

# Self-Help Groups and Women Empowerment in Rural India

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## Abstract

*Self-Help Groups (SHGs) are informal groups of 10-25 women voluntarily willing to form for financial help among themselves. The idea originated out of Self Employed Women Association (SEWA) in 1970s that matured with backing of NABARD and other banks in micro credit lending to these SHGs since 1990s that reached in lakhs today. NGOs and newly feminised panchayati raj Institutions (PRIs) after 73<sup>rd</sup> Constitutional Amendment have proved catalyst in Popularising SHGs among poor women in rural areas. Reports on SHGs reveal that this has worked well during decades in social, economic, psychological and political development of women in India. Precisely this SHGs has expanded credit corpus and scope of financial inclusion.*

**Key Words :** SHGs, Microfinance, NABARD, PRIs

## Introduction

The Self-Help Groups is flagship scheme to empower rural poor especially women. The scheme as named is consists of group of 10-25 women members who voluntarily initiate to form group and create funds mainly out of their contribution. This is a typical kind of micro credit system in which members avail financial assistance without intermediaries and collaterals. These groups are created sometimes out of individual initiative. initiative by the NGOs or banks especially National Agricultural Bank for Rural Development (NABARD). The self help groups do provide instant financial credit to its members on the easiest terms and conditions. The Panchayati Raj Institutions and Ministry of Women and Child Development play pivotal role in transforming self help dream into reality. The scheme acquired popularity in the periphery and spread throughout India. The Reports reveal that SHGs has made women economically self dependants, helped in capacity building, confidence inculcation to take self decision, proved catalyst in employment opportunities, income generation, reduced gender disparity and finally helped in overall improvement in status of women. The SHGs have precisely been able to empower women to large extent. No doubt every programme has its limitation and therefore no fool proof. Critics highlight its shortcomings especially unchanged level of inequality, lower funding by the bank, lack of access of poor women to funds, high rate of bank interest and above all misuse of loan amount by the beneficiaries. Whatever be the limitations, the programme of Self Help Groups is significant and that needs serious academic analysis, which the present paper endeavours to undertake.

**History of the Self-Help Groups (SHGs):** As stated above that a SHG is a homogeneous socio-economic group of 10-25 people in which constituting members volunteer to work together. frame own bye laws, contribute saving to create group fund, take self group decision to give loan to any member on mutually agreed terms and on moderate interest rate with long EMIs span. The working principles of SHGs (1) Each one of the members contribute to generate group fund (2) need based lending starts immediately after

fund collection at mutually agreed interest rates and repayment schedule. The group leaders are elected normally by members on periodic basis through rotational rules. Once groups get older with credible performance and maturity, these are linked with rural branch of bank. Thereafter group can apply to the banks for loan within six months of opening their accounts. Besides, groups take loans from the banks at fixed interest rates without collateral and the group further take responsibility of timely repayment to banks at flexible interest rates even in cases of defaulters of members in case of emergencies too. Most seminal feature of SHGs is that they avail timely loans for all purposes without collateral with quick procedure at possible flexible rate of interest with reasonable and convenient repayment plan. Due to these merits, SHGs became popular financial credit scheme among women especially in the peripheries.

So far as brief history of the SHGs is concerned, the idea originated from the Grameen Bank of Bangladesh as a brainchild of Dr Muhammad Yunus in 1983. It was a step to bridge gap between formal and informal financial credit system and its inability to work in rural areas. In India NABARD shown first official interest in 1986-87 when it supported the research project on Mysore Resettlement Development Agency (MYRADA). As a result of the feedback from the initiative, in 1989 NABARD launched an action research project in which similar grants were provided to other Non – Governmental Organisation (NGOs). Precisely, NABARD evinced primary interest in introducing new approach to rural finance during 1992. The objective of the scheme was mainly to provide financial assistance to small groups consists of needy people. To cater needs of rural poor, NABARD introduced the SHGs Bank Linkage Programme (SBLPs) in 1992. This SBLP was launched as a pilot project in partnership with NGOs for linking 500 SHGs with commercial banks which was later extended to Cooperatives and Regional Rural Banks also. In 1993 Reserve Bank of India also allowed SHGs to open saving accounts in banks. In 1996, RBI decided to incorporate microcredit as priority sector lending. This is how SHGs became regular and integral component of the Indian financial system. Since 1996 It has received regular support from RBI, central and state governments. The period between 1992-95 can be historically be classified as the "Pilot Testing phase", 1996 -98 as the period of "Mainstreaming phase" and 1998 onwards as "Expansion phase" of the SHGs-Bank Linkage programme (SBLP).

