ISSUES RELATING TO MICRO FINANCING THROUGH SELF-HELP GROUPS AND BRIEF REVIEW OF RELEVANT STUDIES

In this chapter an attempt is made to analyze different issues relating to micro financing through SHGs and to present brief review of related studies on the functioning of SHGs as well as the role played by NGOs in organization of the SHGs. The aspects relating to SHGs approach are briefly presented in the first section (2.1). Earlier studies on SHGs functioning are presented in the second section. Similarly the studies relating to the role of NGOs in organizing the micro financing activity through SHGs is presented in the next section (2.3) and the need for and relevance of the present study is outlined at the end (2.4.).

2.1. Issues Relating to Self Help Groups (SHGs) Approach:

The formation of SHG necessitates an all-encompassing environment for conscious leadership development, decentralized, decision-making, transparency in transactions, peer pressure for sustainable group’s action and enterprise development among rural poor. Credit and saving cycles in SHGs consolidate group behavior while enhancing the capacity of individual members to manage scarce financial resources. Through equitable distribution of pecuniary benefits to the members if SHGs are ensured, such benefits are not based on any entitlement mechanism but are determined by the absorption capacity and managerial ability as perceived by the group. The basic mandate of SHG is savings. SHG is one of the important media for development of savings habit among the poor. The common needs without being dependent on outside help. Every group generates a common fund where each member contributes his/her share as saving on a regular basis.

In India the SHG concept was developed by Mysore Resettlement and Development Agency (MYRADA) in the late 1980s and since then over one million SHGs have been created across the country. The focused formation of SHGs under the micro-finance framework was initiated in the late eighties by a few NGOs. The first effort was initiated by National
Bank for Agriculture and Rural Development (NABARD) in 1986-87 when it supported and funded an action research project on ‘Saving and Credit Management of Self-Help Groups’ of MYRADA. The NABARD launched a pilot project to provide micro-credit by linking SHGs with banking system in 1991-92. During the project period, some NGOs like Association of Sarva Seva Farms (ASSEFA), People Rural Education Movement (PREM), Professional Assistance for Development Action (PRADAN) and Community Development Society (CDS) have done excellent work in promotion of SHGs and mobilization of thrift and disbursal of credit.

State Initiative Self-Help Groups (DWCRA Groups), as a sub-scheme of IRDP, started in Andhra Pradesh in 1982-83 with cooperation of United Nations International Children’s Emergency Fund (UNICEF). The primary objective was to focus attention on the women members of rural families living below the poverty line with a view to generate self-employment on a sustained basis. The savings and credit movement gathered momentum in 1993 in Nellore district. The women in this district have been organized into Mahila Mandals during Total Literacy Campaign (TCL). Subsequently, these groups spearheaded “Anti Arrack” (abolition of country liquor”) movement. The movement was successful and spread to neighboring districts, eventually leading to imposition of prohibition in the state. Later, the movement converted into savings and credit groups known as “Podupu Lakhshmi”. There has been a phased expansion of DWCRA Self-Help groups in the districts and by the year 1994-95, these groups were extended to all the villages in the state covering 22 districts and 1100 mandals.

Self-help Groups and Grameen Bank Groups are formed to create saving habits. Both the systems are formed to provide financial assessment especially for women. Hence, these groups are involved in the empowerment process of rural women which in turn help the development of rural areas. In the SHG system the eligible members whom a group up to 20 members. The process of group formation may be facilitated by an NGO or by the Micro
Financial Organizations (MFOs) or Bank itself, or it may evolve from a traditional method of rotating savings and credit associations (ROSCA) or other locally initiated grouping. These groups save small amount every month NGOs, MFOs or Bank gives micro-credit to these groups in the form of loans.

The functions performed by the SHG are almost the same as required by the Grameen System, but they perform these functions on their own, since the SHG is effectively a micro-bank, carrying out all the familiar intermediation tasks of saving mobilization and lending. The members maintain their accounts through the SHG, but not through the MFO or bank and MFO or bank will not have any direct dealings with the members. The MFO or bank may assist the SHG in record keeping and they may also try to inform the other members of the group and it can also impose certain conditions on the uses of the loan. However, the SHG is an autonomous financial organization in its own right.

The idea of forming SHGs has emerged mainly from three channels – they are the Department of Rural Development through its Swarnajayanthi Gram Swarozgar Yojana (SGSY); the department of forests through its various projects, and the NGOs with the support of NABARD with the mandate towards economic empowerment of women. In the Grameena Bank system potential clients are asked by the MPOs to organize themselves into groups each group consisting of 5 members, which are in turn organized into centers, ranging from 5 to 7 such groups. The members make regular savings with the MPO, as per the fixed schedule and the members also eligible to take loans regularly. Every member save some account and loan accounts with the MPO, the main function of the groups and centers is to facilitate the process of financial intermediation by performing certain tasks are explained in the following.

Organization of regular and weekly meetings under the overall supervision of a worker of MPO, where savings and repayments are collected
and handed over to the MPO workers who maintain the records. Organizing contributions to one or a number of group savings funds, which can be used by the groups for a number of purposes, usually only with the agreement of the MPO which maintains the group fund accounts. Guaranteeing loans to their individual members by accepting joint and several liability, by raising group emergency funds and by accepting that no member of a group will be able to take a new loan if any members are in arrears and arising from the above, appraising fellow members loan applications and ensuring their fellow members maintain their regular saving contributions and loan repayment. It aimed to provide micro-credit to the poorest of the poor and move them towards capital accumulation and asset creation. Besides credit, it encourages people to go in for better housing, education, environmental, sanitation, health and nutrition as part of its commitment for overall social development.

