CHAPTER – 3

SHGs AND WOMEN EMPOWERMENT

3.1 Concept of SHGs

Today, the state has accepted women as active agents participating in and guiding their own development. The failure of formal financial institutions to meet the credit needs of the poor women gave birth to a quasi informal credit delivery mechanism, which should be client friendly, simple with minimal procedures. These grass root organizations which are based on the principles of need and collective action are now commonly referred as self help Group (Sudha Rani et. al, 2002)\(^{195}\)

SHGs are small informal association of the poor created at the grass root level for the purpose of enabling member to reap economic benefits out of mutual help, solidarity and joint responsibility. The members are expected to make small saving and pursue group enterprise activities. The group based approach enables the poor to accumulate capital by way of small saving and also helps them to have easy access to formal credit facilitates. The joint liability of the group enables the poor to overcome the problem of collateral security and also has an in build mechanism of peer monitoring lending to better loan recoveries and productive credit utilization (Anand, 2000)\(^{196}\).

Studies reveal that certain elements become crucial or critical for the successful formation of and functioning of groups. These include voluntary nature of the group, small size and homogeneity of membership, transparent and participative decision making, brisk use funds for micro enterprise creation etc. (Fernandez, 1994)\(^{197}\)

However, regular meeting of the members foster meaningful relationship among them. Timely recording of thrift and credit management, maintaining transparency in overall management and fair election or selection of office bearers for fix tenure are

\(^{195}\) Sudha Rani et. al,(2002).Social welfare, Vol.48, No.11, New Delhi
leading issues for healthy functioning of SHGs. Here participation and the leadership is voluntary but grown up during the process.

The members use their pooled resources to meet the emergent needs. They gradually inculcate democratic culture of functioning and transparency in their management. Though the cohesiveness among members increased due to homogeneity of the group interns of economic condition, occupation, sex composition, or education but, in the long term, stability of the group depends on their members’ loyalty. The collective work, mutual aid and cooperative philosophy become driving force for SHGs to achieve their purpose. Here, the purpose of the group formation may be individual or social change or may be both.

The basic objective of the SHGs is to develop saving capability among poor women, which helps in building small capitals to meet the personal and family needs and to take up income generating activities. Which intern reduces dependence on financial institutions and develop self reliance. It helps women gaining economic prosperity which further opens manifold dimension of their empowerment. They struggle to break up the vicious of indebtedness, exploitation, poverty, illiteracy and so on.

The SHGs believe in two things: (Sundaram, 2001)\textsuperscript{198}

1. The poor can transit from dependency to self-reliance which is faster through social mobilization, awareness creation than through economic intervention and
2. Women form the basis of social mobilization and therefore aiming the women’s empowerment is the most cost effective strategy available, even for economic development.

It has been realized in many parts of the world that an effective way to tackle poverty and to enable communities to improve the quality of life is through social mobilization of disadvantaged people, especially into self help groups (SHGs.). The concept of SHGs is based on the idea of community participation, as sustainable community development requires the active participation of the entire community. ‘Popular participation’ ensures that the benefits of development are made for

decentralization of the authority so as to ensure redistribution of wealth, improved access to education and other social services consequently the focus of the SHG is to develop capacity of the disadvantaged, particularly women, and to recognize them, so that they can deal with social-political and social-economic issues that affects their lives. (Srivastava, 2005)\textsuperscript{199}

However, the most important gain for the women member through SHG is the common platform they get to share and discuss their problems, issues. Their united strength helps them to take up gender linked issues like wit-battering, domestic violence, child marriages etc. The SHG helps the women to overcome their social limitation such as superstition, silence, ignorance, dependency, lack of access to decision making and participation etc. They also exercise great power to bring changes in the attitude of the people about their orthodoxy and as old traditions in the rural areas.

It becomes a normal phenomenon that the platform helps them to develop awareness on the community affairs and matters of social concerns. They develop sensitivity and confidence to take up such issues through the united efforts. They gradually assume sense of individual, social and civic responsibility.

The SHG plays major role in bringing the socially excluded women (be of any community) to the common front through their group strength which gradually turns in their individual strength. In this process they try to establish their identity and worth in the society.

Research shows that when SHGs are promoted of mixed caste groups women, a process of social inclusion of lower caste women instinctively follows. The tribal and dalit women who struggles within the viscous if untouchability and various forms of social-economic exclusion, becomes an in-group member and enjoys the shared group life. They try to build their identity as a responsible woman rather than a “dalit women” or “tribal women”. Women from other backward communities also share the common platform for their socio-economic growth. Thus, SHGs are playing a major role in social inclusion of women who are marginalized in the society in all the

avenues as because they are women (the second gender) and as they hails from the marginalized community.

The women are facilitated to develop their capacity through building of dialoguing skills. Through their regular discussion they gain confidence to voice their needs and it paves there further growth. As they are facilitated with awareness building process, they try to access all the privileges and welfare benefits. This contributes their children’s education, improved health, good sanitation and so on.

Self Help Groups enhance the equality of status of women as participants, decision makers and beneficiaries in the democratic, economic, social and cultural spheres of life. The SHGs have inculcated a great confidence in the mind of rural women to succeed in their day to day life. (Jain, R. et. al 2003)

Self Help implies a step further from the stage of passively to activity, and of making creative contribution. They generate self-sustainable growth which promotes them to make their own decisions, exercises their own rights and controlling over their resources. Since they assume their responsibilities, they take part in the decision relating to the community as well. Evidence are there that they through this process involve and participate in community development activities. Banning of liquor, opening fair price shops, controlling Public Distribution System(PDS), taking contract to build community infrastructure, managing common property resources, safe guarding forest and community resources, facilitating legal services to the victims of domestic violence, trafficking etc. are some of the examples of the SGHs initiatives. They try to challenge all the conditions which barricade their personal and social growth.

Self help groups enhance the equality of status of women as participants, decision makers and beneficiaries in the democratic, economic, social and cultural spheres of life. It encourages the women to take active part in socio-economic progress of our nation. They help the community to move further towards right perspectives. Evidence shows that many of the SHG members are now participating in the

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Panchayati Raj system. They have placed their visibility and voice in every front through this process.

The concept of “SHG” turns women into responsible citizen of the country achieving socio-economic growth. Involvement of women in all stages of both family and community affairs has been an added significance to them. Women led SHGs in many parts of the country have achieved success in bringing the women to the mainstream of decision making (Sarangi, 2003). They are empowered in so extent that they are being consulted in all the decision making like education and marriage of their children, owning property, expenditure, taking loans etc. Research has shown that, in many cases the women have proved themselves to be as active agent in the community development. Their participation at all level of community affair especially in development activities help in shaping their identity. Consequently, the community at large recognizes the importance of women, their contribution and concern.

The principle underlying the SHG model in India include financing the poorest of the poor, ensuring excellent recovery level, and empowering women not just by meeting their needs for consumption and productive loans but also through more holistic education programmes on issues such as sanitation and family planning (Sinha, 2002). However, the SHG is a viable alternative to achieve the objectives to rural development which advocate for sustainable community development. Here, the community participation becomes a sole element.

Especially, the marginalized and vulnerable group which greatly includes women has become active participant in this process. The face to face’ and ‘regular’ social interaction facilitate their awareness, confidence, voice and than action. This process adds them access, control and finally empower them in all the dimensions. They build community assets and social capital in the form of their bonding, mutual help cooperative behavior, self reliance, confidence, community and social concerns, mutual trust, credit worthiness, improved level decision making or management skills etc.

Along with these, their networking and bargaining skill adds them greater significance towards contributing in sustainable community development. This process leads the society to accommodate and associate women with their dignity and entitlements.

3. 2 Historical Development of SHGs

3. 2. 1 An international Prospective

Throughout the history, it is witnessed that the people who have some common interest have formed groups with each others. The vulnerable and marginalized people have come together and join their hands to overcome their problems.

The first people in history to demonstrate the power of self-help groups were alcoholics. Alcoholics Anonymous was started in 1935 to help "hopeless alcoholics" recover from alcoholism, something the medical profession had been unable to do. The power of self-help groups to help people suffering from other problems was not widely recognized until after World War II. (Oka, & Borkman, 2000)202. Gradually, the importance of group strength was realized. The people become aware of their group effort to mobilize and organize their cooperation and interaction as to get individual strength out of their group strength.

