CHAPTER IV

STATUS OF WOMEN SHGs IN INDIA AND ANDHRA PRADESH
CHAPTER - IV

Throughout the history, people have formed into groups with others who have something in common with them and oppressed people have joined together to overcome the problems they face. Self Help groups, can be traced back to at least to 1930s, when Alcoholics Anonymous started in USA. While self help groups have distinct characteristics, the philosophies of the self help movement overlap with various other ways of working. Community Development, which became established as a discipline in the late 1980s, shares the concept of empowerment. In the past two decades, the self-help movement has mushroomed. AA, the largest self-help group, reports over one million members in US. According to one estimation, the total numbers of people in self-help support groups at 20 million. There are groups for addictions-Alcoholics Anonymous, Gamblers Anonymous, Debtors Anonymous; for families-Families of the Mentally Ill, Mothers of Twins Clubs; for illness/ disability-National Association of People with AIDS, Tourette Syndrome Association; for mental illness-Emotions Anonymous, Recovery, Inc., GROW; for bereavement-The Compassionate Friends, Survivors of Suicide attempts, Widow to Widow; and for lifestyles-Single Mothers by Choice and Society for the Second Self (cross dressers), etc.

Self Help Group consists of likeminded people coming together who are affected by a particular issue (experience, disadvantage, discrimination, etc)
to support each other and to work to fight with the disadvantage and improve their life conditions. Activities of the groups include community education, information about ongoing development programmes and mutual support etc.,

Self Help group (SHG) is a self-governed, peer-controlled small and informal association of the poor, usually from socially and economically homogeneous families who are organized around savings and credit activities. Funds for credit activities are coming through regular savings deposited by all of its members on a weekly or fortnightly basis. In the meetings they discuss common village problems, prepare plans for solutions and share information; make efforts to improve their health and literacy skills. (Raja Kutty, S., 1997:25)

Self Help Groups are not charity or simply community based groups. They are made of and controlled by the people affected socially, economically and sharing of democracy. Group members are not volunteers. Although the work is usually unpaid, members work to change their own situation and the support is mutual. The knowledge base of self-help mutual support groups is experiential, indigenous and rooted in the wisdom that comes from struggling with problems in concrete, shared ways. Self-help groups build on the strengths of their members.
SHGs have another very important role to play particularly in the transfer of technology to user group population. It has been found by the members of SHGs that they offer them organizational base, large resources, and access to modern technology leading to employment and income generation. Thus, SHG movement among the rural poor in different parts of the country is emerging as a very reliable and efficient mode for technology transfer. However, it is strongly felt that the pace of transfer and popularization of technologies must be accelerated so that even the small farmer can benefit from new technologies. (Ibid: 31)

The Effectiveness of Self-help Groups in Global Context

The emergence of self-help groups can be seen as a response to industrialization, the breakdown of the kinship system and the decline of the community, although alternative views see it as a reflection of an ineffective, inefficient and dehumanizing formal system of care. Currently, the increasing interest in providing services that are family-centered is also considered a factor contributing to the increased number of self-help groups. Despite the variety of explanations for the self-help phenomenon, the consensus is that there is a need for a new model to supplement and complement professional services, and that self-help groups are growing at an unprecedented speed worldwide. For example, about two per cent of Canadians were members of
self-help groups in 1987, approximately 10 per cent population of Israel was estimated to have some type of involvement in self-help group, and cancer self-help groups were found to be prevalent in major cities in China. In the United States, self-help group participation amounted to 10 million in 1996 and it was recently noted that more Americans try to change their health behaviors through self-help than through all other forms of professional programmes. The proliferation of self-help groups in various countries can be seen as an initial indication of self-help group effectiveness, because groups will cease to exist without value.

The self-help movement is becoming a global phenomenon. In some countries, self help groups already exist for every medical condition listed by the World Health Organization and they are serving people who encounter almost every physical, behavioral and emotional problem. In spite of the rapid growth of self-help groups in India, the full potential of utilizing self-help groups remains untapped. One of the reasons may be attributed to the lack of systematic research and solid methodological foundations. Little was known about how helpful self-help groups are to the members and what kind of social impact they have on changing their living conditions. The research component of the self-help phenomenon has clearly been left behind by the self-help movement itself.

Theoretically and empirically, the effectiveness of self-help groups has
been widely documented in global context. The “helper-therapy principle” postulated by Riessman pointed to the process by which helping others has a therapeutic effect on the helper and the self-help group provides the context for members to gain the unique benefits that may arise from helping someone who has the same problem as the helper. Scholars asserted that self-help groups, which offer the venue for, shared experience; emotional support and social learning, can help constitute a social identity. Along the same line of thinking, it is contended that self-help groups provide a unique opportunity for growth, social experimentation and change. Past research has also identified several major outcomes of self-help groups. These include: emotional support, acceptance, empathy, affirmation, spirit of hope and sharing of feelings; provision of factual information and sharing of experiential knowledge; development of a sense of community; and individual and collective empowerment. *(Kabeer, N and Murthy R.K. 1996:2)*

**Self Help Groups: Path Ways out of Poverty in India**

Self-help groups (SHGs) are playing major role in poverty alleviation in rural India. A growing number of poor people, particularly women in various parts of India are members of SHGs and actively participating in savings and credit as well as in other socio-economic activities need for improvement of poor. The thrift and credit through SHGs is the most prominent element and significant contribution to capital formation. The SHG system has proven to be
very relevant and effective in saving the women from exploitation and isolation in decision making at family level. Almost all major donor agencies support SHGs in India in one way or another and many success stories are reporting that how membership in a SHG changed the life of a particular individual or group in several aspects of their lines. Many NGOs are promoting the SHG mechanism and linking it to various other development interventions. Besides, there is ample evidence that the SHG approach is a very effective, efficient and relevant tool for organizing and empowering the poor, do arise with design, development and introduction of programmes to promote income-generating activities (IGAs) that will generate sufficient, sustainable and regular income.