The difference between SHGs and Grameena Bank Groups are identified as most of the MFOs adopt group system to provide services to their clients. Otherwise, many well-informed observers and even some senior bankers in India and elsewhere appear to believe that the group system pioneered in 1979 by the Grameena Bank in Bangladesh is the predominant or even the only such system. Group systems for micro financial services evolved particularly in Bangladesh (the Grameena bank method) and in Latin America (Solidarity groups and village banking), as well as in India (SHG). While there are thus many variants, there are broadly two very different ways of using groups for financial intermediation. The two systems the Grameen system and the SHG system are familiar within the South Asian Context.

Both the systems have their advantages and disadvantages but the practitioners need to be aware of the options that are available. Here an attempt is made to analyze and to explain each system and compare their sustainability, outreach and impact on the poor, including the empowerment impact and also the feasibility within the respective environments. Both
systems are dominated by female members, but they differ in many other fundamental aspects, which have considerable impact on their clients and the organizations. Both the systems are also implanted in many ways depending on local circumstances. But in India, particularly the SHG model is very popular in terms of mobilization of credit, repayment of loans, organizational aspects etc.

An SHG is a group of about 15-20 women from a homogeneous caste or class who come together to address their common problems. They are encouraged to make a voluntary thrift on a regular basis. They save some amount, pool together and rotate among the members at some nominal interest rate. This process helps the members to imbibe the essentials of financial intermediation including prioritization of needs, setting norms and conditions and keeping of accounts. This process gradually develops financial discipline, as the money was saved with great hardship. Once the group attains a matured financial discipline bank linkage is attained and banks are encouraged to advance loans to SHGs in certain multiplies of the accumulated savings of SHG. Banks find it easier to lend money to SHGs which have some history of credit operations and credit discipline among the members. In this way the institutional credit is made accessible to the poor and helpless women.

The SHG holds power and provides strength; it can be an antidote to the helplessness of the poor women. There is great incentive to form a SHG if people feel that it is the only way to have access to institutional credit. It also inculcates prosperity to save further. The following are the advantages of savings. It imposed discipline on group members in developing savings habit. Savings enhance the self confidence of the individual as it is a sign of group encouragement. Savings cover the individual’s risk against normal business risk and normal variation of income due to unforeseen external reasons. Investment of risk nature can also be considered because of saving cushion. Group savings of the poor can demonstrate the strength of members. The SHG form of micro credit is now more strategic and important agency in RCDS.
These institutions have developed a credit delivery model that helps to attain the objectives of economic planning viz., economic and social development of women and eventually empowering women.

The underlying philosophy of SHGs is that if the rural poor women are provided with credit on reasonable terms they can judge for themselves how best to increase their incomes. In addition to financial intermediation, it conducts social intermediation to make the poor both socially and individually accountable. Such accountability leads to more effective use of loans and consequently ensures loan recovery. The pilot project of linking SHGs with bank credit is an innovative programme that aims at banking with those who were considered not bankable so far. The aim of the programme are to ensure flexibility in structure and operational guidelines, creation of awareness prior to provision of credit, make conscious effort at group formation and effect economic empowerment through groups and individual effort.

SHGs are formed as small functional groups in rural areas to increase the resource base of the members through the act of thrift and credit among themselves. To create quality groups, rural participation plays a pivotal role in identifying its members who are brought in the SHG-fold through the process of social mobilizations. SHGs can be defined as supportive, educational, usually change oriented, mutual aid groups that attends to the problems of life and works for benefit of all the members or condition commonly shared by all members. Its purpose may be personal or to change the entire society or both.

SHGs are self managed groups of poor women which primarily came into existence to mobilize financial resources through their own savings and lend the same amongst themselves to meet the credit needs of their members. The present SHGs concept is an alternative strategy to achieve the objectives of rural development and to mobilize community participation in all rural development programmes. SHG is a viable organized set up to disburse micro-credit to the rural women for the purpose of making them enterprising women.
and encouraging them to enter into entrepreneurial activities. Credit needs of the rural women can be fulfilled totally through the SHG.

The SHGs are linked with the banks for the external credit under the projects of rural development. The joint appraisal terms consisting of bank managers, rural development officers and NGOs. The project implementation units visit the group and select the beneficiaries proposed by the women groups for providing financial assistance to the different entrepreneurial activities. To form a group the members have some eligibility conditions like same sex, locality, age group, should be below poverty line etc. The members should be women living within the same locality. Their income does not exceed Rs 12,000 per annum. Preference is for married women. The member’s age group is between 18-60 years. Schedule caste women, widows, destitute, handicapped women, landless women and women live in slum area are given preference to join as members of SHG.

For the formation of SHGs there are some rules and regulations. More members from same house are not allowed to form a group procedure for applying loan and repaying the loan amount, schedule and attendance of meeting etc. Not more than one member is allowed from a single household which allows more beneficiaries and covers almost all households. Criteria and procedure for approving individual members loan applications i.e loan is given to the members those who are in need and should repay every month. Procedure for electing group officers, length of term should be followed in order to elect good and eligible officer and the period of existence is also given to them. Attendance at meeting is compulsory to share the ideas and to know the information about loans; skill based training, resource management etc. Criteria and procedure for expulsion of the skills from the members of the group is given through training and meetings etc.

In the formation of new SHGs, basically four stages are involved viz, pre-group formation, formation, performance and self-sustaining stage. In the stage of pre-group formation, the SHG promoter visits the village frequently,
gathers information about various facts of the village life, its environment and people. During this stage the promoter also establishes a cross rapport with the villagers. In the formation stage there are three phases: First one is forming. In this stage, people come together informally and meet. They are encouraged to discuss their problems and solutions. During this stage, based on the felt-need, homogenous group emerged naturally. Another one is storming stage, in this stage, conflicts between individual interest and group interest surface and is dealt with. The leadership emerges. The procedures, rules and roles are established. One more stage is forming, in this stage, trust develops among group members leading to cohesiveness in the group as it provides finance, skill based training and improves decision – making power, leadership quality etc.

