CHAPTER I
MICROFINANCE AND SHGs: AN OVERVIEW OF ISSUES

1.1 Introduction

Microfinance is considered as one of the important tools of eradicating poverty through raising the income levels and empowerment of poor people. The need for microfinance has emerged due to the failure of formal banking system, since the bank requires collateral securities and poor people cannot access to such facilities. Most people manage to mobilize their resources to develop their livelihood over time. Financial services could enable the needy to leverage their initiative, accelerating the process of revenue generating assets and economic security.

Microfinance programme has been well-recognized world over as an effective tool for poverty alleviation and improving socio-economic conditions of rural poor. In India too, microfinance programmes are making a strong headway in its efforts to reduce poverty and empower the rural poor. Moreover, these programmes have come to be regarded as a supplementary development paradigm, which widens the financial service delivery system by linking the large rural population with formal financial institutions through SHGs (Self Help Groups).

1.2. Meaning of SHGs

Development interventions are of many types and are implemented through many different institutions and agencies. This thesis is about a special institutional intervention that has touched the lives of hundreds of millions of people in India
and created an unmatched resource built upon the social mobilization and empowerment of women. Self-help groups (SHGs) have become a familiar presence in the countryside and have also been successfully promoted in urban areas. Indeed, with the massive social capital embodied in them, SHGs can be considered to have emerged as a significant part of the development infrastructure. SHGs generally have been promoted as an effective channel and means for the delivery of microfinance, which is considered to be an effective strategy of poverty reduction.

It is now well-recognized that SHGs are an effective strategy for poverty alleviation; human development and social empowerment, and are recognized by financial institutions and the governments, as powerful vehicles for empowerment of women through participation and employment generation (Puhazhendi and Jayaraman 1999). Empowerment of women can help improve women’s position in society. Many studies have shown that majority of people who participate in voluntary community work are women and their awareness, attitude, skill, capacity and sensitivity to environment makes them responsible to take action to resolve environmental problems.

The term ‘self-help group’ (SHG) can be used to describe a wide range of financial and non-financial associations. A large number of informal and formal groups of various types, largely unregistered, are to be found in villages and cities throughout the world. These groups are engaged in financial, nonfinancial, social, cultural and economic activities. Of particular interest has been the role of such
informal groups in the effective provision of enhanced financial services to their members by relying on social rather than physical collateral.

SHG is a small group of 10 to 20 poor women who come together on voluntary basis to accumulate savings through thrift and self-management, in order to prove their credit worthiness to financial institutions. The concept builds on mutual trust and help, shared ownership, peer pressure, emphasizing group solidarity and togetherness (Shashikala, 2007).

Harper et al. (1998) had described Indian SHGs as on-lending groups “which collect their own equity capital, and savings deposits, from their owners, who are also the members and the customers, they lend out their money to the members, at interest rates which they decide, and they accumulate profits which they choose either to distribute to the owners, or to add to the fund at their joint disposal”.

Thus, an SHG is a group of about 10 to 20 people from a homogeneous class, who come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation, including prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline in all of them. They also learn to handle resources of a size that is much beyond their individual capacities. The SHG members begin to appreciate that resources are limited and have a cost. Once the groups show this mature
financial behaviour, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. Banks find it easier to lend money to the groups as the members have developed a credit history. The groups continue to decide the terms of loans to their own members. Since the groups’ own accumulated savings are part of the aggregate loans made by the group to its members, peer pressure ensures timely repayment and replaces the ‘collateral’ for the bank loans. A part from financial help in the time of need the group provides social security to its members (Kropp and Suran, 2002; and NABARD, 2006).

The principal features of existing SHGs can be stated as follows:

• An SHG is generally an informal homogeneous group formed through a process of self-selection based on the affinity of its members.

• It is owned by its members and operated on principles of self-help, solidarity and mutual interest.

• Most SHGs are women’s groups with membership ranging between 10 and 20.

• SHGs have well-defined rules and by-laws, hold regular meetings and maintain thrift and credit discipline in the financial intermediation of own and borrowed funds.

• SHGs are self-managed and characterized by participatory and collective decision-making and pooling of their savings and other resources.

• The group has a code of conduct to bind all the members.
• All the members are required to be regular in savings, repayment of loans and attending meetings.

• The groups generate a common fund where each member contributes an equal amount of savings on a regular basis.

• The group decides the amount to be saved, its periodicity and the purpose for which loan is given to the members.

• All transactions must happen only during the group meeting.

• Loanees are decided by consensus.

• Loan procedures are simple and flexible.

• The group decides the rate of interest to be paid/charged on the savings/credit to members and the repayment period.

• The group functions in a democratic way allowing free exchange of views and participation by members.

• The group maintains basic records and books of accounts.

