CHAPTER II

REVIEW OF LITERATURE

2.1 Importance of Self-Help Groups

In the words of Pandit Jawaharlal Nehru: “To awaken the people, it is the women who should be awakened. Once she is on the move, the family moves, the nation moves.”

Sujit Kumar Paul in his study “Women Empowerment through SHG” points out that the government of India now has a variety of programmes under different sectors of development to ameliorate the working conditions of women and raise their socio-economic status. The self-help group in the context of project frame may be defined as a collection of individuals belonging to certain households agreeing to work or are already working with a bond of common interest, needs, socio-economic condition, location, kinship to achieve a common goal, who can take over the charge of development after the withdrawal of project.

The Honourable former Finance Minister Shri Yashwant Singha in his budget speech on 29th Feb. 2001, has fixed the target of creating one lac additional SHGs and asked for special attention to be given to the formation of SHGs for women, SC, ST, OBC and other sensitive sections of society. The SHGs are working successfully in many status of the country. The economic participation of women through SHGs decision making ability, leadership qualities and interpersonal relationships.

The Indian Bank Field officer Ms. Indira Kumari in her study explained the details of SHGs especially the need for group cohesiveness for proper functioning of the group. Rural women members got an idea about SHG and awareness about thrift and credit system. The experience shared by officials and activists made the group understand that a strong group

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can instill in each member of the group a new sense of identity, dignity which in turn breed the confidence and the ability to overcome their problems both individually and collectively\(^\text{20}\).

Indira Kumari in her article “Economic Empowerment of DWCRA” points out that, SHG, too went through different stages of learning about the initiation of savings and credit groups, further about economic activities among women’s groups, and more specifically, in defining their own roles in doing so. The mobilization of a collective pool of savings from which women could obtain small loans to handle emergencies enabled them to decrease their debts to and dependency on money lenders and economically privileged social groups. The group’s dynamics also generated through saving which would serve as a flexible credit available for emergencies, consumption and production purposes. It concludes that the SHGs meant building their negotiation, communication training and articulation skills, their capacity to co-operate gathering information develop their planning skills run economic activities, undertake various developmental issues and finally develop and exercise their decision making process. This also increases their accountability to women’s needs\(^\text{21}\).

### 2.2 Activities of Self-Help Groups

Karl Pillheimer in this context, “SHGs in India: The State of the Art” to bridge the gap between the demand and supply of funds in the lower rungs of rural society, SHGs which operate on the principles of self-help, mutual trust and co-operation have emerged as informed financial institutions for the poor under the guidance and support of Non-Government Organisations (NGOs). Regular transactions like collective savings, issuing loans and collection of repayment take place at convenient intervals in the meetings where all members of self help groups are present collectively to take decisions. The idea to link the formal and informal financial sectors emanated to address two basic issues in rural finance namely (i) how the marginalized rural households can have access to formal


financial institutions and (ii) how the banks can effectively deliver financial services to rural poor without sacrificing operational viability and sustainability\textsuperscript{22}.

According to the recommendations made by the working group under the chairmanship of Shri S.K. Kalia in 1996 SHG programme has been made in to a regular programme under the priority sector lending of banks. The working group expressed the view that the linkage of SHG with banks was a cost effective, transparent and flexible approach to improve the accessibility of credit from the formal banking system to the unreach ed poor. The group recommended that (i) the banks should treat the linkage programme as a business opportunity for reaching the rural poor and make it a part of their corporate strategy, ii) the programme be made part of the service area approach and lead bank reporting system, iii) this concept be made part of the regular training curriculum of banks, iv) lending by banks to SHGs be made a separate segment under the priority sector and v) review and monitoring of SHGs linkage programme should be carried out periodically\textsuperscript{23}.

The International Co-operative Alliance (ICA) defines SHGs as co-operatives in all aspects, but name and legal status. They elect their leaders democratically from among themselves. They are member – owned and controlled financial service enterprises providing savings and credit services, and they usually distribute their profits to their members. They can facilitate members access to education and training, they co-operate with other SHGs, they are agents for community development and improvement\textsuperscript{24}.

\textsuperscript{22} Lalitha, , “SHG’s in India: The State of the Art”, Self – Help Groups in Rural Development P. 42.

\textsuperscript{23} Ibid, PP. 56-57.

Reserve Bank of India report of 2005 indicates that the non-performing assets of banks pertaining to lending under the SGSY Swarnjayanthi Gram Swarozgar Yojana are the lowest in Tamilnadu among all states at 0.53 percent. With such an exemplary repayment track record of the SHG, there was a strong case for further extending credit outlay for them\textsuperscript{25}. Instructions had been given for the training of an additional 1.5 lakh women under the entrepreneurship development programmes. She has suggested that restrictions such as the stipulation barring groups from availing themselves of assistance unless a minimum period of six months time had lapsed should be reviewed. She also pleaded for considering a shorter incubation period for well formed SHGs, so that they could be assisted quickly to enable early access to revolving funds and credit assistance.

Ramachandran in his article “Socio-Economic Empowerment and SHGs” explains that the SHG is a viable alternative to achieve the objectives of rural development and get community participation in all rural development programmes. SHG is a viable organized set up to disburse micro credit to rural women for the purpose of encouraging them to enter entrepreneurial ventures. The women led SHGs have demonstrated the success of mobilizing and managing thrift, appraising own credit needs, managing credit linkages with banks and enforcing financing self discipline\textsuperscript{26}.

Gupta in her study “Economic Empowerment of Women through SHGs” reveals that the SHGs are considered as one of the most significant tools to adopt participatory approach for the economic empowerment of women. It is improving the life of women on various social components. The basic objective of an SHG is that it acts as the forum for members to provide space and support to each other. SHGs comprise very poor people who do not have access to formal financial institution. It enables its members to learn to co-operate and work in a group environment\textsuperscript{27}.

\textsuperscript{25} Ibid.


