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INTRODUCTION

In a country like India which boasts of its glorious heritage, where woman has not only enjoyed the equal status but has been described in the scriptures more than the better half. India is among the few developing countries where gender equality and improvement in the status of women are specifically stated to be central goals of development and social policy.

Development has social, economic and political dimensions, and is incomplete without developing the women who constitute about 50 percent of the population. Women role in development is indispensable and community development is incomplete without women’s participation and contribution, but women are not always involved in the process of developmental activities that affect their lives.

The status of women and issues related to it have attracted the attention of the academicians, political thinkers and social scientists both in developing as well as the developed countries. It has been widely accepted that a society built on the inequality between men and women involves wastage of human resources which no country can afford. Thus the effective management and development of women’s resources are of paramount importance for the mobilization and development of human resources.
Poverty and deprivation increase gender inequality, which favours a policy for empowerment of women. The goals of poverty eradication and empowerment of women can be effectively achieved if poor women could organize into groups for community participation as well as for ascertaining their rights in various services related to their economic and social welfare.

Empowerment is a process of awareness and capacity building, leading to greater participation, the greater decision-making power and control and Transformative action. The empowerment of women covers both an individual and collective transformation. It strengthens their innate ability through acquiring knowledge, power and experience.

Empowerment is defined as the one which facilitates change and enables a person to do what he or she wants. It is a feeling that activates one’s psychological energy to accomplish one’s goals.

Empowerment is a process where by women become able to organize themselves to increase self reliance and to assert their independent right to make choices and control resources, both of which will assist in challenging and eliminating their subordination. It is a participatory process of awareness and capacity building that begins at the levels of home and community, adding to greater participation and decision making power and control, and
to transformative action enabling individuals or groups to change balances of power in social, economic and political relations in society.

The dictionary definition\(^1\) links empowerment with Self-Help. “Empowerment can refer to use participation in services and to the Self-Help movements in which groups take action and their own behalf either in cooperation with or independently of, the statutory services’.

In recent years, the individual approach to poverty alleviation programmes has been increasingly replaced by group mode. SHG is expected to be one of the major programme of poverty alleviation in India. Self-Help Groups have been instrumental in empowerment by enabling women to work together in collective agency.

### 1.1 SELF-HELP GROUPS AND ITS IMPORTANCE

Over the last few years the self-help approach has been utilised in a growing number of projects and programmes. As Kirsch et al report in their study, the World Bank as the main source of finance for rural development

as frequently emphasized the importance of SHGs in the field of rural development.²

Self-Help Groups are generally considered as desirable project support (grass root level infrastructure) because they

1. Encourage local population to carry out certain tasks jointly, which can be more rationally performed by a group rather than by individuals.

2. Are easily accessible as channel for project inputs (credit supplies and extension services)

3. Become focal point for job opportunities, local investments and further development activities

4. Motivate local population to participate actively in achieving project activities and

5. Reduce project supervision burden of national agencies.³

The Self-Help Groups are small informal associations formed with the objective of enabling members to reap economic benefits out of mutual help, solidarity and group responsibility.


³ (Ibid)
Self-Help Group is a group of rural poor between the age group of 18 to 60 years and they help each other by subscribing some minimum amount of money from their earnings as a saving. The accumulated money is given as loan in low interest rate to the needy members for doing small business, to meet the education expenses of their children, to meet the household expenditure and to spend for medical treatment.

In a nutshell NABARD has defined SHG as follows, SHG is a homogeneous group of rural poor voluntarily formed to save whatever amount they can conveniently save out of their earning and mutually agree to contribute to a common fund of the group to be lent to the members for meeting their productive and emergent credit needs.\(^4\)

The formation of Self-Help Groups (SHGs) has made women in rural areas to group and organize themselves to fight for their rights and get equal and fair deal on par with their male counterparts. The formation of groups in rural areas without caste discriminations or political ideology itself is a successful tribute to the concept of Self-Help Groups.

Self - Help Groups are a potential source to empower, institutionalize participatory leadership among the marginalized, and identify plan and

initiate development activities. Self-Help Groups enhance equality of status of women as participants, decision-makers and beneficiaries in the democratic economic, social and cultural spheres of life. SHGs encourage marginalized women to save and utilize saving to build self-reliance and confidence and provide greater access to and control over resources. These small groups also help women to establish a common participatory platform to voice and solve their problems.

SHG’s are mostly informal groups whose members have a common perception and impulse towards collective action. These groups promote savings among the members and use, the pooled resources to meet their emergent needs including the consumption needs. Sometimes, the generated internal savings are supplemented by external resources/loans by NGO’s and banking institutions promoting them. SHG’s are thus able to provide banking services to their members, which though may not be sophisticated yet are cost effective, simple, flexible, accessible to the members and above all, without any default in the repayments. The linking of SHG’s to banks helps in overcoming the problem of high transaction costs to banks in providing credit to the poor, by transferring some banking responsibilities,
such as loan appraisal, follow up, recovery etc. to the poor themselves\(^5\). In the rural context, SHG’s have facilitated the poor, especially the women to overcome the existing constraints grappling the formal credit institutions. These groups provide considerable social protection and income opportunities to their members.

The growing realization among the rural poor to collectively pool their small savings so as to create a corpus of funds to cater to their emerging credit needs underlined the emergence of SHG's and other group related saving and credit activities in many developing countries such as Bangladesh, Indonesia, Bolivia and India.

**1.2 EMERGENCE OF SELF - HELP GROUPS**

Over the past few decades several informal and innovative approaches in financing the poor in a sustainable manner have been experimented in many developing countries. Grameen Bank and Bangladesh Rural Advancement Committee (BRAC) of Bangladesh, efforts of Bank of Rakyat Indonesia (BRI) in Indonesia, Bank for Agriculture Cooperatives (BAAC) in Thailand, Amanah Ikhtiar Malaysia (AIM) of Malaysia and Agriculture Development Bank of Nepal (ADBN) are some examples which have

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yielded encouraging results in empowering the poor through credit in South East and South Asia\(^6\).

The two main systems which are popularly used for poverty alleviation are the Bangladesh Grameen Bank method, and the Self - Help Group, or SHG, system. There are many variants of each, and they are also referred to as the ‘solidarity group’, and the ‘village banking’ systems respectively. We shall use the terms ‘Grameen’ and ‘SHG’, since these are more familiar in the South Asian context.

Grameen system is one of the growing popular systems which were being used to cure the poverty. With an ambitious aim of alleviating poverty and empowering women in rural Bangladesh, Grameen Bank starts its operation in full fledge since 1983 with the dynamic leadership of Dr. Muhamad Yunus, a professor of Economics at Chittagong University of southern Bangladesh. Bangladesh’s Grameen Bank has been providing poor women with access to tiny amounts of credit enabling them to break out of the poverty cycle. Though its birth is in Bangladesh it was followed by many developing countries with same and different modifications according to their situations or conditions.

