CHAPTER I
INTRODUCTION
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INTRODUCTION

Women are an integral and inalienable part of society constituting about half the total population of the world. All-round development and harmonious growth of a nation is possible only when women are given their desired place and position in society and are treated as equal partners of progress with men. It has been rightly stated by Pandit Jawaharlal Nehru that, “In order to awaken the people it is the women who have to be awakened. Once she is on move, the family moves, the village moves and the nation moves”. As Gandhiji has said, “Of all the evils for which man has made himself responsible, none is so degrading, so shocking or so brutal as his abuse of the better-half of the humanity - to me, the female sex is not the weaker sex. It is the nobler of the two, for it is even today the embodiment of sacrifice, silent suffering, humility, faith and knowledge”. Bapu further said, “To call women the weaker sex is a libel, it is man’s injustice to women”. 1

Moreover, women are the most preponderant under privileged segment of rural society, who have long been by passed in the process of empowerment. The concerted efforts of bringing such women into the mainstream are gaining momentum with the innovative strategy of Self-Help Groups (SHGs), focusing on microfinance.

Over the last decade, microfinance has come of age. Poor women and men have shown that they are strong entrepreneurs, borrowers, and change agents. Outreach has expanded rapidly. Leading microfinance institutions, banks, and cooperatives have demonstrated how to provide efficient, responsive, and profitable microfinance services. Common performance indicators and standards have been established. Micro credit has become microfinance, with a growing number of institutions responding to poor people’s needs for a range of lending, savings, and insurance services. Key elements of the required policies, regulations, and institutional infrastructure have been agreed upon and these elements have
been adopted in several countries. New private actors have entered microfinance, with equity and loans made available by commercial and public sources. This entry of commercial banks into wholesale and retail microfinance has accelerated the pace of activity. The resultant growth levels have been substantial and perceptible.

The Bangladesh experience has shown that programmes that empower women at the bottom of the social and economic ladder can make a real difference to the quality of life of the poor even under conditions of mass deprivation. This is reflected in the steady progress made by Bangladesh over the past two decades in the human development front. With a very high population density and rate of growth, Bangladesh is the fifth poorest country in the world. Bangladesh Rural Advancement Committee (BRAC) stands for working for the poor and marginalised. BRAC, a national private development organization, set up in 1972 by Mr. Fazle Hasan Abed, is now the world’s largest national Non-Governmental Organisation (NGO), diverse in its operation with over 27,000 regular staff and 34,000 part time teachers, working in 61,924 villages in all the 64 districts of Bangladesh. Among innovative poverty alleviation programs that have been initiated over the last few decades the Grameen Bank (GB) of Bangladesh has been very successful in serving the poor with credit. In order to meet the challenge of poverty alleviation primarily on the basis of the lessons learned from Grameen Bank’s operation, Grameen Trust (GT) was established in 1989 with the initiations of the Bangladesh Bank and implemented through all banks. It is a private, non-profit and non-government organization. Professor Mohammed Yunus, the Nobel Prize laureate is the founder of Grameen Trust.

In a way, this represents a culmination of the growing recognition of micro-credit as an instrument of poverty alleviation, the world over. Since then, its role in poverty eradication and empowerment of the weaker sections has gained recognition in many countries and even in a few developed ones. Today, it is
active in more than 100 countries and is said to have helped more than 100 million people take steps to reduce poverty\textsuperscript{4}.

India has been, and continues to be, a predominantly rural economy. According to the 2001 census, out of a total population 1027 million in India, 72.25 per cent lives in villages. Besides, the incidence of poverty in India is much more severe in the villages than in the towns and cities. Nearly half of the rural population is estimated to live below the poverty line. Due to its large size and population of over one billion, India’s GDP ranks among the top 15 economies of the world. However, around 250 million people or about 70-80 million households live below the poverty line\textsuperscript{5}.