The Agricultural Credit Review Committee (ACRC) report of the RBI commented: “Under the government sponsored programmes like self-help programmes, the banks are involved neither in the selection of borrowers, nor in the identification of viable projects, nor in helping the beneficiaries prepare feasible projects. The net result is that the banks do not regard these programmes as their own and are only involved in a mechanical manner. This affects the quality of credit, and the quality of the project, its operations and its recovery.”

Divya Ramamurthy in her working paper “Streamlined Trained for SHGs Must for Mahalir Thittam” pointed out that community based training would help in horizontal sharing of information and experience. It will strengthen the SHGs. He also states that animators, young and educated women be oriented on the benefits of forming and SHG and be responsible for sharing this information with all other members. They can lead the way for other members.

A.P.Purandure states that the SHG has been constituted around production activity. Men and women in rural areas either under the development programmes or out of their necessity participated in different activities. The commonality is that the group members contribute to group fund where-in the matching financial assistance comes through government development programmes. The group formation aimed at promoting participatory development as well as attaining the welfare of community.

P. Sudhakar says that in all villages sanitary complexes are being managed by the SHGs which charge to use the facility and in some other areas SHGs are also taking care of the saplings, planted in and around their villages. In some places, they also take care of the saplings planted under the dry land development programme.

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31 Ibid.
G.P. Singh and P.S. Sehrawat who have studied the SHG activities say that the groups are performing various activities like collection and contribution towards saving and repayment of making available credit facility to needy persons, discuss various development plans and income generating enterprises in the village maintain records and accounts. 

A former collector R. Rajesh Lakhoni aptly states that in 2003 there were about 5,444 SHGs promoted by the Kanyakumari District rural development agency in the district and, of them nearly 1,110 groups are provided a total revolving fund of Rs. 1, 11 crore and another 517 groups have been given 50 percent subsidy amounting to Rs. 6 crores for facilitating them to establish income generating activities on their own. Nearly 1,550 women members of different SHG’s have been provided the entrepreneurial development training till date and most of the groups are engaged in manufacturing coir fibre products and banana fibre products.

Shylendra in his project paper, “Lessons from an action research project of IRMA” implies that SHGs are small informal associations created for the purpose of enabling members to reap economic benefit out of natural help, solidarity and joint responsibility. The benefits include basically obtaining savings and credit facilities and pursuing group enterprise activities. The group based approach not only enables the poor to accumulate capital by way of small savings but also helps them have access to formal credit facilities.

Fernandaz in his study “The MYRADA experience, Alternate poor” says that the basic characteristics of SHGs like small size of membership and homogeneity of composition will bring about cohesiveness and effective participation of members in the functioning of the group. In general, the SHGs created on the above words of functioning have been able to effectively reach the poor, especially the women and help them obtain easy access to facilities like savings and credit and in empowering them. This study also reveals that certain elements become crucial or critical for the successful formation and functioning of the groups. These include voluntary nature of the group, small size and homogeneity of membership, transparent and participative decision making, brisk use of

funds for micro-enterprise creation, issues on gender and social problems also get a platform for discussion\textsuperscript{35}.

Gain and Satish in their working paper “Evolution and Survival of SHGs-Some Theoretical and Empirical Evidences” had described the factors affecting group dynamics and group functioning such as feeling of solidarity and pervasive benefits from group formation, increased awareness of group members, self-reliance and transparency. They feel that dependence on outside source either in material or human terms exist and so the group autonomy is not attained in many cases. It concluded that the group formation that is, forming, storming, norming and performing. They identified the factors, which have an impact on group formation as full participation of all members, quality in leadership, some sort of homogeneity among the members and transparency in operations and functioning of the groups\textsuperscript{36}.

Karthar Singh and Gain in their working paper “Evaluation and survival of SHGs – some theoretical and empirical evidences” explained that there are four stages of group formation that is, forming, storming, norming and performing. They identified the factors, which have an impact on group formation as full participation of all members, quality in leadership, some sort of homogeneity among the members and transparency in operations and functioning of the groups\textsuperscript{37}.

The study conducted by Karkar revealed that as the programme was effectively implemented the monthly income of the beneficiaries had increased substantially. A large number of groups had become mini banks reducing the dependence on moneylenders. It had also resulted in improving their standards of hygiene and nutrition. The major findings were that the urge for literacy especially for the girl child and the adoption of family planning measures had increased. The process of group dynamics has strengthened the networking, homogeneity and self-esteem of women. The “We can do it” syndrome is part of their psyche today. The scheme had also provided women the opportunity to sit together, discuss and share their long pending problems, discuss and share their long pending

\textsuperscript{36} Jaya. S.Anand, SHG’s in Empowering Women – A Case Study for Selected SHG’s & NHG’s, July 2001, P. 16.
problems, seek a joint solution through sympathetic co-operation and advice. The group thus acts both as a pillar of strength and an information window\textsuperscript{38}.

The South Malabar Gramin Bank (1998) conducted a ‘Monitoring Study on SHGs to examine the progress of the scheme since its implementation in 1995 – ‘96 in Malappuram and Kozhikode districts. About 60 per cent of the bank linked group was rated as excellent. In a few groups, group dynamics decreased after the credit linking. The study suggests that in 20 percent of the groups, the organizational set up should undergo change by replacing the existing members. It identified several weaknesses in the CDS groups like, i) lack of monitoring, ii) lack of interest among co-ordinators because of non-receipt of allowance which they formerly received, iv) groups with a static performance deteriorated within a period of 2 to 3 years\textsuperscript{39}.

2.3 Performance of Self-Help Group

Manimekalai and Rajeswari aptly explain that the SHG members are eventually as entrepreneurs, analysis nature of economic activities and the performance in terms of growth indicators such as investment turnover, employment capacity utilization sources of finance and supplementary finance. The SHG’s earned the highest profit from agriculture and trade related activities\textsuperscript{40}.

J.V. Siva Prasanna Kumar in his article, “Extend a Helping Hand to the SHGs” states that the range of products are sometimes inspirational in the sense, they could prompt up to kindle our creative instinct and make good use of the resources. Many groups are hamstrung in marketing their products independently without banking on the assistance from the government\textsuperscript{41}.

