



Self Help Group – A way of success for poverty alleviation and women empowerment in India

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Abstract

Self help group is a group for helping own and each other within the members also. In other words, self help group means a group of 5 to 10 members (specially included the rural poor women) coming from the same socio-economic background with their little amount of savings and gather these savings in their common SHG fund on a regular basis so that they can use these amount of the money in any emergency purposes or in some income generating process to improve their standard of living.

The concept of self help was popularized since the Bangladesh Grameen Model has been established by Muhammad Yunus during 1970s. Today, in India the self help group bank linkage programme (SHG-BLP) becomes the world's largest microfinance programme. The main purpose of the self help group is to make self-employed the rural poor women. However, there are some obstacles also to provide proper financial assistance to the those needy poor people. Again, there is regional wide diversity in the effectiveness of the working of the self-help groups in India. In the southern region, we get much more success stories of the self-help groups. A long way to go to reduce such regional inequalities to the effectiveness of the SHGs by providing proper education, training to become self independent, guidance and supervision of NGOs and banks related with that SHGs, health facilities, voices against domestic violence etc.

Keywords: Micro finance, Banks, Self-independent, women empowerment, Poverty

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Introduction

In all the developing countries including India, poor rural people face the main problems like illiteracy, lack of skills, health care, etc. and these problems cannot be tackled individually but can be solved through group efforts. Today, this collective action is known as Self-Help Groups, considered the vehicle of change for the poor, mostly for marginalized women. The SHG is a method of organizing the poor rural women to come together to solve their problems as a group. It is formed with 15-20 poor rural people (specially consists with rural women) coming from the same socio-economic background. Here, women collect their savings and put it in a common fund. In return, they can access to loans with a small rate of interest without any collateral to start a micro-enterprise. Now in India, thousands of poor and marginalized women are building their livelihoods through these groups.

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Over the couple of last few decades SHG has become an important tool not only for the financial services delivery but also for the livelihoods' promotion, community development of the rural people and for women's empowerment. In India, the massive movement of the SHG groups started during 1991-1992 when NABARD piloted the SHG-Bank linkage program and came to provide access to financial supports (against the disadvantages of both formal & informal source of financial lenders) through SHG as an instrument of microfinance to the poor rural households, especially women. This is the indigenous model of micro-credit evolved in this country and get success after the BANGLADESH GRAMEEN MODEL developed by Muhammad Yunus during 1970s. Though at the national level, the growth of SHG is impressive in terms of its quantity as well as loans disbursed but its existence & operations have a vast regional disparity among the country. According to the microfinance data of 2016-17, within 31st March 2017, 59.88 % of the total number of the SHGs was in the Southern Region while the share of North-Eastern Region was just 1.5% which is not a good sign for a country's development. Again, the initial idea of the SHGs creation was to make rural people financially independent & to empower women economically and socially, so that they can become more confident, more independent, and can more participate in family and community decisions.

However, some of these groups have behaved just as "loans providers" without paying attention to the self-development of the members and emphasis has given more on achieving the annual targets of the number of SHGs provided with cash credit & not on the effective use of the loans. In most of the cases these loans amounts are used for unproductive purposes like daily consumption or marriage purposes or purchasing TV etc. instead of using it in any start-up businesses or micro enterprises. The Banks & the NGOs linked with the SHGs are not monitoring properly in these respects of effective uses of loans. As a result, many of SHGs fail to make timely repayments of loans which will in turn leads to increase in non performing assets of the banks & the banks thereby feel reluctant to provide loans to them in future. Again, instead of taking care about the matter of women empowerment especially by the NGOs still in many of the areas of rural India poor women suffer from malnutrition, illiteracy, unemployment, lack of awareness and healthcare. So they can't be empowered if they have no education & they can't take decisions in any matters independently. As they have no secured income they are compelled to obey the decisions of the male members of their families. Therefore, to make rural women truly empowered, Banks, NGOs the SHG groups have to work more effectively.