In the 1960s, civil right movements began to evolve in many developed countries, as people became aware of their collective power. These power-to-the-people movements provided avenues for the development of the self-help group movement (Vattano, 1972)203. In Japan, people who had come to enjoy a free society welcomed "the peak of circle movements" in 1955 (Ôsawa, 1976)204, and, influenced by Western civil right movements, they promoted the establishment of similar movements. The movement then took a perspective of establishing local level institution.

In the 1970s, the emphasis moved from mass movements to small group movements in some countries. In Germany, people began to be more interested in their ordinary

lives than in political abstractions (Moeller, 1978)\textsuperscript{205} while in Japan, people with disabilities and chronic illnesses started to spend more energy on activities within their local communities rather than on political actions against the central government (Osa, 1991, pp. 43-45; Tsuda, Kida, Yamada, & Saitô, 1977, pp. 62-67)\textsuperscript{206}. Moreover, by mid-1970s welfare states were being challenged by criticism of their rising public expenditure and inefficiency, while international economic growth rates were declining due to rising oil prices (George & Page, 1995, pp. 8-10)\textsuperscript{207}.

Then in 1976, in North America, two edited books of (Caplan & Killilea, 1976; Katz & Bender, 1976)\textsuperscript{208} and two journal issues of (Borkman & Lieberman, 1976)\textsuperscript{209}; Riessman, 1977)\textsuperscript{210} written by social scientists being published. It was for the first time the Self Help Group featured in any of the published books. In Japan that same year, a voluminous edited book on "small grassroots groups" was published with detailed reports on various groups, including self-help groups for people with disabilities (Shisô no Kagaku Kenkyûkai, 1976)\textsuperscript{211}. In 1977, in the UK, and in 1978, in Germany and Belgium, research books on self-help groups were published that were clearly influenced by the studies in North America (Brankaerts, 1983; Moeller, 1978; Robinson & Henry, 1977 and in 1979)\textsuperscript{212}. Japanese psychologists published a


book on self-help groups, and introduced the studies of North America to Japanese readers (Murayama & Agari, 1979). By this time ample literature has been published on Self Help Groups, which has documented the importance of organizing. In the 1980s, self-help support systems such as self-help clearinghouses, which provided information and referral services linking the public with the groups and assisted groups to develop, were established in North America and Germany (Matzat & Estorff, 1989; Oka, 1992; Wollert, 1987). In our opinion, it was at this point that these countries and Japan went their different ways. Although Japan had as many self-help groups as North America and Germany, it has never established any self-help clearinghouses with paid staff. Even today, Japan has only a few volunteer-based self-help clearinghouses and paid-staff-based clearinghouses catering to a limited client base, such as a women's clearinghouse (Oka, 1994a).

In 1980s, international networks of self-help supporters become glorified. In 1980, the Regional Office for Europe of the World Health Organization established a Copenhagen-based working group on self-help and health. This resulted in an international report on self-help (Hatch & Kickbusch, 1983). In 1983, another international report was published which covered self-help groups in countries, including the UK, Germany, the US, Canada, and New Zealand (Pancoast, Parker, & Froland, 1983). As a result of this internationalization and other factors, in 1992 an international conference in Ottawa, Canada, attracted people not only from North America but also from Europe and East Asia. Two years later, the conference research committee (a Canadian, American, and an Israeli) edited a book published with papers from the conference including ones from Eastern Europe, Japan, Israel,

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and Hong Kong (Lavoie, Borkman, & Gidron, 1994)\(^{217}\). The self help network then started linking with the internet for expansion of their networking and easy availability. In the 1990s, a new trend appeared: online self-help groups (Madara & White, 1997)\(^{218}\). In India, while in the expansion Community Development programme in 1980, the group approach took a step further and become popular concept of empowerment practice later in the 90s.

### 3. 2. 2 Historical Development of SHGs in India

Prior to any formalize system of group saving in India, many informal such system had been working in various forms like chit fund, Mahila Mandals etc. As availability of cash was a high class affair, sometimes they used to deposit a fixed amount of food grains in the village kothi (grain banks) to use these in the time of crises and natural calamities. But, these were very few in number in comparison to the credit needs of the poor.

In our country, self –Employed Women’s Association (SEWA) was started in 1972 and became the pioneer in this field (without the Grameen Model). Though started as a Trade Union for women in this unorganized sector, today SEWA boats of running the first Women’s Bank in the country. It was established on the cooperative principle in Gujurat.

In 1976, Prof. Mohammed Yunus of Bangladesh stared women’s groups in Bangladesh and developed thrift and savings among the poorest. Gradually, it has developed into Bangladesh Grameen Bank (BGB). With the success of BGB and similar organization elsewhere, the concept of micro credit has gained momentum in India. Based on its success many NGOs had taken a lead at that time to initiate this strategy and formed SHGs all over the country. They served as an agent between bank and the poor.

In 1986-87, first official interest in formal group lending was seen. NABARD supported and founded an action research project on savings and credit management

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of SHGs in Mysore Resettlement and Development Agency (MYRDA). During this period, SEWA has gradually networked many cooperatives and emerged as the largest federation of cooperatives in the country. In southern India organizations like PRADAN, MYRADA, ASSEEFA, MALAR etc. have entered into this rural credit system. PRADAN has a membership of 7000 women who have availed 4000 loans worth Rs. 60000 as on March 1997. In the year 1988-89, NABARD undertook of 43 NGOs spread over 12 states to study the functioning of the SHGs and the possibilities of collaboration. RBI in 1991 issued a circular advising the commercial Banks, later the Regional Rural Banks and the cooperatives to extend credit to SHGs under the pilot NBARD project of 500 SHGs. NABARD introduced a pilot programme for starting and lending to SHGs in 1992 based on the experience of BGB and MYRADA. SIDBI has entered this field late but now SIDBI has formed a micro credit foundation, which gives loans to NGOs after rating them by an external agency.

According to Odisha govt. website of e-magazine of Odisha review 2011 Feb-March, in Odisha People’s Rural Education Movement (PREM), a NGO based on Berhampur promoted 829 groups, mobilized Rs. 1.9 million of thrift and disbursed credit of Rs. 1.9 million. In 1994, RBI working group review the functioning of the NGOs and SHGs and gave important suggestions. Later, in 1996, RBI revised the guidelines and advised that the Banks lending to the SHGs should be considered as an additional segment under priority sector advances and integrated with the main stream credit cooperation. NABARD took up promoting WSHGs in full swing in Odisha. It is seen that 1996 onwards SHG become a regular component of Indian financial system.

By the year 2000, SEWA has a membership of 209250. As discussed; NABARD refinance the Banks which lend to SHGs. As per NABARD Annual Report 1998-99, bank has financed 30447 SHGs with a finance of Rs. 35 crores as on 31st March 1999. Though the repayment was observed excellent and credit help has shown tremendous growth in socio economic situation of the poor, the Finance Minister in his budget speech has asked NABARD and SIDB to increase the number of SHGs to 100000. During this time, MALAR has emerged as a new self-reliant model for our nation. An off shoot of the Total Literacy Campaign, in Kanyakumari District, MALAR has emerged as an organization of poor women who share the interest income to sustain a full time structure, office and trading schedule. Already 10
districts in Tamil Nadu have undergone training at MALAR and started similar organizations for micro-credit.

Rastriya Mahila Kosh(RMK), known as The National Credit Fund for Women was set up in 1993 under the aegis of Department of Women and Child Development, Ministry of Human Resource Development. RMK facilitated to form WSHGs through the NGOs by providing credit support with incentives for proper repayment.

Suddenly World Bank (WB) and IME have found a way to reach the poor through NGOs and saw this as an opportunity to reduce poverty and also to prevent the poor from agitation because of the ill effects of their economic policies. The Government of India, which is under IMF and WB guidelines, has lunched schemes scrapping Integrated Rural Development Programmes, schemes for Urban Micro enterprises, Prime Mininisters’ Urban Poverty alleviation programme and TRYSEM (Training of Rural Youth for Self Employment). The scheme are known as (1) Swarnajaynti Gram Swarozgar Yojana( SGSY) and (2) Swarnjayanti Sahari Swa Rojgar Yojana(SJSRY). The farmer is for Gram Panchayats and the latter for Municipalities and Corporations. According to this scheme the Panchyats select the good group with assistance from the BDO, Bank and NGOs. They provide Rs. 10000/- as revolving fund- free of interest and then the banks provide loan to the group seeing the performance. There is an individual enterprise and 50% subsidy for groups or trying to get control of the Groups and funds. They have set a guideline that if the repayment under this scheme is less than 70% in a Panchayat, nobody will get loan in the concerned panchayat.