J. Fredrick in his article “SHGs Gate way Success for Rural Women Entrepreneurs” explains that the most important social innovation to help the poor in recent years has been the success of the thrift and credit based SHG especially those formed by women. These groups assisted credit for the benefits of group members based on their own savings.

\textsuperscript{38} Kanchana Karkar, Andra Women March towards Empowerment,” Gramin Vikas, “Vol.11, No.4.P.17.
\textsuperscript{41} J.V.Siva Prasanna Kumar, “Extend a helping hand to the SHGS, The Hindhu, Oct 1,2003.
Linking of SHGs to form financial institutions has further enhanced availability of micro credit financing to the groups. SHGs have successfully generated additional income, jobs, employment and saving potential for their members\(^{42}\).

Sandip Das in his study “SHGs Enhance Women’s Participation in Local Self-Governance” reveals that potential of SHGs for enhancing participation women in ‘local self governance’ has said that members of SHGs have been raising issues concerning education, drinking water, family planning, hygiene and health, quality of health care and village infrastructure such as road and electricity with their panchayat more effectively and convincingly. The study analysed that SHGs have been formed in various parts of the country for savings and credit activities for ensuring socio-economic development of marginalized people. The study analysed those SHGs comprising women, where minimum saving per member was Rs. 10 per month. Members of SHGs were engaged in numerous enterprise activities such as making files and folders, soft toys, sewing and embroidery, pickles, bangles, animal husbandry, fishery, horticulture\(^{43}\).

S.K. Nashi in her study “Micro Finance: A Study of Stree Shakthi (SHG) Programme” points out that the SHGs generates a common fund out of small savings, promoted on a regular basis among members by curtailing unproductive expenditure, sometimes the internal savings are supplemented by external resources loaned / donated by strengthening the groups. The funds thus created are used for giving loans to its members. Such loans include consumption loans and production loans. The consumption loans include subsistence needs, health care, social and religious ceremonies etc. The production loans are for the purpose of purchase of agricultural inputs, investments on poultry, sheep and for small business like vending, hawking etc. The credit needs of members are usually assessed in group meetings\(^{44}\).

Abdul Raheeme implies that the SHGs provide the benefit of economics of scale, cost effective alternative for different financial services, collective learning, democratic and participatory culture, a firm base and platform for dialogue and co-operation. Moreover the benefits of SHGs are based on co-operation rather than competition.\textsuperscript{45}

A.P. Isharamma says “Before I joined the SHG, if I asked my husband to do some work, he would beat me up. Now when I am away, he does the cooking, cleaning and takes care of the children.”\textsuperscript{46}

The Agricultural Credit Review Committee that recognizes the report of the RBI commented that “under the government sponsored programmes like self – help programmes the banks are involved neither in the selection of borrowers, nor in the identification of viable products, nor in helping the beneficiaries prepare feasible projects. The net result is that the banks do not regard these programmes as their own and are only involved in a mechanical warmer. This affects the quality of credit, the quality of project, its operations and its recovery.

\subsection*{2.4 Savings and Credits}

J. Fredrick said that the SHGs generate a common fund out of small savings, promoted on a regular basis among members by curtailing unproductive expenditure. Sometimes external resources loaned by voluntary organizations assist in promoting and strengthening the groups.\textsuperscript{47}

S.K. Nashi in his study “Micro Finance: A Study of Stree Shakthi (SHG) Programmes” reveals that SHGs have been able to mobilise small savings either on weekly or monthly basis from persons who were not expected to have any savings. They have been able to effectively recycle the resources generated among the members for meeting the emergent credit needs of members of the group. There is a need for conducting the necessary research to find out the following: i) to save whatever amount they can conveniently out of their earnings, ii) to mutually agree to contribute to a common fund and iii) to lend to the members for meeting their productive and emergent credit needs.\textsuperscript{48}

B.L. Vaishnaw says that Self Help Movement through savings has been taken up as a Mass Movement by the rural women to shape their future destiny[49].

P. Satish, in the context of microfinance says that SHGs are formed around the theme of savings and credit. A small group of individuals become members, and pool their savings on a regular basis to form a collective fund. This fund is then rotated as credit amongst the members through self generated norms. Hence the basis of the SHG is the mutuality and trust in depositing individual savings in group funds. Once the initiated trust is established, one hour incentive or motivation for a member is the access provided to financial services through the common pool fund, which is higher than the individual fund saved. In cases where the groups have been given a reasonable operating shape by promotional agencies like NGOs and an SHG thus formed is stabilized through rotations of their own savings converted to mutual credit it is possible to introduce external funds[50].

Sujit Kumar Paul in his article “Women Empowerment through SHGs” says that a group is formed under collective savings, and the savings are immediately put to use as credit to individual group members. The groups immediately see the benefit of pooled savings as it solves their emergency credit needs for which they had earlier depended on money lenders. The loan has been taken by the individual members for income generating activities, consumption purposes, for immediate contingency purposes, for medical treatment, education for their children, for the betterment of their future generation etc. Repayment has also started by the borrowers[51].

Dr. P. Loganathan aptly says that the government has formulated the savings linked micro credit to women, a new loan scheme to be implemented through co-operative with specific reference to women engaged in small business as to improve their economic conditions and to inculcate the habit of savings in them[52].

Samar K. Detta and M. Raman point out that the savings by group members per month are fixed. The average savings per member is Rs. 874 per annum. The surplus savings are encouraged in anticipation of high expenditure during festival times. The

correlation between the age of the SHG’s and the average special savings per member is 0.413 that is statistically at 0.5 levels. In case of delayed payment of group savings, penalty is being levied at the rate of Rs. 10 per person.

J. Fredrick says that the funds thus created are used for giving loans to its members. Such loans include consumption loans and production loans. Consumption loans include subsistence needs, health care, social and religious ceremonies etc. The production loans are for the purpose of purchasing agricultural inputs, investments on poultry, sheep etc., and for small business like vending, hawking etc. The credit needs of the members are usually assessed in group meeting.

