CHAPTER - 2
Models of Microfinance
CHAPTER - 2

Chapter 2 has two parts. Part A discusses the Models of Microfinance and Self Help Groups as a medium of credit delivery. It also traces the origin of SHG movement and describes the emergence and growth of the concept in the states of Andhra Pradesh and Tamil Nadu. Part B describes SHG Movement as an approach to women empowerment.

Part A – Models of Microfinance: Self Help Groups as a Medium of Credit Delivery

The microfinance services in India are provided mainly through two different models viz. Self Help Group bank linkage model and Microfinance institutions bank linkage model. The Self Help Group bank linkage programme is the flagship microfinance intervention of NABARD in the year 1992 with the policy support of the Reserve Bank of India. The current chapter traces the emergence and growth of the Self Help Group movement in the States of Andhra Pradesh and Tamil Nadu. The role played by Self Help Groups in the credit delivery mechanism and their contribution to women empowerment is also discussed in detail.

Self Help Groups as a Medium of Credit Delivery

A Self help group is an unregistered ‘affinity group’ of about twenty poor people from a homogenous class, who come together for addressing their socio economic problems. They make voluntary thrift on a regular basis and use this pooled resource to make small interest bearing loans to their members on the terms decided by the group.

Homogeneity, Regular meetings, Savings, Internal lending and book keeping are the basic tenets in Self help groups. The importance of group dynamics is kept in mind when self help groups are formed and nurtured. The following basic requirements deserve special mention in the context of self help groups:

- Homogeneity: The Self help groups consist of members coming from a similar socio economic background with mutual affinity from the same locality.
Homogeneity ensures affinity and mutual support group cohesiveness. This would also prevent the possibility of domination by a few members.

- Regular meetings: The members of the group meet regularly at fixed date, time and place. All the members should attend the group meetings regularly. All the decisions of the Group should be taken collectively after discussions. All the group transactions, credit, repayment etc. should be transacted in the meetings in the presence of all members to ensure transparency and developing trust.

- Savings first credit later: Savings is a first step towards self-dependence. Savings is not merely at building internal resources but also to build the stakes of the members. The savings help in bringing in the sense of security and improve self image of the members. It also helps in meeting emergency needs such as health and social obligations. It helps them in managing seasonalities and serves as primary capital for lending operations. It increases the credit worthiness of the group.

- Internal lending: The savings may be used by the Self Help Group for lending to its own members. The purpose, terms and conditions, interest may be decided by the group through discussions during the meeting. The process helps group members to imbibe the essentials of financial intermediation such as prioritization of members, demands, setting terms and conditions and ensuring repayment of loans. This will be of help when they later borrow from the bank.

- Book keeping: A proper system of book keeping enhances the confidence and trust of members. It helps members to know their savings, outstanding loans and repayment obligations. A good book keeping also helps in earning the trust of the banks in the group process. The books may be written in the meeting by one of the members or a paid account keeper.

The Self Help Group bank linkage programme was started with the following objectives:

- Evolving supplementary credit strategies for meeting credit needs of the poor by combining flexibility, sensitivity and responsiveness of the informal credit system
with the strengths of technical, administrative capabilities and financial resources of
the formal credit institutions.

- Building mutual trust and confidence between bankers and rural poor.

- Encouraging banking activity, viz. thrift as well a credit, in a segment of the
  population that the formal financial institutions usually find it difficult to cover.

- Empowerment of rural poor through credit.

**Origin of Self Help Groups Bank Linkage Programme**

The Self Help Group–Bank Linkage Programme (SBLP) launched by NABARD in
1992, with policy thrust of Government of India and Reserve Bank of India, has proved
that the poor are bankable and have high propensity to save if opportunity and
motivation are provided to them. This programme is the largest non-directed micro
savings and micro credit programme in the developing world. The Self Help Groups
(SHG) consist of members who are poor, have low saving capacity and depend on
informal sources for meeting consumption and production needs.

The uniqueness of the SBLP is that it is built upon the existing banking infrastructure
obviating the need for creation of a new institutional set up. Self Help Groups in India
obtain loan from the banks and lend to their members. The lending methodology under
the programme is novel in contrast to the individual and activity based lending that the
banks follow normally. Self Help Group lending is organization based, ‘purpose
neutral’ and ‘collateral free’. The operational guidelines under the programme have
been kept simple and flexible to enable participating banks and field functionaries to
innovate and contribute to building and strengthening the concept.

Self Help Groups had originated even without organized intervention by any external
agency primarily due to the intrinsic propensity of human beings to form and work in
groups. The use of Self Help Groups as a vehicle of delivering saving and credit
services originated recently. The emergence of the co-operative movement in India at
the turn of the last century was one of the earliest examples self help to bring together
people for the purpose of thrift and economic betterment although members came from
heterogeneous economic status.
Emergence of Self Help Group Bank Linkage Programme

A number of research studies conducted by NABARD during the early eighties showed that despite having a wide network of rural branches, a large number of the poor continued to remain outside the reach of formal banking system. The most vulnerable sections of the people in rural areas are agriculture labourers, tenant marginal, small farmers, rural artisans and women. Their income streams are seasonal and irregular. Wage labour and agriculture are the main sources of income. The credit needs of the rural poor are characterized by the absence of any clear distinction between production and consumption purposes. Their needs are small but often arise at unpredictable times and are usually for events such as marriage, celebration of festivals, funeral expenditure etc. They also need money to deal with personal emergencies such as illness, accidents, natural disasters like floods, drought etc. They also need money to take up income generating activities or expand existing business. Meeting these credit needs quickly as and when they arise is crucial to reduce their dependence on informal credit agents.

The poor can benefit from financial services such as savings, credit and insurance as such services help to smoothen consumption, taking up economic activities and manage risk and enable growth.

The existing banking systems and procedures, loan products were not well suited to meet the needs of the poor. It was also observed that banks found it difficult to associate their staff in identification of beneficiaries due to shortage of staff in rural branches which led to the poor quality of in lending procedures and monitoring end use of credit. Handling of large number of small accounts gives rise to transaction costs in dispensing credit. This heralded the beginning of the search for alternative policies, systems and procedures, savings and loan products which would meet the requirements of the poor households, especially the women members.

The fifth General Assembly of the Asian and Pacific Regional Agricultural Credit Association (APRACA) held in Bangkok in December 1984 had exhorted the agricultural and rural development financial institutions in the Asia and Pacific region to mobilize savings from rural areas for providing loanable funds for agriculture and rural development. The experience of informal self help groups of some of the member
countries, which promoted savings among members to meet their credit needs were considered to be useful innovations. This increased the scope of providing credit to poor people who have very little access to formal credit institutions.

Following this decision taken in the Sixth General Assembly of APRACA in December 1986, NABARD in association with other members institutions of APRACA, undertook field studies of 46 Self Help Groups formed by 20 Self Help Promoting Institutions (SHPI’s) spread over 11 states to ‘understand emergence of self help groups, their composition, methods of working and their linkages with financial institutions and also to explore possibilities for development of linkages between self help groups, self – help promoting institutions and financial institutions to support self help initiatives of rural development. The study felt the need for ‘establishing linkages of self help groups with banks for savings as well as credit activities as a long term solution for strengthening their low resource base.’

