Women Empowerment through Self-help Groups (SHGs) for Poverty Reduction in India

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The paper highlights on micro finance on economic observers as important tool for poverty reduction, employment generation, wealth creation and improving welfare and standard of living of people and it turn economic development.

I. Introduction:

Microfinance of SHGs is a crucial tool for the development of women particularly in rural areas. SHG-bank linkage model, one of the leading models of microfinance has supported over 103 million poor households in the past two decades. Under this programme women are organized in to small groups of 10-20 members to extend credit facilities. Today, SHGs in India are providing a platforms for poor women to work together to solve their common problems beside financial accessibility. These Groups provide an opportunity for the rural women to improve their economic and social status. Beside this, it carries a number of other benefits for women, including more awareness of reproductive health programmes as well as reducing gender based discrimination. A large numbers of researches show that joining SHGs have resulted in increase in income, employment and empowerment level of men and women. Women Empowerment is a buzz word in the present day. As a country faithful to empower the women though women are considered as “the unrecognized heroine, who works from birth to death”, yet it is terrible that even the unknowing and worthless men had been enjoying supremacy over women, which they don’t earn and must not to have. As most of the women lack assets that help contribute well-being and women empowerment in India, economic freedom over entrepreneurial development and self-employment is something that needs attention. So, the Government of India has provided them with the Women Self-Help Groups (SHGs). Globally, women are poorer and more underprivileged as compared to men. The studies observed that composite around 70% of world’s poorest people just because of gender inequality. In India, a developing Country, women are still dominated by male in household matter which shows their very weak position in the society. The discrimination of the society results into more poverty, lower standard of livings as well as economic growth. To eliminate such evils from the society, empowering women through microfinance is deemed to be one of the rays of hope.

Microfinance is the provision of financial services to low income clients who traditionally lack access to banking and related services. It focuses on alleviating poverty by providing financial services to poor women to take up income generating activities. Microfinance, a development tool to alleviate poverty in developed countries, gives quick and tangible results to the poor people especially micro-credit to the poor
often works assumption that availability to finance will enable them to come out the vicious circle of poverty.

**Self-Help Group for women** is a small volunteer association of pitiable people mostly from the similar socio-economic background. The small amount of credit is given to them to make them enterprising; it could be all-men group, all-women group or even a varied group. It is estimated that close to 200 million people across the developing world have found their way into a self-help group (SHG) by 2017\(^2\). In majority, these SHG members are women, as the SHG model is believed to be particularly appropriate for working towards women empowerment based on the idea that collective action is most effective in fighting patriarchy. In many cases, women SHGs take up an activity that is new to them, such as beekeeping, the cultivation of a new cash crop, or further processing of food items that are locally cultivated. In other instances, women group together around economic activities in which they have ample experience, often firmly positioned in the female domain, such as subsistence crop cultivation or weaving.

**II. About Micro Finance in India:**

The term micro finance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development etc. There is, however, no statutory definition of micro finance. The taskforce on supportive policy and Regulatory Framework for Microfinance has defined microfinance 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”. The term “Micro” literally means “small”. But the task force has not defined any amount. However as per Micro Credit Special Cell of the Reserve Bank Of India, the borrowed amounts up to the limit of Rs.25000/- could be considered as micro credit products and this amount could be gradually increased up to Rs.40000/- over a period of time which roughly equals to $500 – a standard for South Asia as per international perceptions. The term micro finance, sometimes is used interchangeably with the term micro credit. However while micro credit refers to purveyance of loans in small quantities, the term microfinance has a broader meaning covering in its ambit other financial services like saving, insurance etc. as well\(^3\). The mantra “Microfinance” is banking through groups. The essential features of the approach are to provide financial services through the groups of individuals, formed either in joint liability or co-obligation mode. The other dimensions of the microfinance approach are:

- Savings/Thrift precedes credit
- Credit is linked with savings/thrift
- Absence of subsidies
- Group plays an important role in credit appraisal, monitoring and recovery.