S. Almelu in her article, “Group Formation Modalities and Objectives” reveals that all the members of a group should save an amount fixed by the members themselves periodically as the case may be, fixed by the members. Every month the president or the secretary of the group collects the money and gets it deposited in the nearest bank. This type of periodic cash savings and credit at the group level provides a very simple but powerful mechanism to enable groups to manage, control and own. Their institution is nurtured around local savings and credit.

Asmita Singh point out those banks can provide sufficient amount of loans to form an informal SHG with the help of voluntary organizations / NGOs. SHGs in their own turn, can give loans to their members on the terms and conditions decided by the group. The amount of loan given by banks to the SHG’s should be in proportion of their savings. The Savings Credit Ratio (SCR) should be within the range of 1:1 and 1:4, i.e., credit can be extended up to four times of savings of the group.

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Lalitha in her study “SHGs in Rural Development” reveals that women constitute a nearly small proportion of borrowers from formal credit institutions. In Latin America and in Caribbean countries women constitute 7 to 11 percent of the beneficiaries of credit programme. A study of 38 branches of major banks in India found that only 11 percent of the borrowers were women. In many African countries they account for more than 60 per cent of the agricultural labour force and controls upto 80 per cent total food production, yet receive 1 per cent of the total credit. In 1990, multinational banks allocated $5.8 billion for rural credit to developing countries. Only 5 per cent reached rural women\textsuperscript{57}.

### 2.5 Income to the Self-Help Groups

V.M.S. Perumal aptly says that income is the major determinant of the standard of living of the people. The SHG members income has been increased after joining the SHGs. Hence women members of the group are now independent to meet their personal expenditure and they contribute more to their household income. Many housewives (26.87 percent) did not earn anything before joining SHGs, but now they are earning reasonably. This increases the willingness to participate in the SHG activities\textsuperscript{58}.

### 2.6 Growth of Self – Help Groups

According to the annual report of the ministry of Rural Development 11.45 lakhs of SHGs have been formed in India so far 1,18,413 SHGs exist in Tamilnadu with 23,26,973 members in its fold. The amount being saved by 23, 26,973 members is approximately Rs. 332, 22 crores\textsuperscript{59}.

\textsuperscript{57} Lalitha & B.S. Nagarajan, \textit{SHGs in Rural Development}, P. 14.
2.7 Banks and Self-Help Groups

V.M. Rao’s “Women SHGs Profiles from Andhra pradesh and Karnataka” explained that the credit organizations like nationalized banks, co-operative societies and so on follow many formalities to provide credit to the rural people. At the same time village money lenders charge very high rate of interest. In this situation SHGs are a boon to the rural people, because inlaid of approaching banks as individuals, SHG members can easily approach the banks and other institutions to get loan. The SHGs get loans from credit institutions then, they refinance to the members in the SHGs. The SHGs charge reasonable interest, the prevailing interest rate is 1 percent to 2 percent. All the members are responsible to repay the loan to the banks\(^\text{60}\).

Dasgupta in his study “Working and Impact of Rural SHGs and other form of Micro Financing: An Informal Journey through SHGs” points out that SHGs linking with formal banks, both banks as well as SHGs will be benefited. The involvement of SHGs with banks could help in overcoming the problem of high transaction costs in providing credit to the poor by passing on some banking responsibilities regarding loan appraisal follow up recovery, to the poor themselves. The character of SHGs and the relationship between members offers a way to overcome the problem of collateral, excessive documentation and physical access. By this, Banks gain from the new risk – free credit market and a potential surplus sector (SHGs) and at the same time SHGs enjoy the advantage of larger and cheaper resources\(^\text{61}\).

According to Rajaram Dasgupta the number of SHG’s availing credit has increased from 3,841 in ’97 to 81,780 in 2000. The 85 percent of them are women groups. These SHG’s are operating in 362 districts of 24 states and union territories, Bank loans increased from Rs. 118 million in 1997 to Rs. 1,390 million in 2000\(^\text{62}\).

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\(^\text{62}\) Ibid. P. 379.
2.8 Benefits of Self – Help Groups

J. Fredrick points out that the women receive better education and training, they will earn more money. As the economic state women improve, they will gain greater social standing in the household and the village and will have greater voice. As women’s economic power grows it will be easier to overcome the tradition of “son preference” and also put an end to the evil of dowry.\(^{63}\)

Esmen and Uphoff thus: “A multi-tiered approach to local organizations can combine the benefits of solidarity and of scale, both for mobilizing resources and for organizing and implementing development projects.\(^{64}\)”

According to Kanagaraj SHG is a voluntary association of very poor people with homogeneous characters to achieve collective social and economic goals. People come together and function as a group which furthers their common interest.\(^{65}\)

2.9 Economic and Social Impact of SHG

K.C. Sharma told that the SHGs helped women to use the loan property and repayment was 100 percent. It increased the awareness of members for girls education, improved outside contact and decision making skill. The group formation definitely would have positive impact on all aspects.\(^{66}\)

Rekha G. Gaonkar in her study “Working Impact of SHG in Tamilnadu” reveals that individual loans are mostly used for productive purpose. The rate of recovery is cent percent. Monthly interest rate is charged on individual loan is 2 to 3 percent. The impact on the lives of the poor particularly women is positive. An increase in the standard of living, in terms of increase in income, savings, consumption and getting opportunity.\(^{67}\)

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\(^{64}\) Lalithaa, B.S. Nagarajan, SHG’s in Rural Development, P. 7.