The approach towards poverty alleviation is based on the formation of self-help groups at the grass root level. This brings about the necessity for organizing them in to groups by which they avail the benefit of collective perception, decision-making and implementation of programme for common benefits. This organization holds the power and provides strength and acts as an anti dote to the helplessness of the poor. The group saving of self help groups serves a wide range of objectives other than immediate investment. The approach has evolved over the years in India. Before understanding the strength of SHG as a tool in poverty alleviation, it is imperative to understand the evolution of various poverty alleviation programmes in India.
Perspectives of Poverty Alleviation in India

Empowerment of the poor encompasses three basic dimensions—creation of employment, reduction of poverty and erasing inequality. Since the magnitude of poverty challenges the very basis for State as an independent economic and political unit, it has been realized by the policy planners that development needs to be people centered and participation oriented across various interfaces. Poverty alleviation has thus assumed a new thinking and new practices have emerged through integrated community participation of the poor. The basic concept of micro finance is self-organization of the poor at the community level driven by a desire and an inherent capacity to improve their living conditions by themselves. Inspired by the success of the Bangladesh Grameen Bank experiment the self-help group approach in India has taken strong roots as an effective and viable channel to take the poor to a new domain of economic empowerment and social upliftment. Micro finance, which synergises the thrift and credit habits of the poor in a participatory and informal setting, is now widely acknowledged as a strategic tool to create dent on all poverty alleviation programmes. With the rapid expansion of Self Help Group movement covering nearly 8 lakh SHGs across the country. With this figure India is poised to provide pragmatic solutions by demonstrating the success of micro finance for eliminating poverty in the coming decades.
Poverty as a global phenomenon has varied genesis, dimensions and definitions. The definition of poverty is to be derived from a holistic approach to the multidimensional problem. While human poverty is generally interpreted based on motivation levels, income poverty is defined on the basis of minimum income levels required to meet basic consumption needs and amenities. The definition of poverty needs to go beyond these conventional interpretations and cover the deprivation of human dignity caused by vulnerability to social and cultural shocks resulting in a low quality of life. The eradication of poverty has been an integral component of the strategy for economic development in India. ‘Poverty line’, the basic indicator of poverty according to the Planning Commission, is defined as “total consumption expenditure at which one can expect a person to be adequately nourished in the specific society under consideration”. The underlying assumption is that people at the poverty line have just enough money to provide themselves with food that translates into 2200 calories per person. Good many rounds of sample surveys are conducted by the National Sample Survey Organisation (NSSO) to obtain the consumption expenditure of various groups of the population at an interval of approximately five years. Based on these, the incidence of poverty is estimated at national and state levels. It has indeed declined from 54.9 per cent in 1973-74 to an all-time low of 26.1 per cent in 1999-2000. (Ibid., p.6)\(^4\)
In view of the larger distribution of poor geographically as well as the magnitude of the population below poverty line, the central government has taken a pro-active stand in dealing with the problem. Policy planners have explored the following approaches in designing different poverty alleviation programmes. *(Kingree, J.B. & Ruback, R.B. 1994:272)*

- Area development to decrease regional disparities and to take care of vulnerable regions affected by natural calamities.
- Sectoral approach to assist the poor in their livelihood activities with major emphasis on farming activities.
- Target approach for a section of people by creating employment opportunities through development programmes.
- Empowering approach through financial incentives and credit support for self-employment enterprises through farm and non-farm sectors.
- Multipronged approach with integrated, spatial and social development.

**Overview of Poverty Alleviation Programmes in India**

The systematic presentation of poverty alleviation programmes is given in the table 4.1
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<th>Programme</th>
<th>Target</th>
<th>Objectives</th>
<th>Approaches</th>
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<tr>
<td>1) Command Area Development Programme (CADP)</td>
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<td>Equitable development of backward areas</td>
<td>Area Development Approach</td>
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<td>2) Drought Prone Area Program (DPAP)</td>
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<td>Relief/rehabilitation/promotion of suitable livelihoods in the affected areas</td>
<td>Area Development Approach</td>
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<td>3) Hill Area Development Programme (HADP)</td>
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<td>Development of hard terrain and disadvantaged areas</td>
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<tr>
<td>4) Modified Area Development Programme. (MADP)</td>
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<td>Development of hard terrain and disadvantaged areas</td>
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<tr>
<td>5) Small Farmers Development Agency (SFDA) &amp; Marginal Farmers and Agriculture Labourers Development Agency</td>
<td>Small and Marginal Farmers</td>
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<td>6) Fish Farmers Development Agency (FFDP)</td>
<td>Fish Farmers</td>
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<td>7) Large Agricultural Multipurpose Society (LAMPS)</td>
<td>Rural Poor</td>
<td>Direct assistance for livelihood promotion</td>
<td>Sectoral Development Approach</td>
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<td>Rural Poor</td>
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<td>10) Special Assistance Programme (SAP)</td>
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<td>Special Assistance to Vulnerable sections livelihoods/health/Literacy</td>
<td>Sectoral Development Approach</td>
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<td>Development of Women and Children in Rural Areas (DWCRA)</td>
<td>Women &amp; Children</td>
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<td>SCs</td>
<td>Empowerment of SCs</td>
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<td>13</td>
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<td>Rural poor</td>
<td>Functional, temporal &amp; sectoral integration of national resources</td>
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<td>14</td>
<td>Integrated Tribal Development Agency (ITDA)</td>
<td>Tribal poor</td>
<td>As above, targeting tribal poor</td>
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<td>Twenty Point Economic Programme (TPEP)</td>
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<td>16</td>
<td>Swaranjayanthi Gram Swarozgar Yojana (SGSY)</td>
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<td>17</td>
<td>Swarna Jayanthi Shahari Rozgar Yojana (SJSRY)</td>
<td>Urban Poor</td>
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<td>18</td>
<td>Jawahar Gram Samridhi Yojana (JGSY)</td>
<td>Rural poor</td>
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**Poverty Alleviation Programs Initiated With Integrated Approach In Nineties**

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**Poverty Alleviation Programs Initiated Recently With Beneficiary Targeted & Credit Support For SHGs**

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Indian Experience of Poverty Initiatives