NABARD initiated a few action research projects on Self Help Groups as a channel for delivery of microfinance in the late eighties. In the year 1987, NABARD provided grant support of ₹10 lakh to Mysore Resettlement and Development Agency (MYRADA) to promote Credit Management Groups. The linkage of formal and informal financial sectors sought to address the problems of access to finance in rural areas and measure the effectiveness of the effectiveness of the formal institutions in delivery of finance to these informal institutions without sacrificing viability and sustainability.

**Pilot Project on Self Help Group Bank Linkage**

The positive results of the above research studies prompted NABARD to initiate the pilot project of linking 500 Self Help Groups with banks in 1992 in consultation with the Reserve Bank of India. The objectives of this initiative were:

- Evolving supplementary credit strategies for meeting credit needs of the poor by combining flexibility, sensitivity and responsiveness of the informal credit system with the strength of technical, administrative capabilities and financial resources of the formal credit institutions.
- Building mutual trust and confidence between bankers and rural poor.
- Encouraging the banking activity, viz. thrift as well as credit, in a segment of the population that the formal financial institutions usually find it difficult to recover.

Reserve Bank of India allowed the banks to open savings bank account in the name of Self Help Groups, registered or unregistered. From a modest beginning of financing 255 Self Help Groups in 1992-93, the programme has reached a level of 74,62,000 groups for the year ending March 2010-11.

**Table 7: Highlights of the Self Help Group Bank Linkage Programme for the year ended Mar, 2011**

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Particulars</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Physical</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(No. in lakh)</td>
</tr>
<tr>
<td>1</td>
<td>Total number of SHGs saving linked with banks</td>
<td>74.62</td>
</tr>
<tr>
<td>2</td>
<td>Out of total [of which] exclusive Women SHGs</td>
<td>60.98</td>
</tr>
<tr>
<td>3</td>
<td>Out of total [of which] SGSY SHGs</td>
<td>20.23</td>
</tr>
<tr>
<td>4</td>
<td>Total number of SHGs credit linked during 2010-11</td>
<td>11.96</td>
</tr>
<tr>
<td>5</td>
<td>Out of total [of which] exclusive Women SHGs credit linked</td>
<td>10.17</td>
</tr>
<tr>
<td>6</td>
<td>Out of total [of which] SGSY SHGs credit linked</td>
<td>2.41</td>
</tr>
<tr>
<td>7</td>
<td>Total number of SHGs having loans outstanding as on 31 March 2011</td>
<td>47.87</td>
</tr>
<tr>
<td>8</td>
<td>Out of total [of which] exclusive Women SHGs</td>
<td>39.83</td>
</tr>
<tr>
<td>9</td>
<td>Out of total [of which] SGSY SHGs</td>
<td>12.86</td>
</tr>
<tr>
<td>10</td>
<td>Average loan amount outstanding/SHG as on March 2011 (in Rupees)</td>
<td>65223</td>
</tr>
<tr>
<td>11</td>
<td>Average loan amount outstanding/member as on 31 March 2011 (in Rupees)</td>
<td>5017</td>
</tr>
<tr>
<td>12</td>
<td>Average loan amount disbursed /SHG during 2010- 2011 (in Rupees)</td>
<td>121637</td>
</tr>
</tbody>
</table>

*Source: NABARD Status of microfinance report 2010-11*

The working group on Non Governmental Organizations and Self Help Groups constituted by the Reserve Bank of India in 1994 reviewed the progress and performance of Self Help Groups as conduit of the rural credit delivery system under the Pilot phase. The working group recommended that the banks should consider lending through Self Help Groups as a business opportunity to improve their outreach to the rural poor in amore qualitative and effective manner and adopt Self Help Group-
Bank linkage as part of their corporate strategy. The Reserve Bank of India extended the Self Help Group bank linkage beyond the pilot phase as a normal business activity of the banks in the year 1996.

The banks have been advised by RBI/NABARD to adopt the following criteria for selecting Self Help Groups while providing a bank loan.

- The Self Help Group should be in existence for at least six months.
- The group should have undertaken savings and credit operations from its own resources.
- Democratic working of the group wherein all members feel that they have a say should be evident.
- The group has to maintain proper accounts and records.
- The Self Help Group members should preferably have homogenous background and interest.

As per the operational guidelines of NABARD banks may sanction savings linked loans to Self Help Groups varying from a saving to loan ratio of 1:1 to 1:4. However, the banks have the operational freedom to exceed the savings to credit ratio of 1:4 in deserving cases after taking into account such as quality of the Self Help Group based on Critical Rating Index, financial and managerial capability of the Self Help Group, credit absorption capacity, book keeping practices.

As per the instructions of Reserve Bank of India banks have to report their Self Help Group lending under the new segment ‘Advances to Self Help Groups’ irrespective of the purposes for which the members of the Self Help Groups have been disbursed loans. Lending to Self Help Groups should be included by the banks as part of their lending to weaker sections.
Promotion of Self Help Groups and Inculcation of Best Practices

The group approach has found to be an important component in channelising equitable, sustainable and cost effective developmental effort for the betterment of the livelihoods of the rural population.

As the rural poor are not able to form groups by themselves to avail credit, many non governmental organizations and development agencies provide services to link them with formal credit agencies. These institutions promoting such groups are called Self Help Promoting Institutions (SHPI). Several regional rural banks and district central cooperative banks in different parts of the country are also involved in the process of formation of Self Help Groups.

The role of Self Help Promoting Institutions in the various stages of development of Self Help Groups are summarized in the following table.
### Table 8: Stages of Self Help Group development and role of Non governmental Organisations/ Self Help Promoting Institutions

<table>
<thead>
<tr>
<th>Stage of development</th>
<th>Time period</th>
<th>Role of NGO/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>Identification of rural poor through participatory rural appraisal methods in small villages and towns.</td>
</tr>
<tr>
<td>Formation</td>
<td>2-6 months</td>
<td>Facilitator</td>
<td>Motivation to form groups, select group leaders, develop rules and norms, conduct meetings, inculcate saving habit, issue and collection of small loans, group cohesion, stabilizing system and accounts.</td>
</tr>
<tr>
<td>Stabilisation phase I</td>
<td>7-12 months</td>
<td>Advisory/Manage rial</td>
<td>Leadership stabilization, training of leaders, members, regularize and increase savings, handling of group level transactions, informal interactions with other groups, addressing community interests. Stabilising the process of issuing and repaying loans, handling /helping defaulters to repay, sourcing loans for groups through formal credit system.</td>
</tr>
<tr>
<td>Stabilisation phase II</td>
<td>12-18 months</td>
<td>Advisory /Managerial</td>
<td>In addition to above activities initiation of income generating programmes, linkages with banks demonstrative effect on others to form groups.</td>
</tr>
<tr>
<td>Growth and Expansion</td>
<td>18 months and above</td>
<td>Advisory/Manage rial Consultative/Insti tutional building</td>
<td>Strengthen linkages with banks, creation of assets for the groups and members, spreading concept, building and promotion of new groups, attempt at cluster development and federation of Self Help Groups.</td>
</tr>
</tbody>
</table>

*Source: NABARD, 2009*
Self Help Groups which have combined the best practices of good governance, development of leadership skills, maintenance of regularity in group meetings, inculcate thrift management among their members thereby facilitating internal lending with proper management of funds have made significant contribution to social and economic improvement of their members. Efficient Book keeping, group vigilance and maintaining regularity in repayment of loans availed from the banks by the Self Help Groups also will strengthen the credit delivery mechanism in which these Self Help Groups play a vital role.