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The SHG carries out all the same functions as required by the Grameen system, but they do this on their own behalf, since the SHG is a micro-bank, carrying out all the intermediation tasks of savings mobilisation and lending. The MFI or bank may assist the SHG in record keeping, and they may also demand to know who are the members and impose conditions as to the uses of the loan which they make to the SHG, but the SHG is an autonomous financial institution in its own right. The members have their accounts with the SHG, not with the MFI or bank, and the MFI or bank does not have any direct dealings with the members.

Both systems are dominated by female clients, but they differ in other fundamental respects. These have important implications for their clients and for the institutions which offer them.

1.3 COMPARISON OF GRAMEEN SYSTEM AND SELF-HELP GROUP SYSTEM

Though Self – Help Group system is a modified form of Grameen system, there are basically many differences between both systems. The following tale 1.3.1 compares the differences between the Grameen system and the Self – Help Group system.


### Table 1.3.1

**COMPARISON OF GRAMEEN SYSTEM AND SHG SYSTEM**

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>GRAMEEN SYSTEM</th>
<th>SHG SYSTEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Grameen are much older and larger.</td>
<td>The SHG system is younger</td>
</tr>
<tr>
<td>2</td>
<td>The Grameen system originated in Bangladesh and initiated by a range of large and small MFOs. The system was pioneered by Professor Yunus in 1976.</td>
<td>The SHG system is mainly found in India. The SHG system in India was initiated by an NGO named MYRADA in the mid-1980s (Fernandez 1998).</td>
</tr>
<tr>
<td>3</td>
<td>The system has also been widely replicated by MFOs elsewhere, including a small number in India and in more than twenty other countries in Asia, in Africa, Latin America and also in disadvantaged rural and urban areas in North America and Europe.</td>
<td>It is used by both MFIs and banks. There also some important users in Indonesia, parts of South East Asia, Africa and elsewhere.</td>
</tr>
<tr>
<td>4</td>
<td>The basic unit of the Grameen system is five member group.</td>
<td>SHG with fifteen to twenty members.</td>
</tr>
<tr>
<td>5</td>
<td>The Grameen system is rigidly structured and uniform within and even between institutions.</td>
<td>The SHG system is more flexible.</td>
</tr>
<tr>
<td>6</td>
<td>The staff of Grameen system institutions, however, have to assess the poverty level of prospective members by visiting every home before their groups have been formally accepted (Fugelsang and Chandler, p. 110). Additionally, Grameen field staff check poverty levels with a</td>
<td>Bankers, and NGO staff who promote SHGs, are more likely to accept the members without question. Many SHGs are formed from pre-existing groups (Harper et al. p. 19), and neither NGO workers nor bankers are likely to demand that certain members leave because they are not poor enough,</td>
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<tr>
<td>housing quality index and a participatory wealth ranking exercise (Hishigsuren pp. 29-30).</td>
<td>or that others are admitted on the basis of their poverty.</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>The promoting institution has more contact with the groups</td>
<td>The promoting institution has less contact with the groups</td>
</tr>
<tr>
<td>8</td>
<td>The operations of Grameen groups are under the control of the institution, through the weekly meetings</td>
<td>SHGs are much more free to manage their affairs as they wish. NGO or bank staff may attend their meetings, but as observers rather than managers</td>
</tr>
<tr>
<td>9</td>
<td>Performance in group meetings is less when compared with self help groups</td>
<td>Performance in group meetings is higher than Grameen groups</td>
</tr>
<tr>
<td>10</td>
<td>Grameen members need no banking skill</td>
<td>SHG members require a higher level of skill than Grameen system.</td>
</tr>
<tr>
<td>11</td>
<td>Membership in a Grameen Bank group demands more time but less management. A Grameen member has to attend weekly meetings, and to maintain her regular saving and repayment schedule. The group and centre heads have only to ensure that the payments are available on time; they are not bankers in any sense.</td>
<td>SHG members are running a small bank; the members who are not officers must at least understand issues such as interest rates and risk. They are indirectly remunerated for their management time and effort, in that the spread between their costs of funds and the interest they decide to charge themselves is retained by the micro-bank of which they are the owners.</td>
</tr>
<tr>
<td>12</td>
<td>The Grameen system requires more staff per client</td>
<td>The SHG system requires less staff per client</td>
</tr>
<tr>
<td>13</td>
<td>In the Grameen system the lending institution is acting as a wholesaler.</td>
<td>The SHG system is a retailer.</td>
</tr>
<tr>
<td>14</td>
<td>It costs more to do business through an Grameen system</td>
<td>It costs less to do business through an SHG</td>
</tr>
<tr>
<td>15</td>
<td>Grameen system requires high investment in institutional development.</td>
<td>SHG system requires less investment in institutional development.</td>
</tr>
<tr>
<td>16</td>
<td>The Grameen system in India, charge their clients an effective annual rate of about 50% per year, while most institutions in Bangladesh charge closer to twenty per cent.</td>
<td>The SHGs were charged with the rate of 12% by most banks in India. The members of SHGs themselves pay their groups a wide range of different rates of interest.</td>
</tr>
<tr>
<td>17</td>
<td>The charges paid to institutions using the Grameen system accrue to the institution.</td>
<td>Although the individual member bears the cost, she is also a part-owner of the SHG; she therefore</td>
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<tr>
<td>18</td>
<td>Grameen clients, on the other hand, are bound and protected by a rigid and highly disciplined system and thus much better protected against internal or external threats.</td>
<td>benefits from the surplus it generates.</td>
</tr>
<tr>
<td>19</td>
<td>Grameen groups have less need to come together in clusters or federations, since the members do not themselves perform the banking management tasks.</td>
<td>SHGs are more vulnerable to ‘hijacking’ by vested interests, and to inequitable distribution of the benefits, because they are less closely supervised by the financial institution where they deposit their savings and from which they may take loans.</td>
</tr>
<tr>
<td>20</td>
<td>Grameen groups are much better protected against internal or external threats; their members are less vulnerable, but also less empowered, since empowerment is freedom and this must also include freedom to face and if possible to overcome threats.</td>
<td>SHG membership is thus more empowering, but at the same time more vulnerable.</td>
</tr>
</tbody>
</table>

### 1.4 EMERGENCE OF SELF - HELP GROUPS IN INDIA

SHGs have evolved overtime all over the world, and the journey has been at several levels from labor/unkind/ pre-monetary currency to cash; from non-financial to financial groups; from voting to non-rotating patens; from short lived to semi permanent, or supposedly permanent, groups; and, from savings-only to savings-driven credit groups.\(^7\) Grain Banks have been

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\(^7\) Seibal Hans Deitr,1999,(Revised 2000), *Informal Finance: Origins, Evolutionary Trends and Donor Options*, University of Cologne Development Research Center, Paper presented at conference on Advancing Micro finance in Rural West Africa,
in existence for many years in India, where in are of frequent drought, the community pools grain when it is available, so that it can be accessed as a loan, in times of scarcity. These have also been actively promoted by non-government organizations (NGOs), community-based organizations (CBOs) and funding agencies (national and international) as systems that build food security. In India, an initiative in self-help has been the ‘chit funds’ such associations consist of 10 to 15 persons, who gather to pool their savings together and then chose one member-either by lottery or another method-to receive the post of money.