• The group opens a savings account with the bank in the name of the SHG to be jointly operated by two or three designated leaders of the SHG.

1.3. The Beginning of SHGs and Microfinance

The pioneering efforts in organizing major micro-finance as a potent tool of development is attributed to the experiment initiated in Bangladesh by Mohammed Yunus in 1974-76 when he began lending to groups of poor people in areas neighboring Chittagon. The country was in the grip of a severe famine putting the people into considerable hardship. Realizing that the only way out of poverty is enabling the poor to develop gainful economic activities, he thought of organizing
them into small informal groups based on solidarity and mutual trust. To begin with, the financial resources needed for the activities of the group were contributed by the members themselves. However, for additional requirements, the formal financial institutions turned deaf ears, which prompted Yunus to establish the ‘Grameen Bank’ in 1976, which achieved the status of an independent bank in 1983. By 1994, this poor people’s bank was directly serving two million people. The owners of the bank were women (94%) organized into solidarity-based groups of five. Contrary to expectations, these groups were prompt in paying back their loan installments. The success encouraged the Grameen Bank to expand its group lending programme further and also to diversify into other activities like construction of schools and rural dwellings. The efforts of the Grameen Bank have generated a huge multiplier effect in the country with regard to women’s organizational abilities and their overall empowerment. It has enabled them to build assets, increase family income, and reduce their vulnerability to economic stress, violence, and exploitation. The success of SHGs programme has also led to considerable improvement in the health and nutritional status of women and children. In order to update women’s knowledge on issues like dowry, family planning, primary healthcare, nutritional status, clean drinking water, sanitation and children’s education, the Grameen Bank organizes regular workshops in the interior areas of the country. These workshops have been helpful in altering the attitudes and behaviour of rural women.
Apart from Bangladesh, Bolivia, Indonesia and Mexico are some of the other developing countries which have a mature MFI sector. In all these countries, micro-finance is used as a synonym for providing financial services to the poor. The goal is to help the poor gain more control over their lives by giving them the same financial services which middle and upper class individuals enjoy.

1.3.1. Beginning and Development in India

Despite measures to extend credit facilities to all sections in all regions, complete access to credit facilities has remained a mirage. For instance, the Rangarajan Committee that reported in 2007, lamented that there were 256 districts in the country (out of a total 617) spread across 17 States and one Union Territory which suffer from acute credit exclusion with a credit gap of over 95%, in as late as 2007. According to the Committee four major reasons hindered expected levels of financial inclusion, they are: i) inability to provide collateral security; ii) poor credit absorption capacity; iii) inadequate reach of the institutions, and, iv) weak community network.

Obviously, the need for the existence of sound community networks in villages is increasingly recognized as one of the most important elements of expansion to credit access in the rural areas by the development experts. Participatory community organizations (Self-Help/Joint Liability Groups) can be extremely effective in reaching credit to the poor and can thus, play a critical role in poverty alleviation. This is the justification for starting and promotion of SHGs.
The origin of SHG like organizations can be traced back to 1954 when the Textile Labour Association (TLA) of Ahmedabad (Gujarat) formed its women’s wing to organize the women belonging to households of mill workers and train them in primary skills like sewing, knitting embroidery, typesetting and stenography etc. However, a formal structure was given to it by Ela Bhatt in 1972, when she formed Self Employed Women’s Association (SEWA) as a Trade Union. Under the banner of SEWA, women workers such as hawkers, vendors, home based operators like weavers, potters, papad, agarbatti makers, manual labourers, service providers and small producers like cattle rearers, salt workers, gum collectors, cooks and vendors were organized with the primary objective of (a) increasing their income and assets; (b) enhancing their food and nutritional standards; and (c) increasing their organizational and leadership strength. The overall intention was to organize women to participate in gainful employment and/or create opportunities for themselves. Later on, these primary associations were networked into federations like the Gujarat State Mahila SEWA Cooperative Federation, Banaskantha DWCRA, Mahila SEWA Association etc. This helped in broadening their access to market and technical inputs. Currently, SEWA has membership strength of more than 10 lakhs, which is predominantly urban. In 1980s, in Karnataka the MYRADA – an NGO – pioneered the formation of several local groups. The main purpose of these groups was to enable members to secure credit collectively and use it along with their own savings for activities which could provide them economically gainful employment.
Following the experiments conducted in different parts of the country, Tamil Nadu and Kerala too major experiments in small group formation at the local level were initiated in Tamil Nadu and Kerala during the 1980s. The Tamil Nadu Women in Agriculture Programme (TANWA) 1986, Participatory Poverty Reduction Programme of Kerala (Kudumbashree) 1995 and Tamil Nadu Women’s Development Project (TNWDP) 1989 were such initiatives which gave a firm footing to SHG movement in these States. The beneficial results from these experiments resulted in a strong consensus that the twin concepts of (a) small group organization and (b) self-management are potent tools for economic and social empowerment of the rural poor. Accordingly, efforts have been made almost in all parts of the country to adopt this model is a necessary component of the poverty alleviation programmes.