**Description of the Poor and Poverty Line**

<table>
<thead>
<tr>
<th>Destitute</th>
<th>Extreme Poor</th>
<th>Moderate Poor</th>
<th><strong>Poverty Line</strong></th>
<th>Vulnerable Non-Poor</th>
<th>Other Non-poor</th>
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Source: Sebstad and Cohen (2001)

Table 1.1 states that the vulnerable non-poor are clients who are above the poverty line but vulnerable to slipping into poverty; moderate poor clients are in the top 50 percentiles of households below the poverty line (BPL); the extreme poor are in households in the bottom 10 to 50 percentiles of households below the poverty line; and the destitute are in households in the bottom 10 percentiles of households below the poverty line\textsuperscript{6}.

Among these, women are the worst affected. The realities of economic, social and political disparities and injustices are so overwhelming in case of women that development programmes do not provide the needed impact. Women particularly those belonging to low socio-economic groups go through a rough phase in meeting financial crises during emergencies. Being economically
vulnerable, poor women often fall victims to moneylenders’ debt traps. As the shift from development to empowerment began focusing on socio-political, economic and educational upliftment of women, SHGs emerged as a powerful tool for eradicating poverty and empowering rural women.

India’s own innovation in microfinance has been the Self-Help Groups - Bank Linkage Programme (SHG-BLP), under which over 34 lakh SHGs comprising nearly 4 crore women, have received loans cumulating to over Rs.14,000 crores. Blessed by the Reserve Bank of India (RBI) and heavily promoted by National Bank for Agriculture and Rural Development (NABARD), it is the world’s largest microfinance programme. The Indian microfinance community rightfully takes great pride in this most impressive achievement, especially when one considers that the SHG movement really took off just over a decade ago. However, it has still to spread densely to the poor states of the central, eastern and north-eastern regions, where most of the poverty exists. Thus, the SHG model’s quantitative success needs to be turned into a mass movement.

With globalization and liberalization of the economy, opportunities for the unskilled and the illiterate are not increasing fast enough, as compared to the rest of the economy. This is leading to a lopsided growth in the economy, thus increasing the gap between the haves and have-nots. It is in this context that the institutions involved in microfinance have a significant role to play in order to reduce economic disparity and to lead to a more equitable growth. Many poverty alleviation programmes seek to improve the income and consumption levels of households living below the poverty line – broadly defined as a certain annual income level that separates the poor from the non-poor. This pertains to a level of income that can ensure the subsistence of a household in terms of enabling it to access a ‘nutritional minimum’ or a larger basket of goods and services required to fulfil its ‘basic needs’. The provision of financial services can be seen as a means to achieve increases in income and consumption standards of such households and enable them to cross the poverty line.
Significance of the study

The Micro credit summit of 2006 in Canada made a commitment to reach 175 million of the world’s poorest families, especially women through credit for self employment and other financial and business services by the year 2015\(^9\). The fact that Micro Finance Institutions (MFIs) and the Self Help Group- Bank Linkage programme have been able to reach out to over 16 million families in India provides a good starting point for analyzing the impact of Micro Finance in India. Microfinance is now a proven strategy for reaching poor women. The Micro Credit Summit Campaign reports that 14.2 million of the world’s poorest women now have access to financial services—accounting for nearly 74% of the 19.3 million poorest served by microfinance\(^{10}\).

The State has the responsibility of formulating appropriate supportive policies and framework for the sustainable development of SHGs. Any government, interested in the welfare of the poor, cannot afford to ignore the teeming millions in the rural sector. This is relevant especially in India, where more than two-thirds of the population lives in villages. In view of this, the government is involved in both promotion of SHGs and routing of social development programmes through them. The State Governments in India, especially in southern states have taken an interest in the SHG route for economic and social development.

The year 2005 had been declared by the United Nations Organization (UNO) as the “International Year of MicroCredit”\(^{11}\). The observance of the year provided a significant opportunity to raise awareness of the importance of Microcredit and Microfinance in eradication of poverty, share good practices and further enhance the programme that supports sustainable pro-poor financial sectors. The partners of the SHG movement in the country have started realizing the immense potential that SHGs offer, for achieving the goals set by the United Nations for member countries, viz, health, education and women empowerment.
The mission of NABARD is to spread the outreach of this programme, improve the standard of living of the poor and promote gender equality through empowerment of women.