Rengarajan(2003)\(^8\) says the origin of SHGs could be traced to mutual aid in Indian village community. Co-operatives are formal bodies, where SHGs are informal. SHGs encourage savings and promote income generating activities through small loans. The experiences available in the country suggest that SHGs are sustainable, have replicability, stimulate saving and in the process help borrowers to come out of vicious circle of poverty.

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The SHG movement in India is basically aimed at utilizing the SHG’s as an 'intermediary' between the banks and the rural poor to help drastically reduce transaction costs for both the banks and the rural clients.\textsuperscript{9} NABARD with its head quarters at Mumbai is an Apex Development Bank in India for financing and promoting agriculture, small scale industries, cottage and village industries, handicrafts and other rural crafts so as to promote integrated rural development. In wake of banking sector reforms invoked in early 1990’s the role of commercial banks in providing credit to rural poor came under intensive debate vis-à-vis the sustainability of entire banking operation for providing banking services-both in terms of savings and credit-to the rural poor. Sheokand (1998) has indicated that as the rural poor's share in availing formal sector credit got further marginalized, NABARD, in 1992 launched the SHG - Bank linkage programme with the policy backup of the Reserve Bank of India.\textsuperscript{10}

According to Shanmugam (1998) the SHG – Bank linkage programme initiated by NABARD, in active collaboration with Non-


Governmental Organisations (NGOs), aimed at enhancing the coverage of rural poor under institutional credit thereby focusing on poverty alleviation and empowerment.\textsuperscript{11} Prior to this, NABARD's initiative in promoting active partnership between banks and SHGs was encouraged by the findings of a study conducted in 1988-89 by NABARD in collaboration with member institutions of Asia Pacific Rural and Agricultural Credit Association (APRACA), Manila. The study covered 43 NGOs involved in promoting savings and credit SHGs in 11 states of the country.

As per a NABARD report (1995) the scheme on SHGs was made applicable to RRBs and co-operative banks of the country in 1993 and in April'96, RBI advised the banks that lending to SHGs should be considered as an additional segment under priority sector advances and it be integrated with mainstream normal credit operation.\textsuperscript{12} Rao & Dasgupta (1999) have commented that the SHG-bank linkage programme has gained considerable movement in southern region of the country, though the northern states too are also now catching up fast and an overwhelming (78\%) of the listed


SHGs are Women Self - Help Groups (WSHG’s), that is the SHGs which constitute of only women members.\textsuperscript{13} Since the inceptions of NABARD promoted SHG linkage programme there has been an appreciable increase both in formation of SHG and their linkage with the banks.

A SHG is an association of people belonging to similar socio-economic characteristics, residing in the same location. It is a voluntary association of people formed to attain some common goals; most of its members have similar social identity, heritage, caste or traditional occupations and come together for a common cause and manage resources for the benefit of the group members. These groups are called as “Solidarity Groups” as they provide monetary and also moral support to individual members in times of difficulties. The main objectives of SHG is to inculcate the habit of thrift savings, banking culture, that is, availing the loan and repaying the same over a given period of time and in the process, gain economic prosperity through credit. SHGs are mostly informal groups whose members pool their savings and relend with in the group on rotational or need basis.\textsuperscript{14}


The following generic approaches to micro credit are commonly prevalent in India:

• The Basic Self-Help Group model and its minor variations PRADAN, NBJK, LEAD and others)

• GRAMEEN Replicator Approach (SHARE, ASA, CASHPOR India)

• Cooperative-Grameen Hybrid Model (MAHILA VIKASA)

• NBFC Approach (BASIX & SANGHAMITRA)

• Federated SHG approach (DHAN Foundation)

• Rural Industries Promotion (SHG) Framework (MYRADA)

• Urban Cooperative Banking Model (SEWA Bank)

• Multi-State Cooperative Solidarity Group Model (ICNW)

• Enabling Cooperative Networking Framework (CDF AND MACS)

1.5 SHG TYPES OR MODELS

Self - Help Groups take different forms in different countries according to the needs of the local groups. They are as follows:

◆ Community organizations for hill resource management groups in India, agricultural development groups in Nepal and Pakistan and Soil and water conservation groups in France.
Natural resource management groups such as for irrigation tank-management in India, for soil and water conservation in Kenya, and for irrigation in Philippines and Sri Lanka.

Farmer research groups such as in Zambia, Botswana, Ecuador and Colombia and Britain during the agricultural revolution of the eighteenth and nineteenth centuries.

Farmer to farmer extension groups such as for soil regeneration in Honduras and for irrigation management in Nepal.

Credit management groups such as in Southern India, Bangladesh, and Nepal.

Consumer groups such as women’s consumer producer groups in Japan.\textsuperscript{15}

1.6 DIFFERENT MODELS OF SELF-HELP GROUP – BANK LINKAGE

The Indian Experience of SHG Linkage Programme is unique in some respects. RBI and NABARD have tried to promote 'relationship banking' i.e. improving the existing relationship between the poor and bankers with the social intermediation by NGOs. The Indian model is predominantly "linkage

model”, which draws upon the strengths of various partners - NGOs (who are the best in mobilizing and capacity building of poor) and bankers (whose strength is financing). Thus, as compared to other countries, where "parallel" model of lending to poor (i.e. NGOs acting as financial intermediaries) is predominant, the Indian linkage banking tries to use the existing formal financial network to increase the outreach to the poor while ensuring necessary flexibility of operations for both the bankers and the poor. Thus a nutshell, the SHG Linkage programme offers a win-win situation for the credit delivery system comprising banks of all types.

1.7 EMERGING SHG LINKAGE MODELS

Broadly, three different models have emerged under the linkage programme. They are shown in the following Figures 1.7.1, 1.7.2, & 1.7.3.

FIGURE 1.7.1

SHG BANK LINKAGE MODEL I
FIGURE 1.7.2

SHG BANK LINKAGE MODEL II

NGOs AS FINANCIAL INTERMEDIARIES

NGOs → PROMOTION, TRAINING & PROVIDING CREDIT SUPPORT → SHGs

NGOs → BANKs

BANKs → NGO

PROMOTION, TRAINING & HELPING IN LINKAGE WITH BANKS → SHGs

FIGURE 1.7.3
Each of the three models can be qualitatively assessed to arrive at the strategic significance and scope for widespread adoption. Criteria for evaluation may include factors like

- transaction cost of lending for the banks
- transaction cost of borrowing for SHGs and poor
- risk of funds and guarantee of repayment