SHG movement received a strong fillip with NABARD entering the arena. The belief that forming small groups and linking them to bank branches for credit delivery would help the SHG movement as well as the people has been the most important feature of NABARD intervention in India. In 1989, NABARD initiated the SHG-Bank linkage programme on a pilot basis by sanctioning Rs.10.0 lakhs to MYRADA as seed money assistance for forming credit management groups. The Ministry of Rural Development also replicated NABARD’s example by providing financial support to PRADAN (Professional Assistance for Development Action) to establish Self-Help Groups in the villages of Rajasthan in 1989 itself. These initiatives were resounding successful ones and this prompted NABARD to extend the SHG Bank Linkage Programme (SBLP) to larger areas seeking active
involvement of SHGs, Banks and NGOs in 1992. The RBI also entered the fray in 1995 through notifying a set of guidelines to Commercial Banks.

NABARD’s corporate mission was to make available microfinance services to 20 million poor households, or one-third of the poor in the country, by the end of 2008. In the initial years, the progress of the programme was slow; only 32995 groups could be credit linked during the period 1992-99. But, thereafter, the programme grew rapidly and the number of SHGs financed increased from 81780 in 1999-2000 to more than 6.20 lakhs in 2005-06 and 6.87 lakhs in 2006-07. Cumulatively, 32.98 million poor households in the country have been able to secure access to micro-finance from the formal banking system. This speaks of the success of the programme and also the potentiality that needs to be tapped.

There are four other major organizations in the public sector which are also providing loans to financial intermediaries for onward lending to SHGs, apart from NABARD. They are (a) Small Industries Development Bank of India (SIDBI), (b) Rashtriya Mahila Kosh (RMK), and (c) Housing and Urban Development Corporation (HUDCO). Then, there are public sector/other commercial banks which are free to take up any lending as per their policy and RBI guidelines.

Thus, SHG model has emerged as the dominant vehicle for Micro Finance in India. Although initially NGOs pioneered the SHG promotion processes, presently, the Government is the largest promoter of the SHG movement. Various government subsidy programs linked to SHG and governments have been giving varied types of financial and technical assistance to SHGs (Tankha, 2012).
1.3.2. Private Initiative in SHG Development

Although the government has played a dominant role in promoting SHG movement in India, many NGOs have also the movement and engaged the forming of SHGs for mobilizing savings and deployment of credit indifferent parts of India. SEWA in Ahmedabad, MYRADA in Karnataka, Nav Bharat Jagriti Kendra and Ramakrishna Mission in Jharkhand, and ADITHI in Bihar are some of the organizations that took the lead in promoting Self-Help Groups (mostly of women) around income generation activities using local skills. From organizing villagers into groups which could work on viable activities, to making a project and securing funds (own contribution or through a tie-up with the financial institution), these VOs have worked with involvement and dedication. PRADAN (Professional Assistance for Development Action), DHAN Foundation, ASSEFA (Association of Sarva Seva Farms, MALAR (Mahalir Association for Literacy, Awareness and Rights), SKS (Swayam Krushi Sangham), Janodaya, Cohesion Foundation and Jan Chetna Sansthan are some of the other major non-governmental institutions which are promoting and nurturing a large number of SHGs of poor people, mostly women into effective organizations which could leverage credit from formal sources, and develop local resources and skills to increase productivity and income. Therefore, with the combined and concerted efforts of both the government and NGOs, the SHGs have emerged as crucial institutions shaping the socio-economic prospects of the poor, especially women.
1.4. Structure of SHGs

The structure of the SHG is characterized by:

- It is meant to provide mutual support to the participants in saving money;
- It aims at preparing a common plan for additional income generation and opening bank accounts that would help them in developing credit relationship with a lending institution;
- It ultimately supports them in setting up micro-enterprises e.g. personalised business ventures like tailoring, grocery, and tool repair shops;
- It promotes the concept of group accountability ensuring that the loans are paid back;
- It provides a platform to the community where the members can discuss and resolve important issues of mutual concern;
- While some of the SHGs have been initiated by the local communities themselves, many of them have come through the help of a mentor Body (either government or an NGO) which provided initial information and guidance to them. Such support often consists of training people on how to manage Bank accounts, how to assess small business potential of the local markets and how to upgrade their skills. In the end, it creates a local team of resource persons;
- Group formation becomes a convenient vehicle for credit delivery in rural areas. Commercial Banks and other institutions which are otherwise not receptive to the demands of marginalized individuals, start considering such groups as their potential customers;
• Such Joint-Liability Groups expand the outreach of the micro-finance programme in an effective way, reaching out to the excluded segments e.g. landless, sharecroppers, small and marginal farmers, women, SCs/STs etc; and

• The majority of Self-Help Groups comprise of women members.