There are many components and networks with which SHGs operate in India. These include (a) important institutional credit mechanism NABARD sponsored SHG-bank linkage (SBL) (b) Swarnjayanti Gram Swarajgar Yojna (SGSY) (c) Integrated Rural Development Programme (IRDP) and its other associates like (d) Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWACRA), Supply of Toolkit in Rural Areas (SITRA), Ganga Kalyan Yojna (GKY) and Million Wells Scheme (MWS). In brief SHG is a comprehensive scheme to provide financial assistance through various credit mechanism. This is highly useful and beneficial.

**Advantages of SHGs:** The Scheme received wider acceptance and popularity due to advantages involved in it. For example borrowers get quick loans for variety of purposes without lengthy procedures, minimum paper work and without collateral. It is equally advantageous for banks due to little transaction costs and minimum risk. The paper works become less, monitoring and lending loans risk get reduced, follow up and recovery responsibility shift towards groups or to NGOs or to both. Banks do not need to hunt for borrowers and easily get vast clientele of loan seekers especially rural poor women. Since SHGs is linked with Govt bank like with NABARD and therefore it gets adequate credibility.

Poor take it as dependable tool for their development .This is one of the flagship Programme of NABARD and it is NABARD which is lead agency promoting SBLP sponsored SHGs in India. This SHGs prove catalyst in capacity building ,assist in getting financial support and help in promotion of microfinance operations among poor .NABARD also focuses on training and sensitisation of partner agencies by making desirable intervention and interjections .It also provides refinance support to banks up to 100 % of the loans disbursed to SHGs and NGOs engaged with SHGs promotion as an ' add on' activity .

Presently NABARD provides linkages under two models: (a) SHG-Bank Linkage Model .This model believes in direct financing of SHGs by different banking agencies like by Commercial banks , Rural Regional Banks and Cooperative Banks .(b)MFI-Bank Linkage Model . Here in this model, banks lend to Micro Finance Institution (MFIs)for on –lending to SHGs and other small borrowers covered under micro finance sector.Since 1992,the SHGs – Bank linkage programme has scaled new height .Beginning with a number of 225 SHGs during 1993 in India and by 2015 this tally touched to around 11.48 lakhs

Although SHGs had started in early 1990s yet different states and UTs adopted it as per their convenience .For example the state of Jammu &Kashmir adopted in 1999 where 1.7 crore population resides in rural areas and 6.4 % is below poverty line .The linkage in many states are quite below than what is minimally required .But linkage programme is fortunately expanding .Now ,NGOs too are coming in a big way .With initiation of microfinance through SHGs ,NGOs reached to almost each and every state .This is how a pilot project of microfinance acquired pan Indian character. These NGOs also play instrumental role in group formation ,nurturing SHGs in the pre microenterprise stage ,optimum capacity building and enhancing credit absorption capacities .The NGOs prepare members to participate in the group activities through changing their mindset, prepare training manual and other logistics regarding roadmap for developmental activities that SHGs aspire, undertake and execute.During 2015 -16 ,there were nearly more than 3000 NGOs which were found working as SHGs promoting institutions .Again nearly 26152 to 181190 SHGs were promoted by NGOs which were saving linked and credit linked respectively with total grant release . This was in case of Jammu and Kashmir and Chhattisgarh. Now the relation between NGOs and SHGs can safely been concluded that they are complementary to each other.