**TABLE 1.7.1**

Advantages and Limitations of SHG models

<table>
<thead>
<tr>
<th>MODEL A</th>
<th>ADVANTAGES</th>
<th>LIMITATIONS</th>
</tr>
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</table>
|         | • Each partner institutions play a role best suited for it. Banks lend, NGOs organize poor into SHGs and self help groups manage small group finance in their own interest.  
• The whole system is localized.  
• SHGs and local NGO | • In spite of wider acceptance of the model, majority of field level bankers are yet to be sensitized and do not view it as banking mandate.  
• In many places, it is still difficult to open a savings account.  
• Absence of NGOs in |
<table>
<thead>
<tr>
<th>MODEL B</th>
<th>MODEL C</th>
</tr>
</thead>
</table>
| • It further reduces the transaction cost and risk cost of the bank as the banks lend a larger sum to an NGO, which guarantees repayment.  
• Easier for the poor to deal with an institution which they know and trust.  
• Easy to be adopted by stakeholders. | • Exposes bankers to social realities first hand.  
• Possible solution where NGOs are not present. |
| • NGOs are not traditionally equipped to work as financial intermediaries.  
• Calls for substantial investment in capacity building of NGO.  
• Adds one more intermediary structure.  
• Wide scale adoption not possible. | • Wide scale application may not be feasible because of other priorities of bankers. |

**Source:** Rajigain, T.S. (1999)\(^{16}\)

- load (costs) of co-ordination and management
- ease of adoption by all stakeholders
- smoothness and ease of providing credit to the poor and its repayment
- quick replicability
- social and economic impact on SHG movement
- extent of social investment required

Model wise advantages and limitations are shown in Table 1.7.1

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Some of the basis features of SHGs promoted by NGOs/BANKS are shown Table 1.7.2.

<p>| | | |</p>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Organization</td>
<td>Homogeneity in terms of economic/ socio-economic status, common identity of activities etc.</td>
</tr>
<tr>
<td>2</td>
<td>Nature of target groups</td>
<td>Generally poor and weaker sections of the people in rural areas and particularly women.</td>
</tr>
<tr>
<td>3</td>
<td>Management</td>
<td>Selected/ elected teacher and duty generally rotated. Holds meeting regularly.</td>
</tr>
<tr>
<td>4</td>
<td>Financial instruments</td>
<td>Created of savings, interest earned on loan,</td>
</tr>
<tr>
<td></td>
<td>(a) Common fund</td>
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<td>---</td>
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<td></td>
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<tr>
<td></td>
<td>donations etc.</td>
<td></td>
</tr>
<tr>
<td>(b) Savings mobilization</td>
<td>While in certain cases no fixed rate of savings, in some cases regular and fixed rate of savings, and in some cases as per capacity of the members.</td>
<td></td>
</tr>
<tr>
<td>(c) Loaning</td>
<td>Decided by the purpose, quantum and the resources available with the SHGs. Purpose of loans for individuals include consumption, clearing outside debt, social, medical, education, business, agriculture etc. and loans for common production activities.</td>
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</tr>
<tr>
<td>(d) Repayment period</td>
<td>Generally lower than prescribed by banks.</td>
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<tr>
<td>(e) Rate of interest</td>
<td>Varies from 12 to 20 percent. In a few cases the interest rates are determined by the NGOs.</td>
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<tr>
<td>5</td>
<td>Linkage with banks</td>
<td>Banks treats SHGs as borrowers.</td>
</tr>
</tbody>
</table>

**Source:** Desai and Namboodiri (2001).

The linkage between the Self-Help Groups and the Formal Financial Agencies (FFAs) has to be on a symbiotic relationship. In most of the developing countries, the savings and credit schemes of FFAs are separate, each with its own set of clientele. For the purpose of linking the SHGs to FFAs two basic models with number of modifications are at present working in India. In each model there exists a two way flow of funds as shown below.\(^\text{17}\)

\(^\text{17}\) SIDBI Report, Lucknow, 2000.
I. DIRECT LINKAGE MODEL

In case of the direct linkage model (shown in Figure 1.7.4) the bank identifies the group (or facilitates evolution of the group) and deals with the SHG directly for both mobilizing the savings and for making available credit facilities to the group as a whole or to individual members. Group members act as collateral security. In this model the credit is generally made available to the group and members to be financed are identified by the group itself, which takes the responsibility of loan repayment. At the end of March 2002, 16 percent of the total number of SHGs financed was from this category.

FIGURE 1.7.4

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>SHG</th>
<th>BANKs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings</td>
<td>Savings</td>
<td></td>
</tr>
<tr>
<td>Credit at rates decided by shg</td>
<td>credit @ 12% p.a</td>
<td></td>
</tr>
</tbody>
</table>
II. MODIFIED DIRECT LINKAGE MODEL-I

The modified direct linkage model-I is shown in Figure 1.7.5. Here the activity and member to whom loan is given is identified by group. The group is morally responsible for repayment but credit is given as in any individual loan. Credit a normal rates prevailing depending on quantum of loan.

FIGURE1.7.5

![Diagram of Modified Direct Linkage Model-I](image)

Credit a normal rates prevailing depending on quantum of loan

III. MODIFIED DIRECT LINKAGE MODEL-II

The modified direct linkage model –II is shown in Figure 1.76. In this model NGO is not the financial intermediary. Here NGOs and formed agencies in the field of micro finance act only as facilitators. They facilitate organization and formation of groups, and train them in thrift and credit management. Banks give loans directly to these SHGs. Thus the NGO's role
is only in group evolution and stabilization, where as the financial linkage is
directly with the group. This model continues to have the major share, with
75 percent of the total number of SHGs financed in 2002 falling under this
category.

**FIGURE 1.7.6**

![Diagram showing the IFAD model]

**IV. IFAD MODEL**

Figure 1.7.7 shows the IFAD model. In this model, the NGO is
involved as in (Hi) above but the line departments of Government like
Women Development Corporations, Sericulture, Rural Development are also
involved in identification of activity, beneficiary etc. The model is in
existence in areas where IFAD projects are being implemented like Tamil
Nadu, Maharashtra and Uttar Pradesh.

**FIGURE 1.7.7**

**IFAD MODEL**

<table>
<thead>
<tr>
<th>Savings</th>
<th>Savings</th>
</tr>
</thead>
</table>
V. INDIRECT LINKAGE MODELS

In this model basically the funds flow through the NGO i.e. the NGOs take on the additional role of financial intermediation. In areas where the formal banking system faces constraints, the NGOs are encouraged to approach a suitable bank for bulk loan assistance. This, in turn, is used by NGO for lending to the SHGs. Figure 1.7.8 shows the indirect linkage model.

FIGURE 1.7.8

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>SHG</th>
<th>NGO</th>
<th>BANK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit @ as dedicated by shg</td>
<td>credit @ 12 % p.a.</td>
<td>credit @ 10.5% p.a.</td>
<td></td>
</tr>
</tbody>
</table>

Savings
Savings
GOVT LINE DEPARTMENTS
In areas where a very large number of SHGs have been financed by bank branches, intermediate agencies like federations of SHGs are coming up as links between bank branch and member SHGs. These federations are financed by banks, which, in turn, finance their member SHGs. Other agencies like Non Banking Financial Companies (NBFCs) are also coming up to take up this role. In case of this linkage model various types exist which have been given below:

**VI. MODIFIED INDIRECT MODEL**

This model exists in cases where the groups are artisan/handicraft groups and NGO support for marketing is also available like SEWA, Lucknow. This model is shown in Figure 1.7.9.
In the above models, apart from two-way flow of funds, there is also flow of services, extension, consultancy, training etc., from the banks and the voluntary agencies. The Self - Help Group approach to the development of rural poor appears to be an effective system.

