

A STUDY ON WOMEN EMPOWERMENT THROUGH DELIVERY OF MICROFINANCE THROUGH SELF HELP GROUPS

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Abstract

The growing commercialization of rural economy, increasing dependence of agriculture on external inputs, mobilizations of savings towards construction and the growing education have opened up new vistas for the micro-enterprise development in India. Micro enterprises in the study area, as else where, are undergoing a very remarkable change in terms of their capital composition. While certain traditional industries are carried out with low technology, using low quality raw material and catering to the low-income groups of the customers, many others are facing urgent need to enhance their capital base for productivity improvement, cost reduction and innovate for effective marketing. All these are requiring additional capital investment for which the entrepreneurs need credit. Self-help groups (SHGs) play today a major role in poverty alleviation in rural India. A growing number of poor people in various parts of India are members of SHGs and actively engage in savings and credit as well as in other activities, income generation, natural resources management, literacy, child care and nutrition, etc. The SHG system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation.

Keywords: Self-help groups, Women Empowerment, Microfinance

I. INTRODUCTION

Microfinance:

Microfinance is the supply of loans, savings, and other basic financial services to the poor. People living in poverty, like everyone else, need a diverse range of financial instruments to run their businesses, build assets, stabilize consumption, and shield themselves against risks. Financial services needed by the poor include working capital loans, consumer credit, and savings, pensions, insurance, and money transfer services.

The poor rarely access services through the formal financial sector. They address their need for financial services through a variety of financial relationships, mostly informal. Credit is available from informal commercial and non-commercial money-lenders but usually at a very high cost to borrowers. Savings services are available through a variety of informal relationships like savings clubs, rotating savings and credit associations, and mutual insurance societies that have a tendency to be erratic and insecure.

Micro finance is the provision of a broad range of financial services such as

- Deposits
- Loans / Payment services
- Money transfers
- Insurance to poor and low-income households and their micro enterprises

Micro-finance refers to small savings:

Credit and insurance services extended to socially and economically disadvantaged segments of society. In the Indian context terms like "small and marginal farmers", "rural artisans" and "economically weaker sections" have been used to broadly define micro-finance customers. The recent Task Force on Micro Finance has defined it as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas, for enabling them to raise their income levels and improve living standards". At present, a large part of micro finance activity is confined to credit only. Women constitute a vast majority of users of micro-credit and savings services.

Three types of Sources of Microfinance:

- 14 Normal institutions - i.e. rural banks and cooperatives
- Semiformal institutions - i.e. nongovernmental organizations
- Informal sources - i.e. moneylenders and shopkeepers

Institutional microfinance includes microfinance services provided by both formal and semiformal institutions. Microfinance institutions are institutions whose major business is the provision of microfinance services.

II. UNDERSTANDING THE DEVELOPMENT PROCESS THROUGH MICRO-FINANCE

Micro finance is expected to play a significant role in poverty alleviation and development. The need, therefore, is to share experiences and materials, which will help not only in understanding successes and failures but also, provide knowledge and guidelines to strengthen and expand micro finance programmes.

In India, a variety of micro-finance schemes exist and various approaches have been practiced by both Government and NGOs. In the development sector, credit has been viewed as one of the missing inputs and therefore, a growing emphasis on re-formulating and re-strengthening micro credit programmes is observed. There are examples of spectacular successes and there are also examples of not-so-successful programmes, which experienced high default rates and were unable to provide financial services in the long run. Ultimately the aim is to empower the poor and mainstream them into development. Amongst different approaches of micro-finance schemes, the process and stages remain more or less the same.

The development process through a typical micro-finance intervention can be understood with the help of figure 1. The ultimate aim is to attain social and economic empowerment. Successful intervention is therefore, dependent on how each of these stages has been carefully dealt with and also the capabilities of the implementing organizations in achieving the final goal, e.g., if credit delivery takes place without consolidation of SHGs, it may have problems of self-sustainability and recovery. A number of schemes under banks, central and state governments offer direct credit to potential individuals without forcing them to join SHGs. Compilation and classification of the communication materials in the directory is done based on this development process.

