Chapter -2

Historical Background

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2.1. Micro-finance institutes of Bangladesh

Bangladesh has been recognized as a trailblazer in the area of micro-finance. Dr. Mehmud Yunus, Faculty of Economics in Chitgaon University of Bangladesh, was an initiator of an action research project ‘Grameen Bank’.

The project started in 1976 and it was formally recognized as a bank issued by the government in 1983. Even then it did not have a scheduled status from the central bank of the country, the Bangladesh Bank. The Grameen Bank facilitates loans to the landless poor, particularly women, to promote self-employment. At the close of December 2001, it had a membership of 23.78 lakh and cumulative micro-credit disbursement of TK 14.653 Crore.

(BRAC)Bangladesh Rural Advancement Committee 1, (ASA) Association for Social Advancement and PROSHIKA are the other principal Micro-credit Finance Institutions (MFIs) operating for over two decades and their activities are spread in all the districts of that country. BRAC is the largest NGO of Bangladesh with a total membership of 41.38 lakh. Initially set up in 1972 as a relief organization, it now addresses the issues of poverty alleviation and empowerment of the hapless, especially women, in the rural areas of the country; this institute also works in the area of literacy, human rights and legal education. BRAC has worked significantly in the fields of education, nutrition, health and other support services. PROSHIKA is also active in the areas of literacy, environment, organization building and health, while ASA and Grameen Bank are pure MFIs.

The micro-finance practices of these institutions revolve around five basic characteristics:

1. These institutions primarily have women as their target group.
2. They adopt group approach for achieving their targets. The group approach focuses on organizing the people into small groups and then introducing them to the facility of micro-financing. The MFIs of Bangladesh give a great deal of importance to group solidarity and cohesiveness.
3. Saving is an essential precondition in all these MFIs for availing credit from them.
4. The officials of the Bangladesh MFIs remain present in the weekly meetings of the groups and collect the savings, update the pass books and even disburse the loans.

5. The systems and procedures of the MFIs are quite simple and in tune with the requirements and capabilities of their clients.

2.2 Indian Scenario

India has adopted the Model of Bangladesh’s in a modified form. To alleviate poverty and to empower women, micro-finance has emerged as a powerful tool in the new economy. With availability of micro-finance, self-help groups (SHGs) and credit management groups commence to form in India. Thus the movement of SHG has spread throughout in India.

In India, banks are the predominant agency for delivery of micro-credit. In 1970, Illaben Bhat, founder member of ‘SEWA’ (Self Employed Women’s Association) in Ahmadabad, developed a concept of ‘women and micro-finance’. The Annapurna Mahila Mandal’ in Maharashtra and Working Women’s Forum’ in Tamil Nadu and many NABARD (National Bank for Agriculture and Rural Development) sponsored groups have followed the path laid down by ‘SEWA’. ‘SEWA’ is a trade union of poor, self-employed women workers.

Since 1987 ‘Mysore Resettlement and Development Agency (MYRADA) has promoted (CMGs) credit management Groups. CMGs are alike to self-help groups (SHGs). The basic features of this concept promoted by MYRADA are: 1) Voluntarism, 2) Affinity, 3) Membership and 4) Homogeneity should be limited to 15-20 persons. Aim of the CMG is to bestow social empowerment to women.

In 1991-92 NABARD started promoting (SHGs) self-help groups on a large scale. And it was the real take-off point for the self-help group (SHG) movement. In 1993, the Reserve Bank of India also allowed Self-help groups to open saving accounts in banks. Facility of availing bank services was a major boost to the movement.

The movement of SHG was nourished, in the states of Gujarat, Maharashtra, Andra Pradesh, Rajasthan, Tamil Nadu and Kerala.

Now nearly 560 banks like Bank of Maharashtra ,NABARD , Co-operative Banks ,State Bank of India, Regional rural banks, the Government institutions like
2.3. **SHG model in India**

In India three different models\(^3\) of linkage of SHGs to the Financial Institutions have emerged. They are

- Banks themselves, form and finance the SHGs
- SHGs are formed by NGOs and other agencies, but are financed by banks
- Banks finance SHGs with (NGOs) Non-Government Organizations and other agencies as financial intermediaries.

The second model is the most popular model. Almost three-fourths of all the SHGs follow this model. Only 20% of the SHGs fall under the first and 8% under the third model respectively.

2.4. **The SHG Movement in Maharashtra**

The concept of SHG was not new to Maharashtra. Beginning with a tiny amount of only 25 paise, the women of Maharashtra from Amravati District had established one Self Help Group (SHG) long back in 1947.

Further in 1988, ‘Chaitanaya’ Gramin Mahila Bal Sanstha started promoting SHGs in Pune District, Informally.

In Southern part of India, ‘SADHAN’, ‘DHAN’ foundation and ‘ASA’ worked to promote SHGs. But their thrust was on economic aspects only. Whereas in Maharashtra, the NGOs have not only catered to the economic needs of the participants, but also involved in the process of social development. Aim of ‘Chaitanaya’ is also the same to empower the women in both ways, economically and socially. At Present, numerous NGOs and governmental institutions promote SHGs on a large scale.
2.5. **Impact of SHG on the process of empowerment of women**

The year 1975 was confirmed as a ‘year for women’. Also, the decade from 1975 to 1985 was declared as a ‘decade for women’. During this period, the movement for empowerment of women received a fillip. The importance of role of women, which consists 50% of the society, was highlighted in this span of period. It was emphasized that woman should get the same opportunities as that to men.

The year 2001 was declared as a ‘year of women empowerment’. Efforts were being made in the direction that women should have a role in all walks of life; and special provisions should be made in the budget for activities related to the development of women. Many schemes were planned and started to be executed, at government level, in respect of women’s education, laws regarding prevention of atrocities on women, their participation in economic and political spheres etc. At this juncture, Self-help group movement also started and in a way travel towards women’s empowerment began.