Another one is performance stage, this is the stage when the group becomes operational and starts functioning for the benefits of its members. Internal loaning starts taking place. Linkage with bank in terms of saving and loan account takes place. Last stage is Self-Sustaining Stage. The mature state of a SHG is when it is sustained with growth in economic activities. SHG clusters and federations may be formed in this stage. These clusters involve in the income generating activities and participate actively in increasing their incomes, skill development, asset position, capacity building etc., which in turn develop the rural areas.

SHGs are built on two principles i.e., homogeneity and physical proximity. They are basically small associations of individual members, who come together for common and collective purposes. These groups are also created to enable the member’s purposes and to enable the members to reap economic benefits of mutual help, solidarity and joint responsibility towards self and suitable development. The objectives of SHGs are, inculcate saving and banking habits among the poor to make them economically standard. Secure them with financial, technical and moral strengths which enable them to empower themselves. Enable availing of loan for productive purposes and
repaying the loan through small installments. Gain economic prosperity by doing income generating activities and self employment. Gain from collective wisdom in the financial matters in organizing and managing their own finance and distributing the benefits among themselves. Provide space and support to each other in doing the activities which increase their skill and economy.

The SHG works according to their aims and objectives. To achieve them, SHGs implement some programmes and follow the work chart whose are named as functions and these functions are listed as Group members usually create a common fund by contributing their small savings on a regular basis.

Groups evolve flexible systems of working and manage pooled resources in a democratic war. Loan application or requests are considered on the basis of members by the groups in periodic meetings and complete for the limited resources for investing in income generating activities. Loans are given mainly on trust with minimum proceedings with and without any security. The loan amounts are small, frequent for short duration and are mainly for conventional purposes. The rates of interest and the purpose of loan vary from group to group and the interest is higher than that of banks but lower than that of money lenders. Besides collecting money, social and economic issues are also discussed in periodic meetings. Defaults are very rate due to group pressure and intimate knowledge in the use of the credit.

SHG provides a scope for collective management of funds and to develop the entrepreneurial activity, which is difficult if undertaken by individual members. The SHGs have been conceived in the form of saving and credit groups, joint farming groups, social forestry groups, trader groups and the like with emphasis on thrift cum-credit. The registered or unregistered SHGs are allowed to open saving bank accounts with banks and decision has been communicated to all the banks as to undertake saving activities at least for a period of six months, prior to the establishment of credit linkage.
SHG is essentially a people oriented credit management system which responds to the specific requirements of emergent production and investment credit needs. These groups have exhibited definite shift in their loan portfolio from consumption towards income generating activities with increased fund base and maturity. To facilitate group process and to ensure transparency of operations, group meetings are regularly convened at a pre-determined place, date and time. The thrift amounts are pooled during group meetings and distribute the same to members for the purpose of consumption, production or investment purposes on the basis of priorities fixed by the group members. The loans are need based and provided in time. The group members take collective decision on all matters keeping in view the welfare and prosperity of the members. More often lending decisions like purpose, size rate of interest and the duration of the repayment of loans are decided case by case, paramount consideration being given to needs and aspirations of individual borrowing members. The procedure for sanction of loan adopted by the group is very simple and the loans are provided on the basis of mutual trust among the members.

Nevertheless, it must be understood that the concept of self-help and mutual help is not alien to other formations but that it has only been relegated to the background. There is a definite scope to synthesize group based thrift and credit programmes with SHG concept. To achieve this, special efforts are required to harmonize the group dynamics by providing for homogeneity in the membership, rotation of leadership, transparency in decision-making relating to saving and credit cycles in the said groups. In essence, strength of SHG concept lies in its democratic character, decentralized decision making, financial discipline coupled with sound systems and procedures, lending transparency to all its transactions. The SHGs organized in Andhra Pradesh can be broadly classified into the following three categories. SHGs having a direct bearing on income generation. SHGs focusing on natural resources management and development and SHGs effecting reduction in human poverty.
2.1.1. Micro Finance through SHGs:

There is an effective demand for credit because poor people borrowing money from the lenders for their needs and for the purpose of small investments. The income from small investments is not enough to repay the loan amount because the lenders are charging more interest on the borrowed amount. However, financial intermediation is not only for lending, but also to minimize their poverty by raising their income i.e, the sources of funds should be as sustainable as their use. Microfinance or provision of financial services for the low income households has been accepted in principle as a policy and considered to implement in developing countries as the most important intervention to alleviate poverty.

According to the accepted definition, the purpose of micro-finance institutions is to provide theft, credit and other financial services particularly to the poor in rural and urban areas for enabling them to raise their income levels to improve their living standards. Even though it includes the initiatives made by both formal and informal sectors but there is an increasing tendency to use the term micro-finance only by the formal institutions. The idea of micro-finance is based on the philosophy of organizing poorest of the poor into SHGs and to make them to realize the very basic “Theory of survival”. It was initiated by Prof. Muhammad Yunus of Bangladesh and the success achieved by Grameen Bank, Balgaldesh has given a new impetus to the concept of micro-credit for socio-economic empowerment of rural poor in the developing countries including India. Micro-finance has been considered as a significant contribution for both the saving and borrowing of the poor in the country. The main purpose of micro-credit is for direct investment. While the presence of micro-finance has increased the borrowing capacity as well as options for the poorer people, it seems that, it has not yet significantly affected the terms and conditions of different informal credit providers.