Self Help Groups (SHGs)

A self help group (SHG) is described as a group of 5 to 10 members who belong to low income class with the same socio-economic background. Each group member typically contributes funds from their own savings to the SHG common fund on a regular basis like daily, weekly or monthly. After saves a certain amount of money in the common bank this money is used in various purposes for their improvements in the standard of living: The funds can be given as a loan to the most needy person among the group at a low interest fixed by the SHG group without any collateral for a fixed period of time, or all members of the SHG group can utilize this amount of savings to support their common goals of improving their lifestyles and to make themselves financially independent. Again, the members of the SHG group can use this money to obtain training to create superior quality products, to market it, & to make more profit.

Origin of the Group

In 1982, the govt. of India launched the Development of Women and Children in Rural Areas (DWCRA) program, started in 50 districts (all over the country) on a pilot basis through the creation of groups by income generating activities. In the mid 1980's, the SHGs were piloted by NGOs. Among them famous was MYRADA to provide financial support to the rural poor. In 1992, NABARD took the initiative of linking the existing SHG groups (500) with the banks allowing them to lend to the SHGs without any collateral and since then this SHG - bank linkage program is known

as Indian Microfinance model. The linkage program was started in Gujrat, Maharashtra, Andhra Pradesh, Rajasthan, Tamilnadu, Kerala and today it becomes the world's largest micro-finance network. In 2017, more than 600 banks like co-operative banks, Regional rural banks, SBI and more than 3050 NGOs were involved to promote SHGs.

Different types of SHG model

1. **Bank - SHG member-** Here bank acts as a SHG promoting institution. It deals directly with the SHG groups, opens accounts, provide financial credit at a low rate decided by the members.
2. **Bank-facilitating agency- SHG members-** NGOs, Government agencies or other community based organizations form the groups & act as facilitators. They nurture them and provide training about credit management. Then bank gives loans directly to the groups (bank decided the rate of interest) & open saving accounts. This is the most popular and successful model in India.
3. **Bank-NGO-MFI – SHG –members** - Here NGOs act as facilitators and microfinance intermediaries. At first, they create the groups, nurture & train them & then the NGOs approach to Banks for lending to the SHGs.

Functions of SHGs

Major functions of SHGs are-

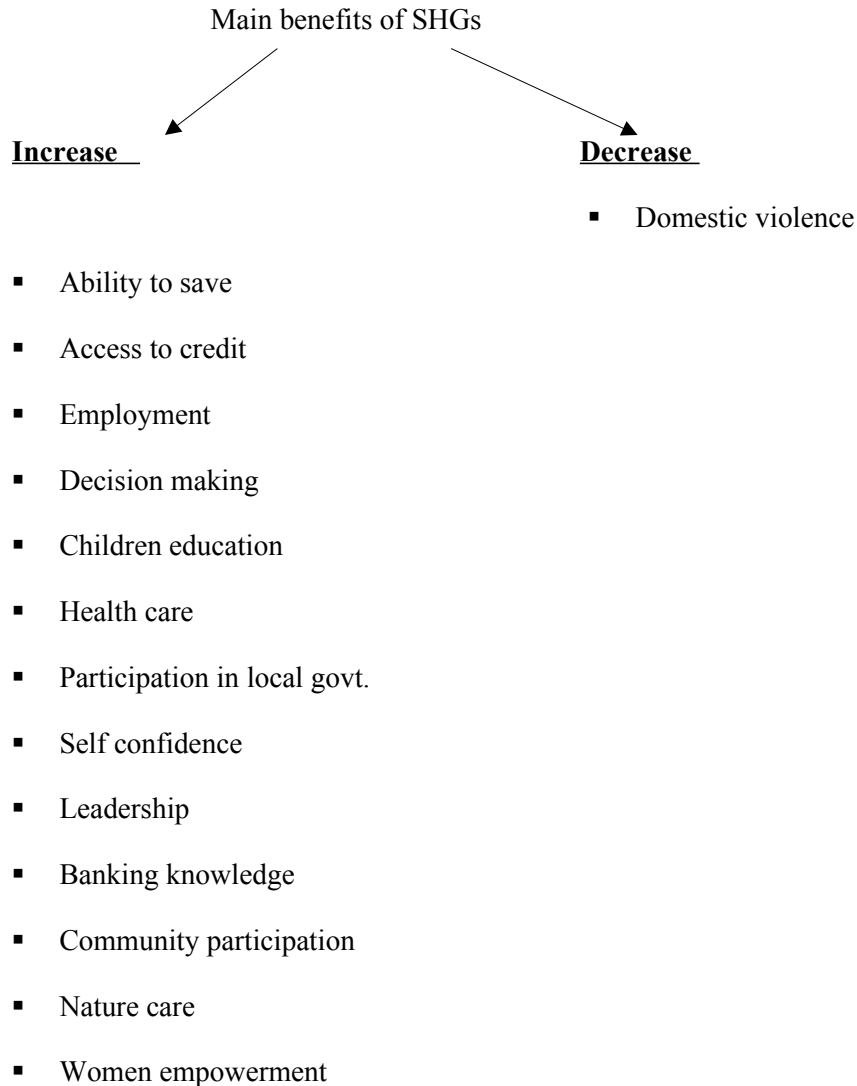
1. **Saving and thrift-** All SHG members regularly save a small amount. The amount may be small, but savings have to regular and continuous, “Saving first – credit later” should be the motto of every SHG members.
2. **Internal lending-** The SHG should use the savings amounts for giving loans to members. The purpose, amount, rate of interest, schedule of repayment etc. are decided by the group members.
3. **Discussing problems-** In every meeting SHG members should be encouraged to discuss the problems faced by the members and try to find out solutions.