1.5. Benefits of SHGs

As expected of them, SHGs have conferred myriad benefits to the members, organizers, banking institutions, and to the society as a whole. The evidence shows that:

• Self-Help Groups has a multiplier effect on improving women’s status in society as well as in the family.

• Active involvement of women in micro-finance and related entrepreneurial activities not only leads to improvement in their socio-economic condition but also enhances their self-esteem.

• Women in a group environment become more articulate in voicing their concerns and a change occurs in their self-perception. They start to see themselves not only as beneficiaries but also as clients / informed citizens seeking better services.

• On the home front, their new found awareness and the confidence generated out of their entrepreneurial skills make them more confident vis-à-vis their men folk.

• The SHG programme has contributed to a reduced dependency on informal money lenders and other non-institutional sources.
- It has enabled the participating households to spend more on education than non-client households. Families participating in the programme have reported better school attendance and lower drop-out rates.
- The financial inclusion attained through SHGs has led to reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health – especially among women and children.

1.6. Empowerment of women through SHGs

SHGs and their impact is one area which has attracted the attention of academia and development partners and practitioners in a very extensive manner. Hence, a large number of evaluative studies using different samples and methodologies are available for SHGs across the length and breadth of the country and elsewhere in the world. SHGs, microfinance and women empowerment is a very popular research theme in many universities and financial institutions. The findings of few large scale studies are presented here below.

Empowerment of women is the basic goal of formation of SHG. 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. 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 insecurity of livelihood, they will not be in a position to
mobilize (UNDP 2001). It is assumed that increasing women’s knowledge and access to micro-finance services will lead to individual economic empowerment through enabling women’s decisions about savings and credit use, enabling women to set up micro-enterprises, and increasing incomes under their control. This in turn is assumed to enable women to initiate broader social and political changes.

A survey of 46 SHGs of the rural poor spread over 11 states and associated with 20 promoting institutions, including MYRADA was conducted in 1987 and the findings were published in March 1989 (NABARD, 1989). The SHGs covered in the case studies represent a variety of groups like savings and credit groups, joint farming groups, irrigation groups, a nonfarm activity groups. All SHGs had more than 20 members and some 45–50 members. Various interesting practices of self-management of savings and credit by the groups were observed. All these groups saved, governed and managed their funds themselves, quite often with the help of an NGO. The major findings of the NABARD study were:

- Freedom from exploitation, economic improvement and raising resources for development were stated to be the major impulses for starting in respect of almost all the sample SHGs.
- While the members of majority of these groups were from vulnerable sections of society, homogeneity in terms of caste and economic activity played a significant role in organizing the poor into SHGs.
- Most groups evolved their own systems for governing and managing their common resources in a democratic way.
• The SHGs also evolved many instruments to promote thrift among their members like having an emergency fund based on membership fees or surplus funds from their economic activities.
• Trust in the borrowing members was the sole basis for lending with very little or no any paperwork or security. The recovery of these loans was excellent.
• Women’s groups were successful in both savings mobilization and credit management, and in promoting income-generating activities.

Another impact evaluation study covering 560 members of 223 SHGs linked to Banks located in 11 States was carried out by NABARD. A three year period was selected for this study. The results of this survey released in 2000 (Puhazendi and Satyasai 2000) indicated:

• 58% of the households covered under sample SHGs reported an increase in assets;
• The average value of assets per household increased by 72% from Rs.6,843 to Rs.11,793;
• Majority of the members developed savings habit against 23% earlier;
• While per household savings increased by three times, per household borrowings increased by two-times;
• The share of consumption loan in the borrowing went down from 50% to 25%;
• 70% of the loans taken in post-SHG period were income generation activities and were utilized so;
• Employment increased by 18%;
• The average net income per household increased by 33% - from Rs.20,177 before joining a SHG to Rs. 26,889 after becoming members of SHGs.
• The proportion of households below poverty line which was about 41.5% in the pre-SHG period came down to 22% in the period after SHG membership.
• In qualitative sense, participation in group activity significantly contributed to improvement of self-confidence among the members and women became more vocal and assertive on social and family issues.