The first anti-poverty program “Anthyodaya,” aimed at the poorest of the poor was kicked off in Orissa, the most backward state of India. Encouraged by the success of the scheme, a national programme was launched on a large scale under the name Integrated Rural Development Programme (IRDP) targeting below poverty line families in rural areas. This programme modified with the inclusion of Self Help Group pattern for beneficiaries under the name Swarn Jayanthi Gram Swa Rozgar Yojana, which continues to be the biggest employment generation programme for poverty alleviation in rural areas. The vulnerability of poor to passive risks of drought are tackled under Drought Prone Area Program (DPAP) where long term and sustainable asset creation is adapted as strategy for specific disadvantaged regions. IRDP, with massive dose of subsidy coupled with liberal bank finance and without collateral was a large-scale financially structured initiative with project management units headed by senior and administrative qualified bureaucrats in the country. Both programs were multisectoral in nature, as the programmes typically contained components from various sectors such as rural roads, drinking water supply, and education. The administration of these
centrally sponsored schemes could be traced to the system of centralized economic planning in 1952 which invariably resulted in the centre taking a proactive role in formulation of development programmes falling in state list of subjects such as rural development, social, welfare, health, family welfare, area development, etc. The reasons for such the need for approach were generally scarcity of resources as well as technical expertise with states - and also the need for leadership initiative, which could be provided more effectively by the Central Government.

**Strategic Shortcomings in Poverty Alleviation Programs**

Three decades of experiments with poverty under different schemes have attained varying degrees of success due to some shortcomings in design and delivery. *(Wiggins, S. & Rogaly, B. 1989: 38)*

- Improper delivery system affecting outputs in an adverse manner.
- Insufficient funds for projects.
- Project Management Units were not sustainable management entities with dependence on several institutions both promotional and financial.
- Public sector banks expected to play a constructive role and only could address the development issues partially.
- Lack of proper supervision and monitoring of schemes.
- Lack of sharp focus on objectives with “plan driven approach” rather than demand driven approach.
- “Top down strategies” bypassing the total participation of beneficiaries.
and grass root level local governing institutions, who are the stakeholders of the schemes.

- Emphasis on asset creation instead of temporary gainful employment.
- Operation of overlapping schemes with similar objectives resulting in funds leakage for unintended beneficiaries.

**Conceptual evolution of micro finance in India**

The irrepressible desire and inherent capacity of poor to improve their living for themselves is considered as the foundation for concept of Micro Credit. Bangladesh Grameen Experiment Micro Credit propelled by the demonstrative success is acknowledged as an effective channel to take the poor into a new domain of economic empowerment. Micro credit movement assumed global advocacy through Micro Credit Summit held in February 1997 at Washington. The summit representing 1500 institutions and 137 countries was a landmark in the collective crusade against poverty undertaken by the developed and developing countries together. The Micro Credit Summit launched a nine-year campaign to reach 100 million of the world’s poorest families by the year 2005. Micro credit is referred as providing “Credit for self employment, financial oriental and other business services including savings and technical assistance.

Most of the countries have long-established cooperative movements, including credit cooperatives. In most of the countries in South Asia and also in Indonesia, credit cooperatives have been largely unsuccessful in extending
financial services to poor households. Generally, the cooperative movement includes people of all income levels within a particular village, habitation or community, and does not target the poor. Moreover, management of the cooperative movement has been inadequate in most of the countries. (Narasimhan, S. 1999:29-30)

In some countries such as India and Pakistan, a large proportion of cooperatives are reported to be non-functional, due to financial mismanagement and inability to recover outstanding dues. Even where they are functional, management is often dominated by rural elites, with funds allocated on the basis of patronage rather than needs. Frequently they rely heavily on government funds and are largely owned and controlled by governments. In India and Pakistan, for instance, state and provincial cooperative departments have the right to be represented on the board of directors, and can exert considerable influence on the management of cooperatives. For instance, permission may be needed to hold elections, invest funds, change their area of operations, use funds from their reserves and similar matters. Particularly in India there are very few highly successful cooperative banks and Primary Agricultural Cooperative (PACs) societies, which are devoted specifically to provide financial services to the poor, such as SEWA Bank and Working Women’s Forum etc.
Micro-credit is distinctly different from other poverty alleviation schemes. Loans under micro-credit programs are very small, on an average less than $100 by world standards and in hundreds of rupees by Indian standards. Micro-Credit continues to target the rural and urban households, with emphasis on women borrowers, provision of finance for creation of assets and their maintenance and bringing in greater quality of services. The beneficiaries are identified by micro-credit providers themselves independently or through NGOs/Self Help Groups/ the repayment period is generally very short. The amount is increased based on the borrower’s repayment history. (Sharma, K.C. 2001:81)

Micro-credit is a novel approach of banking with poor with the distinguishing advantages of high repayments of loans and low transaction cost. Various micro-finance initiatives have gathered pace in the recent years. NABARD’s role has been two fold in micro-credit viz., promotional and financial. Promotional efforts assume the form of the SHG - Bank Linkage programme and facilitating training. Financial involvement is in terms of providing re-finance, revolving fund assistance and grants.

Over the last decade micro-finance has become an accepted institutional framework for rendering financial services to the poor. Micro finance has now evolved into a type of independent financial system of its own and there are different approaches in micro finance institutions and
systems. But broadly they can be classified into two—the individual approach and the group approach. Individual approach emphasize that the individual member in the Self Help Group is the client where as in the group approach, where the group itself is the client.

In all countries there are wide variety of small informal saving and lending groups, such as rotating savings and credit associations (ROSCAs), which operate informally and are not registered. In at least three countries, these similar groups have been institutionalized to some extent by involving them in formal micro finance programs. In India self-help groups (SHGs) are integral part of the National Bank for Agriculture and Rural Development (NABARD) program for linking banks and SHGs. Nevertheless, they are generally not registered. Under Indian law, SHGs are only required to be registered (as a society, trust or cooperative) if they have more than 20 members. For this reason, many SHGs restrict their membership to 20 persons or less. It is also observed in Gujarat and some other parts of the country that some larger SHGs operate informally and not as registered bodies.