S. Madheswaran and Amita conducted a survey to find the impact of SHG’s on rural women. The survey revealed that there were no defaulters among the individuals in the sample. This implies that the poor can low financial discipline and that high rate of interest is a deterrent for taking a loan. Some members of the SHG would prefer larger loan amounts and lower interest rate. Small amounts of loan coupled with financial discipline and at shorter time intervals can be met. This is a better mechanism to reduce poverty.68

S. Nedumaran aptly stated that the literacy level, house facilities, food consumption, pattern also showed significant improvement. The SHG activities had a positive impact on income asset position and social conditions of the SHG. Since SHGs helps to minimize the poverty levels of the rural areas particularly where rain fed agriculture is predominant.69

Indira Kumari points out that the socio-economic activities of the SHG’s have generated enormous collective strength among the womenfolk. In rural areas, women’s participation indecision making was non-existent. The control over resources and management of resources were in the hands of men. Previously, through the effective functioning of thrift and credit system and through SHG’s, the poor women equipped with capacity in financial management and decision making. However, SHG approach is a way for development of poor women. The poor women have demonstrated their potential through self help.70

S. Banumathy in her article “SHG’s and Bank linkages” says that the empowerment of women through SHG’s would lead to benefits not only to the individual women but also for the family and community as a whole through collective action for development. SHG’s have linkages with NGO’s and banks to get finance for development. In turn it wills products the economy of the country by its contribution to rural economy. SHG’s aims at providing awareness among rural poor about on-going development programmes. It can also creates awareness about health problems and take up gender linked issues like wife battering, child marriages, harassment by employees and general community issues. Thus

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68 Madheswaran & Amita, OP.cit.
SHG’s not only empower women, but also solve their problems apart from their economic development.  

2.9 Self – Help Groups and Micro Credit Programmes

S. Almelu aptly says that SHGs can make best use of their micro-credit programmes for improving knowledge and capacity of women. To strengthen these groups towards positive development the best way is to organise issue based training for SHG members.

Micro credit has been defined by the Micro-credit summit held in Washington D.C. in February 1997 as “programmes that provide credit for self – employment and other financial and business services to very poor persons.”

S.K. Nashi in his study “Linking SHGs with Banks and Need for Linkage” points out that, In India efforts are made to promote micro finance in a sustainable manner. An important vehicle for this has been the SHG programme and its linkage with banks. SHG meets the smaller consumption and emerging needs of members from its own savings and common fund generated. As the age of the group increases capacity of the group and credit also goes up. By this time the group would have acquired enough experience to manage the finances but the funds available are not adequate. At this stage group needs the support of the financial institution.

Lalitha in her working paper emphasis that a large number of financial institutions have been set up in India to provide credit to the rural poor which is the main objective of national credit policy. The policy was adopted in the 50’s, expanded in the 60’s and 70’s culminating in the establishing of an apex institution at the national level in 1982 under the name of NABARD. The first phase of rural banking was 1904 – 1969 characterised by the monopoly of co-operatives. The second phase is 1969 – 1999 witnessed the expansion of network of credit institutions and induction of commercial banks in rural credit. The third phase coincided with the introduction of financial sector reforms which attempt to transform credit institutions in to organizationally sound, financially viable and operationally efficient.

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74 Ibid.

It concludes that the group prepares a credit plan for its members and an aggregate of that is submitted to the bank. To ensure flexibility in the lending operations of the group, this document would have to be simple giving only an indication of proposed credit requirements\textsuperscript{75}.

Rajasekar in his study “Achievements of Microfinance and SHGs” points out that Microfinance programmes are important institutional devices for providing small credit to the rural poor in order to alleviate poverty. Microfinancing programmes through SHG’s, introduced and expanded by NGO’s in several parts of India, have the potential to minimize the problem of inadequate access of banking services to the poor. They can also influence the savings\textsuperscript{76}.

According to Balakrishnan in order to break the vicious circle of poverty micro credit is provided to women. Micro credit scheme has great potential increasing employment opportunities on day to day life by promoting saving habit, developing personal assets, increase income levels and education. The scheme like this is to help the deserving masses. The beneficiaries pay back to the loan taken and will become and exemplary one to the whole world. The problem of women in India and matter of women status, women empowerment and other matters will not need the way for further attention\textsuperscript{77}.

NABARD in referring to Indian policy on micro credit narrates that public banks adopts the approach of group lending and peer monitoring for lending to the SHGs. Such policy has three that differ in the mode of linkage between the banks and borrowers of all three have been encouraged NABARD for the provision of rural credit in India\textsuperscript{78}.

G. Palanithurai points out that the women credit groups save money for development activities in the form of chit or nidhi – peoples who had developed aspiration of achieve development enlisted themselves as members. Others were not in the group. The small credit groups which are functioning in the villages are performing well till date\textsuperscript{79}.

\textsuperscript{75} Lalitha & B.S. nagarajan, SHG’s in Rural Development, P. 15.
\textsuperscript{78} G. palanithurai, “Women Credit groups”, Economic and Political Weekly, Vol. XXXVII, No. 22, June 2003 PP. 506 – 509
Manoranjan Sharma involves the level of operations which are not only normally small in size, but also unconventional in manner and size of operation. Micro credit was defined by the 1997 as the programmes that provide credit for self-employment and other financial and business services including savings and technical assistance to very poor persons. It has also come to be referred to as small scale financial services provided to people who work in agriculture, fishing and herding, who operate small or micro enterprises who provide services, who work for wages for commission, and other individuals or groups at the local levels of developing countries both rural and urban. Micro credit emerges as a key policy variable in promoting economic development.

Rimhim Mousumi Das in his article “SHGs and Micro Finance Organaisations” pointed out that the micro finance through SHGs has now become a modern economical weapon for the poor to fight against poverty. Many big and small institutions are taking part in this revolution of micro finance vigourously. Still it has a long way to become successful. Many programmes from “Garebi Hatao” to Integrated Rural Development Programmes were started by the government enthusiastically but they were not able to achieve their objectives. The reason behind this are follow up, lack of management and people. No programme can ever get its ultimate result unless there is co-ordination and co-operation between the government and the beneficiaries.

Khandkar and Lathif in his study reveals that increased availability of micro – credit to the poor through micro financing SHGs will enable rural households to take up larger productive activities, empower the poor women, decrease the dependence on exploitative local money lenders and increase savings. While estimating the impacts of micro finance on savings and borrowings found that micro credit not only increases involuntary savings, but also induces voluntary savings.