1.8 FORMATION & DEVELOPMENT OF SELF - HELP GROUPS

According to Rao et. al. (1999) a systematic and scientific approach in the formation of SHGs is of paramount importance to the long term sustainability of these informal community based organizations.\textsuperscript{18} It has been observed by Fernandes (1992)\textsuperscript{19} that SHGs formed and promoted for limited purposes of availing subsidy laced bank loans, grants and other materialistic benefit generally disintegrate, while according to Srinivasan &

\textsuperscript{18} Rao, K.D. & Dasgupta, R., \textit{A Study Of SHG's And Linkage Programme}, NIBM, Pune, 1999.

\textsuperscript{19} Fernandes, A.P. \textit{The MYRADA Experience –Alternate Management System for savings and credit of the rural poor}, MYRADA, Bangalore, 1992.
Rao (1996) the SHGs developed for genuine purpose of self help in the wake of needs had much better chances of long term sustainability.  

SHGs like any other type of groups have distinct phases through which they pass over a period of time. According to Johnson & Johnson (1997) there have been well over 100 theories to describe the development stages of groups.  

Theories based on sequential stage of group development are based on the identification of definite phases in the life cycle of group. The most famous of these theories has been proposed by Tuckman (1965) and Tuckman & Jensen (1977). Tuckman studied a number of groups of varying nature and objectives such as therapy, training, and focus groups and identified four distinct development stages, viz. Forming, Storming, Norming and Performing. These distinct stages are characterized by the specific focus attributed by the groups during each stage and the related consequences on

---


the behaviour of the members. The different stages of SHG development and the role of NGO’s/ SHPI are shown in Table 1.8.1.

**Forming Stage** is marked with initial attraction towards each other in a group. The stage is characterized by initial euphoria of coming together, chaos and uncertainty. Kruger & King (1998) have indicated that during forming stage each member tries to figure out his/her own role in the group and gets indulged in evaluating his likely individual gains vis-à-vis group objectives. Lingering suspicion and anxiety prevail among the group members during this stage.\(^\text{24}\)

**Storming Stage** is earmarked by the expression of varying thoughts by the individual members, which reflects the prevailing conflict and confusion in the group. Kruger & King (1998) have indicated that this stage is completed with the evolution of leadership and decision-making capabilities within the group.\(^\text{25}\)

**Norming Stage** is reached when the group under the chosen leader/s starts evolving group norms and the groups solidarity comes into force. The group becomes more cohesive and development oriented as gradually the individualistic tendencies are replaced by the collectivism.

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\(^{25}\) Ibid.,
Performing Stage is the state of readiness. The readiness to act. Leadership is established, role clarity is developed and the group behaves in a unified manner so as to achieve its mission with the help of collective action. Gerber (1994)\textsuperscript{26} as quoted by Harper (1995)\textsuperscript{27} has also identified the above four stages in the development of SHG’s. Other researchers such as Moreland & Levine (1982) & (1988) have identified stages of development based on the status of membership and proposed a sequential theory based on the membership.\textsuperscript{28}


### TABLE 1.8.1
Stages Of SHG Development & Role Of NGO’s/ SHPI

<table>
<thead>
<tr>
<th>Stage of Development</th>
<th>Time Period</th>
<th>Role Of NGD/ SHPI</th>
<th>Focus Of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-formation</td>
<td>1-2 months</td>
<td>Initiator/ Promoter</td>
<td>Identifying the poor through participatory rural appraisal methods in small/ hamlets/ villages/ towns.</td>
</tr>
<tr>
<td>Formation</td>
<td>3-6 months</td>
<td>Facilitator</td>
<td>Motivation to form groups, select group leaders, develop rules and norms, conduct meetings, pooling savings, issue and collection of small loans, group cohesion, adjustment systems and maintenance of accounts.</td>
</tr>
<tr>
<td>Stabilization (Phase 1)</td>
<td>7-12 months</td>
<td>Advisory/ Managerial</td>
<td>Leadership stabilization, training of leaders and members, regularized and increase savings, handling of groups level transactions, informal interactions with other groups/clusters, addressing community interests. Begin the process of issuing loans, handling/helping defaulters to repay. Sourcing loans for groups through normal credit system etc.</td>
</tr>
<tr>
<td>Growth and expansion</td>
<td>19 months</td>
<td>Advisory/ managerial/ consultative/ institution building</td>
<td>Strengthen linkages with banks, creation of assets for groups and members, spreading concept building and promotion of new groups, attempts at cluster development and federation of SHG’s.</td>
</tr>
</tbody>
</table>

**SHPI = Self Help Promoting Institutions**  
**Source: NABARD (1994)**
They termed the various stages of group development as prospective membership stage, new member stage, full member stage, marginal member stage and ex-member stage.29 Similarly Worchem et al (1992)30 have also identified six sequential stages of group development, which have been identified on the basis of prevailing 'feelings' in the members. These are discontent stage, participative stage, identifying with the group stage, involvement in the group activities stage, proactive involvement stage and disintegration stage.31

1.9 WORKING PATTERN OF SELF-HELP GROUPS

Groups generate common fund where each member contributes her savings on a regular basis. SHGs Meet periodically, (weekly) collect the money saved by their members and lend to the needy members for production purposes and also for subsistence and consumption needs. Loanees are decided by consensus. Loan amounts are small with low interest rate and for short duration. Loan procedure is very simple and flexible.

\[29\] Ibid.,


SHGs also take loans from banks or voluntary agencies or any other promotional institutions to meet the requirements of the members. The Group itself with help of Non-Government Organisation (NGO) makes assessment of individual credit needs of its members and submits to the bank for sanction of collective loans in its name. The group collectively ensures repayment of bank loans. NGO helps the SHGs in procuring raw materials and also marketing of the procedure.\(^{32}\)

**1.10 BASIC PRINCIPLES OF SHGS**

The basic principles on which the SHGs function are:

1. The SHG is a network of members who fulfill location criteria. They are resident in the area and are homogeneous (Homogeneity can be in terms of caste / occupation / farm size / sex or income level).

2. They have rules / norms regarding their functioning.

3. Savings first, credit thereafter. Personalized services suiting the requirements of the members are ensured.

4. SHGs hold regular meetings to ensure participation of members in the activities of the group.

5. SHGs maintain accounts.

6. Group leaders are elected by members and rotated periodically.

7. Transparency in operations of the group and participatory decision making ensure that the benefits to members are evenly distributed.

8. Market rates of interest on savings and credit are charged.

9. Group liability and peer pressure act as substitutes for traditional collateral for loans.\(^{33}\)

A typical rural women’s SHG performs a number of functions such as: enabling members to become self dependent and self reliant, providing a forum for members of discussing their socio-economic problems, developing decision making capacity and leadership qualities among members; and equipping women with the basic skills required for understanding monetary transactions.