After the Micro Credit Summit held at Washington WB, IMF and many foreign funding agencies have directed their projects towards micro credit. Now govt. of India has also directed CAPART and other funding agencies to focus on micro credit because of which many of the NGOs have started to form SHGs as to get easy funds for the purpose. Thus, a slow and steady SHG movement was started during 1990s in India truly representing the concerns of poorest of the poor.

3.3 Emergence of the SHG Movement

Reports says almost two third of the India’s population face no access/lack of access to formal financial services which shove them to the exploitative trap of money landers. They fall in the vicious of indebtedness which gradually leads them towards
extreme poverty. As a result, the poor especially the poor women become socially and economically excluded from the mainstream of the society.

The women’s Self-Help Group movement emerged as important strategies for achieving financial inclusion, contributing to inclusive growth, and generating social capital in order to address larger issues like poverty eradication and women empowerment. SHGs are proving to be the most effective instruments for financial inclusion. The women ‘s SHG is of Indian model based on the principle of Self-help, self-management, self-responsibility and self-reliance. The groups, however, are mobilized by promoting institutes (often NGOs).

There is no definite date has been mentioned anywhere about the actual conception and propagation of SHGs. Organizing people together into SHGs for saving and mutual help was well established in India much earlier. But SHG as strategy for empowerment emerged in the Nineteen Eighties and Nineties. The book published by DHAN Foundation (2001) on Self Help Groups (SHGs) traces the evolution of SHGs and the role of NABARD on supporting this process through proactive polices and experiments. NABARD initiated a study of about 50 NGOs in the late 1980’s which led to uncovering of certain striking filed level realities such, the poor need small and frequent credit at unpredictable times, the directed credit was a costing affair the transaction costs for banks and the clients were high in the govt. sponsored programmes, peoples initiatives and voluntary participation was lacking or absent, need for transparent and cost effective credit delivery system and need for local specific approaches to be found. Above all, the economic aspirations of the poor were considered necessary.

In 1980 mostly in Andhara Pradesh and other Southern states in India few pilot projects has been undertaken. In the early years, it was mostly savings based groups and the groups were circulating their own savings as small loans among their members. The experiments with inclusion of credit began in 1987 when NABARD (National Bank of Agricultural and Rural Development) provided one million rupees as grant to an NGO called MYRADA to lend to its groups.

According to the discussion papers produced by the Asia and the Pacific Division, IFAD “Enabling the rural poor to overcome poverty”, Self-help groups (SHGs) first
emerged in 1985 in MYRADA. In 1986/87, there were some 300 SHGs in MYRADA’s project. Many had emerged from the breakdown of a large cooperatives organized by MYRADA. Similar experiments were initiated by other NGOs, like PRADAN, CARE and others with assistance from national and international donors. District Rural Development Agencies (DRDAs) in different states also provided revolving funds to SHGs. In 1992, the Govt. of India established the Rastriya Mahila Kosh (RMK), a dedicated organization to lend to SHG through NGOs. However, the important growth of the SHGs in numbers is attributed to the proactive role of the respective state governments and promoting NGOs. Easy flows of funds to the SHGs and bank linkage program to the SHGs and the simplicity of the SHGs have lead the SHGs movement spread across the country.

By the 1990s, SHGs were viewed by state governments and NGOs to be more than just a financial intermediation but as a common interest group, working on other concerns as well. The agenda of SHGs included social and political issues as well. The spread of SHGs led also to the formation of SHG Federations which are a more sophisticated form of organization that involve several SHGs forming into Village Organizations (VO) / Cluster Federations and then ultimately into higher level federations (called as Mandal Samakhya (MS) in AP or SHG Federation generally). SHG Federations are formal institutions while the SHGs are informal. Many of these SHG federations are registered as societies, mutual benefit trusts and mutually aided cooperative societies. SHG Federations resulted in several key benefits including stronger political and advocacy capabilities, Sharing of knowledge and experiences, economies of scale and access to greater capital.219

3. 4 Empowering women through Self Help Groups

Both Central and State govt. have increasingly realized the importance of devoting attention to improve the socio-economic in India. After getting failures in experiments of different methods and approaches, both GOs and NGOs have curved their focus on the group approach for empowering women. In this context, the group approach in the form of Self Help Groups keeps greater significance in empowering women in various dimensions.

219 www.aptsource.in/admin_resources1273818040_SHGs-keystone-paper.pdf
A high flow in SHG formation has now turned into an empowerment movement among women across the country. Achieving economic empowerment results in women’s ability to influence or make decision, increased self-confidence, better status and role in household etc. The activities of SHGs foster a development process at various levels. The empowerment of women through SHGs gives benefit not only to the individual women but also for the family and community as a whole through collective action for development.

It has also been recognized that women will be better-placed to overcome the negative social pressures and gender biases operating against them and to unshackle themselves through group identity and activity. The current research found that in the many parts of the rural Orissa the SHGs women with their collective strength have brought changes in their personal and social life. Many of them have opposed to the unjust and violence both in inside and outside their domestic choirs. Among the WSHGs, there are many Groups comprising women from the poorest of the poor families. Most of these Groups tend to take small income-generation activities suits to their occupation and skills. The capacity building training enhances their skills to undertake new lucrative IGPs. The members of the WSHGs are provided with some technical support for upgrading their skills and acquiring new skills through training. The economic activities taken up by the WSHGs relating to different sectors are linked with technical support from the concerned line Departments.

The financial inclusion through SHGs leads to the betterment of life for left out people to grow and help them to avail opportunities. The timely and easy credit accessibility through SHGs and has been helping in micro enterprise to grow. It has emerged from the ground that in order to bring meaningful changes in lives of the poor they need to be provided with small credit and capacity building training. Improvement in their economic status leads to improvement in their social status. In the state of Orissa, the total population below poverty line was 178. 49 lakhs in 2004-05, whereas number of SHG/MFI clients is 55. 76 lakhs in 2008.
3.5. SHG-Micro Credit Linkage as an Alternate Strategy for Women Empowerment

Relationship between SHGs and various financial institutions including Commercial Banks, Regional Rural banks and cooperative Banks (and other micro finance institutions) is an important factor in the evolution and sustenance of the SHGs. In addition, as these financial institutions are spread across the country their involvement becomes an important element in the administration of microfinance services among the poor. The relationship based on linkages between banks and SHGs throws up an additional element namely the NGO without which the practice of microfinance is next to impossible, for the NGOs play a crucial role in forming, training and sustaining the SHGs. Therefore the linkages between Banks, NGOs and SHGs articulate both the limitations as well as great potential that the SHGs have for the betterment of the poor (Selvam, 2005).

3.5.1 Spread of Microfinance in India

The spread of microfinance in India is not uniform in terms of geographical spread across the country. There is a distinctly wide gap in the spread of the SHG-Bank linkage between the North and the South as depicted in Figure-1. This lopsided geographical spread of SHG and SHG-Bank linkage, as the available information of RBI states, is because of non-availability of suitable partners in SHG-formation.

Figure: 3.1 Regional Coverage of SHGs


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The top five performing states in terms of number of groups linked to banks in 2007-08 are Maharashtra, Odisha, Tamil Nadu, West Bengal and Andhra Pradesh as shown in Table 2.2.

Table No: 3.1 Top five states in SHG linkage in 2007-08

<table>
<thead>
<tr>
<th>Sl.</th>
<th>Name of State</th>
<th>No. of new groups linked</th>
<th>% share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Maharashtra</td>
<td>1,00,569</td>
<td>18.2</td>
</tr>
<tr>
<td>2.</td>
<td>Odisha</td>
<td>73,140</td>
<td>13.2</td>
</tr>
<tr>
<td>3.</td>
<td>Tamil Nadu</td>
<td>54,498</td>
<td>9.9</td>
</tr>
<tr>
<td>4.</td>
<td>West Bengal</td>
<td>49,832</td>
<td>8.5</td>
</tr>
<tr>
<td>5.</td>
<td>Andhra Pradesh</td>
<td>40,098</td>
<td>7.3</td>
</tr>
</tbody>
</table>

In states with potential for microcredit promotion like Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and Odisha things are not progressing as expected because of the non-availability of capable NGOs. This causes serious constraints for a faster spread of the programme. However, states like Odisha, Rajasthan, Himachal Pradesh, Assam, and Mizoram have done well in terms of linkage of SHGs when seen in the context of proportion of poor in these states.