2.6. **What is development?**

Development is a complex issue, with many different and sometimes contentious definitions. A basic perspective equates development with economic growth. The United Nations Development Programme uses a more detailed definition-according to them development is ‘to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community’.

Achieving human development is linked to a third perspective of development which views it as freeing people from obstacles that affect their ability to develop their own lives and communities. Development, therefore, is empowerment: it is about local people taking control of their own lives, expressing their own demands and finding their own solutions to their problems.

a) **Economic development:**-generally refers to the sustained, concerted actions of makers and communities that promote the standard of living and health of a specific area. Economic development can also be referred to as the quantitative and qualitative changes in the economy. Such actions can involve multiple areas including development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, Social inclusion, health, safety, literacy, and other
initiatives. Economic development differs from economic growth. Whereas economic development is a policy intervention endeavor with aims of economic and social well-being of people, economic growth is a phenomenon of market productivity and rise in GDP. Consequently, as economist Amartya Sen points out: “economic growth is one aspect of the process of economic development.

(b) **Social development:** Explain qualitative changes in the structure and framework of society that help the society to better realize its aims and objectives. Development can be broadly defined in a manner applicable to all societies’ in all historical periods as an ascending movement featuring greater levels of energy, efficiency, quality, productivity, complexity, comprehension, creativity, mastery, enjoyment and accomplishment. Development is a process of social change, not merely a set of policies and programs instituted to achieve some specific results. This process has been going on since the dawn of history. But during the last five centuries it has picked up speed and intensity, and during the last five decades has witnessed a marked surge in acceleration.

The basic mechanism driving social change is increasing awareness leading to better organization. Life evolves by consciousness and consciousness in turn progresses by organization. When society senses new and better opportunities for progress it accordingly develops new forms of organization to exploit these new openings successfully. The new forms of organization are better able to harness the available social energies and skills and resources to use the opportunities to get the intended results.

2.7. **Concept of Self Help Group**

Self-Help Group generally consists of 10 to 20 women. The women save some money that they can afford. It is a small amount ranging from Rs 10 to 200 per month. A monthly meeting is organized, where apart from disbursal & repayment of loan, formal and informal discussions are held, on many social issues also. Women share their experiences in these groups. The minutes of these meetings are documented and the accounts are written. The president, Secretary and Treasurer are three official posts in any SHG. If the SHGs are connected with some NGOs, they take part in other social activities of those Non-Government Organizations (NGOs).
Of late, the organizational structure of various micro-financial groups is undergoing significant changes. There are thrift groups; Credit management groups, Income generating groups, Self-help groups and Mutual help Groups.

Sometimes the institute that promotes the SHG, itself provides loan facilities. It is called Micro-finance Institute.

### 2.8. Objectives of SHGs

a) Basically the SHGs are economic organization. Small funds are raised for day to day needs. The saving groups when transformed to earning groups increase not only the productivity of women but the credibility also.
b) Doors are widely open to women to understand and gain knowledge about Zila Parishad, Banking, Gram Panchayats, Law and Judiciary, etc.
c) As economical solutions are available, the family structure is maintained.
d) SHG is a good way to stop the exploitation of consumers.
e) Broadening of view is a major gain. The ascending order of family, group, village, Tehsil, Zilla, Zone, State, Nation, World, makes the vision global.
f) SHG Develops self-confidence in members.
g) A common platform is made available for a dialogue and sharing of views.

### 2.9. Special Features of SHG

SHG is an organization with fundamental principles like democratic approach and common decision-making, transparency, self-helping, repayment of loans and group development. The credibility of the groups is dependent on these principles.

Economic progress as well as total development and creating mutual trust among the members is the maxim of SHG.

### 2.10. Purposes behind promoting SHGs

The fundamental aim of promoting SHGs is poverty alleviation and to achieve empowerment of women.

The recent trends show significant changes in the promotional strategies for the SHGs. Financial needs like banking, saving, insurance etc. getting subsidies,
building organizations to gain political power also, are the purposes behind some of the SHGs.

Today like India & Bangladesh, SHG movement is spreading in other Asian countries and Latin America, Africa etc. (SHG) Self-help Group movement has got importance in the social movement.

### 2.11 NABARD as facilitator of microfinance

NABARD had assigned to itself the role of a facilitator and a mentor of the initiative. The focus was on bringing various stakeholders on a common platform, building capacity among them to take the movement forward while extending 100% refinance to all banks participating in the programme. A large number of seminars, workshops and training programme were organized to create awareness about microfinancing among the stakeholders-the bankers, the government agencies, the NGO partners and more importantly the SHG members. The NGOs that played the key role in organizing and nurturing the SHGs as the Self Help Promoting institutions – later joined by many others including the rural financing institutions, Farmers clubs, etc. were encouraged by way of promotional grant assistance by NABARD for taking up such work. The phenomenal growth of SHG-Bank linkages programme during the last 20 years owe a great deal to these promotional efforts, actively supported by NABARD and participated by the stakeholders. The rapid growth of the SHG linkage programmes and their success in taking financial services to the poor, led to their recognition as the most important tool for financial inclusion-the main focus of XI Five year Plan. Simultaneously, efforts were also on to experiment innovative initiatives to improve the efficacy and extend the reach of the programme with the involvement of all microfinance practitioners facilitated by NABARD.

### 2.12 In Conclusion

The concept of Self Help Group is not new. But the project started in 1976 and it was formally recognized as a bank issued by the government in 1983. Even then it does not have a scheduled status from the central bank of the country, the Bangladesh Bank. The Grameen Bank provides loans to the landless poor, particularly women, to promote self-employment. At the end of December
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