



MICRO FINANCING THROUGH SHGS EMPOWERING WOMEN: IN INDIAN CONTEXT

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Abstract

The government of India has provided for Self-Help Groups to create empowerment in Indian people residing in rural and semi urban areas. Micro financing through self-help groups is applicable for both men and women in India but it has been more successful only among women. As there is discrimination against women in form of male- female differentiation in India which constitute the core of gender-biased system. Majority of women in India lack assets that help contribute to their economic independence and well-being, it is wonderful step, taken by government of India to empowering women through self-help groups. SHGs are working well for women, not only in meeting emergency cash needs, but also in women's empowerment. SHGs has emerged as powerful instrument in rural economy. In India, this scheme is implemented with the help of NABARD. SHGs have provided an effective medium for delivering credit to rural poor for their socio-economic empowerment. The major objectives of this study were to understand the working environment of SHGs, performance of SHGs, analyse policies and programmes, and their contribution in women empowerment in India.

KeyWords: *Self-Help Groups, Micro Financing, Effective Medium, Women's Empowerment, Credit for Women.*

INTRODUCTION

SHGs have provided several programmatic factors and strategies that have made a positive contribution to women's empowerment including discussion of social issues, support and advice for balancing family and business responsibilities. Experience in decision making, leadership, ownership & control of credit institutions. SHGs through the network of commercial banks, co-operative banks, regional rural banks, NABARD and NGOs has been largely supply driven and recent approach in provision of financial services to the poor. In the present study an attempt has been made to analyse the progress of SHG- Bank led model of micro financing and SHGs movement in India as they are building a way to empower women. Number of women joining SHGs has been increasing year by year. In this context the present study has also trying to find out reasons for increasing interest of women in SHGs, the empowerment approach & the genesis and growth of SHGs in India.

OBJECTIVE OF STUDY

The objectives of this study are

- 1- To evaluate the progress of SHGs.
- 2- To analyse the reasons for joining SHG.
- 3- To examine the impact of SHGs on women empowerment
- 4- To study the structure conduct and performance of SHGs

RESEARCH METHODOLOGY

The study is analytical in nature covering a period of 2010,2011,2012,2013 and based on mainly secondary data. The data has been collected from different published and unpublished records, books, journals and existing available literature.

MICROFINANCE

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are: (1)



relationship-based banking for individual entrepreneurs and small businesses; and (2) group-based models, where several entrepreneurs come together to apply for loans and other services as a group.

CONCEPT OF SHGs

The Self Help Group (SHG) strategy is one of the instruments for empowerment of women through economic intervention. 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 bank. SHG is a small voluntary association of poor people, preferably from the same socio-economic background. SHGs are small, informal and homogenous groups of not more than 20 members each. The size of SHGs does not exceed 20 members because any group larger than this has to be registered under Indian legal system. It 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. Micro finance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment. Self-help groups (SHGs) movement has triggered off a silent revolution in the rural credit delivery system in India.

FUNCTIONING OF SHGs

Self Help Groups (SHGs) are becoming one of the important means for the empowerment of poor women in almost all developing countries, including India. The SHGs have been recognized as useful tool to help the poor and as an alternative mechanism to meet the urgent credit needs of poor. SHGs through the network of commercial banks, co-operative banks, regional rural banks, NABARD and NGO's has been largely supply driven and a recent approach in the provision of financial services. Working of SHGs is as follows-

- Members of group create common fund by contributing small savings on regular basis
- Among the members one 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.
- Members can take loan for SHG but loaning is done mainly on trust with a bare documentation and without any security, amounts loaned are small, frequent and for short duration;
- The group members are encouraged to make voluntary thrift on a regular basis.
- SHGs have flexible democratic system of working.
- There is rare default in repayment of loan due to group pressure