Among the 13 priority states where there are substantial numbers of poor, Odisha had a satisfactory growth rate of 31% in the number of SHGs linked to banks for credit and stood in the third top of the list. In terms of SHG-Bank linkage, six states from the 13 priority states i.e., Chhattisgarh, Maharashtra, Odisha, Assam, Bihar and West Bengal grew at a faster pace in 2008 in comparison to the previous year (Table 2.3 & Figure-2).
### Table No: 3.2 Growth of SHGs linked with banks in 13 priority states

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Assam</td>
<td>10,706</td>
<td>31,234</td>
<td>56,449</td>
<td>81,454</td>
<td>1,07,098</td>
<td>31</td>
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<td>2.</td>
<td>Bihar</td>
<td>16,246</td>
<td>28,015</td>
<td>46,221</td>
<td>72,339</td>
<td>93,410</td>
<td>29</td>
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<td>3.</td>
<td>Chhattisgarh</td>
<td>9,796</td>
<td>18,569</td>
<td>31,291</td>
<td>41,703</td>
<td>60,763</td>
<td>46</td>
</tr>
<tr>
<td>4.</td>
<td>Gujarat</td>
<td>15,974</td>
<td>24,712</td>
<td>34,160</td>
<td>43,572</td>
<td>46,526</td>
<td>7</td>
</tr>
<tr>
<td>5.</td>
<td>Himachal Pradesh</td>
<td>13,228</td>
<td>17,798</td>
<td>22,920</td>
<td>27,799</td>
<td>31,899</td>
<td>15</td>
</tr>
<tr>
<td>6.</td>
<td>Jharkhand</td>
<td>12,647</td>
<td>21,531</td>
<td>30,819</td>
<td>37,317</td>
<td>42,605</td>
<td>14</td>
</tr>
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<td>7.</td>
<td>Madhya Pradesh</td>
<td>27,095</td>
<td>45,105</td>
<td>57,125</td>
<td>70,912</td>
<td>83,336</td>
<td>18</td>
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<td>8.</td>
<td>Maharashtra</td>
<td>38,535</td>
<td>71,146</td>
<td>1,31,470</td>
<td>2,25,856</td>
<td>3,26,425</td>
<td>45</td>
</tr>
<tr>
<td>9.</td>
<td>Odisha</td>
<td>77,588</td>
<td>1,23,256</td>
<td>1,80,896</td>
<td>2,34,451</td>
<td>3,07,591</td>
<td>31</td>
</tr>
<tr>
<td>10.</td>
<td>Rajasthan</td>
<td>33,846</td>
<td>60,006</td>
<td>98,171</td>
<td>1,37,837</td>
<td>1,73,192</td>
<td>26</td>
</tr>
<tr>
<td>11.</td>
<td>Uttar Pradesh</td>
<td>79,210</td>
<td>1,19,648</td>
<td>1,61,911</td>
<td>1,98,587</td>
<td>2,36,929</td>
<td>19</td>
</tr>
<tr>
<td>12.</td>
<td>Uttarakhand</td>
<td>10,908</td>
<td>14,043</td>
<td>17,588</td>
<td>21,527</td>
<td>24,679</td>
<td>15</td>
</tr>
<tr>
<td>13.</td>
<td>West Bengal</td>
<td>51,685</td>
<td>92,698</td>
<td>1,36,251</td>
<td>1,81,563</td>
<td>2,28,395</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3,97,464</td>
<td>6,67,761</td>
<td>10,05,272</td>
<td>13,74,917</td>
<td>17,64,856</td>
<td>28</td>
</tr>
<tr>
<td>Percentage growth</td>
<td>59</td>
<td>68</td>
<td>51</td>
<td>37</td>
<td>28</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure-3.2 Growth Rate in SHG-Bank Linkage in 13 Priority States in 2008**
Another issue that is worth noting is the comparative growth rates of the MFI sector and the SHG–bank linkage programme. An analysis of the information reveals that even among MFIs a very large number adopt the SHG model of delivering of financial services. In fact, 155 out of 223 MFIs that have reported information to the Sa-Dhan Quick Report have adopted the SHGs as either the exclusive or one of the means of delivery of financial services. Of these, 92 exclusively used the SHGs. Of the total 14 million clients reported by MFIs in the Sa-Dhan Quick Report, 7.2 million clients are with MFIs that follow the SHG model exclusively. SHGs seem to be occupying a larger space in microfinance, regardless of the nature of the financing institution. The point to note here is that the microfinance sector should be seen as an inclusive one that embraces all methodologies and instruments found effective in each local context. This points to the widespread adoption of SHG, Grameen and individual models by the MFIs and banks similar to that which NGOs have adopted. As both banks and MFIs predominantly utilised SHGs for delivery of financial services, adequate resources should be spent on strengthening the SHGs through capability building(should foster their empowerment) and ‘social capital building’ initiatives and improving the efficiency of institutions that are involved in the promotion and nurturing of groups. It is a matter of concern that, a fast commercialising microfinance sector would tend to move towards individual loans eventually, as has been the experience in the other more mature markets. The capacity-building of groups should take into account this eventuality and train the members to take decisions on whether the groups would recommend names of individual members for loans to banks and under what conditions. The possibility of individual loanee-retaining group membership and servicing the bank loan through the group without any liability on the group needs to be explored, but with great caution. The SHGs can become facilitators for banking services in such cases, which should be encouraged (Pradhan, 2010)2.

Tables 2.5, 2.6, and 2.7 give a consolidated and comparative picture of the savings of SHGs in various banks – Commercial Banks, RRBs and Cooperative Banks; the performance of commercial banks has been much better than the RRBs and cooperative banks for all important indicators of performance – whether savings by SHGs, loans disbursed to SHGs, or percentage of non-performing assets (NPAs) against loans disbursed. The bulk loans extended to MFIs for on-lending to SHGs
and their member beneficiaries is much higher for commercial banks in comparison to RRBs and cooperative banks.

**Table No: 3.3  Progress under Microfinance – Savings of SHGs with Banks**

**Agency wise position as on 31 March 2009**

<table>
<thead>
<tr>
<th>Name of the Agency</th>
<th>Total Savings of SHGs in the Banks as on 31 March 2009</th>
<th>Out of Total - under SCSY &amp; other sponsored schemes</th>
<th>Out of Total - Exclusive Women SHGs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHGs</td>
<td>Amount of Savings</td>
<td>No. of SHGs</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>3549609</td>
<td>277290.94</td>
<td>931422</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>1628688</td>
<td>198975.08</td>
<td>433912</td>
</tr>
<tr>
<td>Cooperative Banks</td>
<td>943050</td>
<td>78287.80</td>
<td>140247</td>
</tr>
<tr>
<td>Total</td>
<td>6121147</td>
<td>554561.82</td>
<td>1505581</td>
</tr>
</tbody>
</table>

(Source: Microfinance in India 2008-09, NABARD; page-25)

**Table No: 3.4  Progress under Microfinance – Bank Loans disbursed to SHGs**

**Agency wise progress during the year 2008-09**

<table>
<thead>
<tr>
<th>Name of the Agency</th>
<th>SHGs loans disbursed by Banks during the year 2008-09</th>
<th>Out of Total - under SGSY &amp; other sponsored schemes</th>
<th>Out of Total - Exclusive Women SHGs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of SHGs</td>
<td>Amount of Loan</td>
<td>No. of SHGs</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>1004587</td>
<td>806053.10</td>
<td>133117</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>405569</td>
<td>319349.01</td>
<td>81682</td>
</tr>
<tr>
<td>Cooperative Banks</td>
<td>199430</td>
<td>99949.28</td>
<td>49874</td>
</tr>
<tr>
<td>Total</td>
<td>1609586</td>
<td>1225351.39</td>
<td>264653</td>
</tr>
</tbody>
</table>

(Source: Microfinance in India 2008-09, NABARD; page-25)
Table No: 3.5 Progress under Microfinance – Non-Performing Assets (NPAs) for Bank Loans to SHGs: Agency wise position as on 31 March 2009