Evolution of Self Help Group Movement in Andhra Pradesh

The evolution of group concept in Andhra Pradesh can be traced back to the year 1982-83 with the implementation of ‘Development of Women and Children in Rural Areas’ (DWCRA) in the country as a sub component of the Integrated Rural Development Programme (IRDP) launched by the Government of India. The programme was initially implemented in backward districts of Adilabad, Kadapa, and Srikakulam and thereafter was extended in a phased manner to other districts in the state. By the year 1994-95, all the districts of the state were covered under the programme.

The objective of the DWCRA programme was to empower the rural women living below the poverty line by organizing them into groups to create sustainable income generating activities through self-employment. The programme also focused on access to health, education, safe drinking water, sanitation and nutrition. Women living in neighbourhoods with similar socio economic background were formed into groups of 25 members each to take up an ‘economic activity’ suited to their skills and resources. The state Government provided the groups with a maximum matching grant of ₹15000 to undertake economic activities, which was later increased to ₹25000 in 1994-95. The groups were provided with bank loan for carrying out the economic activity. The DWCRA groups were formed by the District Rural Development Agencies (DRDA) in the state and were provided training and assistance to market their products.

The Self Help Group bank linkage programme was made a part of the main stream credit operations of the banks with effect from 2nd April, 1996 by the Reserve Bank of
India. In November 1996, the Government of Andhra Pradesh took the decision to reorganize the DWCRA groups on the lines of Self Help Groups by adopting the guidelines issued by NABARD and also encouraged banks to finance them.

During the first ten years of implementation of DWCRA only 4000 groups were formed. With support from government agencies this number increased to 79000 in the year 1998. With the launch of Swarna Jayanti Gram Swarozgar Yojana from 1 April 1999, the poverty alleviation programs such as IRDP, TRYSEM etc, including DWCRA were merged into this programme.

The groups promoted under the programme had focus on ‘economic activity’. The thrift element was not part of the initial DWCRA design. DWCRA groups were required to have a minimum 25 persons to undertake the same activity and this was difficult in a village scenario. DWCRA groups were generically nearer to the Self Help Groups only in the ‘group concept’. The basic concepts of Self Help Groups – Self help, Self Reliance, Homogeneity, thrift, Regular meetings, Internal lending, Book keeping, leadership rotation were not the key elements in functioning of these groups.

The element of thrift was introduced in DWCRA groups in the year 1993 in Andhra Pradesh, in an attempt to encourage bonding between the women. The concept of thrift came from the pilot project of Self Help Group-Bank linkage programme introduced on a pilot basis in 1992 in the country. The DWCRA groups adopted the slogan ‘Save a Rupee a Day’ and started depositing their savings in banks. This habit savings among women groups continued and spread to several other districts in the state of Andhra Pradesh.

**South Asia Poverty Alleviation Programme**

In pursuance of the Dhaka declaration of the SAARC summit in 1993, on eradication of poverty by 2002 in all the SAARC countries, the South Asia Poverty Alleviation Programme (SAPAP) was implemented during the years 1995-2000 in 20 mandals covering 695 habitations of three drought prone districts in Andhra Pradesh viz, Kurnool, Mahbubnagar and Anantpur with the help of United Nations Development Programme (UNDP).
The objective of the project was to use social mobilization to combat rural poverty through active participation of members in developing planning and implementation. The focus areas of the project included Social mobilization programme, capacity building and sustainable livelihoods. As a part of the social mobilization programme the poor were organized at three levels:

- Small homogenous Self Help Groups (Self Help Groups) especially women and the landless at hamlet/sub-hamlet level with thrift and credit as entry point.
- Village Organisations (VO) at the village level.
- Mahila Mandal Samakhyas (MMS) at the Mandal level.

During the UNDP project 2788 Self Help Groups were promoted covering 45,424 women from low income households in the project mandals. Development programmes like literacy, preventive health care, girl child education, elimination of child labour were incorporated into the Self Help Group concept.

Seed capital was provided to the Mandal Samakhyas (MS) to the tune of ₹40-60 lakhs over a period of two to three years for on lending to the Village organizations. Village Organization in turn lent the amount to Self Help Groups based on mutual terms and conditions and micro credit plans of Self Help Groups. The Self Help Groups in turn lent to their members. Rules were evolved on Self Help Group lending to members, VO lending to Self Help Groups and MMS lending to VOs. The Self Help Groups were encouraged to start their own small savings and lend this amount to members with interest. The groups at different levels were also encouraged to avail loans from other government programmes.

The programme placed strong emphasis on training and skill development. The members of Self Help Groups Village Organisations, Mandal Samakhya were trained on various aspects of group functioning. To support social mobilization and capacity building community volunteers (CVs) from amongst the villagers were identified whose responsibility was to cover 5-6 habitations. The Community Coordinators (CC), who had normally work experience in NGOs or non-formal education, supervised CVs in each mandal. Substantial investment was made for training of CVs and CCs on areas
such as methodology of group formation, training book keepers and group leaders, project implementations, innovations happening elsewhere in social mobilization and gender and environmental concerns.

**Promotion of Self Help Groups by NGOs**

Non Governmental Organisations in Andhra Pradesh also played a significant role in promotion of Self Help Groups. In December 1999, CARE India initiated the seven year Credit and Savings for Household Enterprises (CASHE) project with the support of Department for International Development (DFID), UK in three states of Andhra Pradesh, Orissa and West Bengal. The project aimed at enhancing the income and economic security of poor through access to availability of micro finance services in seven drought prone Telangana districts of Andhra Pradesh with the help of partner NGOs. Under the project NGOs were provided operational and capacity building support, technical assistance and revolving fund loan to establish self help groups and to build and strengthen federations of Self Help Groups.

The Self Help Group movement took a great leap in the state with the launching of World Bank assisted poverty reduction project, Andhra Pradesh District Poverty Initiatives Project (APDPIP) on 14th June 2000 covering 316 mandals in 6 districts with an outlay of ₹654 crore. The development model adopted under South Asia Poverty Alleviation Programme (SAPAP) was a precursor to the programme. The second World Bank assisted Andhra Pradesh Rural Poverty Reduction Project (APRPRP) was initiated on 1st June 2002 in 548 backward mandals in the remaining 16 districts of the state with a total outlay of ₹1486 crore. Both the projects are now known by the name ‘Indira Kranti Patham’ (IKP) which is implemented by an autonomous society ‘Society for Elimination of Rural Poverty’ (SERP) established by the state government. The project was earlier known as ‘Velugu’.

The IKP focuses on livelihood promotion and uses the Self Help Group model to address the broader issue of rural poverty. The IKP project led to the creation of a separate implementing agency by the name SERP - Society for Elimination of Rural Poverty under the chairmanship of the chief minister of the state. The state project monitoring unit of SERP implements the project through District Project Monitoring
Unit under District rural Development Agencies at the District level. The project has followed a participatory method to identify the poor and ensure that the anti poverty programs cater to their needs.

**Fig 5: Structure of IKP at the District Level**

The project aims at developing and strengthening self managed grass root organizations. Self Help Groups have been federated into Village organizations and in turn village organizations have been federated into Mandal Samakhyas (MS), Zilla Samakhyas (ZS) have been formed at the district level by federating all Mandal Samakhyas (MS).

The capacity building requirements of the Self Help Groups, village organizations and Mandal Samakhyas have been met by Mandal Training centres. To help in the maintenance of proper books of account, the Mandal Samakhyas are provided with master book keepers.