Despite the progress made by the micro finance movement in India over the past decade, it must be admitted that, at the macro level, the sector has not been able to make much of an impact. The total micro-credit disbursed to poor families amounted to just about Rs.14,000 crore as on March 2007. The average loan amount per beneficiary works out to just about Rs.2,000/- or so, too small to enable the poor families to cross the threshold of poverty. To start even a tiny enterprise that could generate some regular income, the amount of micro credit should be at least Rs, 20,000 to Rs. 25,000. The coverage of the sector also remain limited; over 60 percent of the sector is concentrated in Andhra Pradesh, Tamil Nadu, Karnataka and Kerala.

Critics have also pointed out that quite a few MFIs have been charging a relatively higher interest rate, of 15 to 36 percent on the loans given to poor families. This is perceived by many as exploitative and against the spirit of micro-credit. Since most of the MFIs deliver their services at the doorstep of villagers rather then requiring the clients to come to bank branches, and have lower business volumes, their transaction costs are much higher than those of the formal banking channels. Evidently, the challenges facing the sector are quite formidable. Despite the progress made by the micro finance sector in recent years, the market penetration of service providers is still low. There is a skewed distribution of SHGs across states, and in those which have a larger share of the poor, the coverage is comparatively low and in many cases, quite insignificant. There is a need to broaden the paradigm from micro-credit to livelihood finance by extending services to include savings, insurance cover, nutrition, health, education and vocational training to boost self-reliance and confidence of the beneficiaries.
The significance of the study is the evaluation of strategies that seek to reduce the incidence of poverty, and assessment of progress to women as a result of SHG-BLP.

**Scope of the study:**

The scope of the study “Socio-Economic Empowerment of under privileged women through Self Help Group – Bank Linkage Programme: A Case Study” was confined to SHGs promoted by Self Help Promoting Institutions (SHPIs), Non Governmental Organizations (NGOs) and Government of Karnataka’s Women and Child Development Department (WCDD) in Dakshina Kannada District in Karnataka.

The study extended only to five taluks of Dakshina Kannada District which consists of, as per 2001 census records, a total population of 18,97,730, with the Scheduled Caste (SC) population of 1,31,160 and Scheduled Tribe (ST) population of 62,390 approximately. As per the BPL survey conducted by the Zilla Panchayat, in Dakshina Kannada (D.K) District in Karnataka, there are 2,42,367 rural families, of which, a total of 45,842 families are BPL, and block wise Mangalore taluk has the highest number of BPL families with 27 per cent, Bantwal taluk having 24.7 per cent, followed by Belthangady taluk with 21.7 per cent and Sullya taluk with 10 per cent, which constituted the target group of researcher’s study. The findings of the study threw light as to how micro finance programmes of Self Help Groups touch the lives of the people they serve and leave a distinct impact on their life styles.

**Statement of the Problem**

UNDP’s (1995) Human Development Report found that 70% of the 1.3 billion people living on less than $1 a day are women. The World Bank, 1988 report states that, the societies that discriminate on the basis of gender have greater
poverty, slower economic growth, weaker governance, and a lower standard of living.\textsuperscript{14}

The researcher views empowerment of women as crucial to the development process in the study area. Capital generation is a prerequisite for poverty reduction. The poor are extremely vulnerable to the vagaries of life in general and of the market in particular. Unless capital formation takes place and holding capacity increases, livelihood activities cannot be sustainable. Also, the capacity to progressively absorb larger doses of credit and expand business increases as the capital increases. Savings is a pressing need for the poor; mere credit is not enough for alleviating poverty. Savings is essential for both capital formation as well as to tide over emergencies. Credit is available either from formal or informal sources; however, opportunities to save are limited.

The study is concerned with the critical issues concerning the present dangerous imbalance and inequality in which the most pressing socio-economic needs of poor people are being neglected, and their immense potential is not being utilised. In order to address these issues affecting the lives of poor and to provide economic stability for individuals and families, micro credit facilitates opportunities for skill upgradation, income generation and community development with safe and affordable health care, improved housing, better sanitation, better schooling for children and education opportunities for adults.