(Amount in Rs. Lakh)

<table>
<thead>
<tr>
<th>Name of the Agency</th>
<th>Non Performing Assets (NPAs) of Bank Loans to Total SHGs</th>
<th>Out of Total - NPAs of Bank Loans under SGSY &amp; other sponsored schemes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Outstanding Bank Loans*</td>
<td>Amount of NPAs</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>1640357.63</td>
<td>38710.10</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>420346.52</td>
<td>17778.20</td>
</tr>
<tr>
<td>Cooperative Banks</td>
<td>89400.21</td>
<td>6097.48</td>
</tr>
<tr>
<td>Total</td>
<td>2156104.35</td>
<td>62586.78</td>
</tr>
</tbody>
</table>

*Note: Outstanding loans included only for those banks which reported NPA figures

Table No: 3.6 Bank Loans provided to MFIs – 2008-09 Agency wise position as on 31 March 2009

(Amount in Rs. Lakh)

<table>
<thead>
<tr>
<th>Name of the Agency</th>
<th>Loans disbursed by Banks to MFIs during year 2008-09</th>
<th>Outstanding Bank Loans against MFIs as on 31 March 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.of MFIs</td>
<td>Amount</td>
</tr>
<tr>
<td>Commercial Banks</td>
<td>522</td>
<td>371892.83</td>
</tr>
<tr>
<td>Regional Rural Banks</td>
<td>59</td>
<td>1339.94</td>
</tr>
<tr>
<td>Cooperative Banks</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Total</td>
<td>581</td>
<td>373232.77</td>
</tr>
</tbody>
</table>

Note: The actual number of MFIs would be less as some MFIs have availed loan from more than one bank

3.5.2 Potential for Enhancing SHGs- Bank Linkages in the State

Odisha is one of the poorest states in the country with 47% of the households below poverty line. Leaving aside the totally destitute, unmobilizable families and those covered under SC/ST action plan and SGSY, the potential for organising poor into
SHGs and supporting them through financial services is very high in Odisha. It is estimated that there is potential to promote another 1.5 lakh more SHGs in the state to bring a major portion of poor women within the fold of this movement. NABARD in its medium term mission will also be linking at least 13 lakh additional poor families by linking about 1.15 lakh SHGs in a 3 year period ending March 2007. It is intended that the SHG bank linkage programme would be upscaled qualitatively, impactfully and profitably. When Public Sector Bank like State Bank of India has started linking SHGs in an aggressive mode, more and more Private sector Banks and Public Sector Banks are interested to do business with the SHGs and prepared to disburse even larger amount based on the quality of groups.

3.5.3 Models of Microcredit in India

The informal sources of micro-credit for the poor, both in rural and urban areas, were the Landlords, local shopkeepers, traders, suppliers and professional money lenders, and relatives. Some of the quoted advantages of informal loans are flexibility, lower discrepancies between loan sanctioned and loan received and less reliance on collateral.

Emphasis on collateral security is, however, not totally absent under informal loans as money lenders keep as mortgage their jewellery, utensils, land (if they have) and or house as physical security. An overwhelming majority of (landless) agricultural labourers attached to landlords have been borrowing money based on pledging “self-labour” as collateral, which often works out to be a form of bondage for the family who has taken the loan. This category of borrowers is the most vulnerable as harsh conditions linking compensatory labour to loans are imposed.

The interest charged on informal loans is stated to vary between 2-4 per cent per month and sometimes it goes up to 10 per cent per month. The Money Lender’s Acts enacted by various state governments are intended to check the exploitation of the poor by the money lenders. They cannot charge exorbitant rates of interests; in fact, in most cases there is an upper ceiling on interest rates and the total recoveries cannot exceed twice the amount of ‘the principal’. However, such provisions are rarely enforced and the practice of exploitative form of money lending goes on unhindered.
There are two main tracks of extending micro credit or models in the country and they are ‘banking model’ and the ‘MFI model’. In the case of the banking model Self Help Groups are formed and financed by banks. In some cases SHGs are formed by SHPIs/NGOs and financial linkage is extended by banks. In the ‘MFI model’ SHGs are formed and financed by the MFIs that obtain resource support from various channels. In India, majority of microcredit activity is under the ‘Banking model’ (NABARD’s Bank-SHG Linkage) and 10-15% of the activity is through ‘MFI model’ (Pradhan, 2010)3.

3. 5. 4 Bank-SHG Linkage Models

As discussed, Bank- SHG linkage may be the prime factor behind the SHG movement which has not only brought the women to the forefront to think and act both individually and unitedely for their empowerment, but also has led the society towards inclusive growth and development. The SHG model in India was pioneered by MYRADA, Bangalore, over the 1980s which initially conceived of groups as a means of improving the livelihoods of the Tibetan refugees it was working with. In 1992, NABARD, in close collaboration with MYRADA, established the SHG-Bank Linkage Programme in which banks were encouraged to lend directly to SHGs which had fulfilled certain criteria. Initially, banks were slow to take up the SHG bank linkage program but the growth in the number of SHGs over the past five years, spurred on by centrally mandated targets, has been phenomenal.

The conceptual thinking behind the SHG philosophy and bank linkage could be summarized as Self-Help Group is a small economically homogeneous and affinity group of rural poor voluntarily coming together. It facilities to save small amounts regularly, members mutually agree to contribute to a common fund, helps to meet their emergency needs, systems evolved to have collective decision making, solved conflicts through collective leadership and mutual discussion and provided collateral free loans with terms decided by the group at market driven rates(RBI, 1996)

The Self-Help-Groups (SHGs) have emerged as a tier below PACS. SHGS comprise a group of 15-20 members. The groups begin by savings that are placed in a common fund. In a way, SHGs are co-operative (credit) societies linked to a commercial bank rather than an apex cooperative bank. Once linked to the bank, the
SHGs may access a given multiple of the pooled savings for disbursement to its members. The group selects its leader and the selection of the leader is done democratically. The SHGs which meet and save regularly and show such consistent behaviour have emerged as a form of “social collateral” substituting other forms of ‘collateral security’. This has been insisted upon by banks and forms part of the NABARD guidelines for being eligible to receive loans from the banks. Accordingly, banks give loans to SHGs up to Rs. 5lakh without insisting on any form of ‘collateral’. High repayment rates have encouraged banks to expand the SHG linked loaning activity and this has led to formalization of the Bank-SHG linkage model (Pradhan, 2010).

The Bank-SHG linkage programme is noticed to have encouraged thrift/savings amongst the poor. Studies also reveals about a reduced share in consumption and small agricultural loan from other financing agency. Formation of SHGs is, however, predominantly dependent on the intermediary agencies, who have so far been NGOs/MFIs, RRBs, Banks and DRDAs. SHGs are being promoted primarily under the two separate schemes of NABARD under the Ministry of Finance and the Ministry of Rural Development. The SHGs formed by the Ministry of Rural Development under SGSY scheme have been twice the number of those formed by NABARD under their SHG-Bank Linkage programme. The total number of SHGs formed is reported to be approximately 2.3 million that covers nearly 30-35 million BPL households (more than 50 per cent of all BPL households).

There is another major difference between the two. While the SHGs promoted by the Ministry of Rural Development enjoys credit-linked subsidy, those promoted by NABARD do not have any such facility. Despite this, the credit disbursed to SHGs under the NABARD programme has been more than under SGSY.

Nanda (1994) abstracts the following models from the linkages the commercial banks have with SHGs in administering microfinance services to the poor.

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Model 1: Bank –SHG with active support of SHPI

In India, this is the most common linkage model by which the banks deal directly with individual SHGs once the Self- Help Promoting Institutions (hereafter SHPIs) generally NGOs, prepare the SHGs for the linkages. The NGOs provide the initial training and guidance to rural poor in organizing themselves into thrift and credit groups. Often the SHPI had also provided some initial financial support to these SHGs to augment their resources e.g. MYRADA, an NGO provided such financial assistance to SHGs from Rs. 1 million received from NABARD. The NGOs monitors the groups to ensure satisfactory functioning. It establishes the contact between the SHGs and Bank. While linkages of the banks connect directly with the SHGs. The NGO has an important role before as well as post –linkage stages in sustaining the groups.