NCAER (2008) also conducted a study of SHGs with a focus on the bank linkage programme (SBLP) covering six states, viz., Andhra Pradesh, Karnataka, Maharashtra, Odisha, Uttar Pradesh and Assam with the reference year being January to December 2006. A ‘before and after’ approach was adopted. The study covered 961 SHGs and 4,791 SHG members. The overall findings of the study suggested that the SHGs and SBLP had significantly improved access to financial services of the rural poor and had considerable positive impact on the socio-economic conditions and reduction in poverty of SHG members and their households. The intervention empowered women members substantially and contributed to increased self-confidence and positive behavioural changes in the post-SHG period as compared to the pre-SHG period. There was a significant and positive change in household income; livestock activity; consumption expenditure on food and non-food items; expenditure per household on education and health;
physical and financial savings; value of consumer durable assets; increased borrowings and credit absorption capacity of the members; ownership of productive assets; reduction in the share of households living below the poverty line; social empowerment of women in terms of improvement in their self-confidence levels; ability to face health problems; tide over financial crises; control over money with respect to buying of consumer durable assets; and greater participation in the public sphere.

Another study was conducted by EDA Rural Systems (2006) through a primary survey of 214 SHGs in 108 villages in 9 districts of four states of Andhra Pradesh, Karnataka, Odisha, and Rajasthan. The findings reveal that while the membership was heterogeneous in terms of economic and social categories and many of the members who contributed to women’s election to PRIs had prior political activities before joining SHGs. Higher incidence of actions of social justice by women in Andhra Pradesh (25% of sample SHGs) reflected the actions of government and NGOs in that state. The incidence was lower in the other states. In one-third of SHGs which undertook community actions, less than fifty per cent were viable. Access to loans and their distribution among members was more equitable among the members. More significantly, the study noted that 18% of the sample SHGs gave loans to non-members which is against the philosophy of SHG movement.

Nirantar (2007) also examined the impact on women members joining SHGs mainly through processes like capacity building, literacy and its relationship
with power. The survey included 2,750 SHGs from 16 states of which 1,650 SHGs were formed under government programmes and 1,100 SHGs were formed under NGOs. Key findings of the study were as follows:

a. Literacy training to SHG members was not a prominent activity.

b. Similarly, very few members received inputs on capacity building, income generation and livelihoods.

c. A little more than one-third of groups had taken up any social issue and hardly 11% of groups formed under government programmes had taken up issues such as domestic violence.

d. 58% of the groups had not received any loans even though more than 90% of the groups were depositing their savings; and most of the larger loans were given to the leaders.

As regards other notable aspects of the working of SHGs, few of the NGO reports reveal that loan repayment record women was better than that of men, and women have used their income earned more often on their families, leading to improved health and nutrition of their members and consequently improving the quality of life. As a result, the monopoly of males as heads of households also broke with the realization that women’s contribution to household calculable income (Shashikala, 2007; Simanowitz and Walker, 2002).

Malhotra et al. (2002) and Pitt et al. (2006) find that credit programs lead to women taking a greater role in household decision making, having greater access to financial and economic resources, having greater social networks, more
bargaining power vis-à-vis their husbands and having greater freedom of mobility. Hashemi et al. (1996) noticed a positive change in women empowerment in terms of mobility, economic security, ability to make small purchases, large purchases, involvement in major household decisions, and relative freedom from domination by the family, political and legal awareness, participation in public protests and political campaigns.

Kabeer (2001) and Monkman (1998) define the core elements of empowerment as agency (the ability to define one’s goals and act upon them), awareness of gendered power structures, self-esteem and self-confidence. Campbell and Jovchelovitch (2000) state that this awareness occurs through the social cohesion and the exposure of women as members of the SHGs. Thus, an important aspect of SHGs is the implicit assumption that through participation in the groups, women will gain, generate and acquire power, and improve their ‘position’ within the family and the society (Mazumdar 1986). Social ‘position’ or status of women is an aspect of positional power that refers to the power or authority assigned to specific positions and roles in a society (Stamm and Ryff 1984).

Mayoux (2001) says that within the guise of poverty alleviation and empowerment, the financial sustainability paradigm assumes importance for the banking sector as well. Hannover (2005) has attempted to explain the impact of SHGs on attainment of MDGs. MDG 1 (Eradicate extreme poverty and hunger) can be attained through (a) diversification of financial products for SHGs; (b) increase
in financial, productive and physical capital; (c) decreased dependence on moneylenders; (d) increase in income and diversification of income sources; (e) reduction in incidence of poverty; (f) improvement in nutrition; (g) increased take-up by women of causes of poverty, e.g., dowry system, alcohol abuse and others and (h) increase in number of self-organized micro forums of SHGs. MDG 2 (Achieve universal primary education) can be attained through: (a) change in enrolment rates of boys and girls in primary and secondary schools and (b) change in proportion of pupils reaching Grade 5 in primary education. MDG 3 (Promote gender equality and empower women) can be attained through (a) increase in ratio of girls to boys in primary and secondary schools; (b) increased ability to influence decision-making in their households by female SHG members; (c) increased ability to participate in public issues on village level by female SHG members and (d) increase in the number of politically active women in the village. And MDGs 4–6 (Reduce child mortality, improve maternal health and combat HIV/AIDS, malaria and other diseases) can be attained through (a) increased use of curative health measures by SHG households; (b) increased use of preventive health measures, e.g., hygiene and immunization by SHG households and (c) increased demand for financial services (e.g., health insurance by members of SHGs)