In India, the micro-finance movement was formally launched in 1992 after the intervention of the National Bank for Agriculture and Rural
Development (NABARD) which launched various pilot projects, to linking SHGs with banks. There is a diversity of approaches to the concept of micro-finance in India, and the involvement of banks, government agencies and NGOs were made compulsory. However most of these approaches are used as intermediaries for financial transactions, the models established for the delivery of micro-finance may be broadly classified as the SHG model and the Grammen replication model. Mutually aided cooperative societies (MACS) can be included in the SHG category as the primary cooperatives often consist of smaller type of SHGs which are expected to be relatively autonomous. The SHGs are the latest breeds of the micro-finance industries in India and proved beyond doubt that they are the fastest growing and most cost-effective micro-financial initiatives in the world. In India there have been many significant state initiatives in the major institutional and policy spheres since the early 1990’s to promote SHGs and their micro-finance activities.

The banks being commercial organizations were initially reluctant to reach the large number of poor strewn all over the country requiring access to credit. Hence, the grassroots level initiatives have become a necessary concept through several voluntary organization/NGOs to overcome the reliance of the Banks. The banking institutions have come forward to utilize the services of the existing voluntary organizations in a selective manner on the basis of an assessment of capability of each organization.

Micro-credit dispensation by SHGs has evoked serious discussions and deliberations because the micro-credit system has brought a kind of silent revolution relating to the financing of the poor. It was recognized that significant instrument of promotion in India in the field of rural development in sustainable manner has been the SHG approach and its linkage with banks. Micro-credit still forms a small proportion of the total ban credit; however, it is observed that, still it can be considered as insignificant at the macro level. It has been demonstrated that the methodology of participatory poverty alleviation through SHGs is one of the most effective means in line with the
present process of economic reforms based on the policy of decentralization. SHGs are cohesive and are characterized by a strong sense of ownership, voluntary participation, diversified management, leadership skills and provision of ongoing support services for meeting emergent credit needs of its members as decided by the group. Micro-financing has been considered as an effective strategy for formal financing agencies. Moreover, group lending minimizes transaction cost and at the same time the members of a group can avail small loans. The chance of improper utilization is minimal and there is assured repayment because of peer monitoring by the group. The group concept has enabled the rural poor to develop the savings habit and minimize extravagance.

The system has been found beneficial for the SHG members because of minimal procedural formalities, access to institutional credit without collateral offering. Full autonomy in the selection of activity and the availability of thrift for meeting urgent needs. The skills needs for filling the application forms and the absence of procedural formalities have made the programme customer friendly besides, the flexible repayment schedule enables them to repay as and when it is convenient. The groups look that the repayments is made promptly, as they are likely to get repeat loans. The size of micro-finance, supplementary income generating activities undertaken by the members defy the conventional standards of unit cost as well as unit size as prescribed by banks and government departments. The smaller unit allows women to undertake the activities of their choice particularly during their spare time and contribute for the enhancement of household income.

The concept of micro-finance in providing financial assistance to SHGs particularly after the intervention of NGOs with the support of the government has indicated positive impact on rural poor women. It has become a powerful instrument in extending access with the banking services to the poor and also in mobilizing their small savings. The positive impacts of micro financing are analyzed as SHGs helped to generate and collect small savings from rural
women who were hither to consider incapable of having any capacity to save. The regular savings, though they were small, provided a fund for rural poor women to use when in need otherwise, they have to depend on lending from others. The SHGs inculcated the habit of regular savings among poor women. The SHGs have extended the credit facilities to the needy women/households who do not have assets to pledge. The system of group guarantee combined with individual responsibility is the innovation that has enabled the credit extended to millions of poor and asset less women across the country.

2.1.2. SHG - Bank Linkage:

One of the most notable milestones achieved in the SHG movement was when NABARD launched a pilot phase of the SHG bank linkage programme in Feb 1992. This has been considered as the first stage for the SHGs in establishing bank linkage and since then, these groups were directly financed by the commercial banks. Further, the informal thrift and credit groups of poor were recognized as bankable clients. Soon after, Reserve Bank of India (RBI) advised commercial banks to consider lending to SHGs as part of their rural credit operations for creating SHG bank linkage. The linking if SHGs with the financial sector was good for both sides.

The micro-finance scene in India is dominated by SHGs bank linkage programme for over a decade now. As the formal banking system already has a vast branch network in rural areas, it perhaps wise to find ways and means to improve the access of rural poor to the existing banking network. This was tried by routing financial services through SHGs formed as grassroots level institutions developed for socio-economic and financial intermediation for focusing on the poor. Over the years, SHG bank linkage model has emerged in India as a core strategy for the banking system to extend their outreach to the poorest among poor.

With a view to evolving supplementary credit strategies for reaching the rural poor in the rural areas such as, the landless agricultural labourers, rural poor women etc., in a transparent and a cost effective way NABARD has
introduced in 1992-93 a pilot project for linking SHGs with banks. The concept of SHG has further helped to develop an alternative credit system administered by the clients themselves, who have organized themselves into self-help groups. Thus an informal credit system was evolved with assistance from formal financial institutions. The agencies involved in this process include NABARD, Banks, NGOs and SHG members. The main objectives of the SHG bank linkage are: to provide supplementary credit to SHGs in the form of loans, reduce the transaction cost for both banks as well as SHGs by limiting paper work. They build mutual trust and confidence between banks, NGOs and rural poor, to mobilize small savings among rural poor women to create healthy relations between SHG members and with the linkage agencies, constant supervision and monitoring by banks through NGOs.

The broad principles followed under the SHG Bank Linkage Scheme are as follows: Savings has been considered as the first priority to the SHG members and the credit will be given on the basis of savings. Savings are involved as partial collateral to the credit system which inculcates the banking habits. Banks are giving loans to the members of SHG on-lending to evolve supplementary credit. It takes the decisions on the credit for on-lending to SHG members and draws the eligibility of SHGs from all the groups (SHGs). Rates of interest and other terms and conditions for taking loans to the members are to be decided by the group. It allows joint liability as a substitute for physical collateral. Ratio between saving and credit contingent upon credit worthiness and could increase over a period due to good repayment record, if needed.