Model II: Bank-SHG

The above shown is the second model which suggests that the Banks provides financial support to SHGs which have grown spontaneously without any intervention of SHPIs. Under this model there is no role of external agencies in formation and functioning of the SHGs. In this case, the SHGs are emerged out of individual members’ initiative to deal with their financial issues by taking up thrift and credit activities. It is important to stress here that although it is theoretically possible for the poor to organize themselves into SHGs; it is practically very difficult in such
situations where the poor people in India struggle due to social, educational and cultural constraints.

**Model III: Bank-SHPI –SHG**

The above is the third model. In this model, the NGOs as SHPIs have taken the role of a financial intermediary between the banks and a number of SHGs. Here, the NGOs take up such responsibilities only of the groups nurtured and promoted by them. The NGOs accepts the contractual responsibilities for repayment of the loan to the bank. In this respect it promotes indirect linkage support to the SHGs.

From the standpoint of Banks and MFIs the above models would ensure the timely repayment of the loan, for the SHGs would function as a social collateral exercising collective pressure on the individual member. However, the first model accentuates the essential role the NGOs could play in forming the SHGs, sustaining them over time and also arranging the linkage with banks and beyond. This model also highlights the need of actively involvement of the NGOs (or GOs) as external agency in motivating and mobilizing the poor. It is done during the period of a year or more for the poor, largely illiterates to gain vision and confidence in them to engage in group as well as financial activities before the external financial institutions’ intervention. The three way linkage in which the NGOs fortifies as a pre-important element until the SHGs mature to take up both financial and non-financial activities embodies greater promise for members of the SHGs.

However, the Bank linkage programme plays a greater role in empowerment of women members and their families in various forms. YSP Thorat (2005)4 says that SHGs redefined the conventional way of doing banking with the poor. It proved that the “poor are bankable”. This can be viewed in the context of the attitudinal constraints, which characterized bankers on the eve of the linkage programme, one
realizes what an immense learning point this has been. The poor, organized into SHGs are ready and willing to partner financial institutions and banks on their part find their SHG portfolios “safe” and “performing”. Despite being contra intuitive, the poor can and do save in a variety of ways and the creative harnessing of such savings is a key design feature and success factor.

3.5.5 MFI Model

In 1990s the Microfinance services through specialised institutions called as MFIs started operating as a new avenue of reaching the poor for their micro-credit needs. Some of the MFIs are based on the Grameen Model, which requires formation of a Centre comprising eight solidarity groups of five borrowers. Members of each solidarity group mutually guarantee each other’s loan. Ten Centres form a Cluster and seven clusters form a (bank) branch and several branches together presumably form the Bank. This is typically based on the model of Grameen Bank of Bangladesh\textsuperscript{222}. All members save regularly and loan proposals are approved by the Centre; all loans are, moreover, repayable in 50 weekly installments.

In India MFIs have registered themselves either as societies (under the Societies Registration Act, 1860, or under the Societies Registration Acts of the respective states where the society is in operation), as trusts under the Trust Acts, as Non-Banking Financial Companies (NBFCs), or as Local Area Banks (LABs). All NBFCs are required to be registered with the Reserve Bank of India and should have a minimum capital of Rs. 2 crore. NBFCs intending to accept public deposits have to satisfy stipulated criteria and have to obtain specific authorization from the RBI.

3.6 Policy environment for promoting SHGs and Women empowerment

Development of women has been receiving attention of the Government right from the very First Plan (1951-56). But, the same has been treated as a subject of ‘welfare’ and clubbed together with the welfare of the disadvantaged groups like destitute, disabled, aged, etc. The Central Social Welfare Board (CSWB), set up in 1953, acts as an Apex Body at national level to promote voluntary action at various levels,

\textsuperscript{222} In contrast to the top-down approach of credit cooperatives (banks) formed in India, this is a bottom-up approach of forming a co-operative bank. Credit cooperatives in India, moreover, became credit agencies rather an agent of both thrift and credit.
especially at the grassroots, to take up welfare-related activities for women and children. The shift in the approach from ‘welfare’ to ‘development’ of women could take place only in the Sixth Plan (1980-85). Accordingly, the Sixth Plan adopted a multi-disciplinary approach with a special thrust on the three core sectors of health, education and employment. In the Seventh Plan (1985-90), the developmental programmes continued with the major objective of raising their economic and social status and bringing them into the mainstream of national development. A significant step in this direction was to identify/promote the ‘Beneficiary- Oriented Schemes’ (BOS) in various developmental sectors which extended direct benefits to women.

In 1990, The National Commission for Women was set up by an Act of Parliament to safeguard the rights and legal entitlements of women. The 73rd and 74th Amendments (1993) to the Constitution of India have provided for reservation of seats in the local bodies of Panchayats and Municipalities for women, laying a strong foundation for their participation in decision making at the local levels.

The Eighth Plan during 1992-97, with human development as its major focus, played a very important role in the development of women. It promised to ensure that benefits of development from different sectors do not by-pass women, implement special programmes to complement the general development programmes and to monitor the flow of benefits to women from other development sectors and enable women to function as equal partners and participants in the development process.

The Ninth Plan (1997-2002) made two significant changes in the conceptual strategy of planning for women. Firstly, ‘Empowerment of Women’ became one of the nine primary objectives of the Ninth Plan. To this effect, the Approach of the Plan was to create an enabling environment where women could freely exercise their rights both within and outside home, as equal partners along with men. Secondly, the Plan attempted ‘convergence of existing services’ available in both women-specific and women related sectors. To this effect, it directed both the Centre and the states to adopt a special strategy of ‘Women’s Component Plan’ (WCP) through which not less than 30 per cent of funds/benefits flow to women from all the general development sectors. It also suggested that a special vigil be kept on the flow of the earmarked funds/benefits through an effective mechanism to ensure that the proposed strategy brings forth a holistic approach towards empowering women.
To ensure that other general developmental sectors do not by-pass women and benefits from these sectors continue to flow to them, a special mechanism of monitoring the 27 BOS for women was put into action in 1986, at the instance of the Prime Minister’s Office (PMO). The same continues to be an effective instrument till today.

The Millennium Development Goals adopted at the millennium summit at United Nations in New York in 2000 include goals to “promote gender equality and empower women and to ensure environmental sustainability”. To achieve this India has adopted different strategic programmes for empowering the women in all the dimensions. The Tenth Five Year Plan of India (2002-07) has given importance to this. Tenth plan approach paper gave maximum importance to the implementation of National Policy for Empowerment of Women (2001) through translating the national policy for empowerment into action with a three-fold strategy economic empowerment, social empowerment and gender justice. In order to empower women in India Self Help Groups (SHGs) were introduced during the mid-1980s in Karnataka by Mysore Resettlement and Development Agency (MYRADA). These groups concentrate mainly on thrift related activities; they also address several issues through training programs and capacity building members of these groups gain knowledge about government programs, environmental issues, planning and credit management etc. In India many of the Non-Governmental Organizations (NGOs), independently or in association with state govt. , are working on empowerment of women through SHGs. They are facilitated for thrift and credit activities. The groups provide them with a platform discussion their social issues. In the State of Odisha, they also involve women’s SHGs in development projects like watershed management, Joint Forest Management(JFM), Monitoring of Primary School’s activities especially the Mid-day meal, Monitoring of Panchayat’s development activities etc. , which are the important activities for achieving sustainable community development.

The Rio Declaration (1992)\textsuperscript{223} stated that “women have a vital role to play in environmental management and development” and their full participation is essential.

\textsuperscript{223} The 1992 Rio Declaration on Environment and Development defines the rights of the people to be involved in the development of their economies, and the responsibilities of human beings to safeguard the common environment. The declaration builds upon the basic ideas concerning the attitudes of individuals and nations towards the environment and development, first identified at the United Nations Conference on the Human Environment (1972).
in achieving sustainable development. In the field of international development, most of the key actors, including government, non-government, and multilateral organizations, has adopted the language of empowerment in their policy and practice (ADB 2001; World Bank 2002; World Bank Institute 2001). Empowerment signifies increased participation in decision-making and it is this process through which people feel themselves to be capable of making decisions and the right to do so (Kabeer 2001). Several of these agencies are emphasizing an involvement of women in the development projects, which leads to empowerment of women. There is a direct link between involvement and empowerment and they influence each other. Where empowered women participate in the projects effectively, the participation can lead to sustainable development (Khatibi and Indira, 2011). A World Bank evaluation of 122 water projects found that the effectiveness of a project was six to seven times higher where women were involved than where they were not involved. The results of involving women in the design and planning stages are multiple, from reducing corruption, increasing management transparency, better financial management and empowering women by example (WSSCC, 2004). SHGs are an effective strategy for poverty alleviation; human development and social empowerment, as they are promoted by NGOs and are being recognized by financial institutions and the Government of India as powerful vehicles for empowerment of women through participation and employment generation (Puhazhendhi and Jayaraman 1999).