The study shows that SHGs are still in a state of flux and their sustainable development depends on a number of factors, which are both internal and external to the group. No doubt, SHGs have set a new empowerment agenda for financial intermediation by banks. Further, SHG as a system has infused certain synergy among its members to move up in the socio-economic ladders from passive onlooker into an active partner/stakeholder in the development process. Today, SHGs in India have become a potential tool for the empowerment of women, social solidarity and socio-economic betterment of the poor in their own setting.

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

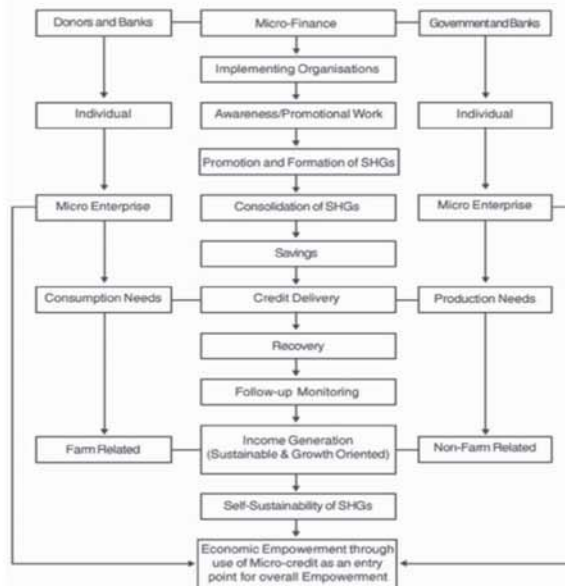


Fig. 1. Development process through Micro-Finance

developed into a bank named Bangladesh Grameen Bank. Its report in February 1998 states 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 savings of the members has reached US \$ 202.73 Million. With the success of BGB and similar organizations elsewhere, the concept of Micro credit has gained momentum in India. Based on this success many Non-Governmental

Organizations (NGOs) in our country are involved in organizing SHGs and they serve as an agent between the bank and the poor.

Self- help groups (SHGs) play today a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are Members of SHGs and actively engage in savings and credit, as well as in other activities (income generation, natural resources management, literacy, child care and nutrition, etc.). The S/C 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.

NABARD also provides training support, Grant cum Aid support for micro credit under its different schemes. 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. The minimum loan is Rs.50 lakhs and it is to be used only for micro enterprises. Types of Micro-credit providers listed in Table 1.

Table 1. Types of Micro Credit Providers in India and their present legal framework governing them

Categories of Providers	Legal Framework governing their activities
(a) Domestic Commercial Banks: Public Sector Banks; Private Sector Banks & Local Area Banks	(i) RBI Act 1934/ (ii) BR Act 1949 (iii) SBI Act (iv) SBI Subsidiaries Act (v) Acquisition & Transfer of Undertakings Act 1970 & 1980
(b) Regional Rural Banks	(i) RRB Act 1976 (ii) RBI Act 1934 (iii) BR Act 1949
(c) Co-operative Banks	(i) Co-operative Societies Act (ii) BR Act 1949 (AACS) (iii) RBI Act 1934 (for such. banks)
(d) Co-operative Societies	(i) State legislation like MACS
(e) Registered NBFCs	(i) RBI Act 1934 (ii) Companies Act 1956
(f) Unregistered NBFCs	(i) NBFCs carrying on the business of a FI prior to the coming into force of RBI Amendment Act 1997 whose application for CoR has not yet been rejected by the Bank (ii) Sec. 25 of Companies Act
(g) Other providers like Societies, Trusts, etc.	(i) Societies Registration Act '60 (ii) Indian Trusts Act (iii) Chapter III of RBI Act '34 (iv) State Moneylenders Act

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 (Katz & Bender, 1976; Humm, 1997; Kessler et al. 1997), although alternative views see it as a reflection of an ineffective, inefficient and dehumanizing formal system of care (Gartner & Riessman, 1977). The increasing interest in providing services that are family-centered is also considered as a factor contributing to the increased number of self-help groups (Rosenbaum et al., 1998).