There are three models of credit linkage for SHGs with banks. In the first model the SHGs are formed and financed by banks. Further, the banks themselves take the responsibility of forming and opening of savings accounts and to provide bank loans. Since the bank loans increases, this reflects increased role of banks in promoting and nurturing of SHGs. In the second model SHGs formed by formal agencies other than banks, NGOs and others
but directly financed by banks. However, NGOs and formal agencies act only as facilitators in the field of micro-finance. They facilitate organizing forming and nurturing of groups, and train them in thrift and credit management. Banks also provide loans directly to these SHGs. In the third model all the SHGs are financed by banks through NGOs and other agencies as financial intermediaries, where in the NGOs take an additional role of financial intermediation. In areas where the formal banking system faces constraints, the NGOs are encouraged to approach a suitable bank for bulk loan assistance. This, in turn, is used by the NGO for on lending to the SHGs. In areas where a very large number of SHGs have been financed by bank branches, intermediate agencies like federations of SHGs are coming up as links between bank branch and member SHGs. These federations are financed by banks that, in turn, finance their member SHGs.

2.2. Recent Studies relating to Impact of SHG Activities on the Empowerment of Women:

Many studies highlighted that SHGs have inculcated saving habits among the poor and also in mobilizing their small savings. Many studies highlighted that SHGs have inculcated saving habits among the poor, enable the rural households to take up larger productive activities, empower the poor women and decrease the dependence on exploitative local money lenders. A study conducted by NABARD, clearly indicated that there has been perceptible progress in assets, borrowing capacities, income generating activities, income levels and increase in savings.

The study of Palani and Sevaraj (2008) analyzes that empowerment is a process of increasing awareness and capacity building, leading to greater participation in socio-political processes, acquiring greater decision-making power and association with transformative action. Empowerment of women refers to a conscious process, through which women are adequately sensitized to the happenings around, gain control over resources, raise their levels of participation in decision making, especially political processes, enhance their
financial capabilities and realize their best selves. The concept of empowerment is defined as the process by which women can take control and ownership of their choices. It means providing women with greater access to financial resources inside and outside the household, minimizing the intensity and levels of their vulnerability, especially poverty and enabling them to exercise their rights in a free environment.

The concept of Self-Help Group (SHG) is relatively new and has registered significant success in empowering the poor and disempowered women. According to Sahu and Das the SHG is not only an effective tool to fight against poverty, but also a means of promoting the empowerment of the most marginalized sections of the population, especially women. The very idea of forming SHGs was the brainchild of Professor Mohammed Yunus of Chittagong University in Bangladesh in 1975. The idea stemmed from the concept of Grameena Bank. Despite the phenomenal expansion of the organized banking system in India, a very large number of the poor continued to remain excluded from the formal banking system (Karmakar, 2007). Since the existing banking policies, systems and procedures were not ideally designed to enable the poor to be a part of the formal banking system, the need for an alternative credit delivery mechanism which would meet the requirements of the poor was acutely felt. In accordance with this need the NABARD initiated SHGs in 1986-87 in India.

The process got accelerated only after 1991-92, following the linkage of SHGs with banks (Vinayagamoorthy2007). An SHG is a small economically homogeneous affinity group of the rural poor voluntarily coming together to save small amounts regularly, which are deposited in a common fund to meet the members emergency needs and to provide collateral free loans as decided by the group. The SHG is an appropriate medium for promoting the habit of saving among women. The SHGs have emerged as a vibrant micro-finance movement with active facilitation, support and guidance of voluntary agencies, government, banks and educational institutions. They
have become part and parcel of the rural community and rural India at present is interlaced with the thickening web of such grassroots organizations.

The number of members of a group does not exceed 20 and each group selects a leader called ‘animator’. The animator conducts two to three meetings each month in the working hours. The group is supported to save a particular amount every month and rotates the money among the needy members for various purposes at a specified rate of interest. The repayment is 95 per cent plus and the recycling is very fast as a result of which the saving amount increases faster owing to the accumulation of income from interest. The women-led SHGs have successfully demonstrated how to mobilize and manage thrift, appraise credit needs, maintain linkage with the bank and cultivate financial self-discipline. In the wake of globalization and the attendant economic reforms in India, initiatives supported and fostered by the government agencies like local bodies and banks, have become imperative in bringing about a perceptive change in the lives of poor rural women.

The SHGs acts as a potent tool in empowering women. As a vital component of micro finance movement the SHG has facilitated the empowerment of women at micro level. The SHG movement has raised the levels of awareness among women and involved them in the process of community building. Swaminathan (2007) in an article “The Micro-credit Alternative?” emphasized that micro-credit has been receiving a significant amount of attention all over the world, especially in developing countries. The study concluded that NGO-controlled micro-credit organizations do not incur lower transactions costs than banks but they are able to transfer these costs to others-donors and borrowers. It also argued that one important component of high administrative costs was the cost of monitoring so as to ensure regular repayment. Kumar and Sharma (2007) in a study titled “Micro-Finance in Mountainous States” relied on sending data for the period 2002-04. The objective of the study is to examine the disparities in growth and outreach of micro-finance in these states with an emphasis on Himachal Pradesh. The
results revealed in increase in the share of the number of Self-Help Groups linked to the banks in these states during the study period.

Similarly Kaur and Saini (2007) in a study titled “Rural Credit and Micro Finance in India: An Analysis” surveyed the earlier literature on rural credit. The objectives of the study are to study the structure of rural finance in India. The study concluded that over the study period (2000-2005) the number of Regional Rural Banks increased and their credits, deposits also increased but their credit-deposit ratios decreased over the study period. Omorodion (2007) in a case study titled “Rural Women’s Experiences of Micro-Credit Schemes in Nigeria: Case Study of Esan Women” examined the perceptions and experiences of Nigerian Esan women who participated in Better Life for Women Programs, a poverty alleviation programme. They advocated a bottom-up approach to identify, address and implement programs and policies to meet the needs of participating groups. Yet, such top-down designed programs are expected to have a filtering-down effect on the grassroots.