Basically groups can be of two types:

i. **Self Help Groups (SHGs):** The group in this case does financial intermediation on behalf of the formal institution. This is the predominant model followed in India.

ii. **Grameen Groups:** In this model, financial assistance is provided to the individual in a group by the formal institution on the strength of group’s assurance. In other words, individual loans are provided...
on the strength of joint liability/co obligation. This microfinance model was initiated by Bangladesh Grameen Bank and is being used by some of the Micro Finance Institutions (MFIs) in our country.

Microfinance has existed, although mostly in the shadows and unseen by casual observers, since the rise of formal financial systems, and indeed probably predates them. It has only been within the last four decades, however, that serious global efforts have been made to formalize financial service provision to the poor. This process began in earnest around the early to mid-1980s and has since gathered an impressive momentum. Today there are thousands of MFIs providing financial services to an estimated 100 - 200 million of the world’s poor. Microfinance has emerged as a powerful tool for women empowerment in the new economy.

In India, microfinance distribution is mainly dominated by Self Help Groups (SHGs) - Bank Linkage Programme. It aims at providing a cost effective mechanism for providing financial services to the poor section of the society. Efforts on women empowerment will help society to get rid of social evils. There is a long way to take people away from poverty but SHGs can become significant tool to achieve this objective through microfinance programs. According to micro credit is a useful tool for the empowerment of women, for poverty alleviation and a relatively new approach for developing economies to solve women's difficulties in obtaining financing.

Micro-credit to the poor often works on the assumption that availability of finance will enable them to come out of the vicious circle of poverty. SHGs are the most contemporary modes for poverty eradication and women empowerment in India. Microfinance helps poor people including men and women are getting employment, increasing confidence, enhancing communication skills and in other aspects as well. Women gain greater control over resources like material possession, intellectual resources like knowledge, information, ideas and decision making at home, community, society and nation through involvement in these microfinance programs. Microfinance affects women's ability or decision making and self-confidence which are closely linked with knowledge, women's status and gender relations at home. Microfinance program strengthen women's economic autonomy and gives them means to pursue non-traditional activities. It’s the force behind all movements and activities in society.

III. Empowerment and Collective Action

Women empowerment that are generally accepted First, one can only meaningfully talk about empowerment, if the starting point is one of disempowerment, or “to be denied choice” as puts it. Second, the empowerment process should be led by women themselves. Other actors can only play a facilitating or supportive role. Third, empowerment does not refer to decision-making power on trivial matters but concerns “strategic life choices” Finally, empowerment is a process without a fixed end goal; it does not stop at a given point in time. If provides a concise definition of empowerment as a “process by which those who have been denied the ability to make strategic life choices acquire such ability,” which nicely reflects the four features mentioned above. According to the critical operating concept within empowerment is power.
Power can be taken as “the ability to make choices”. By consequence, disempowerment then refers to “those disadvantaged by the way power relations presently shape their choices, opportunities and well-being”. The choices women want to make and the opportunities they get are a function of the power available to them. Therefore, the efforts of governments and other entities that support women to achieve their goals have to go directed at correcting power relations and opening up opportunities to exercise choice. The formation of groups is believed to be one way to deal with such imbalances in power relations and bring better outcomes collectively, or on an individual basis.

In the context of NBFC-MFIs and SHGs, it has become customary to distinguish between four different types of power, based on “power over” (controlling power), “power to” (productive power), “power with” (collective power) and “power within” (psychological power). If have translated these concepts for economic empowerment domain specifically, which is pertinent for our NBFC-MFIs and SHGs cases that concentrates on collective income generation. In this study, the focus is on 1) “power to,” as referred to as “economic decision-making power within their household, community, and local economy”; 2) “power over,” which deals with “access to and control over financial, physical, and knowledge-based assets”; and 3) “power with,” i.e., the ability to organize with others to enhance economic activity and rights. The fourth type of “power within,” which reflects psychological traits like self-esteem, self-efficacy, and mental bandwidth, is less central for lack of data.