A study of National Bank for Agricultural and Rural Development which covered 560 SHG member households from 223 SHGs across 11 states, showed many positive results on the impact of participation of rural poor in the SHGs. It shows that there have been perceptible and wholesome changes in the living standards of SHG members in terms

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of ownership of assets, borrowing capacities, income generating activities, income levels and increase in savings.

2.10 Poverty and SHGs

Nagarajan emphasis that, in the national context women in India face gender discrimination in all facets of life regardless of their caste-class status. Poverty aggravates the degree of gender inequality faced by women. The very fact that women living in poverty are generally voiceless, isolated and denied access to productive resources of all kinds further perpetuates the marginalization. Poor access to credit worsens the marginalization of women, particularly women in informal sector. The worst affected are women headed households who constitute nearly 30 percent of total households in rural India\(^82\).

Sabyasachi Das aptly says that, In India, at the end of the 9\(^{th}\) five year plan 26.1 percent of the population was living below the poverty line. In the rural area 27.1 percent of the population was living under poverty. The overall unemployment rate is estimated to be 7.32 percent. The female unemployment rate is 8.5 percent. The rate of growth of women unemployment in the rural area is 9.8 percent. In the end of the 1 plan the rate of growth of employment was only 2.47 percent. Therefore the union government has implemented various schemes to reduce poverty and to promote gainful employment. But the most attractive scheme with less effort is the “Self – Help Group”. It is a tool to remove poverty and improve rural development\(^83\).

2.11 Empowerment of Women through SHGs

Gopal Singh aptly says that, empowerment is a process of acquiring rights, developing self and deciding by self independently. It is, in fact, that way of conscience, which paves the way for playing greater active role in all spheres of life and simultaneously empowers the person to control and change the major works\(^84\).

According to Amita Singh, Empowerment is a process which is directly related to power and for to change of power, i.e., the women empowerment, we mean providing

\(^{82}\) Lalitha & B.S. Nagarajan, SHG's in Rural Development, PP. 14 – 15.
women social, political, economical, and religious rights. So, the status of women may become equal to the men in society\textsuperscript{85}.

Mrs. Indira Gandhi rightly said that, “there is need to improve conditions of life and work for the millions of women who have not had economic and educational privileges and to enable them to discover power within themselves and to develop their own and the nations benefit”\textsuperscript{86}.

To quote Gandhiji, “Indian women, especially in rural society continued to drudge for a household – net only the women condemned to domestic slavery – but when she goes out as a labour to hunt for wages though she works harder than man she is paid less\textsuperscript{87}.”

According to UNICEF report: “It is not government or organization or UN agencies who are the heroes of the struggle for world development. It is the millions of women who labour hard and do long hours of work under such difficult conditions and for little rewards, to meet the needs of their families and their communities. No praise can be too high for their courage and their efforts but it is not praise that they need. It is justice and help\textsuperscript{88}.”

Sambasiva Rao told that empowerment is a comprehensive process and is not, therefore something that can be given to people. The process of empowerment is both individual and collective since it is through involvement in groups that people most often begin to develop the awareness and the ability to organize to take action and bring about change. Empowerment of women is possible by developing their skills through vocational and technical courses that generate income and in – service training to already employed women in different organized and unorganized sectors. This necessitates the need based courses or skills for women that are in demand by women\textsuperscript{89}.

Indira kumari points out that, empowerment means, “the idea that giving women power over their economic, social and reproductive choices which will raise their status,

\textsuperscript{85} Ibid, P. 27.
\textsuperscript{86} Ibid.
\textsuperscript{87} Indira Kumari, “Rural development & status of women”, Empowerment Women and Development, 2005, P. 104.
\textsuperscript{88} Ibid.
\textsuperscript{89} Ibid.  P 105.
promote development and reduce repopulation growth, women empowerment can viewed as a continuum of several interrelated and mutually reinforcing components\(^90\).

J. Fredrick reveals that the status of women in society is index of its degree of civilization. Emancipation of women is one of generators of economic development. When proper education and entrepreneurial climate are assured, women force can become a good human resource potential for national development\(^91\).

Ron Jemke and Dick Schaff explain the word empowerment in their book, “The Service Edge” in a beautiful way, “empowerment means encouraging and rewarding people for their effort, imagination and initiative and tolerating their mistakes with a smile when well intended efforts fail to work as planned\(^92\).

Valsamma Antony says that, empowering women socio-economically through increased awareness of their rights and duties as well as access to resources is a decisive stop towards greater security for them. Women are in for a new deal today as they are the focus of economic development. All possible steps are being taken to strengthen them to achieve their economic, social, cultural and political growth and welfare\(^93\).

According to Mikhail Gorbachev, “The status of women is a barometer of the democratism of any state, an indicator of how human rights are respected in it\(^94\).”

Valsamma Antony in her article “Education and Employment: The key to Women Empowerment” explains that, empowering women would mean equipping women to be economically independent and personally self reliant, with a positive self – esteem to enable them to face any difficult situation. Moreover they should be able to contribute to the developmental activities of the country. The empowered women should be able to participate in the process of decision – making. Women empowerment is a dynamic process that consists of an awareness attainment – actualization cycle. Again, it is a growth process that involves intellectual enlightenment, economic enrichment and social  

\(^91\) Ibid, P 24.  
\(^94\) Ibid.
emancipation on the part of women. The Education is one factor that plays the most crucial role in empowering women. Schools, Colleges and other professional bodies are persistently trying to educate, motivate and train the women in their chosen areas of career through curriculum, training, field – exposure and other practical methods. Research and publication in the areas of women’s problems, social evils and their eradication and women empowerment are the hot topics of the present. Media coverage aiming at attracting the attention of the policy makers and authorities is at its highest level now\textsuperscript{95}.

Jaya S. Anand in his study “SHGs in Empowering Women- Case Study of Selected SHGs and NHGs” explains that the empowerment approach is the most recent one aimed at empowering women through greater self – reliance and internal strength. It seeks to meet strategic gender needs indirectly through bottom up mobilization around practical gender needs. The empowerment approach recognizes the triple role of women and seeks through bottom up women’s organizations to raise women’s consciousness to challenge their subordination. A diverse range of women’s organizations including SHG’s have developed in this context conveying a multitude of issues and purposes\textsuperscript{96}.