In a study titled “Consumer Protection in Indian Microfinance: Lessons from Andhra Pradesh and the Microfinance Bill” Ghate (2007) outlines a case study of the episode in 2006 in Krishna district of Andhra Pradesh when the state government temporarily closed down all the branches of microfinance institutions there. The case study helps provide insights into the kind of consumer protection issues of relevance to Indian microfinance. Rao (2007) in an article titled “Financial Inclusion: An Introspection” highlights the salient features of the surveys of National Sample Survey Organization (NSSO), which inter alia, throw light on the reliance of these groups on institutional and non-institutional sources of finance. The article suggests that with regard to micro credit, it would be necessary to conduct quinquennial surveys in respect of Koya tribe and SHGs who are acting as financial intermediaries, to generate information on their sources and uses of funds, the cost of loan able funds, etc.
in an article titled “A Micro Finance Institution with a Difference” Fernandez (2007) described the functioning of Sanghamitra, a Micro Finance Institution (MFI) set up to promote self-governed institutions of the poor. The obstacles on the way include caste relations, which are oppressive and exclusive, and force them to be dependent for their essential needs. Also, there are unequal gender relations. MYRADA highlights the need for sustained group action both at the level of each group as well as in federations to overcome these hurdles. In a paper titled “Financial Empowerment through the SHG-Bank Linkage Programme in India and its implications/challenge to Financial Institutions”, Karmakar (2007) presented at 2nd World Congress on Agriculture and Rural Finance (31Oct–03Nov 2007). He highlighted the concept of SHGs and the findings of an action research project.

Vinayagamoorthy (2007) in a study titled “Women Empowerment through Self-Help Groups: a Case Study in the North Tamil Nadu”, focused on the economic engagement of women through SHGs in the northern districts of Tamil Nadu. The study is related to economic empowerment of women in the northern Tamil Nadu, and has covered the three villages from north districts viz., Ponneri village of Vellore district, Koodamalai village of Tiruvannamalai district, and Paparpatti village of Dharmapuri district. These three villages were selected because the SHGs in these villages were functioning very successfully. The study arrived at the following conclusions. Revealed that the income of the women in the study area has increased after joining the SHGs, so that the monthly household expenditure has also increased considerably.

In a paper titled “Micro Finance and Rural Poverty Reduction: The Case of Swarnajayanti Gram Swaraozgar Yojana (SGSY)” Tripathy and Jain (2007) delineated the situation of micro finance initiatives to reduce poverty with reference to SGSY. A major part of the investments under SGSY model of micro finance consists of credit from various formal financial institutions such as commercial banks, co-operative banks and regional rural banks.
Formation of quality groups, identification of appropriate and profitable economic activities, financing genuine beneficiaries and management of credit are the key elements in the effective implementation of the programme. In an article titled “Impact of Micro-Finance: A Critical Survey” (2007), Hermes and Lensink raised several pertinent questions regarding the question whether microfinance substantially contribute to a reduction of world poverty. They observed that since a trend towards a further commercialization of microfinance sector had emerged financial sustainability of microfinance institutions is becoming more and more important at the expense of using credit to help overcome poverty.

In a paper titled “Microfinance through Self-Help Group-The Realities in Economic Operations” Meetal (2008) listed out various constraints and problems that crop up during the operations of micro credit mobilization and delivery. The author in this regard raised the following questions. How far people have understood the impetus and imperatives of SHGs. How long the present trend of SHG will continue in the right direction for achieving the right goal? What are the strategic steps to be taken up for operational efficiency of SHG? With the above questions in mind the author studied the National Cooperative Union of India (NCUI) Women Co-operative Education Project, Imphal East District and made the following observations. In a study titled “Loan Disbursal Pattern under Self-Help Group-A Comparative Study of Karnal District of Haryana”, Singh, Suhag and Kumar (2008) examined the loan disbursal pattern of different credit institutions under Self-Help Group approach.

A study of SHGs in Tiruneveli district of Tamilnadu was conducted by Palani and Selvaraj (2008). The objectives of the study were (a) to study the operational mechanism of Self-Help groups; (b) to study the socio-economic status of women in self-help groups; and (3) to examine the impact of SHGs on women empowerment. The major findings of the study are the young and middle age group people can actively participate in socio-economic activities,
which is true in the activities of SHGs in the study area. Chandra (2008) in a paper titled “Institutional Support for Women Empowerment in India-Special Reference to Mahila Cooperative Bank” gives a detailed account of the concept of empowerment. The paper briefs on the institutional interventions for women empowerment in India. The government, the Koya SHGs, and the financial institutions. Sayantan Bera’s work (2008) on microfinance attempts to conflate the activities of SHGs and their federations, the Grameena Bank replicators and commercial microfinance institutions, leading to the belief that in empowering the poor the positive attributes of one are shared by others. R. Vijaya Kumar in his work (2009) on reinstating the SHG perspective in microfinance discussed about the participation strategies and supporting entrepreneurship issues.

Sankara Datta (2009) in his study on consolidating the growth of micro finance analyzed the SBLP programme, the new initiatives under micro financing and policy environment and future aspects relating to the growth of micro finance activities relating to the SHGs. K.G. Karmakar (2009) in his work on emerging trends in microfinance reviewed the dimensions relating to recent innovations in microfinance activities, the social empowerment aspect relating to microfinance are discussed by him and the issues relating to spread of microfinance institutions are also discussed. G.V. Jagapathi Rao (2010) in his field study on the poverty alleviation through microfinance in the West Godavari district of AP aimed at analyzing the impact of micro credit on socio-economic empowerment of women.