WOMEN EMPOWERMENT

Empowerment is to make someone stronger and more confident. It means to give women power and help them face the challenges of being a woman in society. In Women's Conference at Nairobi in 1985 empowerment defined as "A redistribution of social power and control of resources in favour of women. It is "the process of challenging existing power relations and of gaining greater control over the sources of power". It is a process of awareness and capacity building leading to greater participation, to greater decision making power and control and transformative action. Empowerment of women signifies harnessing women power by conscientising their tremendous potential and encouraging them to work towards attaining a dignified and satisfying way of life through confidence and competence as person with self-respect, rights and responsibilities. The Scheme of Micro-financing through SHGs create empowerment promoting conditions for women to move from positions of marginalization within household decision making process and exclusion within community, to one of greater centrality, inclusion of voice. Empowering women in developing countries is essential to reduce global poverty since women represent most of the world's poor population. In addition, female participation in counsels, groups, and businesses is seen to increase efficiency. The government of India has provided SHGs to empower Indian women. SHGs are important not only to reduce rural poverty, to promote rural savings but also to increase gainful



employment. Thus, micro financing through Self-help groups has transferred the real economic power in the hands of women and has considerably reduced their dependence on men.

THE INCEPTION & EXPANSION OF SHGS IN INDIA

Self Help Groups (SHGs) first introduced by Grameen Bank of Bangladesh, which was founded by Prof. Mohammed Yunus in 1975, who tried out a new approach to rural credit in Bangladesh. 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. The SHG bank linkage programme by NABARD started in the country with modest beginning by financing 255 SHGs during 1992-93. Since the introduction of financial sector reforms in 1991 the banks are using these distinct bank linkage models to finance SHGs.

1. **Model I:** - Banks provide micro finance to non-governmental organisation (NGOs) for lending to SHGs and ultimately to the micro entrepreneur (It covers about 27% of SHGs)
2. **Model II:** - Banks provide direct financing directly to SHGs for on landing to micro entrepreneur (It covers 17%)
3. **Model III:** - Banks finance directly to SHGs for on lending to micro entrepreneur with the intervention of NGO as social mobilizers and facilitators (It covers 56% of SHGs).
4. **Model IV:** - The fourth model envisages bank loans directly to individual members of SHGs upon recommendations of the SHGs and NGO. In this case, the NGO assists the Bank in monitoring supervising and recovery of loans.

The spread of SHGs in India has been phenomenal. It has made dramatic progress from 500 groups in 1992 to some 73, 18,000 groups that have taken loans from banks up to 2013. The NABARD in the year 1992 took the initiative for financing the SHGs and at present attain the status of creating the largest number of SHGs in the world.

Table-1, Progress Micro Finance and SHGs Bank Linkage Programme in India

Year	No Of SHGs Linked	Banks loans (in crors)
1992-93	255	0.29
1996-97	8598	11.84
2000-2001	263825	480.87
2005-2006	2238565	13975.43
2006-2007	2924973	18040.74
2007-2008	5009794	3785.39
2008-2009	6121147	5545.62
2009-2010	6953250	61980.71
2010-2011	7462000	70160.30
2011-2012	7960000	65510.41
2012-2013	7318000	82170.25

Sources: NABARD report on Micro Finance.

Table. 1 shows that the number of SHGs linked to banks has increased to 73, 18,000 as on March 31, 2013. This translates into an estimated 11.6 million very poor families brought within the fold of formal banking services. About 27% of these SHGs are savings linked through Swarnajayanti Grameen Swarozgar Yojana” (SGSY) Programme. It has been established that the increase in number of SHGs has resulted in the increase in the flow of institutional credit to the weaker sections of population. The significant success of the programme was due to active involvement of 710 NGO’s, 27 public sector commercial banks, 27 private sector commercial banks, 86 regional rural banks, 30 state cooperative banks, 375 district central cooperative banks as well as policy support from Govt. Of India, Reserve bank of India, increased participation from state government. The overall progress



under SHGs Bank linkage for the last three years has shown a remarkable achievements, in 2010-11, 74.62 lacks SHGs , in 2011-12, 79.60 lacks SHGs and in 2012-13, 73.18 lacks SHGs have been created and an amount of Rs 70160.30,65510.41 and 82170.25 crors have been saved in various banks. By the end 2013, SHG-Bank linkage shows that Rs 82170.25 crors is saving in different banks, while as loans distributed is Rs20585.36crors and loan outstanding is Rs 39375.30crors(NABARD 2013).