1.7. Weaknesses

But the SHG movement has certain weaknesses as well:

• Not all members of a group do not come necessarily from the poorest families which is contrary to the vision for SHG development and the coverage of BPL families is not adequate;
• Although the SHG model has resulted in considerable social empowerment of the poor, still it is a matter of debate whether the economic gains are adequate to bring a qualitative change in their life;

• Many of the activities undertaken by the SHGs are still based on primitive skills related mostly to primary sector enterprises. With poor value addition per worker and prevalence of subsistence level wages, such activities often do not lead to any substantial increase in the income of group members; and

• There is lack of qualified resource personnel in the rural areas who could help in skill upgradation / acquisition of new skills by group members.

• There is considerable regional concentration of SHGs in India with East and north eastern states still to catch up with the southern states; so also urban and semi-urban areas; and

• Many of the SHGs are not found to be self-sustaining after the hand-holding period of the mentor is over

Notwithstanding the shortcomings of the study methodologies and the limited scope of some of the studies these reviews and evaluations of SHG based microfinance programmes suggest that participation in SHGs has had the following positive impacts:

• Helped promote the savings habit and increased the savings of SHG members.

• Improved their access to credit from mainstream financing agencies.

• Reduced the dependence on moneylenders through availability of credit at lower rates.
• Increased the use of loans for income generating activities.

• Yielded moderate economic benefits in the form of higher household incomes and food security and in asset holdings.

• Contributed to increased household employment and poverty reduction.

• Resulted in empowerment benefits to women, who through the experience of self-management of the SHG acquired self-confidence and voice in the household and in the community.

• Studies and anecdotal evidence, field impressions and communications and reports from organizations also suggest contrary to the vision of SHG development, SHG membership is quite broad-based and members do not generally constitute the poorest.

• There is greater evidence of social empowerment rather than significant and consistent economic impact, except in the case of families involved in small business.

1.8. The Present Study

In the post nationalization period in India for the development of the rural areas thrust was always there on the banks to increase credit in rural areas for the socioeconomic development of the rural poor. Since independence no significant impact has been made on the grim poverty situation prevailing in rural India despite the presence of a vast network of commercial, cooperative and rural banks and other financial institutions present in the rural areas. The failure of these institutions gives rise to the role of the governmental and other institutional players
to provide favorable environment to the poor to develop their own organizations.

The decade of 1990’s witnessed growth of various people’s organizations.

Most importantly the failure of the state led and formal financial system in reaching to the rural poor give rise to the emergence of microfinance movement in the country. Linked with micro-finance, the SHG approach and movement has now been accepted as an effective intervention strategy for poverty alleviation. India has nearly 400 million people, living below or just above an austerely defined poverty line. About 75 million households therefore need micro-finance. Of these, nearly 60 million households are in rural India and remaining 15 million are urban slum-dwellers. The current annual credit usage by these households was estimated in 1998 to be Rs. 465,000 million or US $10 billion. It is estimated that the number of small loans accounts from banks covered some 40 million households in 2000. The remaining 35 million households are perhaps meeting their credit needs from the informal sector (Fisher and Sriram, 2008).

In such a scenario microfinance has emerged as a breakthrough in providing credit to the rural poor who will eventually help in poverty eradication and economic empowerment. Various microfinance models yielded wonderful results and has proved that poor are bankable, credit worthy and can be trusted with collateral free loans. In India, households getting microcredit now outnumbered poor households. Outstanding micro-finance loans total 80 million. Some borrowers have multiple loans, so net beneficiaries may total 60 million
households. This is more than 55 million poor households and more than a quarter of India’s 220 million households (Aiyar, 2009).

An effort has been made by the government to overcome this problem through the SHG bank linkage programme. Through its SHG Bank linkage programme the government is encouraging people to come together, to make groups and to work together in the viable non-farm activities so as to address their common problems. The microfinance project intervention in terms of formation and stabilization of SHG comprising of people by extending credit support and promotion of thrift to promote viable economic activities in the backward areas has resulted in empowerment of people involved in these activities. However, there is scarcity of resource literature regarding the impact of SHGs on their socio-economic empowerment and also on whether these activities are viable in the long run or not. Against this background, present study has been carried out to assess the impact of micro-finance on non-farming sector and to find out what are the problems and constraints associated with these non-farm activities. Also an attempt has been made to assess the impact of microfinance on socioeconomic conditions of women SHG members.