2.3. Studies on the role of NGOs in Empowerment of Rural Women:

The study conducted by Lamia Karim (2008) examined the effects of micro-credit on gender relations in rural Bangladesh. Focusing on the 2006 Nobel Peace Prize winner, the Grameen Bank of Bangladesh and three other leading non-governmental organizations (NGOs) in the country. It analyzes the role of gender in the expansion of globalization and neoliberalism in Bangladesh. The Grameen Bank has become a global symbol of poor women's
empowerment and is celebrated for its 98 percent loan recovery. Ahmad Shamshad (2005) in his study on “NGO’s and the Development of Rural Entrepreneurship” observed that the development of rural entrepreneurship has gained the status of a national movement not only for industrial development but also for solving the problem of unemployment and uplift of economically weaker sections in rural areas. The NGO’s have been engaged in their traditional areas of operation-health, sanitation, education, family planning, environment protection etc., have grabbed this opportunity to entrepreneur the lesser known target groups.

Similarly Robin Lall (2004) in his study on “The Dynamics of Non-Governmental Organizations” portrays that some progressive NGO’s have begun to address both local government and their home governments about political issues, with an emphasis on the importance of development. Which is NGO activities are redirected by redefining development which is not merely the fulfillment of physical needs, but as a dynamic process to seek better socio-political conditions, such as broad participation in decision-making at all levels, a high degree of social justice, respect for cultural diversity and so forth.

The analytical study conducted by Om Raj Singh (2003) on “Role of NGO’s in Fostering Self Help Groups: A case study of Mysore Resettlement Development Agency (MYRADA)” high lightened that most of the SHG’s have come up due to the dynamic leadership of certain individuals within a group or through the catalytic role played by the NGO’s in developing such groups. Similarly Biswambhar Panda and Binay Kumar Pattnaik (2003) in their study on “Role of Grassroots NGO’s: A Social Activities Perspective” observed that the NGO’s in India have contributed handsomely toward social activism through their intense campaigns, peoples mobilization programmes and effective network.

Another study by Mathew Titus (2002) on “Costs in Micro-Finance: what do urban Self- Help Groups tell us” opened that the presence of ideology in NGO’s has been recognized as contributing to their Unique Cultural
Characteristics. In Micro-Finance its presence has been tolerated more as a carry-over of NGO values into the new area of Micro-Financial Services. These Micro-Financial Services improve the economic status of the women through SHG’s. However, for the NGO’s concerned it has been a very important tool in achieving successful performance among SHG’s. On the other hand Pankaj Naithani (2001) explained the Non-Governmental Organizations and Rural Development Focused that these are many NGO’s which have not only grown in size but have also developed infrastructure for research, training and demonstration on alternative methods suitable for rural usage. Prasanta kr. Ghosh (1998) in his study on NGO profile: Amar Kutir Society observed that public services in the field of welfare and development have been proved to be inadequate and to a great extent useless mainly because of the complex service delivery systems and high rates of overhead expenses.

Micro- Credit financing starts with the assumption that the poor is willing to pay high interest rates to have access to finance. In general, the system uses the social trust as the collateral. Although there are different micro-credit financing models, the borrowers in the pioneering models are usually members of small groups. Loans are given to individuals, but an entire group is responsible for the repayment. Hence, the borrower who does not fulfill his commitment to repay back will lose his/her social. Micro-credit institutions report that their repayment rates are above the commercial repayment rates, sometimes as high as 97%. Today, there are millions of poor people around the world who turn to be entrepreneurs through the micro-credit sector.

Against this background Sujay Ghosh (2009) studied NGOs as political institutions, particularly in the context of a number of developing countries; investigator argued that the political context of NGOs action is determined by their relationship with the donors and social movements. Secondly, NGOs promote democracy when they redefine participation in terms of their relationship with state and society; and htey contribute to improve the quality
of participation, although with much less success in promoting internal democracy. Similarly Archana Jain (2006) in her study on “Micro-Credit, Micro-Enterprises linkages in Generating Self-Employment for Women Workers” evaluated that many NGO’s have acknowledged that along with credit, other inputs like skill development, social awareness, literacy improvement, health care should also be made available to rural women for the holistic development of the disadvantaged.

Surajben (2004) in his study on “Performance in Micro-Credit” explained that NGO’s play a vital role in the social upliftment programmes. As they observe the problems in their area of operation. The acute problems grip them, and motivate them for action. The study by Venkata Ramana P. (2003) on “Micro-Credit Programmes” focused that rural development is a Comprehensive Phenomenon which is a necessary constituent of overall growth and development. Rural development has specific characteristics as different from national growth. It needs financial resources as well as physical resources, more particularly for the grassroots participants at micro level. Similarly Dwarakanath H. D. (2003) has discussed that women participation in the saving and credit movement has paved the way for the speedy development of economic and productive activities. This movement has helped in bringing other institutions like commercial banks, NGOs and other micro-finance organizations for the upliftment of rural women.

The study by M. Rezaul Islam and William J. Morgan (2011) looks at the role of NGOs in terms of their capacity for social capital development and community empowerment. The study is based on qualitative research focusing on two NGOs in Bangladesh. Another similar study by Katarina Holma and Tiina Kontinen (2011) explained development NGOs on their need to elaborate new approaches. The NGOs have particularly searched for alternatives to the Logical Framework Approach (LFA), as they have found its measurability demands not to be applicable to their work. the possibilities of realistic evaluation providing a potential alternative approach. The attempt of realistic
evaluation to integrate the concept of mechanism into the identification of programme theory increases the depth of the analysis.