*Source: NABARD, 2009*
Andhra Pradesh Model of Self Help Group Approach

The focus of the Self Help Group approach in Andhra Pradesh is on the poorest and most marginalized communities where self selection by the poor and of the poor are based on economic and social criteria evolved by themselves. Techniques such as Participatory Rural Appraisal (PRA), Participatory Poverty Assessment (PPA), Social mapping, wealth ranking, well being grouping, gendered resource mapping and endorsement of the process by the village community through the Gram Sabha.

The process aims at developing and strengthening Self Help Groups for empowerment of rural poor through capacity building of Self Help Group members. Facilitation of networking of Self Help Groups into federations – village organizations (VO), Mandal Samakhyas (MS) and Zilla Samakhyas (ZS) and registering them under the Andhra Pradesh Mutually Aided Cooperative Societies Act, 1995.

Self Help Groups are provided technical and financial resources in order to expand their asset base and livelihood opportunities in farm and nonfarm activities out of funds from the Community investment Fund. Landless poor are provided funds to purchase land, community based health packages are provided with the help of public and private insurance companies. The presence of trained grass root functionaries like book keepers, community resource persons helps in efficient functioning of the Self Help Groups.

The phenomenal growth of the Self Help Group movement is due to the proactive role played by the State government, NGO’s, banks and the policy support given and capacity building inputs provided to various stakeholders by NABARD. Some other initiatives taken by the Government of Andhra Pradesh are

- **Revolving fund assistance** of ₹25000 is provided to Self Help Groups which have completed six months of thrift and have proved their group dynamism.

- **Stamp duty waiver** - The stamp duty on all loan documents executed by Self Help Groups under the Self Help Group –Bank linkage programme in favour of banks and other financial institutions have been waived by the government from July 2002.
- **Pavala vaddi** - The government introduced the Pavala vaddi scheme from July 2004 for prompt repayment of bank loans by the members of Self Help Groups directly from banks. The scheme shall be applicable to all loans extended to Self Help Groups by banks on or after 1/2/2004. The groups should repay loans as per the schedule negotiated with the banks. Interest incentive in respect of active loans shall be released to the groups once in six months and groups which have completed six months of regular repayment of bank loan shall be eligible for the interest incentive. The government will reimburse the interest burden of the groups over and above 3% per annum charged by the banks. The subsidy amount will be directed to the savings bank of the eligible groups.

- **Community based recovery mechanism** - To monitor the recovery performance of Self Help Groups a community based recovery mechanism was introduced in which a committee consisting of 2 members from each of the village organization under the service area of Bank –branch help bank branch in recovery of loans.

- **Abhaya Hastam** - The Government introduced a co-contributory pension scheme ‘Abhaya Hastam’ (IKP Pension and insurance scheme), a co-contributory pension scheme for the Self Help Group women in rural and urban areas to give them a monthly pension. The objective of the scheme is to provide income and social security to all women Self Help Group members to enable them to lead a secure life with dignity. All women members of Self Help Groups in urban and rural areas promoted by IKP above 18 years of age are eligible. A member can make a minimum contribution of ₹30 per month or in multiples of ₹30 and the state government will contribute ₹30 only per month per member and this contribution will be transferred to Life Insurance Corporation (LIC) for diligent investment to secure better returns on investment. The corpus thus generated till the age of 60 years will be used for giving monthly pension amount to each women, on crossing 60 years of age. Each member becomes eligible for a minimum monthly pension of ₹500. Members also get coverage under Janasree Bhima scheme without having to pay any premium separately. Besides the nominee of the members are entitled to ₹30000 or ₹75000 in case of accidental death of member. Compensation is also
provided on disablement of member and financial assistance in the form of scholarships is provided to their children in such situations.

- **Deepam** scheme: LPG connections to Self Help Group women are provided under the Deepam scheme.

- **‘Gruhini’ Scheme** - and housing requirements of rural Self Help Group women are met by the ‘Gruhini’ Scheme.

There are a good number of NGOs which have played a role in the linkage of Self Help Groups either through their own funds mobilized mostly from donor agencies and facilitated credit flow from banks by liasoning with them. They also function as financial intermediaries to provide loans to Self Help Groups by accessing funds from banks. The banks in the state have played a proactive role in financing Self Help Groups.

**Table 9a: Details of Credit Linked Self Help Groups in Andhra Pradesh for the Year 2010-11**

<table>
<thead>
<tr>
<th>Coverage of Groups</th>
<th>3,89,444</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Loan (₹Crores)</td>
<td>7092.71</td>
</tr>
<tr>
<td>No. of Branches</td>
<td>4286</td>
</tr>
<tr>
<td>Per Group Finance (₹)</td>
<td>1,82,123</td>
</tr>
<tr>
<td>Groups Per Branch</td>
<td>91</td>
</tr>
</tbody>
</table>

*Source: Microfinance India State of the Sector Report, 2011*

**NABARD** has taken the following initiatives in Andhra Pradesh for the growth of the Self Help Group bank linkage programme:

- Critical Rating Index for the rating of Self Help Groups has been designed and accepted by the state government for the use of banks, DRDA and other partners.
• The Appraisal Format developed by NABARD has been operationalised by many banks in the state for appraising loans given by Self Help Groups properly.

• Micro credit plan for Self Help Groups suggested by NABARD forms the basis for credit assessment by financing Self Help Groups. It is felt that all the matured groups must be encouraged to prepare micro Credit plan, which in turn will form basis for estimating loan quantum.

• Standard Accounting Package (SAP) for Self Help Groups has been evolved with NABARDs initiative and the same is being operationalised in the State.

• NABARD provides grant assistance to NGOs / SHPIs/ Banks for short duration, location specific programmes on skill up gradation /development for sustainable livelihoods/venturing micro enterprises by matured Self Help Groups under the Micro Enterprise Development Programmes (MEDPs).

• Members of Self Help Groups are provided training under the Rural Entrepreneurship Development Programmes (REDPs).

• Refinance support is provided to the banks at concessional rates to enable them to enhance ground level credit to the Self Help Groups. The Banks are provided 100% refinance against the loans extended by them at concessional rates of interest.

Self Help Group Movement in Tamil Nadu

The Tamil Nadu experiment in Self Help Groups was pioneered by few non-governmental organisations (NGOs). Government of Tamil Nadu partnered this lab-scale experiment in the late 80’s. This experiment proved to be a laboratory model, worthy of up scaling and replication in other parts of the State and country. The Self Help Group movement owes its beginning to The International Fund for Agricultural Development (IFAD), initiated Tamil Nadu Women’s Development Project (TNWDP) which was approved in April 1989, and became effective in January 1990.

This project was taken up for implementation by the Government of Tamil Nadu through the Tamil Nadu Corporation for Development of Women Ltd., (DEW) in eight Districts (then five districts) of Tamil Nadu in 1989-90. The total cost of the project
amounted to USD 17.0 million on highly concessional terms and the Borrower contributed the balance of USD 13.6 million.

The main objective of the project was to bring about the economic and social betterment of women to improve the welfare of their families and their status both within the family and in the community. The project was initially carried out in three contiguous districts of Dharmapuri, Salem and South Arcot and during implementation its coverage was extended to two additional districts of Madurai and Ramanathapuram. All the districts selected were either backward with respect to human development or had a high incidence of female infanticide. The blocks and villages selected had many reputed and capable NGOs. The project implementation was entrusted to Tamil Nadu Corporation for Development of Women Ltd., (DEW), a Government of Tamil Nadu (GOTN) undertaking. A project management unit (PMU) was established within DEW, the chairperson/managing director of which served as project manager. The executive director of DEW acted as project co-ordinator, supported by several officers, including a training officer and monitoring and evaluation (M&E) officer. Project implementation units were created in the five project districts, each headed by a project officer with specific areas of responsibility such as sericulture, credit, livestock, rural industries and banking. These officers were seconded to the PIUs.