The purpose around which an SHG is initially formed varies one from the other depending upon the kind of programme being taken up and the need for collective effort. It varies from managing a collective resource to promoting a social cause. In the context of microfinance, SHGs are formed (and sometimes old SHGs established with some other purpose are converted)
to foster the savings and credit activities. A small group of individuals become
members and pool their savings on a regular basis to form a collective fund.
This fund is to be rotated as credit amongst the members through a system of
self-generated norms. Hence, the basis of the SHG is the mutual and trust in
depositing individual savings in group funds. Once the initial trust is
established among the group members the incentive or motivation for a
member is the access provided to financial services through the common pool
fund, which is higher than the individual’s own savings. Once such SHG is
formed and stabilized through rotation of their own savings converted to
mutual credit, it is possible for it to become a source of funds to even outside
the SHG. *(Ibid, 83)*

Indonesia has hundreds and thousands of SHG groups engaged in
savings and credit. Some of these are indigenous, based on traditional custom,
while others are the result of action by government agencies, community
groups and NGOs to form groups in connection with various government-
initiated microfinance schemes. These include Indonesian bank’s microcredit
project and program linking banks with self-help groups (PHBK), the income-
generating project for marginal farmers and landless.

Similarly in Thailand, some of the community organisations involved in
the microfinance programs of the Government Savings Bank (GSB) and Urban
Community Development Offices (UCDO) are registered as cooperatives.
However, most of them are unregistered and operate informally. For instance, figures from UCDO show that out of 385 members with saving activities, only 66 are legally registered as cooperatives while the other 319 are not registered and operate informally. *(Prakash 2002: 77)*

Moreover, in most countries the MFIs prudential regulation and supervision cost would be prohibitive. In Bangladesh, largest number of (around 1,000) NGOs involved in microfinance. When compared to other countries. In India there are perhaps as many NGOs are engaged in microfinance as in Bangladesh along with 90,000 Primary Agricultural Credit Societies (PACS) and thousands of Self-Help Groups (SHGs). In the Philippines, there are some 500 MFIs reaching a combined total of only 30,000 borrowers. In Thailand there are more than 1,500 Community Based Organisations (CBOs) engaged in microfinance.

In India, there are three officially recognised second tier institutions, which on-lend to specialist MFIs. However, none of them imposes rigorous performance and reporting standards. The second tier institution with the largest lending program is Rashtriya Manila Koch (RMK). For a partner organisation to borrow from RMK, it should have at least three years experience in thrift and credit administration with 90 per cent recovery performance during the last three years. There is also number of requirements relating to lending by the partner organisations to individual
borrowers. Further, partner organisations are supposed to maintain 10 per cent of the loan provided by RMK as reserves.

The performance and reporting standards imposed by two other significant second tier institutions, the Small Industries Development Bank of India (SIDBI) and the National Bank for Agriculture and Rural Development (NABARD) are even less specific that those imposed by RMK and do not provide a basis for monitoring the financial performance of the NGO.

As a part of its mandate, NABARD initiated certain research projects on SHGs as a channel for delivery of micro-finance in late eighties. Amongst these, the project sponsored by the Mysore Resettlement and Development Agency (MYRADA) on “Savings and Credit Management of SHGs” was partially founded by NABARD in 1986-87. In 1988-89, in collaboration with some of the member institutions of the Asia Pacific Rural and Agricultural Credit Association (APRACA), NABARD undertook a survey of 43 Non-Governmental Organizations (NGOs) in 11 states in India, to study the functioning of microfinance SHGs and their collaboration possibilities with the formal banking system (NABARD, 1991). Both these research projects produced encouraging possibilities and NABARD initiated the pilot project called the SHG linkage project in 1992. NABARD also held extensive consultations with the Reserve Bank of India. This resulted in issuing a policy circular to all commercial banks to participate and extend finance to SHGs (RBI, 1991). NABARD also issued a broad set of flexible guidelines in February 1992
(NABARD, 1992) to the formal rural banking system, explaining the project’s modalities. The project was extended to the regional rural banks and co-operative banks, in addition to the commercial banks in 1993. (Kulshrestha, L.R. and Gupta, A., 2004: 158)\textsuperscript{11}

**Origin of SHGs in India**

In 1976, Prof. Mohammed Yunus of Bangladesh started women’s groups in Bangladesh and developed thrift and savings among the poorest. Now it has developed into a bank named Bangladesh Grameen Bank. Its report in February 1998 stated that the bank has 1138 branches and covers 39572 villages. It has 2367503 members of which only 124571 are men. The bank has disbursed a cumulative amount of US $ 2714.61 Million whereas the amount of savings by the members has reached to US $ 202.73 Million.

With the success of BGB and similar organisations elsewhere, the concept of Micro credit has gained momentum in India. Based on this success many Non-Governmental Organisations (NGOs) in our country are involved in organising SHGs and they serve as agents between the bank and the poor.

Today Self-Help Groups (SHGs) play a major role in poverty alleviation in rural India. A growing number of poor people (particularly women) in various parts of India are members of SHGs and actively participating in savings and credit, as well as in other developmental activities (income generation, natural resources management, literacy, child care and nutrition,
etc.). The focus in the SHG is the most prominent element and offers a chance to create some control over capital, albeit in very small amounts. The SHG system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation.

In our country the pioneer in this field is Self-Employed Women’s Association started in 1972. Though it started as a Trade union for women in the unorganised sector, today SEWA boasts of running the first Women’s Bank in the country. By the year 2000 SEWA has a membership of 209250. The SEWA Bank has 87263 depositors, and 41757 borrowers whose loan outstanding us Rs.887 lakhs 4 as on March 1998. SEWA has also networked many co-operatives and emerged as the largest federation of co-operatives in the country.

In Southern India the some women organisations wise PRADAN, MYRADA, ASSEEFA, MALAR etc. have entered into this rural credit system. PRADAN has a membership of 7000 women who have availed 40000 loans worth $ 600000 as on March 1997. MYRADA has 62769 members who have saved RS.48 lakhs and availed loan to the tune of Rs.2.90 crores. MALAR has a membership of 15000 women who have saved RS.86 lakhs and availed loan to the tune of Rs.2.23 crores.

NABARD refinance the banks, which lend to SHGs. As per NABARD’s Annual Report 1998-99, banks have financed 30447 SHGs with a finance of Rs.
53 crores as on 31st March 1999. The repayment is excellent. The Finance Minister in his budget speech has asked NABARD and SIDBI to increase the number of SHGs to 100000. Even this number will be minuscule as it will cover only 2000000 people in our country which has nearly 38 crores of people below poverty line.