Choudry in his study, “Empowering Strategies for Rural Women in India” had stressed the need for sharpening women’s empowering strategies as to make them effective and result oriented. She pointed out that poor women is more likely to be speed on the basic needs of life than those by man and this realization would bring women as the focus of development efforts. He had also examined the advantages of organizing women group thereby creating a new sense of dignity and confidence to take their problems with a sense of solidarity to work together for the cause of economic independence.

Mayoux adopted from the workshop report on “Micro Finance Programmes and Women Empowerment: Strategies for Increasing Impact” points out micro finance programmes for women have been promoted over the years not only as a strategy for poverty alleviation but also for women empowerment. Since last decade, Empowerment has

\textsuperscript{95} Ibid. P. 28.
become a key objective of development. The major findings are empowerment has been considered both an end and as a means of development\textsuperscript{97}.

Batliwala in his approach says that, empowerment is a continuous process where the powerless people become conscious of their situation and organize to improve it and access opportunities, an outcome where women take control over their lives, set their own agenda, gain skills, solve problems and develop ‘self – reliance. Three different approaches have been identified by Batliwala, a) the integrated development approach, b) the economic approach and c) Consciousness rising cum awareness approach. They are not mutually exclusive and have the potential to be linked with each other. Where a and b addresses the practical needs are material conditions of women, c addresses the strategic needs or position of women. Conconsciousness and awareness raising approach has the potential to bring about long lasting changes in the position of women and has deeper implications\textsuperscript{98}.

The government of India had declared the year 2001 as the year of Women’s Empowerment. The year was formally launched by the Prime Minister in a function held at vigyan Bhavan on 4\textsuperscript{th} January, 2001 when he also awarded the first “Stree Shakthi Puraskars” to five distinguished women from the grassroots who had made outstanding services for the social, educational and economic empowerment of women in remote and difficult areas\textsuperscript{99}.

J. Jeyalalithaa aptly says that, “Your Victory is mine and I hope you will treat my success as yours. Work for the onward march of the movement for the empowerment of women. Each of you should enroll a minimum of two members and guide them to record achievements just as you have done\textsuperscript{100}.”

2.12 Economic Empowerment

Indira Kumari aptly says that Economic Empowerment of women is possible by developing their skills through vocational and technical courses that generate income and in-service training to already employed women in different organized and unorganized

\textsuperscript{97} Mayox Linda, Participatory programme learning for women’s Empowerment in Micro Finance programme IDS Bulletin, P. 18.
\textsuperscript{99} Ibid.
\textsuperscript{100} J. Jyalalithaa, “Your victory is my victory, Jyalalithaa tells SHG members”, The Hindu, Fri – Aug 26, 2005, P. 4.
sectors. This necessitates the need based courses or skills for women that are in demand by women\textsuperscript{101}.

L. Nirmala states that the participation of women in SHGs made a significant impact on their empowerment both in social and economic aspects. The women’s members were able to increase their income level manifold and contribute to the development of their family. Usually SHG’s are characterized by small size, in terms of socio-economic conditions and levels of living. It may enhance the socio-economic development of their families through employment generation and income generating activities and hence increase their income level. The SHG is suitable means for women empowerment\textsuperscript{102}.

An Tamilnadu Economic Appraisal says that the empowerment is about people both women and men taking control over their lives becoming conscious of their own situation and position setting their own agendas, creating space for themselves, gaining skills, building self confidence, building linkages, solving problems and developing self-reliance. It is not only a social and political process, but an individual one as well and its not only process but an outcome too\textsuperscript{103}.

Micro – Credit summit 2001 recognises that the formation of SHGs “not ultimately a micro-credit project but an empowerment process. “The concept aims at empowering the women and thus uplifting the family above the poverty line. It is a gradual process resulting from interaction with group members through awareness and capacity building. Building capacity refers to the abilities in undertaking economic, socio-cultural and political activities, and enhancing self-respect. Capacity to under take economic activities will include ownership and control of productive resources and creation of alternative employment at local levels. It has been proved that the outcome of economic empowerment could result in a positive impact in other spheres i.e., enhanced social status, legal and political\textsuperscript{104}.

In the Micro Credit Summit Preparatory Meeting (1995), Hillary Clinton said, “it is called micro, but its impact on people is macro. We have seen that it takes just a few

\textsuperscript{104} Jaya S. Anand, “Micro – Credit and Women Empowerment”, SHG’s in Empowering Women – Case Study of Selected SHG’s & NHG’s PP. 76.
dollars, as little as $10, to help a woman gain self employment to keep her family out of poverty. It is not a hand out it is a helping hand. It is widely accepted that the returns from the economic activity is used not only for women’s welfare but also for their children and the family and community at large.

Jeya S. Anand in his study “SHGs in Empowering Women-Case Study of Selected SHGs and NHGs” recognizes that the status of women is intimately connected with their economic position. This depends on opportunities for participating in economic activities. Women’s access to savings and credit gives them a greater economic role in decision – making within the household savings and credit. The investment in women’s economic activities will improve employment opportunities for women and thus have a “trickle down and out” effect. The income generating activities taken up by the members and the monthly returns from it, its contribution to the monthly family income, repayment behaviour and change in physical assets and amenities after joining the group.

Aarthi Dhar in her article “SHG’s not Empowering Women Fully” reveals that, the study found as evidence to suggest that participation in SHGs lead to a substantive increase in incomes, this participation has increased women’s burden of work. The SHG phenomenon has added new dimensions to the idea of “good women” that saves, repays regularly and pressures other women to repay, not for her own benefit but for the welfare of the family. The educational and literacy inputs provided to SHG’s are minimum as the promoters seem unable or unwilling to recognize and respond to this reality. Primarily because there is an assumption that access to financial resource is equal to economic empowerment of women and that it will automatically lead to their social empowerment.