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 percent of Canadians belonged to self-help groups in 1987 (Gottlieb & Peters, 1991), approximately 10 percent of Israel's population, was estimated to have some type of involvement in a self-help group (Ben-Ari & Azaiza, 1995),

and cancer self-help groups were found to be prevalent in major cities in China (Mok & Zhang, 2001). In the United States, self-help group participation amounted to 10 million in 1996 (Kessler et al., 1997) and it was recently noted that more Americans try to change their health behaviors through self-help than through all other forms of professional programs combined (Davison et al., 2000). 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 (Riessman, 2000a), and they are serving people who encounter almost every physical, behavioral and emotional problem (Humphreys, 1997; Kessler et al., 1997). 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 members, and what kind of social impact they have brought about. The research component of the self-help phenomenon has clearly been left behind by the self-help movement itself.

Microfinance programmes have rapidly expanded in recent years. Some examples are:

- Membership of Sa-Dhan (a leading association) has expanded from 43 to 96 Community Development Finance Institutions during 2001-04. During the same period, loans outstanding of these member MFIs have gone up from US\$15 million to US\$101 million.
- The CARE CASHE Programme took on the challenge of working with small NGO-MFIs and community owned-managed microfinance organizations. Outreach has expanded from 39,000 to around 300,000 women members over 2001-05. Many of the 26 CASHE partners and another 136 community organizations these NGO-MFIs work with, represent the next level of emerging MFIs and some of these are already dealing with ICICI Bank and ABN Amro.
- In addition to the dominant SHG methodology, the portfolios of Grameen replicators have also grown dramatically. The outreach of SHARE Micro finance Limited, for instance, grew from 1,875 to 86,905 members between 2000 and 2005 and its loan portfolio has grown from US\$0.47 million to US\$40 million.

Since banks face substantial priority sector targets and microfinance is beginning to be recognized as a profitable

opportunity (high risk adjusted returns) a variety of partnership models between banks and MFIs have been tested. All varieties of banks - domestic and international, national and regional - have become involved, and ICICI

SHG-Bank Linkage Programme in Tamil Nadu

State Overview:

Tamil Nadu is ranked second in the country, after Andhra Pradesh, in SHG-Bank Linkage Programme. Wide network of NGOs, encouraging support of banks, support of government agencies etc., helped wide spread expansion of the programme in Tamilnadu. During 2006-07, 87699 new SHGs were credit linked to banks in the state involving bank loans to the tune of Rs. 726.29 crore. As on 31 March 2007, the cumulative number of SHGs credit linked in the state stood at 402976 and the cumulative bank loans aggregated Rs. 3845.72 crore.

Refinance to the tune of Rs. 390.20 crore were disbursed to Banks in respect of over 82880 groups during the year 2006-07, taking the cumulative position to Rs. 1557.57 crore for 2,87,543 SHGs. Besides the financial advantages, other significant gains of the Self Help Group movement are the massive community mobilization and women empowerment in most parts of the country. In view of the grand success of the programme, now SHGs are at centre stage in almost every poverty alleviation programme and developmental programmes aimed at poor. SHGs have become the development ambassadors of villages and they symbolize the growing face of rural India.

Studies Related to Evidence of Women's Empowerment:

"Empowerment is the process by which the powerless gain greater control over. Their circumstances of their lives. It includes control over the circumstances of their lives. It includes both control over resources and ideology... [Includes, in addition to extrinsic control] a growing intrinsic capability - greater self-confidence, and an inner transformation of one's consciousness that enables one to overcome external barriers..." Sen and Batiwala (1997).