In the State of Odisha, a structured approach with defined focus of formation and support to the SHGs came with the lunching of Mission Shakti. Since then SHG approach remained in the front in carrying forward the W&CD Deptt. ’s vision and

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mission to take the services to the rural women. The Mission had an objective of helping formation of 1,00,000 Women’s Self-Help Groups by 2005, increasing the groups by 25,000 annually. The govt. programmes with SHG component such as SGSY (Swarnajayanti Gram Swarojgar Yojana) and “Swayamsiddha” etc. also have influenced the micro-Finance scenario in Odisha. The state Cabinet also gave its approval for the Odisha Self Help Cooperative (OSHC) Act 2001 expecting to contribute greatly to the women SHGs in Odisha.

A Vision Document for micro-finance in Odisha has been registered. Recently Govt. of Odisha brought amendments in the membership criteria of the Cooperative Societies Act 1962, which provides legal sanction to SHGs for being enrolled as a member of cooperative society for collective economic action.

Within these above discussed policy environment, the SHGs are promoted as empowerment strategy for women. It is expected that the poor women with their collective efforts can deal with their vulnerability subsist in their socio-economic life and to deal with the extreme poverty.

3.7 Role of Orissa Govt. for Facilitating and Promoting SHGs for Empowering Women

As social empowerment of women comes from their economic empowerment, helping women to achieve economic independence by enabling them to have independent employment and income is being accorded the highest priority. It has also been recognized that women will be better-placed to overcome the negative social pressures and gender biases operating against them and to unshackle themselves through group identity and activity. Moreover, it is realized by the policy makers of the State of Orissa that in view the rise in natural calamities in Orissa over the past few years, it has been a necessary to equip the community with some coping mechanisms that will help them to recover faster. In this context the SHGs can play a pivotal role by maintaining grain banks, calamity funds and knowledge of activities that can be immediately taken up to sustain the family. Promotion of Women’s Self-Help Groups (WSHGs) has therefore been adopted as a key strategy in Odisha for achieving women’s empowerment.
Women & Child Development (W&CD) Department, Govt. of Orissa is the largest promoter of programs related to women’s empowerment in the state. Two main programmes being run by the W&CD Deptt. are the ICDS (Integrated Child Development Scheme) and Women Development Program (WDP). ICDS is being run in all the 314 blocks in all the 30 districts of the state addressing issues of child survival and safe motherhood, implemented through ‘Anganwadi Centres’ at the village level. Gradually, the Anganwadi workers were given responsibility of promotion and monitoring of SHGs in their respective areas. Along with this, nine Women Development Program has been started in the state with the objective of social, political and economic empowerment of women.

A structured approach with defined focus on women’s empowerment came with the launching of Mission Shakti in 2001. Since then SHG approach remained the front runner in carrying forward the W&CD Deptt. ’s vision and mission to take the services to the rural women. The Mission had an objective of helping formation of 1, 00, 000 Women’s Self-Help Groups by 2005, increasing the groups by 25, 000 annually. However, 36, 000 WSHGs already existed in the State prior to the launching of ‘Mission Shakti’. Another more important objective of the Mission is to help capacity-building of the existing and the new Groups to be formed to take up income-generating and remunerative economic activities by providing them the necessary technical support, market linkages and credit linkages, where necessary. During the period from April 2001 to February, 2005, 1, 49, 233 WSHGs had been formed with 18, 78, 985 members. These Groups have generated savings amounting to about Rs. 107. 30 crores. Moreover, around 85587 WSHGs had been provided institutional credit amounting to approximately Rs. 214. 61crores during this period. The SHG program is now integrated with other programs of W&CD Deptt. such as sexual health, adolescent development and capacity building of women.

However, the Government programmes such as RMK (Rashtriya Mahila Kosh), SGSY (Swarnajayanti Gram Swarojgar Yojana) and “Swayamsiddha” etc. and of late Mission Shakti have influenced the micro-Finance scenario in Orissa. Over the past 10-15 years, public policy on poverty alleviation has focused strongly on micro-Finance initiatives with substantial thrust on subsidy. W&CD Department, Govt. of Orissa with its massive reach and infrastructure in the state is well poised to play a
significant role in the SHG movement in the state. Through Mission Shakti, the government’s efforts have been in the areas of promotion, capacity building and enhancing marketing opportunities for women entrepreneurs so that they would be able to enhance their income generation opportunities. The Mission had an objective of empowering women through formation and promotion of over two lakh women SHGs by 2008 and strengthening the already existing ones by providing capacity building support and facilitating credit linkages for income generation. Under Swayamsiddha, a Govt. of India aided programme, 3600 SHGs have been formed in 36 Blocks of 9 districts of the state. The state Cabinet also gave its approval for the Orissa Self Help Cooperative (OSHC) Act 2001 expecting to contribute greatly to the women SHGs in Orissa, especially the microfinance activities and initiatives. Besides, this Act has enabled legal status for SHGs, cluster and federation for promoting self help, self-reliance, mutual aid, autonomous, voluntary, democratic business enterprises, to be owned managed and controlled by women to address issues of economic and social empowerment.

A Vision Document for micro-finance in Odisha has been registered under the new act, out of which 403 are primary cooperatives and 3 are secondary cooperatives. Apart from this, 12 no. of cooperatives that were registered under Cooperative Societies Act 1962 have also been converted to the new generation cooperatives registered under the new Act. Recently Govt. of Orissa brought amendments in the membership criteria of the Cooperative Societies Act 1962, which at this moment provides legal sanction to SHGs for being enrolled as a member of cooperative society for collective economic action. Moreover, as an expression of Government concern for SHGs, the stamp duty charged from SHGs at the time of loan advancement by banks has been waived. Building up cluster at the GP (Gram Panchayat) level, federation at the block level and confederation at the district level is another initiative undertaken by the State Government to strengthen the potential of women collectives.

Role of NABARD

NABARD has been active in providing not only the refinance but also policy direction and coordination to strengthen SHG movement in the state. The state
Regional Office and the DDMs (District Development Managers) of NABARD at the district level are active in undertaking promotional activities and engaged with all the stakeholders. Under SHG promotional activities NABARD had supported 97 projects to 80 NGOs in the year ending March 2004. This support was aimed at formation and strengthening of 7268 SHGs through a promotional grant of Rs. 8,661 million. 

It would be of interest to mention that none of the NGOs from the districts like Gajapati, Jajpur, Bhadrak, Jharsuguda and Jagatsinghpur was provided with SHG promotional grants as of March 2004. As on 31st March 2005, the number of NGOs supported by NABARD increased to 91 (cumulative), who have been provided with grant assistance for formation of groups. A sum of Rs. 1, 36, 38, 950/- has been sanctioned to form 8620 groups, out of which Rs. 81, 67, 971 has been released and 6567 groups have been formed in both KBK and Non-KBK regions. With a view to tap the voluntary spirit of the socially committed rural individuals and involving them in the task of promotion and linkage of SHGs, a new initiative of associating Individual Rural Volunteers has been launched in Malkangiri and Nabarangpur districts. Under this programme it was envisaged that 50 IRVs (25 in each district) would be promoting (250 SHGs in each district). A sum of Rs. 6, 90, 000/- was sanctioned to KPGB for implementing the programme through its 20 identified branches.

On the basis of the success of the scheme in the region, KAGB was sanctioned a grant assistance of 3.90 lakhs for promotion of 300 SHGs through 30 rural volunteers over a period of three years in Kalahandi, Nuapara, Kandhamal and Boudh districts of Orissa. 41 Further, to explore the possibilities of monetising the savings in kind in the form of grains, NABARD has initiated a pilot project in establishing grain banks in 17 villages of Thuamul Rampur block of Kalahandi district and linking them with Banks.