SHGS AS A COMPELLING ACCESS TO EMPOWERING WOMEN

There have been many success stories of the poor SHG women members showing exemplary entrepreneurial qualities to come out of the vicious circle of poverty and indebtedness with the help of SHGs. The successful working of Mahila Mandalas has resulted in the formation of a large number of Self-Help Groups (SHGs). A significant feature of this system of micro financing was that a large number of women shifted their borrowing from traditional moneylenders to SHGs at reasonable rates of interest. The tremendous impact on the social status of the poor rural women becoming bread earners of their households through the instrument of SHGs has been highly commended by many researchers. The impressive performance under micro financing through SHGs prompted other developmental agencies like the Government Departments to depend heavily on such groups to take the development efforts forward.

Table- 2, Growth of Women SHGs as on 2010-2011

Particulars	Totals SHGs(Lakhs)	Women SHGs(Lakhs)	% of WomenSHGs to Total SHGs	Total amount (in Crore)	Women Amount (in crore)	% of women SHGs amount To Total SHGs
Savings Linkes SHGs	74.62	60.98	81.7	7016.30	5298.65	75.5
Loan Disbursed	11.96	10.17	85	14547.73	12622.33	86.8
Loan Outstanding	47.87	39.84	83.2	31221.17	26123.75	83.7

Sources: NABARD report on Micro Finance 2010-11.

Table- 3, Growth of Women SHGs as on 2011-2012

Particulars	Totals SHGs (Lakhs)	Women SHGs(Lakhs)	% of WomenSHGs to Total SHGs	Total amount (in Crore)	Women Amount (in crore)	% of women SHGs amount To Total SHGs
Savings Linkes SHGs	79.60	62.99	79.1	6551.41	5104.33	77.9
Loan Disbursed	11.48	9.23	80.4	16534.77	14132.02	85.5
Loan Outstanding	43.54	36.49	83.8	36340.00	30465.28	83.8

Sources: NABARD report on Micro Finance 2011-12.

Table- 4, Growth of Women SHGs as on 2012-2013

Particulars	Totals SHGs(Lakhs)	Women SHGs(Lakhs)	% of WomenSHGs to Total SHGs	Total amount (in Crore)	Women Amount (in crore)	% of women SHGs amount To Total SHGs
Savings Linkes SHGs	73.18	59.38	81.1	8217.25	6514.86	79.3
Loan Disbursed	12.20	10.37	85.1	20585.36	17854.31	86.7
Loan Outstanding	44.51	37.57	84.4	39375.30	32840.04	83.3

Sources: NABARD report on Micro Finance 2012-13.



An update on microfinance to women SHGs up to the end of March 2013 is being presented in 3 different sections. The progress under the SHG-Bank linkage programme has been covered in the first part, loan disbursed to women and total loan outstanding in 2nd and 3rd part respectively. The above three tables 2nd, 3rd and 4th shows the progress of women SHGs during different years. The table indicates that progress of women SHGs during the year 2011-12 is slowed down from the year 2010-11, but in 2012-13 it has again been increased. Loan disbursed are again low in 2011-12 from 2010 but in 2012-13 it has been increased. Loan outstanding amount of women SHGs as a percentage of amounts of total SHGs has been increased during the study period.

FINDINGS AND CONCLUSION

The study shows that the main reason for joining SHG by women 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. To reduce poverty by enabling the poor household to access gainful self-employment and skilled wage employment opportunities, resulting in appreciable improvement in their livelihood on a sustainable basis, through building strong grass-root institutions of the poor (SHGs) is now the main motive of the most of the employment schemes. It was found that the financial status of households had improved due to improvement in access in a across to formal credit institutions, since SHGs are linked with banks. Access to credit has enabled women to undertake income generating activates. Thus the SHGs have all the potential to have a powerful impact on women's empowerment.

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