From various Government of Tamil Nadu organizations line departments and the Indian bank, which through its numerous branch offices in the project area, was the main vehicle for providing institutional credit delivery. The project relied on NGO involvement in all five districts to support the project’s overall activities. The NGOs played a central role in identification of beneficiaries, formation and supervision of groups, establishment of credit linkages and training of animators. A network of extension workers (village animators and supervisors) supported the project.
**Objectives of the Project**

The project was designed to achieve its objectives through the following components:

- Focus on income generating activities such as farm and crop development, animal husbandry and cottage and village industries.
- Provide Institutional credit to village women. The Indian bank was responsible for providing credit.
- To facilitate informal credit and savings mobilization by encouraging group based savings to meet financial requirements of group members.
- Promote group development and foster development of cohesive groups of women who will organizational catalyst for economic and social betterment of target group.
- To provide training to women on a variety of subjects including group organization and management, book keeping entrepreneurial development programmes and legal and social issues.
- To involve NGOs in beneficiary identification, group formation, training of animators, supervisors and project field staff, selection of activities and provision of bank loans and recovery thereof.

The project resulted in the formation of dynamic and cohesive Self Help Groups which contributed to the growth and development of thrift and regular savings among the women. The project registered a striking success in associating the normally non bankable rural women with formal credit channels. By March 1998, a total of 5207 Self Help Groups were formed.

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**STRENGTHS OF IFAD PROJECT**

- Thrift groups and not credit groups
- Group cohesiveness is the strength
- Joint efforts for better repayments
- Access to various sources of credit
- No intermediary
- Training and credit are key inputs
- Transparency and flexibility
- Team work towards sustainability
- Partnerships between Govt. and NGOs

*Source: Tamil Nadu Women Development Corporation*
Help Groups had been formed compared with the target of 2688, and 120960 women had enrolled as members.

Financial discipline inculcated through internal rotation of savings and introduction of best practices like double-entry book keeping helped in building capacity of the Self Help Group members. Training in Self Help Group management, skill development, etc., also played a very important role in empowering poor women. An interim evaluation report by ORG (1996) clearly points out how the standing of Self Help Group members in their families and their neighbourhoods and participation of women members in decision-making in their families and community have improved significantly, pointing to successful achievement of social empowerment of women.

Credit goes to Indian Bank in joining this massive effort and supporting credit-worthy groups with timely doses of credit, while subsidy was provided by DEW. Indian bank with its proven track record of involvement in rural credit was rightly identified for the monopoly financing and the bank had a team of dedicated officers to manage project lending.

The project resulted in the formation of dynamic and cohesive Self Help Groups which contributed to the growth and development of thrift and regular savings among the women. The project registered a striking success in associating the normally non bankable rural women with formal credit channels. By March 1998, a total of 5207 Self Help Groups had been formed compared with the target of 2688, and 120960 women had enrolled as members. In light of the project’s achievements, Government of Tamil Nadu decided in 1996 to scale up operations with its own funds. It also announced the Mahalir Thittam, which would result in a phased extension of project activities to cover Tamil Nadu’s 28 rural districts by the year 2000 together with continued maintenance of TNWDP groups.

IFAD funding came to a close on 31.12.98, with post-project activities, including continued credit support under progress.

Considering the meritorious features of this unique project, similar Projects with IFAD funding have been launched in other states. This project has also become the role-model for emergence of lot of Self Help Groups in both IFAD and non-IFAD districts.
of Tamil Nadu, on their own. Tamil Nadu Women Development project is the main source of inspiration for formation of thousands of groups by Arivoli Iyakkam, TANWA, SJSRY, Banks, TNINP, etc.

TNWDP has effected significant changes in living conditions of poor rural women with the launch of “Mahalir Thittam”, with state funding covering all rural and urban areas of the entire state, except the six city corporation areas from 1.4.2000. The scheme was intended to promote economic development and social empowerment of the poorest women through a network of Self Help Groups formed with active support of NGOs. The scheme was to replicate the TNWDP experiment, adopting positive learning, while casting away many shortcomings seen in TNWDP. These groups would not only engage in productive economic activities, but also function as important sustainable rural organisations, for dissemination of knowledge about health, nutrition, literacy, education, adoption of new agricultural practices, farm and non-farm sector economic activities and help prepare women to take up leadership positions.

The vision of the project was to reach out and empower 10 lakh poorest and most disadvantaged women below the poverty line, through 60,000 self-reliant and sustainable Self Help Groups. The objectives of the project were

- Social empowerment
- Economic empowerment
- Capacity Building of the poorest and most disadvantaged women in the State.

Empowerment of women would lead to benefits at two levels - one, direct benefits to the individual women and women’s groups; and two, spillover development benefits for families and community as a whole.

**Tamil Nadu Model of Self Help Group Approach**

- Development of strong, cohesive, Self-help Women Groups, through inculcation of Self-help and team spirit.
- Inculcating habit of savings and principles of financial discipline, through training, providing relief from moneylenders and making poor women credit worthy.
Helping build a financially sound and sustainable future by getting out of clutches of money lenders

Improved access of Self Help Group members to various government, development schemes and bank credit, through strong partnership between banks, FIs, NGOs and DEW.

Increased asset-base and income, through access to inexpensive and timely credit.

Self-confidence building, through networking, exposure and handling of responsibility.

Increasing Social Awareness, through intermingling & exposure.

Improved Status of women in the family and society, through credit, improved skills/capability and exposure.

Improvement in Health and Family Welfare, through awareness training and exposure.

Functional Literacy through training programmes and making Self Help Group members handle their own affairs.

Overall leadership development, through exposure to Self Help Group management by conscious rotation of responsibilities.

Control over income and better income management, through opening up newer options and better capabilities.

Change from worker status to worker-manager status, by putting control over their lives (income) in their own hands.

Access to markets, through training, facilitation and exposure.

Assisting and encouraging need-based tapping of Alternate credit delivery systems.

Awareness of Legal rights and legal aid access, through networking & training.

Encouraging networking through formation of Women’s Federations at various levels
Participating Agencies - Roles and Inter-Linkages

Organisation Structure:
Mahalir Thittam (MaThi) is an unusual long-term partnership between three agencies - the state government, non-governmental organisations and NABARD / other banks & financing institutions. The endeavour is to combine the wide reach and resources available to the state, with the grassroots presence, goodwill, commitment and innovative work of the NGO’s, together with support from NABARD and credit from banks and other funding sources.

State level:
The Project Management Unit (PMU) at the Corporation head office is headed by the Chairperson-cum-Managing Director and Executive Director. At the State level, policy directions are given by "DEW review committee", chaired by Development Commissioner. Secretaries to Government of Rural Development and Municipal Administration are members to oversee convergence of MaThi with SGSY and SJSRY. There are also monthly reviews of Project Officers by the CMD of DeW, as well joint reviews of Project Officers of both DRDAs and PIU along with Director, Rural development.