MALAR has emerged as a new self-reliant model for our nation. An offshoot of the Total Literacy Campaign in Kanyakumari District, MALAR has emerged as an organisation of poor women who share the interest income to sustain a full time structure, office and training schedule. This has kindled a new hope. Already 10 districts in Tamil Nadu have undergone training at MALAR and started similar organisations for micro-credit.

Revamping of the rural credit system has already started. The Regional Rural Banks, Co-operatives and SHGs linked with Non-Governmental Organisations (NGOs) have a role to play. There is need to study to extend support this system. So that the country can eradicate poverty at least in the coming millennium. NABARD introduced a Pilot Programme for starting and lending to SHGs in 1992 based on the experience of BGB and MYRADA. Now based on the positive repayment many banks are eager to lend to SHGs. The Government also encouraging the banks to lend SHGs NABARD has started giving targets to Banks. *(Rao, K.D. 2002:28)*
NABARD also provides training support, Grant cum Aid support for micro credit under its different schemes. SIDBI has entered this field by late but now SIDBI has formed a Micro-credit foundation, which gives loans to NGOs after rating them by an external agency. The minimum loan is Rs.50 lakhs and it is to be used only for micro enterprises.

Rashtriya Mahila Kosh - an organisation promoted by Government of India also gives direct loans to NGOs for lending incentives for proper repayment. All Banks including co-operative Banks and Private Banks lend to SHGs based on their savings at the ratio of 1:1 initially and this can go upto 1:4. Suddenly World Bank and IMF have found a way to reach the poor through NGOs and they see this 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 International Monetary Fund (IMF) and World Bank (WB) guidance, has launched schemes scrapping Integrated Rural Development Programme, Scheme for Urban Micro enterprises, Prime Minister’s, Urban Poverty Alleviation Programme and TRYSEM. The Schemes are known as (1). Swarnajayanthi Gram Swarojgar Yojana (SGSY). (2). Swarnajayanthi Sahahari Swarojgar Yojana (SJSRY).
The former is for Gram Panchayats and the latter for Town Panchayats, Municipalities and corporations. According to this scheme, the Panchayats will select the good Self Help Group with assistance from BDO, Bank and NGOs and provide Rs.10000/- as revolving fund at free of Interest and then banks will provide loan to the group based on the performance. There is an individual subsidy of 30 per cent for those who do individual enterprises and 50 per cent subsidy for Group enterprises. After the introduction of this scheme NGOs and Panchayats are forming the new groups or trying to increase the repayment performance of the Groups.

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 all NGOs are running after people to from SHGs so that they can utilise the International funding agencies. Thus SHG movement started during 1990s in India truly representing the concerns of the poorest of the poor. (Ibid: 31)\textsuperscript{13}

In developing micro finance concept in India, especially through the SHGs, a major role is that of the promotional institutions. Several institutional variants of the Self-Help Promoting Institutions (SHPIs) have come to the force since the beginning of new millennium. In India, the promotional institutions are basically of three types: (1) Government (2) Banks and (3) NGOs. These
institutions have over a period of time developed systems and practices, some of which can be emulated as best practices and some others which should be learning points for caution. *(Cheston, Susy & Kuhn, Lisa 2002: 5)*

**Government as a SHPI**

As in all developing countries, in India development was considered to be the government's responsibility and it started several subsidy-linked credit programs where it had a major role right from the stage of identifying the borrowers to the disbursement of credit with subsidy. Experience has shown that the non-involvement of the beneficiary has led to an attitude of total dependence Government help. To overcome this, government started participatory approaches to rural development, particularly the SHG approach. The entry of the government into the self-help group movement was through the Rashtriya Mahila Kosh, which started funding NGOs for forming and nurturing SHGs. Later, the Indira Mahila Yojana came into existence, which also facilitated the formation of SHGs and nurturing process. Few States like Andhra Pradesh, Maharashtra, Karnataka and Tamil Nadu have taken very successful initiatives in this regard.

In India number of micro-credit schemes has been introduced, in form of cooperatives form of loan melas for rural financing. Special programmes for women as target have started much later mainly by NGOs such as SEWA, PRADAN, MYRADA etc. The Government later entered this arena through
Rashtriya Mahila Kosh, Indira Mahila Yojana, STEP and through NABARD. Of late the Rural Women’s Development and Empowerment Project known as ‘Swashakti’ has reached a take off stage in nine States by involving NGOs fully for its delivery of various components of the Project leading to holistic empowerment of women, by making them stakeholders alongwith the State Government Departments, Banks and beneficiaries. \textit{\textbf{(Gereber, D.S. 1994:37)}}^{15}

There has also been a significant shift in the manner of funding the schemes. The Micro-Credit Rating International Ltd. (M-CRIL) in a study found that micro-finance had started to shift from being almost exclusively donor funded to being significant financial source. Loan funds were sourced increasingly from apex level NGOs and developmental banks like NABARD and SIDBI, cooperative banks such as SEWA and even commercial banks. The Reserve Bank for example has been actively intervening to ensure that development banks and commercial banks play a active role in financing the SHGs and small microenterprises without demanding collateral and without putting the women’s group through bank loans and such other bureaucratic red-tapes.

The Government promoted SHGs through the following programmes in various parts of India to strengthen SHG movement:
DWCRA Groups

Department of Rural Development has launched the scheme of Development of Women and Children in Rural Areas (DWCRA). Thrift is used as an important point for entry and micro finance among members. The scheme focuses on organization of women into groups to foster a collective approach to their problems and to enhance their bargaining power in all aspects of life. These organised women pull many of the Government programmes into their respective villages for their benefit.

Under DWCRA an amount of Rs.25,000 is provided to the group as lump sum grant. The members can use it collectively or share it on prorate basis and can be used for undertaking any income generating activity. DWCRA recognizes that thrift and credit is essential for improving livelihood opportunities in rural areas. Members are encouraged to save their money as a common fund. Training in leadership, attitudinal changes and skills development required for income generation is an integral part of the DWCRA scheme.