IV. Strengths of Indian Microfinance Sector

India is the largest democracy in the world. Unity in diversity is the greatest strength of India. Despite vast differences in terms of language, caste, religion, etc. driven by the co-operative spirit, people are interwoven with common affiliations and social obligations. The factors like personal rapport and proximity and like mindedness have added to the spread of the programme. Their adroitness in assessing and appraising the credit needs of members, their business like functioning and efficiency in recycling the funds often with repayment rates nearing cent percent are additional positive features. Some of the best practices followed under microfinance sector in India include inter alia:

1. Broad based definition of microfinance.
2. Adoption of multi model approach.
3. Greater freedom to microfinance institutions.
5. The use of computers in microfinance and
6. Certain other important best practices.

These aspects have been discussed in greater details in the following paragraphs.

4.1 Multi Agency approach:

It has been decided to involve various agencies in mainstreaming and up scaling of micro-finance. All the major credit institutions viz., commercial banks, co-operative banks, regional rural banks have been
involved in microfinance programme. Distinct linkage models are being followed under different arrangements. Under Model-I, banks take up the work of forming and nurturing the groups, opening their saving accounts and providing them bank loans. Under Model-II, SHGs are formed by NGOs and formal agencies but are directly financed by banks.

4.2 Greater Freedom to the Microfinance Institutions:

i. RBI has allowed banks to formulate their own models or choose any conduit/intermediary for extending micro credit. Banks are allowed to choose suitable branch/pocket/area where micro credit programmes can be implemented.

ii. Banks are permitted to prescribe their own lending norms keeping in view the ground realities.

iii. Banks are also allowed to devise appropriate loan and saving products and related terms and conditions including the size of loan, unit cost, unit size, maturity period, grace period, margins and purpose of borrowing including for housing and shelter needs.

iv. Interest rates on bank's loans given to microfinance institutions are completely deregulated.

v. Bank lending under microfinance is treated as part of priority sector targets as well as under sub-target of lending to the weaker sections.

vi. The microfinance institutions registered as not for profit NBFCs have been exempted from registration and prudential requirements. RBI has permitted such NBFCs to provide credit not exceeding US $ 0.001 million for business activity and US $ 0.003 million for meeting the cost of a dwelling unit to the poor.

4.3 Computerization of Microfinance Operations:

Generally, the facilitator tracks member accounts at the village level with hand written sheets and passbooks. A good measure of time is devoted to manually updating the records and little time is spent on interface and discussions on economic and social aspects. Elsewhere in southern part of the country a micro credit institution known as Swayam Krishi Sangam (SKS) has introduced Smart Card into its micro credit programme.

V. Micro Finance Models / Approaches in India

The following generic approaches to microfinance are commonly prevalent in India:

i. The basic SHG model with Commercial Bank linkage programme.

ii. The Federated SHG approach.

iii. The Rural Industries Promotion (SHG) Framework.

iv. The GRAMEEN Replicator Approach

v. The Urban Co-operative Banking Model

vi. The Multi-State Co-operative Solidarity Group Model

vii. The Enabling Co-operative Networking Framework

viii. The Co-operative - Grameen Hybrid Model

ix. The NBFC Approach
VI. Advantage of Microfinance

Microfinance is argued to have economic, social and humanitarian advantages. This study tends to focus on the economic implications of microfinance, but also outlines social and humanitarian aspects of microfinance in order to better understand the topic. Many researchers argue that microfinance creates access to three types of capital. First, it gives access to productive capital through microcredit. Second, it gives access to human capital through vocational training and education. And third, social capital built through creating local organization building, promoting democratic systems and fortifying human rights. These endowments together are argued to enable people to move out of poverty. Although it is nearly impossible to measure, increasing material capital strengthens the sense of dignity of poor people and contributes to motivating poor people to participate in the society. Participation in microfinance programs leads to a greater diversification of labour supply across seasons. On the contrary, access to these programs goes along with a reduction in the variability of consumption across seasons. Apparently, although the programs might not increase consumption on average, they might offer households opportunities to smooth consumption through smoothing income. For this reason, poor households are argued to become less vulnerable due to microfinance. In many cultures and countries, the subordination of women still exists. In many cases, men take care of income and money and women take care of basic needs such as health care of their children, education and nutrition and in addition also try to improve the development of those basic needs.