It aim is to assist rural women, to fight poverty through money savings and independent enterprises. Its programmes are focused on empowering women by improving their status socially and economically. Improving the social status and self esteem of rural women include reducing problems such as violence and exploitation, sustainable economic upliftment, and provision of good health and education.

1.11 ADVANTAGES OF SHGs:

Some of the tangible benefits of SHGs are given below

1. Promotion of thrift and savings

   Most participatory credit programmes insist on regular savings—generally a fixed small amount monthly by the members. Such compulsory saving leads towards gradual accumulation of bigger funds. Just the availability of a convenient small saving facility there locally is likely to promote the practice of voluntary savings among the poor.

2. Overcoming asymmetric information problems

   Effective performance of the formal credit agencies is associated with many problems arising out of imperfect information about the target group. The three main such problems are screening, incentive and enforcement identified under the imperfect information paradigm. The small size and familiarity of the members help SHGs to better screen the borrowers with regard to risk involved and repayment capacity. The joint liability of members creates an enforcement mechanism primordially based on peer monitoring and pressure.

3. Improved loan recoveries.
The peer-pressure based on joint liability brings about a remarkable improvement in loan recoveries, leading to improved loan recycling and continued access to borrowing.


The costs for transactions-in allocation, monitoring of use and recovery are all reduced in case of SHGs due to close proximity and familiarity of the members. The procedures are simple with minimum paper work and mainly at the doorstep of the beneficiaries. The cost of frequent going back and forth to the credit institution (which could be considerable with respect to credit amount availed by the poor) is avoided.

5. Better access, to institutional credit.

The SHGs helps rural poor in gaining better access to formal institutional credit by overcoming the problem of collateral. The joint liability of the group helps in the matter, as it ensures better loan repayment by monitoring and peer action.

The other resultant benefits, not directly related to credit, of the SHGs approach are

1. SHGs being people centered organizations can take up various development activities on participatory basis. The development activities
can be in the areas of education, water supply, environmental sanitation, road access, electric power availability and even telecommunication facilities.

2. As most SHGs are for women members, they can help ensure gender equality and women empowerment.

3. SHGs can help implement income generation programmes by collectively addressing entrepreneurial problems such as provisioning of inputs, improving production and marketing facilities and obtaining better terms through their collective bargaining strength.\(^3\)

1.12 FEDERATED SELF-HELP GROUP APPROACH

Under this approach several SHGs are brought together to form a federation. The advantage of this approach is that it helps to overcome the limitation of individual SHGs. Federation may be registered or may not be registered under societies of registration act and usually have 1000-3000 members.

There is usually three tier structure the SHG is the basic unit. Lending and technical services are provided. Technical assistance includes identification of livelihood opportunities, funded and backward linkage etc.

1.13 STRUCTURE OF SELF-HELP GROUP

Some of the important roles of facilitator in the Self-Help Group which are unique are said by Babu are,

1. He is the ‘technician’ who helps the group function well during a meeting
2. He specifies the goal of the meeting
3. Briefs the different stages of the meetings
4. Gives equal chance to all the members, weighs them and examines
5. Maintains order during discussion
6. Grants the right to speak
7. Time to time, summarize what has been said
8. The flow of the meeting does not get jeopardize is the aim of the facilitator, and he sees to this
9. Finally, summarize the meetings.

It is mandatory that a ‘facilitator’ should be an expert.

Basic rules for the facilitators

1. Try to understand, to be understood
2. Respect individuals and their ideas
3. Avoid preconceived ideas about members
4. Ask question and wait for answers
5. Assign tasks clearly, if necessary
6. Listen attentively

The facilitator of a Self-Help Groups should have the following features.

1. One who can be capable of structuring group meetings
2. One who can truly listen and understand others point of view
3. One who is able to put one’s idea “on hold” to give others a chance
4. One who is able to cope with different type of behaviours
5. One who motivates participants
6. One who is able to react instantly in unforeseen situation
7. One who is able to play the role of mediator
8. One who is able to listen to the group
9. One who has a sense of humor
10. He should be able to face any sort of hindrances
11. Proper understanding of the Self-Help Groups psychology

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SHGs have helped micro-enterprises by women individually and as groups. The newspapers frequently reported successful such endeavors in the recent years. The examples are raising vegetables in the land commonly owned, ready-made garment making, developing model farms-integrating agriculture, horticulture and animal husbandry, cultivation of medicinal herbs, mushroom cultivation, pot making, stone quarrying, sheep breeding and marketing wool, preparation of pickles, running canteens in Government office premises, taking on lease coconut groves, making sheet metal products, running a minibus, setting up mechanized dry cleaning centers, running public distribution outlets and so on.

Some important details on Self-Help Groups functioning in the South India and their role in eradication of poverty learned various sources are presented below.

1.14 REVIEW OF LITERATURE

The purpose of the review of literature is to focus attention to have a new insight into the field of inquiry and to eliminate duplication and also to find out the areas where in depth research has not been carried out and gaps or neglected areas in the investigations of similar or related studies.

For this an attempt has been made to highlight and review various research studies and reports of the government as well as the work of the
individual researchers. The studies and the literature surveyed have helped the investigator in getting the overview about the problem under study and also for preparing research design and in the preparation of the tools.

A review of available literature shows that no major study had been undertaken so far on women empowerment through Self-Help Groups in the view of political empowerment. Hence, an attempt has been made in the present study to fill up the gap by a critical analysis of role of Self-Help Groups in the empowerment of women. This is the first attempt to focus attention on the political empowerment of women through Self-Help Groups.

Suresh Babu (2004)\textsuperscript{36} explains self-help is natural free help that people give themselves to overcome their difficulties, to deal with the problems they are confronted with in their lives. It is the action of helping oneself while helping each other, is choosing to share. He also defines Self-Help Group as an association of people who help each other adjust to their problems or to change certain behaviours or habits, so that they can have more satisfying existence.

He further clearly defines the concept of Self-Help Groups as follows

1. They are mostly informal groups
2. Members of the groups pool savings and re lend within the group on rotational or need basis
3. They have collective action
4. Sometimes internal savings generated were supplemented by external resources loaned / donated by the Voluntary Agencies
5. Involvement of Self-Help Groups with banks could help in overcoming the problem of high transaction lists in providing credit to the poor, etc
6. Based on the local conditions and requirements, the Self-Help Groups have their own method of working
7. The amounts loaned are small, frequent and for short duration
8. Most of the Self-Help Groups with the help of Non-Governmental Organisations evolve flexible system of working
9. The loans cover a variety of purposes, some of which are non-traditional and rather unconventional.

A Self – Help Group (SHG) is defined as a voluntary group valuing personal interaction and mutual aid as means of altering or ameliorating
problems perceived as alterable pressing and personal by most of its participants.\textsuperscript{37}

Lalitha Nagarajan (2002)\textsuperscript{38} lays out the following as the characteristics features of Self-Help Groups:

(a) Voluntary membership
(b) Participatory banking
(c) Education and training
(d) Resource and mobilization
(e) Self-management
(f) Anti-bureaucracy
(g) Empowerment building
(h) Linkage building
(i) Process extension and movement building
(j) On-going evaluation and
(k) Sustainability.