**SHG, Panchayats and Rural Development:** The institutions of panchayats have been integral and instrumental in development of India's rural area that consists of over six lakhs villages inhabited by 70% of population where majority of people are below poverty line .These institutions were legally empowered through 73 rd Constitutional amendment Act,1992 for monitoring and implementation of Central and state govt's rural development programmes through Grampanchayats, janpad and zila panchayats .The Self Help Group (SHGs) is important programme for development and economic empowerment of women in rural India. This Programme was introduced in early 1990s and acquired fast popularity among its beneficiaries.It can be confirmed from increasing number of SHGs throughout India especially in rural hinterlands. For example the number of SHGsin our country had multiplied many folds between 1992 and 2015-16 .In fact it increased from 255 SHGs in 1992 to 79.60 lakh in 2016.But this popularity was not evenly spread throughout India. It was in a skewed manner. The maximum popularity of SHGs has been found in southern region approximately 46 percent and credit rate reached to nearly 76 percent. In Northern region SHGs accounts only for 5.1 percent and SHGs credit rate to mere 2 percent.The northernmost state of Jammu

&Kasmir accounts for 9.1percent and its credit rate to 7.1percent only. This low level of SHGs popularity in Jammu &Kashmir is because it is not backward state category . People are not poor nor do they feel need of help. They don't form SHGs nor do they approach banks for loans .NGOs also do not take interest in mobilisation due to people's cold interest in SHGs and its activities. Rajasthan shows a completely different scenario where SHGs were around 31%in 1993 and it reached to 80% in 2000.SHGs spread almost in 88% of the districts. NGO's established link with majority of these groups.Pudducherry witnessed the highest growth of SHGs up to around 7.84 %followed by Haryana about 4.97%, Andhra Pradesh approximately 3.70% , Uttar Pradesh shown growth in SHGs to nearly 3.46% and Himachal Pradesh to roughly around 6.2%.Like uneven existence and expansion of SHGs in different regions and states, its linkage with banks and NGOs support has also been found uneven. In spite of all limitations and deviations involved in the programme ,Panchati Raj Institutions especially Gramsabha of Grampachayats have been catalyst in mobilising women , motivating to form SHGs groups , involving NGOs to help groups ,inviting banks to lend financial credit to these groups ,providing raw materials and arrange marketing for their products etc .

Although Panchyats are one of the ancient institutions but has been constitutionally empowered nearly three decades ago in 1992-93 through 73<sup>rd</sup> and 74<sup>th</sup> Constitutional Amendment.Women ,Scheduled castes ,Scheduled tribes and OBCs were given reservation to make it socially representative .Both rural and urban bodies had to hold election after every five years and state governments were asked to mandatorily abide it .One of the major objective was to empower all weaker sections including women. The Women were given 33% reservation at all levels of PRIs. As a result presently 85,000 women are heading in nearly 2.50 lakh village panchayats ,2000 women in 6000 block panchayats and women are presidents in 175 zila panchayat out of 600 districts of India . Out of 3.4 million Panchyati raj functionaries one – third i.e,over 1 million are women .These women headed panchayats provide friendly environment to needy women to approach, seek information and assistance . It has been observed that these women sarpanches attract and advise mahilla in person andmahilamandal in group to take optimum benefit of programmes for betterment of women including from SHGs . There has been substantial growth in integration of women in development mainstream through expanding Micro credit system by banks to Women Self Help Groups. Many study reports reveal this reality by showing rapid increase in number of SHGs capable of fulfilling financial and other needs of SHGs members .That precisely is secret saga of empowerment of Indian women especially living in rural India during the last thirty years through SHGs in which NABARD, NGOs and Panchyats with thirty-three percent women functionaries played major role .

**Conclusions:** Notwithstanding problem besetting Self HelpGroups (SHGs) ,,this scheme has remained largely successful. No doubt problems arise at the time of formationand after like lack of homogeneity in groups, prevailing inter and intra group distrust, inadequate infrastructure ,improper account - record keeping ,lacking leadership ,shortage of funds and insufficient cooperation from banks etc .Despites these limitations, SHGs have been working as catalyst in improving lives of millions of families. About 70% of SHGs associates believe that it has improved their family status due to increase in income .Besides,there have been vertical growth in social recognition of SHGs members and their families .The scheme has equally been helpful in improving level of education of SHGs families specially children .In a survey on impact of SHGs ,around 39%of respondents accepted that their children go now to good private

schools in lieu of earlier government schools .Precisely Self Help Groups (SHGs) programme has reasonably been successful in bringing positive changes in living style of members and their families from its inception in early 1990s till our times today

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