Microfinance creates the opportunity for women to get access to capital. Pitt and Khandker argued that money spent by women leads to an increase of children’s participation in education, better nutrition and health care. Microfinance for women thus is argued to lead to positive external effects on the one hand and to the reduction of gender inequality and dependency on the other hand.

VII. Aspects of Empowerment

Over all empowerment can be achieved in three different aspects and they are; Economic Empowerment, Social Empowerment, and Political Empowerment

7.1 Economic Empowerment

Empowerment refers to increasing the economic, political, social, educational, gender, or spiritual strength of individuals and communities. Sociological empowerment often addresses members of groups that social discrimination processes have excluded from decision-making processes through - for example - discrimination based on disability, race, ethnicity, religion, or gender. Empowerment as a methodology is often associated with feminism. Feminism is a collection of movements and ideologies aimed at defining, establishing, and defending a state of equal political, economic, cultural, and social rights for women. This includes seeking to establish equal opportunities for women in education and employment. A feminist advocates or supports the rights and equality of women. Economic empowerment is a very important component of women’s social and economic development. Economic empowerment is one of the most effective means for organizing women who can be brought together only on the basis of felt needs.
Economic empowerment refers to earning power, collective bargaining for economic gains, control over means of production, involvement in decision making regarding economic aspects and development of skills in management and it implies a process of redistribution of resources and power between different groups. It helps in building confidence, self-assertion and courage. Today women can actively contribute to the promotion of economic development in different capacities, namely, house-wife, mother, labourer, officer, and scientist, executive. With the spread of education, training and technology, their mobility has been increased and they are coming out of their shells to do different works to raise the living standards of their families. As a nation, India is committed to the empowerment of women. Though woman is regarded as “the unsung heroine who works from dawn to dusk”, yet it is unfortunate that even the ignorant and worthless men had been enjoying superiority over women which they do not deserve and ought not to have. As the majority of women lack assets that help contribute to their empowerment and well-being, economic independence through self-employment and entrepreneurial development must be paid attention to. The State governments should implement such policies where women can get trained and start a self-earning. The family members are empowered economically she gets a space in her family where she can get trained and start a self-earning.

Economically productive resources are required for empowerment. Resources such as access and control over land finance where men and women can exercise power and makes them to act as economic agents, however, it is difficult to bring these requirements in broader economic, social and cultural environment. Factors like discrimination in labour market, women’s lack of access to training and technology, stereotypical attitude hinder the progress of man and women’s economic empowerment.

7.2 Social Empowerment

Social empowerment of men and women deals with empowerment at the level of family, community and at personal level which includes psychological and physical health of a women. Equal access to education for women and girls will be ensured. Special measures are being taken to eliminate discrimination, universalize education, eradicate illiteracy, create a gender-sensitive educational system, increase enrolment and retention rates of girls and improve the quality of education to facilitate life-long learning as well as development of occupation/vocation/technical skills by men and women. Reducing the gender gap in secondary and higher education would be a focus area. Spectral time targets in existing policies are achieved, with a special focus on girls and women, particularly those belonging to weaker sections, including the Scheduled Castes/Scheduled Tribes/Other Backward Classes/Minorities. Gender sensitive curricula would be developed at all levels of educational system in order to address sex stereotyping as one of the causes of gender discrimination. The agenda is framed around two main themes that respond to different aspects of such questions: Social Policies for Inclusive and Sustainable Development and Politics and Institutional Dynamics of Social Development. The use of Indian and alternative systems of medicine will be enhanced within the framework of overall health infrastructure available for men and women. In view of the high risk of malnutrition and disease that women face at all the three critical stages viz., childhood, adolescent and reproductive phases, focused attention would be paid to meeting the nutritional needs of women at all stages of the life cycle.
Women’s participation will be ensured in the planning, delivery and maintenance of such services. Women’s perspectives are included in housing policies, planning of housing colonies and provision of shelter both in rural and urban areas. Special attention is given for providing adequate and safe housing and accommodation for women including single women, heads of households, working women, students, apprentices and trainees. Women are involved and their perspectives reflected in the policies and programmes for environment, conservation and restoration.