Inherent in this definition are two important ideas, the first of which is that empowerment is not about power over others (a feature of domination), but power to achieve goals and ends. By conceptualizing empowerment in terms of 'power to' the definition explicitly recognizes that the process of empowerment involves not only changes in access to resources, but also an understanding of one's rights and entitlements and the consideration that gender roles can be changed and gender quality is possible' (Longwe as reported in The Centre for Development and Population Activities, 1996).

The National Family Health Survey indicates two sets of indicators, in support of the evidence of empowerment of women. The first set purports to measure women's degree of control over the environment by measuring their participation in household decision making and their freedom of movement. The second set address women's attitudes with regard to gender equality. An essential element of empowerment is the belief in the ideal of gender equality in roles and rights in society, as well as in the home.

SHGs have basically inculcated great confidence in the minds of rural women to succeed in their day-to-day life. Hegde and Ghorpade (1998) have pointed out that involvement in the SHG programme has made the rural women to become more sensitized, self-made and self-disciplined.

Rashtriya Gramin Vikas Nidhi (RGVN) tried to evaluate credit and saving programme in Assam in a longitudinal study. The study examined the role of micro- credit in the generation of income of the poor, to assess the role of SHGs in promoting savings habits among the poor and the contribution of the programme in social and economic empowerment of the poor in general and of women in particular. The involvement of the rural poor in SHG significantly contributed to their social empowerments as measured by improvement in their confidence, their treatment within the family, communication skill and other behavioural changes (Borbora and Mahanta, 2000).

Manimekalai and Rajeswari (2000) has found out the women SHGs had developed a sense of leadership, organizational skill, management of various activities of a business, right from acquiring from finance, identifying raw material, market and suitable diversification and modernization. SHGs have increased the awareness of its members in terms of educating the girl child, improving their outside contact and decision making skill (Ramakrishna, 2000).

In a study conducted by Gaonkar (2001) the members of the SHG have responded by saying that they have gained self-confidence and more importantly they are being respected and loved by their family members. They were able to concentrate on problems of both men and women and organized with the major objects of thrift, savings dealing for consumption and production purposes as well as understanding social activities. A positive impact in creating leadership improving their literacy level, freedom to speak, dowry discussion, women rights, family planning and enjoying liberty has been highlighted by Mathew (2002), Awasthi (2000) and Devi (2001). The SHGs Were the real source for the members to provide various opportunities, to develop their abilities and skills to

empower them successfully. (Sathyasundaram, 2001).

A change in attitude has been seen in a study conducted by Soundari (2002) wherein more than half of the respondents from the study had expressed that there is a change in the treatment given by the family members after joining in the SHG.

OBJECTIVES :

Primary objective:

To study and assess the performance of micro finance in empowering women through SHG .

Secondary objectives:

1. To Identify and review the role of the women in economic and social empowerment and capacity building.
2. To review the best practices followed in making a positive contribution to women's empowerment through the delivery of micro finance services
3. To identify the challenges and problem faced by women.
4. To suggest ways to improve the delivery of finance services to women.

III. RESEARCH METHODOLOGY

The research study followed descriptive method in this research study in order to find the state of affairs as it exists at present.

Sample Design:

The study adopted the simple random sampling. Sampling unit in the project are the SHGs group members of rural and semi urban areas. The sample size taken for this study is 120.

Limitations:

The population is very large; the sample size taken is not in proportion to the whole population.

IV. DATA ANALYSIS AND INTERPRETATION

Interpretation:

42% of the respondents are motivated by to earn money followed by 25% of the respondents are motivated to become independent and encouragement given by NGO respectively. (Table.2)

Table 2. Motivational Factors influencing members to join SHGs

Motivational Factors	No. of respondents	Percentage Analysis
Advice of other entrepreneur	0	0
Encouragement given by NGO	30	25
Advice of the family members	10	9
To become independent	30	25
To earn money	50	42
TOTAL	120	100

The encouraging and compelling factors influencing members to join SHGs is shown below in Table 3 and 4.