Fig 6: Project Management Unit, Dew HQ

Source: Tamil Nadu Women Development Corporation
Fig 7: Project Stakeholders

Source: Tamil Nadu Women Development Corporation

DRD-Rural Development, DMA-Municipalities, DTP-Town Panchayats,
PRI-Rural Elected bodies, ULBs - Urban Elected bodies

District level:
At district level, Project Implementation Unit (PIU) is headed by a Project Officer, assisted by six Assistant Project Officers (APOs) in various functional areas of Training and Communication, Monitoring and Evaluation, Schemes, Marketing, Administration and Accounts and Credit. Further, at district level, the District Project Co-ordination Committee (DPCC) headed by the District Collector coordinates work of all partners in the project and different Government departments. Secretaries of Self Help Group Block Coordination Committees will also be members of DPCC. This experiment has been successful and has ensured that women participate in decisions concerning them.
NGOs will have a cluster coordinator for every five village panchayats, consisting of about 15 groups. For larger NGOs, there are block coordinators, while smaller NGOs have a Project Coordinator who may be often the Chief Executive.

At the block level, the Block Level Coordination Committee (BLCC) comprising of one/two representatives of each Self Help Group in the block, concerned NGO staff, bankers and PIU staff meet every month to review progress and solve operational and social problems, besides giving valuable training inputs. Bankers must attempt to use the BLCC as a forum to propagate good banking practices as well to give and get feedback on lending already done.

In course of time, BLCCs would give place to manageable Cluster or Panchayat level federations (CLFs/PLFs) of 20 to 25 Self Help Groups in close proximity. Bankers can cultivate good working relationship with CLFs, as and when they emerge, to ensure 100% repayment rates as also to identify new credit worthy Self Help Groups for lending.
Role of NABARD

- Assisting in formulation of credit guidelines.
- Assisting in creation of Self Help Group-friendly banking environment in districts and State.
- Solving all field-level bank-related problems of Self Help Groups through prompt intervention.
- Providing refinance support to Self Help Group credit to banks.
- Ensuring inclusion of Self Help Group credit outlay under District Annual Credit Plan and disaggregation into branch-wise credit.
- Promotional assistance to NGOs/Self Help Groups for their capacity building.
- Providing training opportunities to banks, NGOs, and development agencies on Self Help Group related aspects.
- Assist through funding some of the training programmes

MaThi is designed in such a way that in the long run, even if supporting agencies withdraw from the project in a phased manner, groups should continue to function on their own, by establishing concrete linkages with bank and other local institutions. This ensures sustainability of Self Help Groups, which is one of the important objectives of the programme. Undue and extended dependence on PIU or NGO will not be encouraged nor is desirable.

Group formation is generally preceded by a village-level household survey, which provides the base-line data. This would be conducted by non-governmental organisations, for which techniques like Participatory Rural Approach (PRA), Wealth Ranking and Social Mapping should be used. The BPL list prepared by DRDAs would also be used. Really poor women omitted by chance from the BPL list will be included in Self Help Groups.

To facilitate sustainability and avoid contravention of certain regulations, the size of the groups should be in the range of 10. Adult women capable to earning and saving are eligible for membership. This program is meant only for the poor, with focus on categories like landless labourers, widows, divorcees, deserted and handicapped women; and women belonging to SC/ST and other socially backward communities. One of the methods used to identify the poorest among women is the type of dwelling;
hut dwellers are definitely the poorest and are our core target group. Landless labourers are another category of the poorest. Targeting of the poorest is most desirable as it results in immediate social impact.

“Mahalir Thittam” is implemented in partnership with NGOs and community-based organisations such as PLFs which are affiliated to TNCDW, and extend support in the formation of Self Help Groups, organising training, guide and monitor their activities. The future plans include, enhancing the sustainability of Self Help Group movement through intensifying the federation activities and grooming them into full fledged community based organizations and further expanding the Self Help Group coverage to habitations and ward/slums in urban areas hitherto uncovered. So far, 452 NGOs have been affiliated with TNCDW. The salient features of the NGO agreement include performance based incentive with greater emphasis on quality, apart from providing an enabling environment for the growth of PLFs into Community Based Organisations (CBOs). NGOs are paid formation cost, monitoring cost and also incentive for enabling Self Help Groups to access bank credit by TNCDW and are subjected to performance evaluation every year.

Activities of Mahalir Thittam

1. Group Formation
2. Capacity Building
3. Revolving Fund to Self Help Groups
4. Credit Linkage to Self Help Groups
5. Youth Skill Training
6. Enterprise Development Training
7. Restructuring of Panchayat Level Federation
8. Formation of Slum Level Federation
9. Marketing support and sales exhibition
Table 9b: Details of Self Help Groups in Tamil Nadu for the year ended Mar, 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Self Help Groups</td>
<td>4,91,311</td>
</tr>
<tr>
<td>No. of Self Help Group Members</td>
<td>76.60 lakhs</td>
</tr>
<tr>
<td>No. of Rural Self Help Groups</td>
<td>3,32,092</td>
</tr>
<tr>
<td>No. of Members in Rural Self Help Groups</td>
<td>51,77,028</td>
</tr>
<tr>
<td>No. of Members in Urban Self Help Groups</td>
<td>1,59,219</td>
</tr>
<tr>
<td>No. of Self Help Groups credit Linked</td>
<td>24,82,654</td>
</tr>
<tr>
<td>Total Savings</td>
<td>₹2,973 crores</td>
</tr>
<tr>
<td>Total credit</td>
<td>₹11,603.83 crores</td>
</tr>
</tbody>
</table>

Source: Tamil Nadu Women Development Corporation

Some of the measures adopted by the Government of Tamil Nadu for growth and development of Self Help Groups are

- **Community Resource Persons (CRP)** -- As a measure of strengthening the Self Help Group movement and to make it community oriented, CRPs were developed from among the Self Help Group members. CRPs impart capacity building training to Self Help Groups including training of Social Audit Committee members of the MGNREGS and provide continuous hand holding support to the PLFs. They also act as messengers for creating awareness among Self Help Groups on various Government schemes.

Training for Self Help Group members and Animator & Representatives - Self Help Groups promoted by Mahlir Thittam and Office bearers of the Self Help Groups are provided with systematic training in order to function as a cohesive group. All the Self Help Group members are imparted training in 4 modules for 4 days. The office bearers of the Self Help Groups (Animator and Representatives) are given training in 3 modules for 6 days. The main objective of Self Help Group members and Animator & Representatives Training is to enhance the leadership qualities, team building spirit and to build their capacity to maintain books of account. A sum of ₹45/- is paid to each member as compensatory wage during the days of training.
• **Release of Revolving Fund to Self Help Groups** - Revolving Fund (RF) is provided to Self Help Groups who are in existence for at least six months and have passed the first credit rating. Revolving fund will augment the group corpus and is used by the Self Help Groups for internal lending for small income generation activities or as personal loans for health or education needs of Self Help Group members.

• **Formation of Transgender Self Help Groups** – The Government will concentrate on the welfare of the transgenders who were hitherto neglected in the society. For the first time, the transgenders Self Help Groups numbering 100 will be formed. The transgender Self Help Groups will be provided with training, revolving fund and economic assistance so as to improve their standard of living.

• **Loan with subsidy to Transgender Self Help Groups** - As per the orders of the Hon’ble Chief Minister of Tamil Nadu, Government will provide loan upto ₹15 Lakhs with 25% subsidy to eligible transgender Self Help Groups to start viable economic activity and thereby enhance their income and lead a respectable life in the society.