SHG-BLP takes an integrated approach that addresses women’s practical and strategic needs and aims to empower women to be active participants in their own development through accumulating savings, acquiring leadership and practical skills for finding solutions to existing problems. An integrated approach of organization building, human development and skill training, credit, and income generation have brought economic, social and political changes in the lives of SHG members. The group process followed in most micro finance programmes help members in improving their self esteem. Women have discovered their own voice through the formation of the SHGs. One of the most important changes is
that women members now recognize that they can bring about a change in their households and communities and take charge of their lives. As the women have gained awareness and self-confidence, they have realized that they have choices and need no longer to be victimized. The researcher believes that for a woman to lead a healthy, free and complete life, she has to have education, accept family planning as a way of life, and participate in income generation.

Needless to say, commercially sound linkages have been established between the formal financial sector including commercial banks, and well managed NGOs and SHGs. Given the above background, a study on the topic, “Socio-economic empowerment of underprivileged women through Self Help Group-Bank Linkage Programme” has been undertaken with the following objectives.

**Objectives of the study:**
1. To study the functioning of SHGs in the study area.
2. To gauge the impact of SHGs in the Socio-economic empowerment of women.
3. To analyse the role of NGOs in the Socio-economic empowerment of women.
4. To highlight the linkages between the SHGs and Banks.
5. To suggest measures to strengthen the relationships between SHGs, NGOs and Banks.

**Hypotheses of the study:**
The objectives stated above are corroborated by the hypotheses given below:
1. SHGs are instrumental for the Social Empowerment of Women.
1. (a) Number of training programmes attended and level of confidence among SHG members are independent.
1. (b) Age and level of confidence among SHG members are independent.
(2) The social empowerment of SHG members is more, where the attitude towards the chosen attributes is high.
3. (a) There is no difference in attitude towards perceived social status among different SHG members.

3. (b) There is no difference in attitude towards perceived social status among different SHG members belonging to various agencies.

II. SHGs are instrumental for the Economic Empowerment of Women.

4. (a) There is no difference in attitude towards possession of consumptive assets among different SHG members.

4. (b) There is no difference in attitude towards possession of consumptive assets among different SHG members belonging to various agencies.

5. (a) There is no difference in attitude towards possession of productive assets among different SHG members.

5. (b) There is no difference in attitude towards possession of productive assets among different SHG members belonging to various agencies.

(6) The economic empowerment of SHG members is more, where the attitude towards the chosen attributes is high.

7. (a) There is no difference in attitude towards perceived economic status among different SHG members.

7. (b) There is no difference in attitude towards perceived economic status among different SHG members belonging to various agencies.

8. (a) Number of groups handled by the NGO staff members and monthly savings by the members are independent.

8. (b) Number of members in groups handled by the NGO staff members and monthly savings by the members are independent.

III. SHG-BLP reduces the transaction cost.

9. (a) There is no difference in attitude towards transaction costs of SHG loans given by different agencies.

9. (b) Financial costs and transaction costs of SHG loans given by different agencies are independent.
**Research Methodology**

In order to achieve the objectives mentioned earlier the following methodology is adopted.

**Period of study:**

For SHGs (Primary Data) – 1997-98 to 2007-08 (10 years)
NGOs (Primary Data) – 2005-06 to 2007-08 (3 years)
For the Bank linkage -All India (Secondary data) -1991-1992 to 2007- 2008 (17 years)
For the Bank linkage in Karnataka (Secondary data) - 1994- 95 to 2007-2008 (14 years)
For the Bank linkage in Dakshina Kannada district (Primary Data) -2005-06 to 2007-08 (3 years)

This study is carried out by adopting both descriptive and exploratory design. Exploratory design has been adopted for discovery of new ideas and insight. The researcher adopted the survey of related literature to define the problem more concisely and to formulate the research hypotheses. Interviews with experienced persons are used to obtain new ideas and insights into relationships between the variables relating to the research problem.

Descriptive studies have been adopted to understand the characteristics of particular groups. How group dynamics play a vital role in empowering the women SHG members was observed.

Case Study method has also been adopted. Efforts were made to study each and every aspect of the concerning cases in minute detail following which generalizations and inferences were drawn.