SGSY Scheme

Swaranjayanthi Gram Swarozgar Yojana (SGSY) is a modified version of IRDP with a focus on group approach for rural development. Cost of group formation and development is met from SGSY funds amounting to Rs.10,000 per group over a period of 3-4 years. Grading of groups is done once in six
months to ascertain their performance and corrective capacity building is undertaken. Assistance for economic activities is given through bank loan-cum-scheme subsidy to individual members in group as well as to groups.

**Banks as a SHPI**

Among the formal institutions, next to government, banks play a major role for self help promotion in India. Since the nationalization of the commercial banks in 1969 there has been a commitment at the highest level of policy makers towards improving access to financial services for the poor. Several policy measures have also been in force to ensure this, such as the allocation of committed bank funds to small loans (priority sector banking), subsidized interest rates (ranging from 4% to 10%) for micro loans and the opening of small rural bank branches. Hence, the mainstream banking system in India has always been involved in microfinance as a special area of their operation.

At the operational level, this policy commitment has been implemented usually by linking bank credit to a targeted program of the government of India. The Integrated Rural Development Program (IRDP) was a typical example. Based on this program, several projects of the government of India have had a strong microfinance component either through the banks or through government-established financial institutions. A further institutional focus was given to rural lending through small loans by establishing the
regional rural banks in 1975. The SHG linkage program is located in this national policy and institutional context, where there is a vast network of primary lending institutions to deliver microfinance on the one hand, and an apex national level institution, namely NABARD, to provide policy support and re-finance on the other. \textit{(Nair, T.S. 2001:479)}

Banks have been slow in entering into the field of micro-finance from the angle of both promoter as well as lender. In general, banking institutions have treated the formation and promotion of SHGs as an activity which is strictly for voluntary agencies or non-governmental organizations and not for mainstream commercial bankers. But the problem in India is that well-intentioned NGOs, which can take up these activities, are confined to relatively smaller pockets of the country. If banks look for a new opportunity and a new market in micro-finance they cannot always expect a ready-made institution to absorb their lending portfolio. It may be necessary for some banks to take up the work of forming and promoting SHGs on their own if they view it as a profit marking venture and a profitable business. Several banks, especially Regional Rural Banks (RRBs), have done pioneering work in forming, promoting and later financing SHGs.

In this method, the role of mobilizing and forming the SHG is taken up by the bank branch itself. Although this model is not common, many banks have shown interest in forming SHGs themselves. However, this alternative is
fairly unique, as banks do not play a role of usually social mobilization. The core competency of a banker is finance and not SHG formation. Even if the SHG is formed for the limited purpose of fund rotation, substantial effort has to be made to form SHGs. Further, SHGs formed only for receiving external funds may not be sustainable. The advantage of this alternative, however, is that it exposes the banker to first hand social realities. Also, in all the places where NGOs are not operating some mechanism needs to be found to improve access to microfinance. *(Gurumoorthy, T.R. 2000:25)*

**Effectiveness of Self-help Groups in Indian Context**

Self-Help Groups (SHGs) are fast emerging as powerful tool of socio-economic empowerment of the poor in our rural areas. The self-help group is a small body formed by the people for meeting their specific objectives, particularly credit. However local literature shows that self-help groups have been developed for a wide range of social groups, including the mentally ill and their families, persons with disabilities and their care-givers etc. SHGs are initially formed on the foundation of the accumulated endowment of bonding social capital already existing in the community. The social capital produced by the SHG as it matures through creation of new ties and linkages, strengthens the community’s cooperative capacity for the achievement of group governance. When the SHGs grow they begin to articulate the community demands as they become aware of their rights and therefore attitude of the
government bureaucratic officials changes and they become more responsive to meet the needs of the community i.e., with the maturity of SHG the state-society relationship begin to change at the local level towards the betterment.

In this way, SHGs which were originally established to produce economic benefits for members eventually became an essential framework for collaborative actions that produce public goods. As a result a range of other community-level organizations emerge very often to the members newly in SHGs. Role of SHGs in strengthening local governance and political democracy can be described by the fact that a number of SHG members are being elected for the Panchayati Raj institutions in India, particularly village panchayat the lowest tier of local democratic governance.

The working group (RBI, 1996) has made the following comments on the progress of SHGs in India: (Sarkar, 2004:214)

1. SHGs helped to generate and collect small thrift amounts from a cross sections of people hitherto considered incapable of saving. The significant difference between thrift and savings was that while thrift was generated out of deferred consumption, the savings were generated out of surplus.

2. SHGs have facilitated the rural poor in fulfilling their credit requirements, both for emergent consumption needs as well as for small production requirements.
3. SHGs have been able to meet successfully the credit requirements of the rural poor as per their choice, unlike in the case of borrowing under other programs of formal credit institutions.

4. The high recovery rates of the SHGs are in sharp contrast to the poor recovery performance of banks in respect of various activities under rural credit. Since credit/finance was seen as management of the participants’ own funds and enterprises, a feeling of ownership and responsibility was generated.

5. The entire cycle of assessing need, disbursement, recovery, monitoring, and supervision shifted closer to the scene of action under SHGs and therefore the transaction cost of the loans was relatively less.

In self help groups it is assumed that all poor households need to save and have the inherent capacity to save small amount regularly; easy access to credit is more important than cheap subsidized credit which involves intricate bureaucratic procedures, the poor are the best judges of their credit needs and are good users and re-payers of credit when formed in group. A notable feature of SHG is that before its linkage with any financial institution, credit discipline is imbibed among the member by way of SHG with banks has improved the socio-economic conditions of its member by way of positive impact on income, saving and self-confidence. The impact is more pronounced in the case of SHGs linked through NGOs. This and many other aspects of rural credit delivery system need to be studied in a greater depth. SHGs have
proved to be successful in addressing the interests of women in a sustained manner. They are extremely useful in generating savings, ensuring successful delivery of credit to individual women and effecting recovery. In addition, they serve as an ideal mechanism for bringing women out of their homes, making them more articulative and winning their leadership qualities and their skills as motivators. Women led SHGs in Andhra Pradesh have won laurels for their exemplary performance. Growth Rates of SHGs & SHGs per 1000 Females across the States (1998 - 2001). (Harper, M. 1997: 36)\textsuperscript{19}

Functions and Characteristics of SHG

NABARD (1997) defines SHGs as “small, economically homogenous affinity groups of rural poor, voluntarily formed to save and mutually contribute to a common fund to be lent to its members as per the group members’ decision”. Most SHGs in India have 10 to 20 members, who can be either only men, or only women, or only youth, or a mix of these.