Table 3. Encouraging Factors influencing members to join SHGs

Encouraging Factors	No. of respondents	Percentage Analysis
Education	0	0
Previous experience	0	0
Govt. concession	20	17
NGO encouragement	30	25
Availability of finance easily	70	59
Total	120	100

Interpretation:

59% of the respondents were encouraged by availability of finance easily followed by 25% of the respondents are NGOs encouragement to influence members to join self help groups.

Table 4. Compelling Factors influencing members to join SHGs

Compelling factor	No. of respondents	Percentage Analysis
Unemployment	50	42
NGO compelling	0	0
Family situation	45	38
Death of Husband	0	0
No other opportunity	25	21
Total	120	100

Interpretation:

42% of the group members were compelled by unemployment to join in SHGs, followed by 38% of the group members were family situation.

The percentage of other factors influencing members to join SHGs is shown in figure 2.

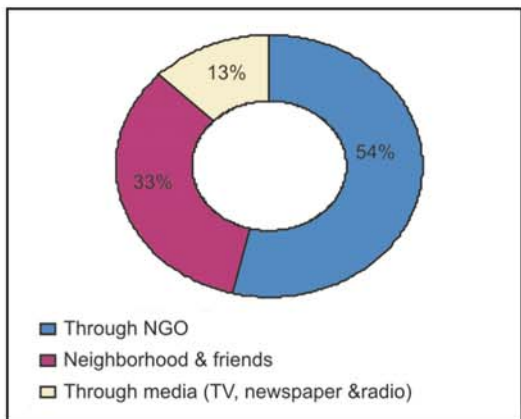


Fig. 2. Other Factors influencing members to join SHGs

Sources of monthly savings among respondents is shown in Table 5.

Table 5. Sources of monthly savings of respondents

Sources	No. of respondents	Percentage Analysis
Husband's income	75	63
Father's income	25	21
Self earnings	20	16
Total	120	100

Interpretation:

63% of women sources of monthly savings from husband's income followed by 21% from father's income.

Credit rating marks received by the group members is shown in figure 3.

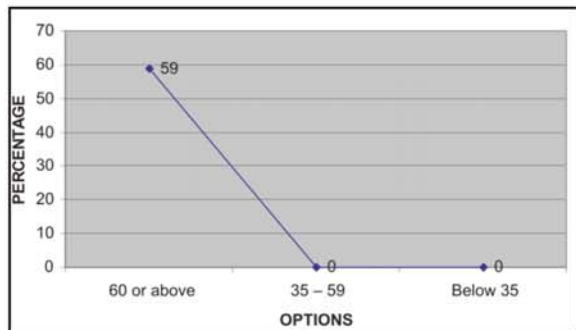


Fig. 3. Credit rating marks received by the group

The following figures from 3 to 7 shows the frequency of loan, type of enterprise and standard of living about the respondents.

