Own Country". Paraphrased as Kudumbashree ('Prosperity of the Family'), the scheme aims at improving the living levels of the poor women in rural and urban areas. Further he analyzed and identifies that the formation of the grass root level Community Based Organization (CBO) is the fulcrum of the Kudumbashree mission. The grassroots level poor women are organized through Neighbourhood Groups (NHGs) consisting of 20-40 women, who are coordinated at ward level through Area Development Society(ADS) by federating 8 to 10 NHGs. To coordinate the activities at the Panchayat level there is the apex body called Community Development Society (CDS), which is heading the Area Development Societies (ADSs). He exemplifies that it has become a unique model of participatory development, which can very well, be emulated by other developing countries. It opens new vistas in development history. Women who were regarded as voiceless and powerless started identifying their inner power, their strength, opportunities for growth, and their role in reshaping their own destiny. He found that the process of empowerment becomes the beacon light to their children, their families and the society at large.
14. **Ramalakshmi (2003)^{xiii}** in her paper analyzed the development agenda of the state of Andhra Pradesh in the last few years placing the people, especially women in the fore-front that has enabled the formation of a large number of Self Help Groups (SHGs) throughout the State. Government of Andhra Pradesh has taken up the theme of women's empowerment as one of the strategies to tackle the socio-economic poverty. Self Help movement through savings has been taken up as a mass movement by women – a path chosen by them to shape their destiny for better. She described the SHG movement with respect to the Micro credit aspects leading to the economic empowerment of the women in SHGs and found that in Andhra Pradesh, Public private partnership method is adopted in promoting economic opportunities to SHG members appointing them as dealers for the sale of products manufactured by companies like Hindustan Levers Limited, TVS, TTK-Prestige, Colgate-Palmolive, Philips etc. Companies in return train SHGs in finance management, enterprise development, packaging, branding and pricing of products. Andhra Pradesh is now engaged in intense pursuit of development programmes utilizing information technology (IT) and to strategize as to how the benefits of IT could be taken to rural areas.
15. **Shylendra (1998)^{xiv}** in his paper attempted to evaluate the performance of eight women SHGs promoted in the Vidaj village by the Institute of Rural Management, Anand (IRMA). Here the SHGs failed to enable members to realize their potential benefits. The reasons identified for the failure were the wrong approach followed in the SHG formation by the team, misconceptions about SHG goals both among the team and the members, and lack of clarity about the concept. The main lessons drawn from the project are the need for creating SHGs based on a clear assessment of the needs of different sections of the society, ensuring clear understanding of the concept of SHG among team members involved in promoting



SHGs, and enhancing the relevance of SHGs to their members by enabling them to meet effectively their requirements, be it savings or credit or income-generating activities.

16. **Smita(2006)^{xv}** examines the main approaches to the building of women's self-help in India, its implications for practice and effect on women's ability to exercise agency through an analysis of the strategies adopted by the various development sectors to promote women's development, and the possibility to change gender and power relations. The paper was based on fieldwork done in two districts of India during 2003-2004: Sonipat in Haryana and Kolar in Karnataka.

The analysis found that most of the SHGs and their activities remain oriented toward becoming good savers and good creditors. As social and socialized beings women's choices are inextricably linked with the family and SHGs as an emerging structure has to still function in a patriarchal society. Family norms and values are often designed by patriarchal preferences and approval or permission as per these preferences remain a crucial factor. The common identity of these SHGs is formed around the issue of working for material benefits. The changes in gender relations were very much benefit-based, susceptible to pressure and women had to justify their action in terms of benefits received. The identity achieved is temporary as many SHGs show a tendency to disintegrate when credit is not forthcoming or members change groups with the expectation of getting benefits.

Thus he concludes that the SHG efforts remain context-bound, localized and dependent on the facilitator. It needs to be recognized that women's needs and interests can be different in different areas of the country. The condition and position of women in different areas and even within the same group are not the same. Kinship and marriage patterns, caste and class differences, differences in the capacity of facilitating organizations would require different approaches to SHG formation and functioning in different areas of the country. Due to dependency, the SHGs are functioning more as micro-credit groups and not as social empowerment or social action groups for women.