7.3 Political Empowerment:

Political empowerment of gender equality can be defined as increasing the participating of women in legislative assemblies, their decision power in these assemblies, the ability of women to publicly voice their opinions and to affect the compositions of legislative assemblies. The position of women in politics has always been marginal. Their participation in political life has been negligible all along and only a few Countries have crossed 33 per cent representation of women in their parliament. Political empowerment of women has been an agenda for many political parties. Keeping this agenda as central focus measures have been enforced, such as reservation for women in the democratic process form the grass root level to the Parliament. When India become a Sovereign Republic, the first Loksabha had only 22 women through there was no dearth of suitable candidates at the time; the Second Loksabha had 27 women, in third and fourth it was 34 and 37 women members in Loksabha. There was a sharp decline when Indira Gandhi was at the peak of her career and only 22 women were selected to the fifth Loksabha. In seventh Loksabha has grown up to 28. This situation improved somewhat and the figure went up to 44 women in eighth Loksabha. Again in ninth Loksabha the situation went down and in the tenth, eleventh, twelfth and thirteen Loksabhas it went little up and gain in 14th Loksabha (2009) elections 59 members have been elected as members of Parliament which is the highest since Independence. In the Parliamentary election in (2009), there were 59 candidates who won the election.

In the current elections (2014), 61 women have secured seats in Loksabha. This is the highest ever number of seats won by women ever and comprises 11.23 per cent of the total 543 seats. The lack of women’s participation in political decision making has important consequences. It deprives women of important rights and responsibilities as citizens, and excludes their perspectives and interests from policy making and decision making. Their voices are missing from key decisions on national budgets and setting of government priorities. Their skills and viewpoint often remain unheard, underrepresented or ignored. We have many schemes, many programs for the purpose of women empowerment at every stage of administration, all we need is a good system and agencies for the implementation of these policies and programs. And if we can build up that system, if we can implement these programs then the goal of women empowerment can be achieved very easily through these programs.
VIII. Conclusion:

Amid the hype the Sangh Parivar created on conversions during the last leg of 2014, one issue that got undermined was the virtual scrapping of the Self-Help Group (SHG) scheme. Under normal circumstances, the statement, which ironically came from a woman, entrusted with the responsibility of women and child development, against a scheme aimed at women empowerment, would have earned a lot of flak from Women’s Organizations. The government seems to have decided to modify the Rashtriya Mahila Kosh (RMK), a scheme providing credit facilities to NGOs for further lending to SHGs. The move is seen as another initiative of the Modi government to rename existing schemes\textsuperscript{18}. The massive response to the Pradhan Mantri Jan Dhan Yojna is also a pointer to the lack of banking services the people in villages suffered from. Statistically, more than 87 per cent of India’s poor do not have access to easy credit from banks. They take loans from money lenders, who charge interest ranging from 48 to 120 per cent per annum, which makes India one of the best places for micro-finance. In fact, the World Bank calls South Asia the “cradle of micro-finance” with India as a major player. During the last three years, micro-finance institutions (MFIs) have raised `20 billion as equity and `240 billion as loan funds from banks. True, they also created some scams as in Andhra Pradesh. Nonetheless, a Credit Rating Information Services of India Limited (CRISIL) report has predicted that the micro-finance sector is expected to grow at a compounded annual rate of 35 per cent with a net worth of Rs. 450 billion by March 2017. The predominant method of micro-credit in India is lending through SHGs. People, mostly women from same financial background affected by similar circumstances experience, disadvantage or discrimination join hands to support one another to change the existing circumstances. Treating men and women on an equal pedestal with men in a male-dominated society, where they are not even allowed to step out of their house is an entirely naive approach. However, the studies that attempt to quantify the impact of SHGs on economic social and political empowerment of men and women are scanty. Hence, the issues such as how helpful SHGs are to the members to achieve economic, social, political and psychological empowerment and what kind of social and economic impact they can produce are to be intensively researched.

IX. References