1.9. Statement of the Problem

Most of the developing countries are facing the problem of extreme poverty particularly in the rural areas within which almost a quarter of our population lives. A large section of Indian population is still in existence which is surviving well below the standard of living at which they could become active participants in the
larger economy. According to the data of planning commission, over the time, while the percentage of people below poverty line in India fell, the number of the poor barely changed over the last three decades (321.3 millions in 1973, 322.9 millions in 1983, 320.3 millions in 1993–94 to 301.7 millions in 2003–04). Thus, even after 60 years of independence, over a quarter of our population still remains poor. India still accommodates a vast majority of population which is economically deprived in terms of income, access to resources, control over resources and political power, gender biases, child labour, different forms of human abuse, etc. One of the prime reason for this, which the researchers has often pointed out is the unavailability of timely credit. The ‘inclusive growth’ agenda initiated since the Eleventh Five Year Plan (2007 onwards) emphasizes the same thing.

In this framework, microfinance has emerged as one of the way for fighting against poverty in rural areas, where most of the India's poorest people live. It puts credit, savings, and other basic financial services within the reach of poor people. Accessing small amounts of credit at reasonable interest rates gives people with the willingness and know-how an opportunity to set up a small business. Financial inclusion and social exclusive schemes can be implemented and maintained only with the help of active performing Self Help Groups. The range of activities undertaken in microfinance through SHGs include group lending, individual lending, the provision of savings and insurance, capacity building, and business development.
SHG is also an institutional intervention to bring people into the mainstream of economic life, apart from providing micro-credit and other inputs. Hence, the present study seeks to investigate the impact of SHGs on the social, economic and general empowerment of women in Belagavi District of Karnataka State.

1.10. Theoretical Framework

Gender relations are said to be “multidimensional and complex” in almost all societies (Wung, 2003, p. 315). In order to understand these gender dynamics, the theory of empowerment and household analysis would be useful in this case. According to Kabeer (2005, 13-14), “empowerment refers to the processes by which those who have been denied the ability to make choices acquire such ability”. She argues that for an intervention, to engender change it “...contributes to women’s sense of independence, rather than simply meeting survival needs”. Further, Kabeer (2005, 14-15) claims that empowerment can be examined through three interrelated dimensions: “agency”, “resources”, and “achievement”. “Agency” entails a person’s ability to make choices and being able to put them into action. Moreover, that “agency” is achievable through a medium called “resources”. According to Kabeer the outcome of this agency is “achievements”. In assessing the relationship between microfinance and empowerment in terms of outcomes Mayoux (2005, 3) identifies three paradigms—the feminist empowerment paradigm, financial sustainability paradigm and poverty alleviation paradigm. The feminist empowerment paradigm focuses on identifying opportunities, constraints and bottlenecks a given “gender domain” (Connell 2009, 69) and using
microfinance as a tool to challenge or address unfair and discriminating gender socio-economic arrangements and practices (Mayoux, 2002. 3).

Microfinance schemes play important roles in the growth and development of women and as well aid in poverty reduction, through the provision of financial services that creates new employments, expand, grow, develop and sustain existing businesses, building capacities, self-esteem and confidence and many more which in turn leads to poverty reduction. They are consequently considered as principal driving forces of economic development and women empowerment.

1.11. Objectives of the Study

In any field of social science research, it is essentially important to draw objectives carefully with in-depth awareness and comprehensive approach, so that all the important aspects in relation to the research problem may be addressed. In the light of this point of view, to comprehend the various aspects of the study the following objectives are selected with careful attention.

1. To study the growth and structure of SHGs in Karnataka and Belagavi District.
2. To evaluate the activities undertaken by the SHG members.
3. To analyze the impact of SHGs on empowerment of members.
4. To compare the performance of Govt. sponsored and NGO sponsored SHGs.
5. To offer policy suggestions.
1.12. Hypothesis

1. SHG activities and empowerment are directly related.

2. NGO sponsored SHGs perform better than the Govt. sponsored SHGs.

1.13. Methodology

The dimension of the study relates to the analysis of the effectiveness of SHGs in the empowerment of women. This study analyses various aspect of socio-economic empowerment of women through SHGs. This study is partly evaluative and partly analytical in nature. For this purpose, the research design was carefully evolved.

1.13.1: Data Base: The study uses both secondary and primary data to explain the objectives framed. The data on varied parameters of Stree Shakti Groups (SSGs) set up with government assistance were gathered from the publications of the state government as well as the district administration. Thus, the important sources of data used are: Karnataka at a Glance and Belagavi District at a Glance published respectively by, Directorate of Economics and Statistics (Government of Karnataka) and the Belagavi District Statistical Office (DSO). The official records of the Director, Women and Child Development Department, Belgaum district were also extensively referred to. The secondary data was gathered for the period 2003-04 to 2014-15. The reason for choosing the specified period is the availability of systematic data.