As women’s SHGs or sanghas have been promoted by a wide range of government and non-governmental agencies, they now make up 90 per cent of all SHGs. As Indian women do not generally have the same opportunities to migrate for wage work as men due to social obligations and taboos, it is particularly important for women to improve employment and income earning opportunities \textit{in situ} and in a way that is compatible with their role in child care.
Self-help groups are mostly informal groups where members pool savings as a thrift deposit. The groups have common perception of need and improvise towards collective activity. Many such groups formed around specific production activities, promote saving among members and use the pooled resources to meet the various credit needs of members. Where funds generation is low in the initial phases due to low saving capacities, this is supplemented by external resources. Thus self help groups have been able to provide primitive banking service to its members that are cost effective, inflexible and without defaults, based on local requirement. Self help group have also evolved their own characteristics of functioning. (Jyothi, K.S. et. Al 1999:73)

The rules and regulations of SHGs vary according to the preferences of the members and those facilitating their formation. A common characteristic of the groups is that they meet regularly (typically once per week or once per fortnight) to collect the savings from members, decide to which member to give a loan, discuss joint activities (such as training, running of a communal business, etc.), and to mitigate any conflicts that might arise. Most SHGs have an elected chairperson, a treasurer and sometimes other office holders. It appears as though the vast majority of rural SHGs invest the loan amounts in a mix of consumption and productive purposes. As credit needs of the poor are determined in a complex socio-economic milieu, where the dividing line
between credit for ‘consumption’ and ‘productive’ purposes is rather blurred, it is difficult to adopt the traditional banking approach to lending and to insist that loans are not used for consumption.

**Characteristics of an SHG Regular saving (Thrift)**

- **Homogeneity**
- **Regular meeting**
- **Bank Linkage (loans)**

Homogeneity refers to sharing similarities: similarity of gender, caste. In most cases, it was homogeneity of gender; at times a particular section, handicapped, comes around to form group; at others women of particular caste form their groups.

The second most characteristics of the group is regular saving by the group members and setting a set of guidelines to regulate these savings. These rules are as follows: *(Ibid: 75)*

- **Rules about entry and exit policy**: About entry, the person should be above 18; should be usually from an economically backward class (but this is not mandatory).
- **Rules about regular savings and meetings**, etc.

The third most important characteristic is the linkage with lending institutions. Unlike the formal banking mechanism, banks do not ask for
collateral while granting loan to SHG.

**Objectives of SHGs**

1. Basically the SHGs are economic organisations. Small funds are raised for day today needs. The saving groups when transformed to earning groups not only increase the productivity of women but the credibility also.

2. Doors are wide open to women to understand and gain knowledge about Banking, Gram Panchayats, Zilla Parishad, Law and Judiciary etc.

3. As economical solutions are available, the family structure is maintained.

4. SHG is a good way to stop the exploitation of consumers.

5. Broadening of view is a major gain. The ascending order of family, group, village, Mandals, Zilla, Zone, State, Nation, World, makes the vision global.

6. Development of self-confidence is achieved.

7. A common platform is available for a dialogue and sharing of views.

**Special features of SHG**

SHG is an organisation with fundamental principles like democratic approach and common decision-making, transparency, self-helping, repayment of loans and group development. The credibility of the group is dependent on these principles. Not only economical progress but also an ‘entire development’ is the aim and mutual trust among the members is the credo of SHG.
8. Purposes behind promoting SHGs

The fundamental aim of promoting SHGs is poverty alleviation and to achieve empowerment of women. The recent trends show significant changes in the promotional strategies for the SHGs. Financial needs like banking, saving, insurance etc, getting subsidies, building organisations to gain political power also, are the purposes behind some of the SHGs. Today like Bangladesh & India, SHG movement is spreading in other Asian Countries and Latin America, Africa etc. SHG movement has got importance in the social movement.

SHG Financial model in India

In India three different models of linkage of SHGs to the financial institutions have emerged. They are:

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

The second model is the most popular model. Almost three-fourths of all the SHGs come under this model. Only 20 per cent of the SHGs are covered under the first and 8 per cent under the third model respectively. The table 4.2 gives the details of overall progress under SHG micro finance programme.
It is crystal clear from table 4.2 that the total number of SHGs with saving accounts 41, 60,584 and increased to 6953250 by 2009-10. But the growth per cent of SHGs declined from 20.4 per cent to 13.6 per cent. The growth per cent in the amount of bank loans disbursed to SHGs is also declined from 11.0 per cent to 1.4 per cent. With regard to bank loans outstanding the number of SHG as well as amount increased from 2,894,505 to 48,51356 and amount increased from Rs.12,366.49 lakhs to Rs.280,38.28 lakhs respectively during four years of study. The total number Micro-Finance Institutions (MFIs) to which bank loans disbursed is also increased. For more details see table 4.2.

**Self – Help Groups in Andhra Pradesh**

The Government of Andhra Pradesh has taken up the theme of women's empowerment as one of the main agenda items to tackle rural poverty and social-economic problems. Self Help movement through thrift and savings has been taken up as a mass movement by women - a path chosen by the women to shape their future destiny. Development agenda of the State, in the last few years has been to place the poor an especially woman in the forefront, has facilitated formation of a large number of Self Help Groups throughout the length and breadth of the State. There are more than 20 lakh women from poor families who have become members of these groups, majority of them are saving one rupee a day. *(Hirway, Indira*
As shown in Table 4.3 there are about 54.73 lakh SHGs in Andhra Pradesh covering nearly 724.94 lakh rural poor women. Andhra Pradesh alone has about half of the SHGs existing in the country. Up to 1996, only 225489 groups were functioning and in the last fourteen years there was a massive scaling up in SHG activities. The SHGs are not only resorting to thrift but are also taking small loans out of the corpus available with the group. The group corpus consists of savings, government assistance and also bank loan. Members use the loan out of the group corpus for their personal needs initially. However in the long run, such loans are utilized for income generation activities. An amount of Rs. 1043.78 crores has been mobilized as corpus by these groups so far and it is expected to increase to Rs. 1,500.00 crores in the coming years. The SHGs are also popularly called DWCRA groups in Andhra Pradesh. This name became popular after the DWCRA programme (Development of Women and Children in Rural Areas) through which women's groups were assisted initially.
Table 4.3