42 DEWTA (Development of Women Through Area approach), an innovative areabased programme envisaging economic empowerment of 1000 rural women in a cluster of 5 villages over a period of three years has been launched during 2003-2004. The programme is under implementation through the Rushikulya Gramya bank in Ganjam district. The total grant assistance of Rs. 11 lakh has been sanctioned of which first installment of Rs. 2. 25 lakh has been released to the bank.
3.8 Role of NGOs and Self Help Promoting Institutions (SHPIs) in Women Empowerment in Orissa.

The NGO sector in Orissa gained momentum in the early eighties for its socio-economic programmes, especially in developing and promoting people’s organisations and community centered activities. Establishment of grain Bank, Seed Bank, Community Fund and formation of committees such as Village Health Committees, Joint Forest Management Committees etc. to protect the interest of the communities were among the activities that were undertaken. NGOs have played a significant role in addressing issues of women’s empowerment in the state through savings in the form of kind and cash which began in mid-eighties involving women members of the households by forming “Mahila Mandals”. This was initiated for collective learning and to act as vehicle for fostering collective bargaining by some of the leading NGOs like CYSD (Centre for Youth & Social Development), Gram Vikas, PREM and Fellowship during early 1990s. Gradually, the savings in kind grew by early nineties and the concept of SHG became popular.

Being identified by NABARD as a resource agency in the eastern region, CENDERET got involved in training of the NGOs and bankers on “SHG Promotion and Management. From 1995-96 to March 1999, it had organised 24 training programmes for the bankers sponsored by NABARD and trained 413 branch managers, senior bank staff and NGO personnel from Odisha. A MOTT (Mobile Orientation Training Team) was constituted to orient the grass roots level NGOs at the district level on micro-credit. In 1998, CENDERET felt the need of State Level.

Micro-Finance Resource Centre to bring about a Self-Help Movement in the state by motivating more and more NGOs and banks to be involved in the linkage programme. The proposition of the institute was warmly regarded by the NABARD and to translate the propositions into reality, under the auspices of NABARD; a Resource Centre for micro-Finance was set up at XIM (Xavier Institute of Management) in April 1999. 32. The Centre (CMF) started operating initially in 11 districts of Odisha including KBK districts. For the expansion and propagation of SHG linkage programme in Odisha CENDERET took up various tasks such as 1. Situation and agency specific interventions. 2. Building up the capacity of SHGs through training and other forms of support and to imparting training skills to NGOs for undertaking
training of SHGs. 3. Converting informal groups, village committees etc. formed under different programmes into SHGs. 4. Encouraging and guiding NGOs to develop healthy relationship with bankers. 5. Organising training programme for NGOs and Banks NGOs in 11 districts of Orissa participated without any funding assistance and brought a remarkable change in the state of Orissa in the linkage scenario upto 2001.

CENDERET has been implementing a project “Women Empowerment Through Self Help” since 2000 by organizing the women into self-help groups, building up their capacities, linking the groups with Banks through 60 NGOs in 12 district of Odisha. Even it has developed a tool to measure the degree of empowerment among the women.

In Sundergarh, the tribal district of Orissa (the study area of the current research), by March 2001 before the launching of Mission Shakti, roughly more than 300 NGOs were involved in SHG Promotion and management by providing training to the SHGs on leadership, group dynamics, book keeping, effective savings and credit management, and preparing them for bank linkage. Whenever bank linkage was not possible, they were borrowing loan funds from RMK and on-lending them to groups. Along with this, during the past few years NGOs have launched several donor supported field projects to enhance outreach of financial services among the poor households. As per a conservative estimate over 70,000 SHGs are promoted by NGOs in the state though only 34, 99333 no. of groups have been reported to Mission Shakti. Major donors like UNDP United Nations Development Programme), DFID (Deptt. Of International Development), EU (European Union), WFP (World Food Programme) and INGOs (International Non-Government organization) like CARE, IGSSS (Indo German Social Service Society), Action-Aid etc. are implementing projects through the support of the local NGOs for promotion and strengthening of SHGs.

Another recent phenomenon observed has been setting up of MFIs in the state by NGOs. In Orissa, the major work in the field of women empowerment through SHGs in rural area is implemented by the NGOs and SHPIs. By reaching the inaccessible areas they are facilitating saving and easy credit through promoting group formation of poor women. Their close supervision and monitoring open the group activities
foster the group strength. It help enhancing of the self-confidence and bargaining. Through the group process they participate and take decisions both on their personal and community affairs. The capacity building process helps them to learn entrepreneurial and managerial skills. The role of the NGOs and SHPIs for empowerment of women in different dimensions is well recognized especially in the rural Orissa.

There are about 225 SHPI branches belonging to the nine RRBs in Orissa, which form SHGs and link them with banks. Information available with NABARD reveals that out of the total linked groups as on March 2005 (1, 25, 256), 52, 817 groups have been formed and linked by the SHPI branches. Due to the routine banking work, bankers are not able to provide adequate time for nurturing and handholding of the groups. Even there are large numbers of groups, which have even not undergone a single training programme.

3.9 Social Development and SHGs in Orissa

In view of the advantages flowing from SHGs and of course, as one of the key development initiatives identified by the Government of Orissa for empowerment of women, many steps has been to promote SHGs in the State. As social empowerment of women will come from their economic empowerment, helping women to achieve economic independence by enabling them to have independent employment and income is being given the highest priority in the state. It has also been recognized that women will be better-placed to overcome the negative social pressures and gender biases operating against them and to unshackle themselves through group identity and activity. Moreover, it is realized by the policy makers of the State that the local communities needs some kind of facilitation as to deal with their crisis. In view of the rise in natural calamities in Orissa over the past few years, it has been a necessary step to equip the community with some coping mechanisms that will help them to recover faster. In this context, the SHGs can play a pivotal role by maintaining grain banks, calamity funds and knowledge of activities that can be immediately taken up to sustain their families. Promotion of Women’s Self-Help Groups (WSHG) has
therefore been adopted as a key strategy in Orissa for achieving women’s empowerment (Rath, 2007).229

As mentioned earlier, the fundamental principle and methodology of forming SHGs have been promotion of human and social development and empowerment of the poor. Improvement in the quality of life being the ultimate objectives of planning, various policies and programs floated by the Government are aimed at promotion of growth with equity and social justice. However, the main approach of promoting SHGs among rural poor have been to facilitate activities based on long terms goals rather than for short-term pecuniary gains. Thus, some of the critical long-term goals of SHG include: Sustainable access to financial services, Strong livelihood support system, Enhancement of collective bargaining power, Self-reliance and sense of dignity and Improvement in overall standard of living and empowerment.

With these long term goals in mind, the objectives of WSHGs have been set as :to inculcate a habit of thrift among the women community and to encourage small saving habit among them, to enhance the socio-economic condition of women through different income generating activities, to mobilize the women groups for other developmental work of the community, to empower the women groups to take decision for their income utilization, to train women groups for maintaining their own account, records, saving registers and proper utilization of generated fund for profit making activities, to train women for participation in development of micro plan of villages, to capacitate the WSHG for immediate recovery after any natural calamity, to federate the WSHGs for united strength , and to mobilize the women groups for other development activities i. e. girl child enrolment, health and sanitation problems and other social issues of the communities.

Therefore, a Mission approach has been adopted by the Government, as discussed in the earlier units, to facilitate this process and a mission for women’s empowerment through the promotion of Women’s Self-Help Groups called ‘Mission Shakti’ was launched in March 2001. The Mission had an objective of helping formation of 1, 00, 000 Women’s Self-Help Groups by 2005, increasing the groups by 25, 000 annually. However, 36, 000 WSHGs already existed in the State prior to the launching of

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‘Mission Shakti’. Another more important objective of the Mission is to help capacity-building of the existing and the new Groups to be formed to take up income-generating and remunerative economic activities by providing them the necessary technical support, market linkages and credit linkages, where necessary. In order to achieving the planned goal of regional as well as group income redistribution, the Government of Orissa has further laid emphasis on promoting such groups in all the districts, which not only led to improve the living standards of the poor household but also helped the women to empower them in particular. Besides Swayamsiddha, a Govt. of India aided programme, Orissa Self Help Cooperative (OSHC) Act 2001 was also given approval in the cabinet expecting to contribute greatly to the women SHGs in Orissa, especially the microfinance activities and initiatives. This Act also enabled legal status for SHGs, cluster and federation for promoting self-help, self-reliance, mutual aid, autonomous, voluntary, democratic business enterprises, to be owned managed and controlled by women to address issues of economic and social empowerment.