The study of Frank den Hond (2010) review relationships between the NGO activism and advocacy movement and corporations. The essay does so through a review of Yaziji and Doh’s 2009 book NGOs and Corporations: Conflict and Collaboration. Michael Sparks (2010) analyzed implementation of the World Health Organization’s Framework Convention on Tobacco Control (FCTC) has seen increased participation of a range of new players in the governance of this, the world’s first global public health treaty. Researcher notes the critical level of NGO participation in the implementation of the FCTC with implicit implications for the ongoing governance of the treaty. It is posited that understanding the role of NGOs in the FCTC’s governance structures will contribute to a better understanding of the global governance issues arising from the Framework.

The study by Jan H. Jans and Albert T. Marseille (2010) explained the use of judicial review procedures by NGOs. Their research shows that NGOs are successful litigants. Samuel K. Nikoi (2008) analyzed about the information behaviour of non-governmental organizations. Despite their rise in development prominence since the 1980s and their growing importance in the socio-economic development of many developing countries, studies focused directly on the information activities of NGOs which received tangential treatment. The study of Mangala Subramaniam (2007) described on earlier work involving the spatial and locational politics of knowledge, she argued that donors providing resources for designing and implementing programs, including that for capacity building, impact the structuring of knowledge to create intellectual realms. Intellectual realms structure knowledge and create bounded spaces in ways that maintain the centrality and power of knowledge producers in the West. Similarly Deborah Avant (2007) discussed about how an increasing role for non-state actors in security may transform the conceptualization of security and the use of violence more generally. The study
by David John Frank, Wesley Longhofer and Evan Schofer (2007) examined the role of domestic nongovernmental organizations (NGOs) in environmental policy reform in Asia. Standard accounts treat NGOs as critical players in the policy process, responding to local environmental degradation and pressing states for environmental reforms. Annabelle Mooney and Srikant Sarangi (2005) narrated the work that non-governmental organizations (NGOs) perform in terms of HIV and AIDS is wide-ranging. The particular case of Disha Foundation, an NGO working in Nasik, in the state of Maharashtra in India, whose clients are migrant workers. Drawing upon a broad notion of frame, the researcher focused on the way in which activities such as intervention, prevention, empowerment and community in the HIV field can differ radically from articulation (at a government level) to practice (of NGOs).

The study of Wei-Wen (2005) discussed out a lack of human resources development research in international nongovernmental organizations (INGOs) and proposes a conceptual model for future empirical research. This article reviews the three related research areas of NGO history, volunteer training, and expatriate development, and discussed the possibility of integrating the theory from these three areas; and finally builds a model for further empirical studies for expatriate training in INGOs. Similarly the study of Anthony Bebbington (2004) on nongovernmental organizations (NGOs) involved in international development has been case-study-based, with questions about the broader geographies of NGO intervention rarely asked. Investigator explores the factors that drive such NGO geographies and considers how they relate to the uneven geographies of poverty and livelihood produced under contemporary processes of capitalist expansion and contraction. The study of Jain S.P. (2003) “empowerment of rural women through local Self-Government in Afro-Asian Countries”. Further, he opined that progress of empowerment. It is also necessary to recognize the issue of empowerment of women as a need of development and an essential input for the progress of society and development of human resources. Gina Porter (2003) explained the factors that influence and constrain NGO contributions to poverty reduction in a globalizing world;
he focused on their role as transmitters of grounded knowledge about poverty in very poor countries.

The study of Gurulingaiah M. (2002) on “Role of NGO in Empowerment of Tribal Women in Karnataka” concluded that. For almost a decade the NGO have been organizing the women to form SHG’s to meet their felt needs and enable them to participate in planning and implementation of their own developmental prorammes. Shrama K.C. (2001) has explained that participatory Rural Development through Self-Help Groups “helped in, women empowerment. Their participation in the economic activities and decision-making of household and also at society level is increasing.

The study of Jiyoung Kang (2011) focused on the widely recognized importance of non-governmental organizations (NGOs) in community development; few studies have shown a holistic picture of their diverse aspects. Similarly Nahid Sultana and Naznin Islam (2009) studied the effect of NGO activities in increasing the awareness levels of vulnerable women in Bangladesh. The authors attempt to show the extent to which awareness levels of vulnerable women increased after joining NGOs. The study of A. K. M. Ahsan and Jayant k. (2007) analyzed the current poverty situation and poverty alleviation efforts of the NGOs in Bangladesh. This research has employed both qualitative and quantitative approaches. The findings revealed that the economic condition of the poor in the study areas has not improved much when judged against some selected indicators, namely, income, food and non-food expenditure, productive and non-productive asset, food security, and employment creation. Amanda Sloat (2005) examined the development, activities and effectiveness of women NGOs in 10 Central and Eastern European countries. It addresses the tension between the work of NGOs and the wider development of civil society.

2.4. Relevance of the Present Study:

The brief review of the earlier studies on functioning of SHGs activities through micro finance and the role of NGOs in organizing the SHGs activities
indicate that, some of the earlier studies on rural women confined themselves to selected issues connected with either the status of rural women, employment of rural women, agricultural women workers, rural development programmes for women, anti poverty alleviation programmes for rural women and rural women illiteracy. But these studies could not give either full information regarding the roots of poverty of rural women folk or the strategies, which help of the tribal women to come out from the debt trap.

The present study attempts to analyze new approaches like empowerment of rural women through Self-Help Groups break through the micro credit. Some of the research studies confined themselves to an evolution study of rural development programmes or poverty elimination programmes as a whole. No attempt has been made to study separately the relative role played both by the Governmental an Non-Governmental Organizations (NGOs) in organizing the different activities of the SHGs related strategies involved in capacity building or empowerment of rural women through Self-Help Groups in the state of Andhra Pradesh. The present study is an attempt to fill up the existing gaps identified in the literature by way of examining the relative performance of the SHGs organized both by the Governmental Organizations (Indira Kranti Patham IKP) and NGO (Bapuji Rural Enlightenment And Development Society (BREDS)) on the socio-economic empowerment of rural women in the backward North Coastal district (Srikakulam District) of Andhra Pradesh.
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