2.13 Political Empowerment

Nobel Laureate Dr. Amartya Sen sees development as freedom which in turn empowers. He emphasizes, “Indeed the empowerment of women is one of the central issues in the process of development for many countries in the world today. He also points 

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105 Ibid. P 77.
106 Ibid.
out that half of the humanity women have been suffering from discrimination, disability, injustice and inequality all over the world for almost all centuries. The fourth world conference on women’s rights at Beijing in 1995 declared that “women’s equal participation in political life plays a pivotal role in the general process of the advancement of women. Women’s equal participation in decision – making is not only a demand for simple justice or democracy but can also be seen as a necessary condition for women’s interests to be taken into account.”

The New Delhi declaration recognized the need to increase the presence and participation of women in decision making bodies at all levels. The critical areas of concern in relation to women’s political participation, which broadly speaking are: political parties, education, affirmative action measures, changing attitudes, training, parliaments, national commissions of women, international bodies, directories of information.

2.14 Social Empowerment

Sr. M.H. Soundari and M.A. Sudhir say that the SHGs have become centres of learning and enlightenment. The members are more articulate and no injustice is tolerated under the ‘culture of silence.’ The habit of taking part in grama and panchayat meetings revealed the political awakening among dalit women. They remarked in the meetings they were given due respect and the sangam had inculcated in them self confidence to speak in front of men folk.

2.15 Information Technology through Women Empowerment

Sharma states that information technology on society has not been uniformly beneficial, and the technology divide is being increasingly felt, especially in the developing countries, Cultural attitudes and gender stereotyping are impediments to education leading to more men than women in scientific and technical careers and in decision making positions, thus increasing gender inequality. With women’s empowerment as a key

109 Ibid. P 46.
110 Ibid. P 46.
would include the development of feelings that women can act upon to improve their condition. This means formation of the belief that they can succeed in change efforts. The economic component requires that women be able to engage in a productive activity that will allow them some degree of autonomy, no matter how small and hard to obtain the beginning.

Manoranjan Sharma points out that the scientific development and systematic organization of management information system including local resource, markets and financial validity would be helpful in designing location and sub-group specific programmes. It is definitely an empowerment traditionally disadvantaged women in multiple ways by development of self – esteem and confidence in women, enabling them to assert their own rights, democratization of family structure.

2.17 Women Entrepreneurs

J. Fredrick in his article “SHGs Gateway to Success for Rural Women Entrepreneurs” says that the first National Conference of Women Entrepreneurs held at New Delhi in November 1981 advocated the need for developing women entrepreneurs for the overall development of the country. It called for priority to women in allotment of land, sheds, sanction of power, licensing.

2.18 Self – Help Groups in Kanyakumari District

V. Darling Selvi in her article “Impact of SHG Training” has said that the development of SHG in Kanyakumari District shows a tremendous growth over the years in all respects as to the number of groups, the number of members, savings mobilized and in the disbursement of loan. Hence, the overall development is good. At present there are about 18,000 groups in the district and nearly 53 lakhs have been spent on training so far. The rules played by the DRDA, Banks, NGOs are phenomenal in the development and uplift of the women folk in the district. The major problems faced by the sample respondents

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regarding the marketability of their products are consumer’s attitude (31 percent) that is followed by market trend (25 percent), interference of agents (22 percent), seasonal variations (18 percent), low price (17 percent) and transport charges (12 percent). As per the opinion survey they need more investment, more ability in business, hard work, and reinvestment of the profit in to business partner’s co-operation, loan with low interest, market facilities, public support, modernized training and government support.\textsuperscript{115}

E.D. Setty in his article “Extention Education in Aid of Agricultural Marketing” reveals that the problem of marketing rural products stems from the poor socio-economic background of the artisans, competition from the better equipped factory sector, lack of sufficient infrastructural facilities in producing raw materials, products not changing rapidly

enough with consumer tastes and preferences labour – intensive technology inadequate storage facilities and the non availability of distribution channels.

2.19 Self – Help Groups in Tamilnadu

Nagarajan emphasises that in Tamilnadu the main objective of self help group is the economic and social upliftment of women below poverty line, through formation of SHGs of poor women with active assistance and supervision of NGO’s. Under the scheme Rs. 48.16 crores were disbursed as credit and Rs. 32.33 crores as subsidy totalling Rs. 80.49 crores to 87,541 SHG members with an average repayment of 85percent. About 5207 SHG with 120960 women members accumulated a total saving corpus of Rs. 22.89 crores

V. Darling Selvi in her article “Impact of SHGs Training” emphasises that, in all, there are 2, 00,000 lakhs women SHGs in Tamilnadu comprising 41, 00,000 lakhs members and their total savings is Rs. 520 crores, while credit is to the tune of Rs. 987 crores from banks. Andhra Pradesh and Tamilnadu are the pioneer states in the country in establishing such SHGs. However, Tamilnadu is the only state that has a systematic policy to cover every habitation and family that is poor

2.20 Self-Help Groups in India

Pallavi Chavan and R. Ramakumar state that the Indian banking policy has attempted to involve the public banking network in the provision of micro credit to the poor through SHGs. NABARD has referred to Indian policy on Micro Credit as “relationship banking” against “parallel banking” In other countries public banks adopt the approach of group lending and peer monitoring for lending to the SHGs. Such policy has been encouraged by NABARD for the provision of rural credit in India.

Dasaratha Ramaiah in “Women Empowerment through DWCRA” an Empirical Study says that the role of women is vital in all spheres of rural development. If the earning power of women increases, it is expected that the total well being of the family will improve. Womens income is known to have a positive correlation with the nutritional and educational status of the family and in the building up of a positive attitude towards the

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status of women. Recent trends in India indicate that women are far superior to men in various aspects of rural development. Even at the global level, developmental agencies have come to the conclusion that women are made reliable in almost all types of development projects. Therefore a provision is made under IRDP that at least 30 percent of beneficiaries should be women. Hence, with an objective of improving the quality of assistance to the rural women, a sharper focus was conceived through the scheme of development of women and children in rural areas.