• **Loans for Economic Activity through banks** - Self Help Groups fall into the clutches of moneylenders and become indebted over a period of time. Providing credit to Self Help Groups through banks at nominal interest rates for income generation activities has led to economic empowerment of Self Help Groups. Banks extend loan to Self Help Groups, a minimum of ₹50,000 is given as first linkage which is increased to ₹1 lakh to ₹1.50 lakhs during the subsequent linkages. Repeat loans in the form of second and subsequent doses of credit linkages from the banks are essential for expansion and sustainability of the economic activity taken up by Self Help Groups.

• **Enhanced Economic Assistance for Self Help Groups** - In the past, the Self Help Groups were provided with economic assistance under various schemes to a maximum of 5 lakhs with subsidy upto 50% of the project cost or a maximum of ₹1.25 lakhs. From the year 2011-12, the quantum of loan under economic assistance will be enhanced to the maximum of upto ₹10 lakhs with subsidy of 25%.
• **Job oriented Youth Skill Training with assured placement (YST)** – As there is huge demand for skilled manpower in the industrial sector particularly in manufacturing and service sectors, due to the industrial boom in the state. To exploit the opportunities offered by the growing economy and to make the unskilled and semi skilled youth employable, Youth Skill Training programme has been envisaged to impart specific job oriented skills to improve their employability and make them competitive in the job market to get gainful employment.

• **Enterprise Development Training Programme (EDT)** - Self Help Group members who are interested in taking up economic activities particularly in urban areas are trained through reputed institutions. Women will be given specific skill oriented training under EDT by this Government. Women in the age group of 18-60 years belonging to Self Help Groups in Urban Areas are eligible, but preference will be given to those above the age of 35 years and below 50 years. Stipend including conveyance charges is fixed at ₹25/- per day per trainee. Selection of trade and institution are decided by the District Level Committee based on the choice of courses by women. EDT training is given through reputed /recognized institutions specialized in giving self employment training with sufficient faculty support – like procurement of raw materials, machinery, value addition, packaging, labeling, pricing, standards, certification etc. The trained women are provided with assistance to get loan from nationalized banks to establish production units. State and District level exhibitions are organized to popularise Self Help Group products and enhance their market share.

• **Panchayat Level Federation of Self Help Groups (PLFs)** - In order to strengthen the Self Help Group movement and make it sustainable federations of Self Help Groups at Village Panchayat, Block and District level are formed. PLF is a participatory platform for the Self Help Groups to share their experiences, voice their problems and find collective solutions. What individual Self Help Groups could not achieve, PLF can achieve by pooling their collective skills and resources and exploiting economies of scale both in production and marketing. PLF can also guide and monitor the functioning of Self Help Groups and also form and train new Self Help Groups in rural areas. Strong and cohesive PLFs representing the
common aspirations of its member Self Help Groups is the key for achieving sustainability in the long run. TNCDW will provide greater thrust towards capacity building of the PLF members and office bearers in areas like Social Audit, Identification of business opportunities, Value addition etc.

- **Awards to best PLFs and Self Help Groups** - In order to motivate and encourage the Self Help Groups and PLFs, the Government will give awards at State and District Level. Awards are presented to 5 best PLFs and 10 best Self Help Groups at the State Level. One best PLF and 3 best Self Help Groups at the District level are given awards and one best Self Help Group at the Block level is given a certificate. The awards have occupied a place of pride among the Self Help Groups and have been instrumental in motivating the Self Help Groups and PLFs to aim for better performance.

- **Awards to Bankers** - Banks are the most important partner of TNCDW for the economic empowerment of women, who are extending credit to the Self Help Group members for debt swapping, consumption needs and for productive purposes. A state level and district level award will be given to honour best performing banks and individual bank branches, which have shown outstanding performance in extending credit linkage to Self Help Groups. These awards will motivate the outstanding performers and also create a healthy competition among the Bankers. At State level, 3 best performing banks and 5 bank branches are given award. At District level, one bank and 3 bank branches will get the award.

- **Issuing Identity Cards to Self Help Groups** - Self Help Groups face a lot of problems and hardship during their interface with banks, government offices and other institutions. An Identity card will help Self Help Groups to gain recognition in society and also have easy access to Government offices and Banks. The Identity card will contain group details such as savings, credit rating status, loans as well as member details. The Identity cards also prevent duplication of members in more than one group.

- **Swarnajayanti Gram Swarojgar Yojana (SGSY)** - Swarnajayanthi Gram Swarojgar Yojana (SGSY), introduced in April 1999 by the Government of India and implemented by the State is a major anti-poverty programme with the main
objective of bringing the Poor families above the poverty line by ensuring reasonable and sustained level of income over a period of time. Self Help Group approach is adopted to reach poor women and aims to graduate them from micro credit stage to micro enterprises stage. This is planned to be achieved through skill development training, bank credit, infrastructure facilities including marketing support to the products produced by them. Government of India and the State Government are sharing the cost in the ratio of 75:25. The scheme aims at Providing Revolving Fund to Self Help Groups. Providing Economic Assistance to Self Help Groups, Qualitative Skill Development Training, through reputed institutions, Infrastructure Development and Training. To ensure greater convergence of activities taken up for the benefit of Self Help Groups in the State, supervision and monitoring of SGSY scheme has been entrusted to TNCDW.

- **Marketing of Self Help Group Products** – Self Help Groups do not have adequate capacity in understanding marketing issues and do not possess negotiation skills to promote their products. Therefore Government will take various initiatives to enhance the capacity of Self Help Groups and PLFs and ensure better convergence and greater co-ordination between different agencies in promotion of Self Help Group products. A State level permanent marketing complex for Self Help Group products is functioning in Annai Theresa Women Complex, Nungambakkam, Chennai for conducting exhibition cum sale of products produced by Self Help Groups. Similarly, to create better marketing facilities in rural areas, 86 Village Haats are under construction at the cost of ₹12.90 crores in 30 districts. To expand the market of Self Help Group products in urban and semi-urban areas, a calendar of exhibitions has been prepared to conduct exhibitions at State, District and Block levels.

- **Branding and Packaging of Self Help Group products** - Self Help Group products, though of good quality and priced reasonably are not able to capture a considerable market share due to not having a common brand and less attractive packing. TNCDW will rope in training institutions, who will enhance the capacity of Marketing skills of Self Help Groups, NGOs and officials at District level and also identify a state level nodal agency to develop a brand with attractive design for
packaging of Self Help Group products. A five year plan for state and district level business development for Self Help Group products will be prepared.

- **Tamil Nadu State Rural Livelihood Mission (TNSRLM)** - Government of India have announced a new scheme called National Rural Livelihood Mission by restructuring the existing SGSY scheme. This scheme will be implemented by this Government in the name of Tamil Nadu State Rural Livelihood Mission during 2011-12. TNSRLM aims at universal mobilization of BPL households into Self Help Groups, promotion of Self Help Group federations at Village, Block and District level, untied fund flow to federations of Self Help Groups for on-lending to member Self Help Groups as well as employment linked skill development training for rural youth. The programme, a major improvement upon SGSY lays greater emphasis on the livelihood and marketing aspects of the rural people. The programme follows a demand driven strategy based on participatory processes. TNSRLM seeks to mobilize the rural poor to build institutional platforms that are self managed. These institutional platforms in the form of groups, federations and producer collectives access a variety of financial and technical services including TNSRLM and also resources from the Government programmes and Banks.
Part –B: Self Help Group Movement: An Approach to Women Empowerment

The provision of credit to the poor and underprivileged sections of the society is an important aspect of the larger mandate of social banking today. In India, the institutional credit delivery system of banks has been aptly complemented by the growth of self-help savings and credit groups. This has resulted in bringing together the banking system and the poor for mutual benefit. Micro credit is thus emerging as a viable alternative to achieve the objective of growth and poverty reduction. The experiment of microfinance in India through the Self Help Group Bank linkage programme is an evidence of the effectiveness of group dynamism and credit recycling. Availability of credit and membership in Self help groups often brings about a change in the socio economic status of the borrowers thereby contributing to their empowerment.