<table>
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<tr>
<th>Year</th>
<th>No. of Groups</th>
<th>Women Beneficiaries</th>
<th>Beneficiaries (% to total)</th>
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</thead>
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<td>1996 - 97</td>
<td>225489</td>
<td>3326499</td>
<td>8.6</td>
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<tr>
<td>1997 - 98</td>
<td>268975</td>
<td>3859465</td>
<td>4.1</td>
</tr>
<tr>
<td>1998 – 99</td>
<td>295489</td>
<td>4152879</td>
<td>5.1</td>
</tr>
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<td>1999 – 00</td>
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<td>2001 - 02</td>
<td>423366</td>
<td>5645009</td>
<td>9.7</td>
</tr>
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<tr>
<td>2007 – 08</td>
<td>708315</td>
<td>8832828</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5473206</strong></td>
<td><strong>72494999</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>


Capacity Building

Special programmes have been designed for training and capacity building of the SHGs. Training for skill development and awareness generation through exposure visits is taken up in all the districts for 10,000 volunteers supervising and guiding the SHGs. Regular training programmes are being organized for value addition to DWCRA products and their better packaging and to develop marketing skills among women. Women are exposed to the best and relevant technologies displayed at TIDCs (Training Institute for
Technology Development Centres) in all districts. The information about their functioning is obtained on a quarterly basis for monitoring and evaluation. Well-known agencies like ORG-Marg (a private consultancy firm) are associated for evaluation and monitoring SHGs and to suggest measures for their sustainable growth. *(Mishra, J.P. 2001:37)*

The government of Andhra Pradesh has taken up the theme women's empowerment as one of the main strategies to tackle socio-economic poverty. Self Help movement through savings has been taken up as a mass movement by women - a path chosen by them to shape their destiny for the better. The Development agenda of the AP State in the last few years is placing the people especially women, in the fore-front has enabled formation of a large number of Self Help Groups (SHGs) throughout the State, where the majority of women are saving one rupee a day. The State government is consciously making an effort to assist SHGs by providing Revolving Fund under various programmes.

Poverty eradication has been one of the major objectives of planned development. The strategy and policy of direct attack on poverty by way of target approach for rural poor came into being in the Fourth Five Year Plan. With the main objective of improving the asset base of the poor and to involve the poor in the production/income generation processes of the economy, Integrated Rural Development Programme (IRDP) was initiated.
IRDP was taken up initially in 2300 blocks and has been extended to all the blocks of the country since 2nd October, 1980.

IRDP aims at providing income generating assets and self-employment opportunities for the rural poor. Assistance under IRDP is given to target group of rural poor belonging to families Below Poverty Line (BPL) in the form of subsidy by the Government and term credit by financial institutions.

A social movement has begun in Andhra Pradesh where an effort has been initiated by two million rural poor women saving one rupee per day and forming themselves into small groups of 15-20 members in each. More than half of the 75,000 habitations in the State have at least one Self Help Group – a platform for the women to come together and decide all issues which affect their life.

The DWCRA scheme which was started in 1983 is now in operation in 450 districts of the country with UNICEF assistance. During 1994-95, over 19000 groups, with a 3.19 lakh women contingent, were formed. Further, since its inception in 1987, the Support to Training and Employment Programme for Women (STEP) benefited more than 2.50 lakh women. The programme seeks to train women for employment in the traditional sectors of agriculture, animal husbandry, dairy, handlooms and handicrafts. The Rashtriya Mahila Kosh (RMK) was set up in 1993 to meet the credit needs of
poor women particularly in the unorganised sector.

Micro Credit Summit held at Washington in February, 1997 planned to mobilize 100 million through Self Help. $22 billion are pledged for this. It is heartening to note that in Andhra Pradesh alone about 2 million women have joined the savings movement. These women mobilized more than Rs. 1,050 million and an amount of Rs. 1150 million has been given as working capital grant by the Government of Andhra Pradesh, Government of India and partly by UNICEF. More than half of the DWCRA groups in the country are in Andhra Pradesh itself. In the last 4-5 years savings movement caught up the imagination of women as a means to self help through which they are trying to shape their destiny. Social indicators like literacy, nutritional status, children’s education through enrolment in primary school, reduction in total fertility rate, infant mortality rate and maternal mortality are attributed to awareness amongst women.

**Ongoing Income Generating Activities**

Income generation through economic activity is an important component of DWCRA scheme. Most of the DWCRA groups evolve from consumption phase (when the Group does not handle more than Rs. 15,000) to income generation phase on a lower scale (corpus fund less than Rs, 50,000) to income generation phase on a higher scale (Group Corpus fund more than Rs. 1,00,000). In our experience, most of the DWCRA groups take
up traditional income generating activities like dairy, agriculture-related activities like sericulture-silk worm rearing, reeling and silk weaving, grafting of fruit plants, managing orchards, fish vending, prawn processing, crop production on leased lands, managing tractors, tillers and other agricultural equipment, sheep and goat rearing, small business, vending of agricultural products, flowers, fruits, vegetable, artisan activities like terracotta pottery, toy making, leather work, eateries, bakery products etc. More than half of the women act as producers and sellers, especially those coming from Small and Marginal Farmers’ families. Non-agricultural and agricultural labourers take up mostly the business and service sector activities. Most of the activities are localized to start with and a majority of the groups do not depend upon external marketing agencies for sale of products. However, some of the products like chilli powder, masala powder, leaf cups and plates, nursery plants, readymade garments are sold through departmental arrangements within and outside the district. The Government of Andhra Pradesh exempted all the products from the purview of Sales Tax up to Rs. 5 lakhs sales vide G.O. Ms. No. 1037 Revenue (C.T.II) Department, dated 20.10.1993.
References


4. Ibid., p.6.