Other functions are-

4. **Group meeting**
5. **Group rule formation**
6. **Record keeping**

Importance of the SHGs

SHGs in India are considered as the vehicle for the poor and marginalized women for improving their livelihood opportunities.



Self-help group and it's effect on poverty alleviation and women empowerment:

Alleviation of poverty is still a challenge for India where the government has applied some anti-poverty programs in rural areas to create self-employments and improve basic services ,health and education (Rajani,2005,p-67). As there remain limited advantages and more than disadvantages in case of both formal sectors and informal sectors sources of credits, the SHGs as a part of microfinance aims at developing financial sustainability among economically backward people specially to marginal farmers for enhancing crops productivity, rural people have no stable income sources due to unemployment, contract labourers etc and compensating the disadvantages of both sectors.SHGs provides loans to the poor people at a low interest, without any collateral, without any burden of documentations on rural poor (most of them illiterate) at a very urgent needs also.

Many of the rural people are not know about how to assess their creation and fix an appropriate price for their products .Hence they may fail to make profits when they sell products without any proper knowledge. Through the shgs these rural people receive training not only to make products they also get training on how to market, promote & sell their products. Being a part of shg will give them proper awareness about how to make a product, price it, package it, promote it, market it and sell it to the end customer efficiently and thereby can make more profits.

The members of the group are encouraged to meet on a regular basis to discuss their savings, new development, credit operations and future activities for achieving their goals step by step.

The concept of “**empowerment**” was introduced at the **International Women's Conference at Nairobi in 1985**. In this conference empowerment is defined as "A redistribution of social power and control of resources in favour of women. It is the process of challenging existing power relations and of gaining greater control over the sources of power". **The year 2001** had been declared by the Government of India as “**women’s empowerment year**” aiming at that the “**women are equal partners like men**”.

The self help groups have mostly impact on women empowerment in rural India. There are many households in rural India where male members are irresponsible and most of their earnings spend on alcohol,gambling,tobacco etc.without taking care and responsibilities of their families.

Keeping this in mind, there are many banks, NBFCs and microfinance institutions like that extend microfinance exclusively to women in India .Most importantly, self help groups help in job creation for women. In most of regions of the country, women are forced be unemployment and are not allowed to step out of their homes. With the generation of microfinance, women are given an opportunity to show their entrepreneurial skills and management abilities. It also brings women together and encourages them to work as a team to achieve the ultimate goal of being independent. They do not have to rely on men for money aspects and they don’t have to wait for the approval of the male members in the house.Over the last couple of decades, self help groups and their potential as a tool to alleviate poverty and empower women have earned a famous importance worldwide.