The term empowerment has different meanings in different contexts and often refers to terms which include self-strength, control, self-power, self-reliance, own choice, life of dignity in accordance with one’s values, capable of fighting for one’s rights, independence, own decision making, being free, awakening, and capability.

The term can be used to characterize relations within households or between poor people and other actors at the global level. As people exercise real choice, they gain increased control over their lives. Poor people’s choices are extremely limited, both by their lack of assets and by their powerlessness to negotiate better terms for themselves with a range of institutions, both formal and informal.

Empowerment refers broadly to the expansion of freedom of choice and action to shape one’s life. Empowerment is the control over resources and decisions.

**Empowerment is defined as “the expansion of assets and capabilities of poor to participate in, negotiate with, influence, control and hold accountable institutions that affect their lives”** (World Bank)

Empowering the poor requires removal of all barriers which stops them from taking actions that will result in improving their welfare and limiting their choices. Any form of institutional reform that will result in empowerment of the poor will have to include
access to information, informed participation, political and administrative accountability and improvement in ability of people to work together.

An empowering approach to poverty reduction and development should be one that is people centric and looks at them as the most valuable resource. It builds on the strength of poor people, their knowledge, skills values, initiative and motivation to solve problems, manage resources, and rise out of poverty. Empowerment has intrinsic as well as instrumental value. It is relevant both at the individual level and at the collective level and can be economic, social or political.

Empowerment for development effectiveness is a key component in the World Bank strategic framework of poverty alleviations.

An empowerment framework outlines relationship between institutions, empowerment, and improved development outcomes, particularly for poor people. State reform that supports investments in poor people and their organizations leads to improved development outcomes, including improved governance, better-functioning and more inclusive services, more equitable access to markets, strengthened civil society and poor people’s organizations, and increased assets and freedom of choice.

Institutional reform to support empowerment of poor people means changing the relationship between the state and poor people and their organizations. It focuses on investing in poor people’s assets and capabilities, both individual capabilities and the collective capacity to organize, to enable them to participate effectively in society and to interact with their governments, so as to strengthen the demand side of governance.

State reform, whether at the national, state, or local government level, must focus on laws, rules, institutional mechanisms, values, and behavior that support the four elements of empowerment. Changes in formal rules and regulations must be connected to efforts to enable poor people and other citizens to interact effectively with their governments and monitor governance.

The focus of reform is thus on (a) designing mechanisms to support poor people’s access to information, inclusion, and participation; (b) creating social accountability mechanisms; and (c) investing in poor people’s organizational capacity to solve problems.
Economic empowerment is a necessary condition for enabling women to seek justice and equality. Without economic strength, women cannot be able to exercise their guaranteed rights. It is necessary to encourage and seek participation of women as equal partners with men in all spheres of work. Economic empowerment of women should focus on measures that will increase their access and control over resources and enable them to carry on sustainable livelihoods. It necessitates supporting their existing livelihood, widening choices and building capacity to take advantage of new economic opportunities. Any strategy to empower women should include the following components - (i) special measures to increase the proportion of

Source: *Empowerment and Poverty Reduction by Deepa Narayan, 1992*
women involved in decision making (ii) training programmes, especially for women to improve their condition; (iii) creation of equal employment opportunities for women and avoiding discrimination (iv) encourage self reliance and develop spirit of entrepreneurship; (v) measures to improve working conditions of women and enable them to know their rights (vi) Provide a conducive environment of credit availability at concessional rates. The Self Help group movement began in India with the objective of achieving the development outcomes outlined in the empowerment framework.

With the objective of Empowering Women, the Self help group movement’s focus was to give women greater access and control over resources, increase their income, develop linkages between Self Help Groups and lending institutions, providing greater access to health care and education thereby leading to their social empowerment. Investment in health, education and life skills are of intrinsic value and also increase economic returns to the individual. Access to wage employment increases economic security.

Self help groups have emerged as support groups to bring about women’s solidarity in facing all kinds of problems in their domestic environment. They have emerged as a means of providing poor people with the credit that they need to emerge out of poverty. These groups were formed to help women meet their needs of friendly credit. As a model of credit delivery, these groups initially draw on their own savings at an interest rate fixed by them to lend within the group and then later get linked to the formal credit system.

The emergence and growth of Self Help Group programme in the states of Andhra Pradesh and Tamil Nadu as discussed in the preceding section have been able to draw women into the mainstream and help them participate in decision making. Micro credit through Self help groups is today seen as a tool for poverty alleviation. Members of Self help groups are able to control capital at the community level and are able to design financial services in response to their needs as they are understood and experienced at the local level. Community pressure and the desire to see their group and village succeed generally has lead to higher repayment rates. The process of collectively managing funds at the community level builds capacities in ways that a formal credit delivery approach does not. The levels of participation among women
also increase as they learn from their peers. Monitoring is more or less assured as these women want to see their ventures succeed and thereby are able motivate their peers not to default in repayments. This contributes to long term sustainability of their ventures. This programme has thus emerged as effective and sustainable model of credit delivery to the poorest by providing them capital ownership. However, it is not only the provision of credit which leads to empowerment of the members of the groups, but the sustained efforts that are needed to raise their level of awareness.

Benefits from Self Help group programme to Community and village:

- Inculcation of the spirit of self-help and team spirit.
- **Higher Social Capital** - Active participation networking and collective action for development.
- *Model effect*, wherein other poor women begin to form similar groups seeing the success of the older Self Help Groups.
- Improved health and family welfare, through better awareness.
- Better Education for children and Literacy due to increased awareness.
- Knowledge of various welfare programmes of Government and banks in villages through linkages facilitated with Govt. agencies.
- Voicing and acting against social injustices and violence against women and children.
- Women and gain confidence and their voices are heard.
- Economic development due to better economic status of families.
- Abolition of Bonded Labour and Child Labour through better economic status and increased awareness.
- Environment consciousness and conservation of natural resources.
- Communal harmony, caste harmony.
- Eradication of evils of alcohol and dowry.

The most important aspect of the Self Help Group bank linkage programme is that it has created a win-win situation for the banks and the Self Help Group members. It has helped women realize their potential and has brought about economic and social change in their lives. Prompt repayments of bank loans by Self Help Group members has resulted in increasing their self confidence and has facilitated credit rotation by banks. Studies in micro lending have proved that women are much better borrowers than men.
They plan their finances well and are very responsive to peer pressure and hence, default rates among women borrowers from groups is less. Membership of women in Self help groups engenders in them a sense of self confidence and raises their level of awareness. The solidarity and strength that they obtain from being together with other women facing similar circumstances serves as a powerful factor which empowers them. The availability of credit along with training and capacity building will promote setting up of successful ventures by these self help groups contributing to their development.