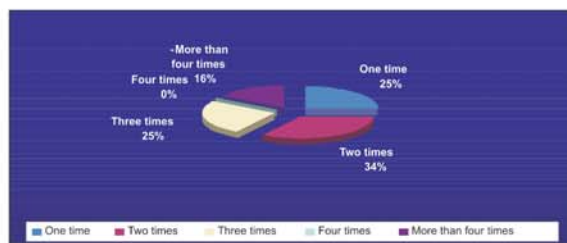


Fig. 4. Frequency of loan taken at bank among respondents

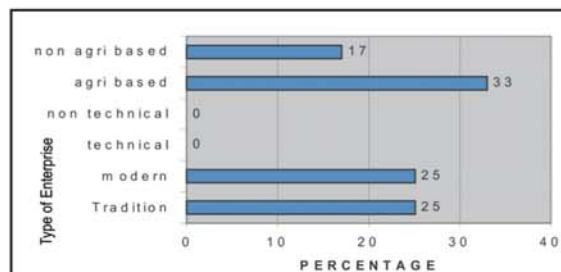


Fig. 5. Type of enterprise formed by respondents

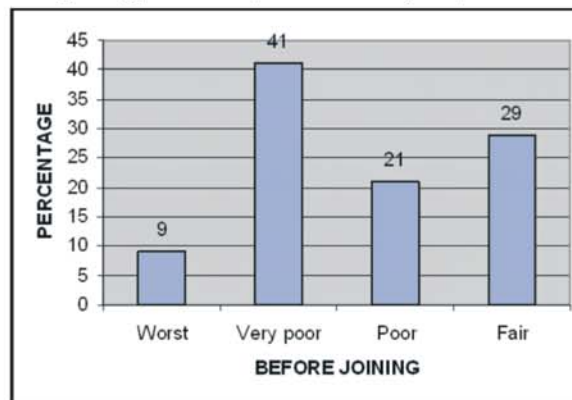


Fig. 6. Opinion on standard of living before joining SHGs

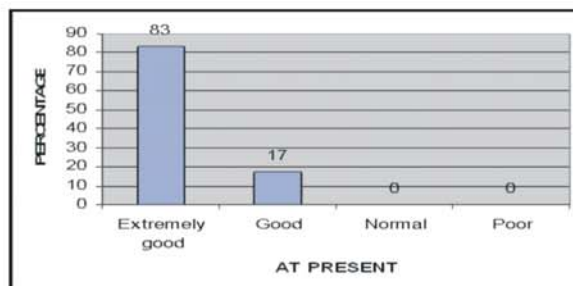


Fig. 7. Opinion on standard of living after joining SHGs

The following Tables 6 & 7 shows the income earned and various social camps participated by the respondents

Table 6. Income earned through Business Enterprise

Income	No.of respondents	Percentage Analysis
Less than RS. 1000	50	42
RS. 1001 – 3000	50	42
RS. 3001 – 5000	20	16
RS. 5001 – 8000	0	0
More than RS.8000	0	0
Total	120	100

Table 7. Various Social Camps Participated By The Respondents

Social camps	No. of respondents	Percentage Analysis
Dowry	0	0
Illiterate	20	17
Alcoholism	10	8
Unawareness about health & hygiene	30	25
Child labor	10	8
Early marriage	20	17
Female infanticide	10	8
Superstitious beliefs	20	17
Total	120	100

Interpretation:

25% of groups members have involved themselves in health and hygiene social camp followed by 17 % of group members involved in illiterate, early marriage and female infanticide social camps organized by NGOs.

V. FINDINGS

- 63% of women sources of monthly savings is from husband's income 100% of the respondents received moral support from family members
- 59% of group members have scored more than 60 marks in credit rating
- Rs. 2, 00,000 was the highest credit amount received among the SHG group members.
- 67% group members are happy about the extend of recovery period received
- All of the respondents have received training programmes by NGOs
- 34% of the groups have been started for more than 6 years of operations
- 34% of groups have 11 - members from 11 – 14 and 18 – 20

- Among the 120 Respondents all groups members attend meeting regularly.
- Nearly 50% of groups members conduct meeting twice a month
- 75% of groups change their leadership once in 2 years.
- 33% of the group members have started Agricultural based business
- 29% of group members were in the age of 38 – 47 and 48 – 57 who has started the business respectively.
- All the respondents are feeling financially independent after joining SHG.
- All the respondents have insured individually and insured their enterprise.

VI. SUGGESTIONS

- The government can consider in developing the channels of distribute and to market the products developed by the members of SHG.
- Active steps could be taken to educate members of SHG in order to improve the members and empower them.

VII. CONCLUSION

The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrowers without imposing unbearably high cost of monitoring its end-use upon the lenders. A promising solution is to provide multi-purpose loans or composite credit for income generation, housing improvement and consumption support. Careful research on demand for financing and savings behaviour of the potential borrowers and their participation in determining the mix of multi-purpose loans are essential in making the concept work (tall 1996). Eventually it would be ideal to enhance the creditworthiness of the poor and to make them more "bankable" to financial institutions and enable them to qualify for long-term credit from the formal sector. Microfinance institutions have a lot to contribute to this by building financial discipline and educating borrowers about repayment requirements.

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