\textsuperscript{38} Lalitha,N. and Nagarajan,B.S. \textit{“Self-help Groups in Rural Development”}. New Delhi, Dominant Publishers and Distributors. 2002.
Pravin Raj (2004)\textsuperscript{39} in his paper finds that the formation of self-help groups has made women in rural areas to group and organize themselves to fight for their rights and get equal and fair deal on par with their male counterparts. The formation of groups in rural areas without caste discriminations or political ideology itself is a successful tribute to the concept of self-help groups.

Balasankarn Nair (2004)\textsuperscript{40} says, Self-Help Groups help women in

I. Creating self confidence

II. Increasing social awareness

III. Improving literacy

IV. Increasing awareness of legal rights and accessibility to legal remedies

V. Helps in developing economic condition.

Subbuseshan (2004)\textsuperscript{41}, defines SHG as a voluntary group valuing personnel interaction and mutual aid as means of altering or ameliorating


\textsuperscript{40} Balasankarn Nair ,K. on “Role of self-help groups in empowerment of women”, paper presented in the Seminar on The Role of Self-help groups in Rural Development, Organised by Department of Public Administration, D.D.E., Madurai Kamaraj University.2004.
problems perceived as alterable, processing and personnel by most of its participants.

Mangayarkarasu(2004)\(^{42}\) in his study defines, Self-Help Groups are the self managed groups of women who have come together to promote savings among themselves as well as pool savings for activities benefiting either individuals or communities economically.

Lakshmikantan(2000)\(^{43}\) in his study analyzed the formation of SHGs though SERSOC, Leadership, Group meetings, savings, Lending operations, Access to Normal credit facilities, income Generating programmes, and other benefits. He points out SHGs as small informal associations formed with the objective of enabling members to reap economic benefits out of mutual help, solidarity and group responsibility.


Ajai Nair (2001)\textsuperscript{44} his study explores the merits of federating and finds that SHG federations create economics of scale, reduce promotional and transaction cost, enable provision of value added services and increase empowerment of the poor.

Joy Deshmukh- Ranadive (2003)\textsuperscript{45} has brought out the linkage between self-help groups and Panchayati Raj Institutions. He says the two interventions in India that have contributed towards generating processes of empowerment of women are 73\textsuperscript{rd} and 74\textsuperscript{th} amendments which made one-third reservation of seats of women and the formation of Self - Help Groups of women around micro finance.

Murugan & Dharmalingam (2001)\textsuperscript{46} in their study concludes as the collective action with the ideology of empowerment, SHGs are emerging as a movement in Tamil Nadu. As a consequence of the movement, the rural women develop savings capacity; get involved in income generating


activities, and non-credit services such as literacy, health and environmental issues.

Putman (2000)\textsuperscript{47} in his study found that Self-Help Groups have facilitated the formation of social capital, where people learn to work together for a common purpose in a group or organization.

Lawson & Anderson (1996)\textsuperscript{48} defines Self Help in essence is forging 'collaborative' ties between individuals who need each other's co-operation in solving their day-to-day crisis, he again defines collaboration "as a process of pooling resources, linking and allying with one another to develop innovative, new responses for tackling social problems including poverty.

Kurtz\textsuperscript{49} has defined SHG as a supportive, educational, usually change oriented mutual aid group that addresses a single life problem or condition shared by all members.

Gupta\textsuperscript{50} has described SHG's as the voluntary response in the form of informal groups, of poor, to their marginalization - social, economic and


political. Similarly Singh\textsuperscript{51} has defined SHG's as voluntary associations of people formed to collectively perform certain activities of their common interest.

Nanda\textsuperscript{52} has defined SHG's as informal groups of people who have a common perception of need and impulse towards collective action.

Thomas and Pierson (1995)\textsuperscript{53} have defined empowerment as follows. Empowerment literally means ‘becoming powerful’. But in social work it cannotes both theory and method. It is a theory ‘concerned with how people may gain collective control over their lives, so as to achieve their interest as a group and a method by which social workers seek to enhance the power of people who lack it.


Karl (1995) defines Empowerment as a process where by women become able to organize themselves to increase self reliance and to assert their independent right to make choices and control resources, both of which will assist in challenging and eliminating their subordination. It is a participatory process of awareness and capacity building that begins at the levels of home and community, adding to greater participation and decision making power and control, and to transformative action enabling individuals or groups to change balances of power in social, economic and political relations in society.

Cheston, Susy & Kuhn, Lisa (2002) says empowerment as change, choice and power. It is a process of change by which individual or groups with little or no power, gain the power and ability to make the choice that affect their lives. Having material, human and social resource is necessary but not sufficient condition to lead to empowerment.

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According to Kabeer(2001)\textsuperscript{56} empowerment is defined as the processes by which women take control and ownership of their lives through expansion of their choices. Thus, it is the process of acquiring the ability to make strategic life choices in a context where this ability has previously been denied. The core elements of empowerment have been defined as agency (the ability to define one’s goals and act upon them, awareness of gendered power structures, self-esteem and self-confidence.

Empowerment can take place at a hierarchy of different levels—individual, household, community and societal and is facilitated by providing encouraging factors (e.g., exposure to new activities, which can build capacities) and removing inhibiting factors (e.g., lack of resources and skills)\textsuperscript{57}.

Friedmann’s(1922)\textsuperscript{58} view that empowerment cannot be conferred by external agents, however, he suggests that such agents can play a role in providing ‘support in ways that encourage the disempowered to free themselves of traditional dependency’.

\textsuperscript{56} Kabeer, N. "Resources, agency, achievements: reflections on the measurement of women’s empowerment", in discussing Women’s Empowerment-Theory and Practice, SIDA Studies No.3. 2001.

\textsuperscript{57} Ibid.,

Several researchers have identified self-confidence and self-esteem as essential ‘first step’ to empowerment.\(^59\) Feelings of greater individual control are other important aspects of psychological empowerment.\(^60\)

Decision-making within the family has been the focus of many studies.\(^61\)

Indira Awasty (1982)\(^62\) concluded that both husband wife have an equal say with regard to taking up jobs and education of family members, but that women are entirely guided by their husbands in voting.

Charyulu and Reddy (1987)\(^63\), analyzing women’s opinions and decisions making, social participation and other basic needs found that there is an increasing awareness of the need for the better education, health and


hygine, and of the exploitative and oppressive nature of the social and economic system. Women preferred to depend on men in several aspects of home and social life, but also have a strong desire to participate in public activities and gain equal status.

Sakuntala Narasimhan (1999)\(^{64}\), emphasize the need for the psychological empowerment of women, concluded that awareness creation,..... action sharing and motivation backed by economic assistance and inputs bring about multidimensional transformation which economic assistance alone cannot bring.