1.13.2. Sampling Design: The study also relied on primary data collected through a sample survey of SHGs in Belgaum District. A multistage stratified sampling
technique was employed. In the first instance, considering the number of SHGs Belgaum district was purposively chosen as it accounts for the largest number of SHGs. Following the same logic, Chikkodi taluka was chosen in the second instance. Further, based on the discussion with the officials in the Women and Child Development Department of Chikkodi taluka 26 SHGs were selected, of which 12 are Stree Shakti Groups (government sponsored) and the remaining 14 are NGO sponsored SHGs. The ratio is based on the relative numbers of the SHGs sponsored by the two agencies.

The total number of members in these selected SHGs was 1216. A 5 per cent sample was randomly drawn amounting a total of 242 members spread across the 26 SHGs. 109 members were from government sponsored and 133 members were from NGO sponsored SHGs.

1.13.3. **Data Collection Tool:** A pre-tested structured schedule was used for data collection and various aspects of functioning of SHGs, empowerment, problems faced by the members and their opinions were collected.

1.13.4. **Data Analysis Tools:** The secondary and primary data so collected is analyzed using statistical tools like percentages, ratios, growth rates and principal component analysis. The growth rates are adopted in measuring the growth of SHG movement in Belgaum district. A before and after approach is adopted to account for the changed perceptions of women in participating in socio-economic activities, their employment status, income, consumption, asset status, confidence and assertiveness, freedom to take decisions and the like.
1.14. Scope of the Study

Alleviation of poverty remains a major challenge before the Indian government. Acceleration of economic growth, with a focus on non-farming sectors, which are employment-intensive, will, facilitates the removal of poverty in the long run. Considerable scope exists for development of micro-finance through SHGs in India since there is enormous unmet demand for financial services in the country. As reported by the Census of India (2011), 60% of the total rural population in India does not have access to banking services. In this context, the current study provide detailed insight into various aspects of selected SHGs working in non-farming sector in Belagavi District besides various issues which are hampering their performance have also been discussed. There is a need for a critical examination of the strategies adopted, the interventions sought, funds flow and its utilization, organizational structure of the SHGs etc to understand the impact of microfinance. Understanding these issues is the basis for providing recommendations focused towards better functioning of SHGs that would not only generate growth in the rural sector but would eventually lead to the growth of the whole economy. Within the limited scale of the study and objectives, the recommendations have been formed based on the field observations and the issues emerging therein as well for the further strengthening of the SHG Bank Linkage approach.

1.15. Limitations of the Study

The study is mainly confined to SHGs of Belagavi District. In this study primary investigation is restricted to the selected SHGs in various blocks of
Belagavi district because studying of all SHGs in the selected district is not possible for an individual researcher due to constraints imposed by money, time, energy and efforts. This study is restricted to selected SHGs who are supported by NGOs and availed micro-credit from bank.

The study is limited mainly because its findings and recommendation are based on the limited coverage of small sample size and area, also due to limited use of statistical tools and techniques and due to poor availability of secondary sources of data. Moreover, many SHGs are still in infancy stage, that have their own limitations in terms of their stabilization and bank linkages and hence their impact has been limited.

1.16. Organization of the Study

The study is divided into 7 chapters.

Chapter one deals with the introduction of the study, this covers the concept and issues of SHG movement in India, significance of the study, objectives, study design, methodology of the research and scope of the study.

Chapter two presents a review of related literatures on this subject.

Chapter three discusses about An Overview of Belagavi District.

Chapter four gives the status of Stree Shakti Groups in Karnataka and Belagavi District: on various issues associated with it also functioning of selected SHGs in Belagavi district and their overall performance.

Chapter Five deals the SHGs and Women Empowerment in the Study Area.
Chapter Six compares the Performance of Government and NGO Sponsored SHGs.

Finally chapter seven presents summary of conclusions, main findings and recommendations.

1.17. Conclusion

Microfinance through SHGs has reached the un-reached rural poor women. There is need to evolve an informal micro financing through formal financial institutions. The massive growth of microfinance has paved the way for immediate financial accessibility for the poor who are too far away from this accessibility and microfinance. Micro finance through self help groups is an alternative system of credit delivery for the poorest of the poor groups. It would help in improving the quality of life in Rural India. The government of India and State government can play vital role in encouraging SHGs. SHGs assist the women to perform traditional roles better and to take up micro entrepreneurship. The group activities are found to be helpful in developing a greater sense of solidarity, closeness and will to shoulder responsibilities among the group members, which is a true reflection of empowerment as a result of participation in group activities.
References