**Sampling Design**

The sampling unit consists of all the five taluks of Dakshina Kannada district in Karnataka, that is Mangalore, Bantwal, Belthangady, Puttur and Sullia., which had
SHGs promoted by Shri Kshethra Dharmashala Rural Development Project (SKDRD), Navodaya Grama Vikasa Charaitable Trust (NGVCT), Women and Child Development Department (WCDD) of the State Government, Prajna Counselling Centre (PCC) and Nagarika Seva Trust (NST). The source list was obtained from the Zilla Panchayat and Anganwadi offices of all the taluks, which was comprehensive, accurate, reliable and appropriate.

The size of the sample was decided after discussions with experienced persons and from the chosen 50 villages, having a total population of around 13,200, a sample size of 350 SHG members (amounting to 13.6 per cent) were chosen on the basis of post stratified random sampling technique. The members and the non members are chosen from such homogenous groups consisted of poor, mostly BPL families. The sample size of 350 SHG members and 100 non-SHG members were chosen for the study.

All the SHGs were supervised by staff members of NGOs known as animators. From those 50 villages which were chosen for study, 65 NGO staff members were selected by quota sampling method.

The bank officials conducting micro-finance operations were also included in the study. 45 bank officials from all the taluks were selected on the basis of simple random sampling.

Thus the sample size consisted of 350 SHG members, 100 non-SHG members, 65 NGO staff members and 45 bank Officials.

Focused Interviews with the eminent personalities in the field of micro finance operations was also conducted. 30 such interviews were conducted. 6 individual case studies were examined pertaining to socio-economic empowerment of SHG members.

Sources of Data
The study was based on both primary and secondary sources of information.

Primary data were collected from SHG members, non SHG members, NGO staff members and bank officials through structured interview schedule.
Secondary sources included books, journals, progress reports of SHG-BLP in Karnataka, annual reports and periodicals of NABARD, Syndicate Bank and SCDCC Bank, publications of micro financial institutions like Grameen Bank, BRAC and manuals of ASA, MYRADA, SKDRDP and Sa Dhan Micro Finance Research Centres.

Method of Collection of data

Collection of data was done through Schedules viz;:

a) Interview schedule for SHG members,
b) Interview schedule for non-SHG members,
c) Interview schedule for NGO staff members,
d) Interview schedule for bank officials,
e) Focused Interview of eminent personalities, and
f) Case Studies.

Tools for collection of data

Direct personal investigation was made to collect accurate information from the sources concerned. Focused interviews were conducted by the researcher in order to focus attention on the experiences of the respondents. These interviews were recorded to understand the manner and the sequence in which the questions were asked.

A pilot study was conducted among 40 SHG members to obtain the views, ideas and opinions of the SHG members, NGOs’ staff members and bank officials. On the basis of the information collected, structured comprehensive interview schedules were formulated and pre tested with the select respondents.

The pilot study revealed that:
1. The percentage of women among the extreme poor is disproportionately large necessitating special attention to poor women.
2. The desired transparency is absent if members chosen from the group were interviewed in the presence of others and their responses appeared standard and conforming. Hence a need was felt to visit the members in their homes in order to ensure credibility and authenticity.

3. Information on access to health services, nutrition, education and sanitation; and intangibles like attitudinal changes, decision making capabilities and perception of women in society; generation of leadership qualities, cohesion of groups, fighting against exploitation and domestic violence were elicited among the members. Some were quite unaware of certain repercussions and this was suitably modified and included in the final interview schedule.

On the basis of the pilot study conducted, four sets of interview schedules, one for SHG members, the second for non SHG members and a third one for the NGO staff members and fourth for the bankers were administered for effective responses.

In case of interview schedule for the SHG members and the non-SHG members, definite predetermined questions and standardized techniques of recording information were administered. The researcher, on the basis of list of villages obtained from the Zilla Panchayat and Anganwadi offices of each taluk, visited the homes of women, enquired about their SHG status and briefed the members regarding the purpose of the study and asked the questions personally and collected information on the same day after close interaction. Groups were studied where motivation strategy and economic interventions had taken place. Assistance was sought from a research assistant in obtaining the responses from the illiterate members who could converse only in local dialects of Tulu and Konkani instead of in Kannada.