17. **Suneetha (2004)^{xvi}** in her discussion paper tries to bring out the factors enabled and constrained the scaling up of a multisectoral poverty alleviation program called Kudumbashree, initiated by the government of Kerala (GOK), India, in 1998 to eradicate poverty. The report was basically drawn the available literature and qualitative data collected during a five-day visit to Kudumbashree in March 2003. The major observations of the study were that the Empowerment of poor women driving their development is a powerful strategy to alleviate poverty. The Kudumbashree Community Based Organizations are acting as social safety nets, increasing access to entitlements and providing avenues for political participation. In the enabling Kerala environment, Kudumbashree officials are committed to improving the processes and quality of the scaled-up program at various levels, now that the quantitative scaling up is complete. The key challenge for the scaled up Kudumbashree is to move beyond its preoccupation with TCS and microenterprise and stay true to its mission of alleviating multiple causes and consequences of poverty through women's empowerment.
18. **Surender, Kumari, and Sehrawat (2011)^{xvii}**, explained the positive impact of SHGs on employment generation. Number of working days of beneficiaries in Live- Stock, Business and any others profession had increased after joining the SHGs. In this way, it is indicating that SHGs generate employment. Majority of beneficiaries accepted the improvement in economic condition after joining SHG.
19. **SusyCheston and Lisa Kuhn (2002)^{xviii}** in their study described that Microfinance programs through Self Help Group increases the Decision making power of the women in their family and in the society, where the author given illustration on the Women's Empowerment Program in Nepal reports that 68 percent of its members were making decisions on buying and selling property, sending their daughters to school, negotiating their children's marriages, and planning their family. These decisions traditionally were made by husbands. World Education, which combines education with financial services, found that women were in a stronger position to ensure female children, had equal access to food, schooling, and medical care.
20. **Syed Hashemi and etal (1996)^{xix}**, in their research where a survey of 1300 clients and non-clients in Bangladesh showed that credit-program participants were significantly more empowered than non-clients on the basis of their physical mobility, ownership and control of productive assets, (including homestead land, involvement in decision making, and political and legal awareness. This empowerment increased with duration of membership, suggesting strong program influence. The study also found, in some cases, that program participation led to an increase in domestic violence. However, over time, men and families became more accepting of women's participation, which eventually led to a decrease in violence.
21. **V. Puhazendhi (1995)^{xx}** in his study estimated the average transaction cost of lending for the banks per account at 3.68 per cent of the loan amount, if the loan is given directly to the borrower. The inter-mediation of the NGOs and the SHGs



help the banks to reduce this transaction cost to an extent ranging between 21 and 41 per cent. The dynamic nature of reduction in transaction costs, because of inter-mediation, affect a downward shift of the marginal cost curve. This is possible due to the active role played by the NGOs and the SHGs in the identification of borrowers, the follow up for ensuring the end use of the loans and its recovery. This result showed significant reduction in time spent by the bank staff on these functions.

Among the different models of linkage, the most cost-effective transaction is the instance where banks use the SHGs as financial intermediaries. Similarly, the intermediation of the NGOs and the SHGs contribute to reducing the transaction cost of borrowers by about 85 per cent mainly due to the elimination of expenditure on documentation procedures. Such procedures are not only cumbersome but also time-consuming and costly. The intermediation by the NGOs result in a reduction in opportunity cost to the borrowers in terms of the number of visits and the time spent on the bank premises in negotiating the loans. The intermediation of the NGOs and the SHGs also prove useful in recovery rates.

Conclusion

In the light of the background and observations on various issues connected with SHG, micro finance, role of NGOs and other financial organizations, the present study attempts to analyze the growth of SHGs with microfinance in the empowerment of women in India. The recent literature explicitly explained above states the empowerment of women through SHG in India at large.

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