SHG – Bank Linkage Programme through NABARD and NRLM and its success

The SHG-BLP is developed by NABARD which is today’s largest used microfinance model all over the world. In 1987, the initial action research project was taken by NABARD and with MYRADA in order to provide micro-credit timely to the poor people for improving their livelihoods. After this pilot project, in 1992, NABARD launched the Self-Help Group - Bank Linkage Programme as a pilot project and connecting 225 SHGs with the Banks by the end of March 1993 for both savings and credit disbursement. Seeing the success of the pilot project, in 1996 the Reserve Bank of India was the first central Bank in the world to allow opening of savings bank accounts of informal groups. On April 2, 1996 a circular was issued by former Governor of Reserve Bank of India, Dr. C. Rangarajan, where an extension has made to the SHGs linkage programme beyond the NABARD’s pilot phase and turn it into a normal business activity to banks and consider lending to SHGs as part of (Banks) their mainstream credit operations to improve the coverage of the rural poor people by the banking sector. Today SHG-Bank Linkage Programme (SHG-BLP) is the largest microfinance programme in the world because of its sheer size and population it touches. In the 26th year of SHG-BANK Linkage Programme by NABARD, with the active collaboration of NGOs, banks & the government and of late the NRLM, the programme covers 10 crores families through 85 lakhs SHGs with saving deposits of Rs.16114 crores and 48.4 lakhs groups with collateral free loan outstanding over Rs.61,500 crores, of which, 88% for rural women¹.

In the year 2017, NABARD have started two programmes along with the partnership of NRLM taking SHG-Bank Linkage Programme-----

- a. Livelihood Enterprise Development Programme (LEDP) for larger benefits of SHG members.
- b. Micro Finance Facilitator (MFF) to provide the states to increase the movement of SHGs.

In the year 2017, for online submission of SHG - Bank Linkage Programme data to NABARD, electronic submission of return and to analysis of data and for accuracy and transparency, a web based application has introduced.

Lender of the SHGs

Table -1 Status of Microfinance in India

Category of Agency	% savings of SHGs with bank		Loans disbursed to SHGs by bank (in %)		Bank Loan outstanding against SHGs		NPAs
	No. of SHGs	Savings amount	No. of SHGs	Loan Disbursed	No. of SHGs	Loan Outstanding	
Commercial Banks (% share)	51.8%	63.1%	58.8%	62.7%	55.1%	62.8%	6.83%
Regional Rural Bank (% share)	30.2%	22.5%	29.4%	29.9%	33.2%	31.0%	5.47%
Cooperative Banks (% share)	18.0%	14.4%	11.8%	7.4%	11.7%	6.2%	8.33%
All over India	-	-	-	-	-	-	6.5%

Source:- *NABARD: Status of Microfinance in India, 2016-17

Growth of SHGs

Table -2 SHGs in India

Details	Information
Total number of SHGs linked	85.77 lakh
Number of families reached	112 millions
% of women SHGs savings linked with banks	85.36%
% of women SHGs amount of loans disbursed	90.41%
% of women SHGs amount of loans outstanding	88.36%
Region wise distribution of SHGs with saving linkage (%) <ul style="list-style-type: none"> Southern region (highest) North Eastern region (lowest) 	43.43% 5.28%
Region wise distribution of loans to SHGs (%) <ul style="list-style-type: none"> Southern region (highest) North Eastern region (lowest) 	80.00% 0.73%
Region wise loan outstanding to SHGs (in Lakh) <ul style="list-style-type: none"> Southern region (highest) North Eastern region (lowest) 	76% 1.35%
Region wise NPA as % to loan outstanding <ul style="list-style-type: none"> Central region (highest) Southern region (lowest) 	23.14% 4.45%

Source - NABARD: Status of Microfinance in India, 2016-17

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