Similarly, the interview schedule pertaining to NGO staff members and the animators was vital to the research problem. Each village groups were managed by one or two animators. The researcher visited the selected village SHG meetings on pre-fixed days, explained and collected information from the animators, project
officers and other NGO staff members of all the promoting agencies of the villages keeping in mind the sample size. The interview schedule was personally administered to ensure accuracy and reliability.

The interview schedule concerning the bankers was indispensable and the officials of study area were chosen with care. The researcher visited the offices of the bankers on pre-fixed dates, explained the aims and objectives of the study and elicited information to ensure reliable results.

**Statistical tools for analysis**

To prove the study hypotheses, the collected data had to be analyzed with help of statistical tools. This study used more elementary tools to test the hypotheses.

The researcher has adopted a two way approach of data analysis. Major social empowerment indicators are analysed with the help of tools such as percentage analysis and chi-square tests. The major economic indicators, perception of members regarding social and economic status, possession of consumptive and productive assets and transaction cost for SHG loans were analysed with the help of the two way ANOVA test.

The economic and social empowerment of SHG members were evaluated with the help of Fishbien Value Model.

The study of correlation between two variables is used by way of scatter diagrams for bank credit linkage.

**Limitations of the Study**

- Some of the SHG members did not disclose all material details.
- Proper verifiable records were not maintained by some of the NGOs. SKDRDP maintained records for all the years whereas NGOs like NGVCT, Stree Shakthi and NST maintained records only from 2007 onwards. PCC does not maintain any verifiable records. The researcher genuinely could
not provide information regarding performance of the NGOs from 2006 to 2008 for all the agencies.

- Reluctance on the part of some bankers to part with information for previous years.
- Entry into some member’s houses was found difficult as their husbands did not want their wives speaking about their economic and social status to strangers.
- Some of the SHG members did not want to spare their productive time in responding to the interview schedule.
- Some NGOs like Canara Organization for Development and Peace (CODP), and the Agency for Development, Awakening and Rural Self Help Association (ADARSHA), who have promoted Self-Help Groups, are excluded from the study.
- The researcher has relied on secondary data regarding cost of formation and nurturing SHGs and transaction cost of SHGs, as bankers were not able to give concrete information in this aspect.
- The researcher could not have a uniform period of study as the primary data for the NGOs and banks could be obtained only for the last three years during the field study, however the secondary data are presented for the earlier period from RBI and NABARD.

**Operational definitions**

**Empowerment** means bringing about a positive change with growing strength and confidence, choosing among existing options or creating new ones, to energetically take charge over one’s life and surroundings, with authority.

**Economic empowerment** means increasing the assets and capabilities of poor people, men or women who are excluded in participating, negotiating and bringing about changes that effect their well being.
Socio-economic empowerment means bringing about positive changes in the social lives and behavioural patterns as a result of economic betterment, like education of adolescent girls, and awareness on health and sanitation to ensure all round development.

Economic Empowerment indicators- In the study, economic empowerment indicators include income, savings, expenditure, credit availed, acquisition of consumptive and productive assets and running income generating activities.

Social Empowerment indicators- In the study social empowerment indicators include health, nutrition, access to basic amenities, literacy, training and development, level of confidence, changes in personal life, respect and sense of recognition, decision making in households and political participation.

Underprivileged means those who are deprived of enjoying the same rights and standard of living as the others. Empowering underprivileged women means encouraging them to come out of their shells and become a part of the mainstream.

Self Help Group means “an economically homogenous group of the underprivileged women, with 10 to 20 members, voluntarily coming together to meet their emergent micro financial requirements.”

Self Help Group -Bank Linkage Programme means delivery mechanism of financial services to the rural poor (SHG members) by the banking system.

Micro Finance means “provision of thrift, credit and other financial services and products of very small amounts to the poor for enabling them to raise their income levels and improve their living standards”.

Poverty means a state of living, lacking in quality and funds. Women experience poverty differently from men due to gender inequalities in entitlements and responsibilities.

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