Vijayanthi (2002)\(^{65}\) explains Self-empowerment as the person who feels and is empowered is more likely to have the motivation and capacity to empower other people and to be empowered by them. It involves the development of areas of expertise, with the purpose of self-realisation and personal fulfillment. Almost every approach to self-help, self-instruction, self-development and self-education has an empowering dimension.


Chen and Mahmud (1995) present a framework of women’s empowerment as a process of positive change in women’s lives that improves women’s fallback position and bargaining power within a patriarchal structure, and which evolves in response to events and experiences over the life cycle.

The UNDP (2001) found two vital processes have been identified as important for empowerment. The first is social mobilization and collective agency, as poor women often lack the basic capabilities and self-confidence to counter and challenge existing disparities and barriers against them. Often, change agents are needed to catalyze social mobilization consciously. Second, the process of social mobilization needs to be accompanied and complemented by economic security. As long as the disadvantaged suffer from economic deprivation and livelihood insecurity, they will not be in a position to mobilize.

Thelma Kay (2002) found in many developing countries (especially in South Asia), one strategy which has been found to be promising is

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68 Thelma Kay, Empowering women through self-help micro-credit programmes, Gender and development section, Emerging Social Issues Division, ESCAP, 2002.
participatory institution building in the self-help groups, often coupled with savings and micro credit loans.

G.Sen(1993)\textsuperscript{69} defines empowerment as “altering relations of power… which constrain women’s options and autonomy and adversely affect health and well-being”. Batliwala’s (1994)\textsuperscript{70} definition is in terms of “how much influence people have over external actions that matter to their welfare”.

Keller and Mbwewe(1991)\textsuperscript{71}, as cited in Rowlands (1995)\textsuperscript{72} describes it as “a process whereby women become able to organize themselves to increase their own self-reliance, to assert their independent right to make choices and to control resources which will assist in challenging and eliminating their own subordination”.


Jejeebhoy (2000)\(^{73}\) considers autonomy and empowerment as more or less equal terms, and defines both in terms of women “gaining control of their own lives vis-à-vis family, community, society, markets”. (Malhotra and Mather 1997; Govindasamy and Malhotra 1996; Kabeer 1998)\(^{74}\).

Kishor (2000a)\(^{75}\) describes education and employment, as “enabling factors” or “sources of empowerment”. Stromquist(1995)\(^{76}\) writes that empowerment includes cognitive and psychological elements:


It involves “women understanding of their conditions of subordination and the causes of such conditions at both micro and macro levels of society… it involves understanding the self and the need to make choices that may go against cultural and social expectations”.

1.15 OBJECTIVES

1. To focus the activities of Self-Help Groups.
2. To study the impact of Self-Help Groups on women in the society.
3. To analyse the political empowerment of Self-Help Groups women.
4. To suggest measures for the improvement of Self-Help Groups for the empowerment of women.

1.16 METHODOLOGY

The researcher has used empirical and analytical method to study the role of Self - Help Groups in the empowerment of women in Madurai District. The researcher has chosen three rural blocks randomly viz Madurai West, Madurai East and Thirupparankundram and one urban area viz Madurai Corporation.

The investigator has selected to study the Self-Help Groups promoted by the Government of Tamil Nadu in Madurai District. Most of the women welfare programmes promoted by the state government are implemented through the Non-Governmental Organisations. Accordingly in Madurai
district 13 Non-Governmental Organisations are promoting Self-Help Groups under Mahalir Thittam which are shown in Table 1.16.1. The table 1.16.2 shows all the details of number of SHGs and the total women covered under the different NGOs operating in all the 13 blocks of Madurai District.

The Non-Governmental Organisations, which consists of more number of Self-Help Groups and more women covered, were selected. The following NGOs were selected

i) MMSSS (Madurai Multipurpose Social Service Society) in Madurai West Block,

ii) PACE Trust in Madurai East Block,

iii) Shepard in Thirupparankundram Block and

iv) MNEC (Madurai Non-Formal Education Centre) in Madurai Corporation. Under Tamil Nadu Women development Corporation, Mahalir Thittam in Madurai District is promoting Women Self-Help Groups through selected Non-governmental organisations. The table 1.16.3 shows the total number Self - Help Groups and the total number of women covered by the selected non-governmental organisations in the chosen blocks.

In this study, proportion (150:50) to the universe, sample of three rural blocks and one urban area, 200 Self - Help Groups were taken as the sample for the study. In every selected block, in one non-governmental
organisation, 50 groups were taken for the study. The number of Self - Help Groups taken for the study in each block is further divided upon the age of the Self - Help Group. Thus the investigator has classified the age of the Self - Help Group as 1-12 months or one year, 13-24 months or two years, 25-36 months or three years and above 36 months or more than three years. Within the classified age of the Self - Help Group, the samples are randomly chosen. Thus the investigator has followed stratified random sampling method for her study. From the total sample of Self -Help Groups chosen for the study, datas were collected from 30% of them in form of questionnaire. Primary Datas were collected through Questionnaire (The questionnaire is enclosed in the annexure-1) which were prepared in the vernacular language, were distributed and the responses were collected. For the illiterate respondents, well trained and known volunteers of the non – governmental organisations were used as a mediator and thus answers were collected. Informal interviews and the observations were also recorded. The collected answers were numerically coded, and feeded in Microsoft Excel worksheet. With the help of SPSS package system, statistical results were drawn for the analysis and thus the results were interpreted.
1.17 SOURCES OF DATA

To study The role of self-help groups in the empowerment of women in Madurai district, datas are collected form the DRDA office of Madurai district, Statistical office, Mahalir Thittam Office, Government of TamilNadu, manuals of the TamilNadu Women Development Corporation, manuals of the rural development programs, manual of Mahalir Thittam, women development official research reports, world bank reports, journal on Self-Help Groups run by Tamil Nadu Women Development Corporation namely Muttram, the official records maintained by the non-governmental organisations and interviews from Self-Help Group members, interviews from the nongovernmental organisations and the government officials from the primary source of the study. Books, News paper articles, Journals and unpublished thesis relating to Self - Help Groups and women empowerment, articles published in web sites form the secondary source for this study. RBI Reports, NABARD Reports, Proceedings of regional conferences as well as International symposia, seminars, workshops and conferences, research work of the various individual in regard to Self - Help Groups and women empowerment, government records and reports, unpublished records of all the above journal articles, reports, research work and proceedings were
helpful as primary and secondary sources to the researcher to construct tools for the study.

1.18 CHAPTERISATION

- Chapter I deals with the importance of SHGs, Emergence of SHGs, Emergence of SHGs in India, Comparison of Grameen system and SHG system, Different SHG models, review of literature, objectives, methodology and sources of the study.

- Chapter II presents the profile of Madurai District.

- Chapter III focuses on the empowerment of women and the organisation and working of TamilNadu women Development Corporation, schemes implemented under it.

- Chapter IV presents the analysis and interpretation of collected datas.

- Chapter V concludes by highlighting the summary of findings suggestions and recommendations for the future study.