

# **Women Empowerment through Self Help Groups (SHGs) An Empirical Study**

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## **ABSTRACT**

The major form of Micro Finance in India is based on an evaluation of women's Self Help Groups (SHGs). The present study attempts to show the impact of SHGs on improved lifestyle of poor women in Ghatkeser, Ranga Reddy District, A.P, the awareness and business opportunities for women in that society. Groups were evaluated in relation to their contribution to gender development. The study evidenced that women perceived changes in their identity towards working collectively to influence for change at the village and panchyat levels. Savings in micro finance has been seen as a beneficial option both from a social and financial standpoint. "Self Help Group" is a tool to remove poverty and improve the rural development (Sabyasachi Das. 2003).

Key words: SHGs, Gender, Microfinance, Women Empowerment, and Lifestyle.

## **Introduction:**

This article defines "empowerment" as a multi-dimensional social process that helps people gain control over their own lives. Empowerment can therefore be described as a process that fosters power in people for use in their own lives, their communities and in their society, by acting on issues they define as important. the system was pioneered by Professor Yunus (Bangladesh) in 1976, where micro-finance originated; female empowerment has spurred higher women's education. Even if micro-finance does not create instant poverty reduction, it creates profound social and gender changes. Micro Finance is the term used for funding poor families with very small loans to improve their livelihood but its activities grow more than providing small loans and it discusses a broad range of services which includes credits, savings, insurance, etc. Since poor families are not accustomed to the traditional form of financial institutions and hence they hesitate to approach and by that they are lacking in financial support and hence the scope of micro finance is very wide and its scope is highly essential to the welfare of poor family.

Microfinance refers to the provision of financial services to low-income clients, including consumers and the self-employed. The term also refers to the practice of sustain ably delivering those services. More broadly, it refers to a movement that envisions "a world in

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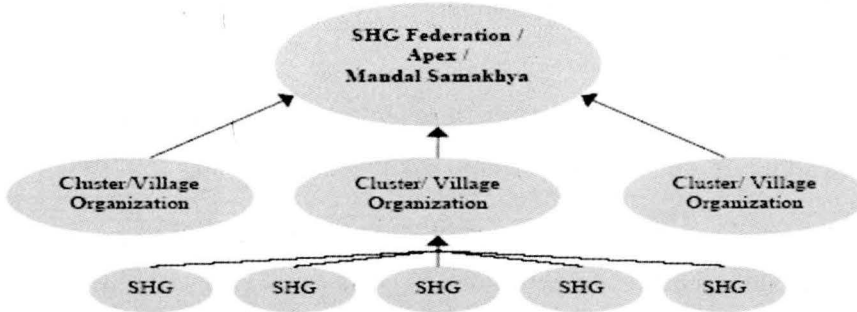
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which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers.” Those who promote microfinance generally believe that such access will help poor people out of poverty.

A type of banking service that is provided to unemployed or low-income individuals or groups who would otherwise have no other means of gaining financial services, ultimately, the goal of microfinance is to give low income people an opportunity to become self-sufficient by providing a means of saving money and borrowing money.

Model OF SHG:



As already described, SHG Federations have presented some key benefits to SHGs as a result of their greater scale. Increasingly, SHG Federations are being seen as a key interface with the SHG movement because of their formal registration under the MACS and recognition from bankers. But, in addition to the benefits of SHG Federations, there are some drawbacks, or constraints, that should be noted.

The SHG model used by MFI was originally developed at the former Bank of Madura. Each group consists of 15 to 20 women, from the same village but each from different families. Immediately after formation the women choose a representative who will maintain the accounts and take charge of handling cash transactions. Before they can be deemed credit ready each group must go through a one-year training program that involves two meetings each month. The first meeting of each month is spent in training the women in accounting practices, book keeping, basic banking and saving methods. The second meeting of each month is utilized to build the concept of self-help and community involvement. These sessions are varied and are divided between training related to entrepreneurship and business and social issues such as health and education. While some of these meetings are less structured, many of the sessions utilize fictionalized films followed by discussions. After six months of training, the groups are graded and, if found satisfactory, become eligible for a short-term loan with a repayment period of six months. This loan is used to assess the ability of the group members to make the monthly payments. At the end of the second six months, the groups are graded once more to determine their eligibility for the larger activity term loan with a repayment period of four or five years. The grading is an extensive

process that assesses various factors including their handling of money over the past year, their knowledge of accounting and banking processes, their intentions for use of the loan, and most importantly, the cohesiveness of the group, an important factor that strongly influences repayment success. MFI views its SHG members as integral to the overall development of the rural economy and maintains a relationship with the groups well past the repayment of the loan.

While MFI provides one of the most comprehensive training programs in the country, it does so with a high level of operational efficiency. Today MFI can boast of the lowest operational costs in the country, a benefit that is passed on to its members in the form of lower rates of interest from the lending partner.

### **Functions of SHGs**

- Create a common fund by the members through their regular savings.
- Flexible working system and pool the resources in a democratic way.
- Periodical meeting. The decision making through group meeting.
- The loan amount is small and reasonable. So that easy to repay in time.
- The rate of interest is affordable, varying group-to-group and loan-to-loan. However it is little higher than the banks but lower than the moneylenders.

### **Review of Literature:**

Money lending rates in fourteen countries in Asia, Latin America and Africa concluded that 76% of moneylender rates exceed 10% per month, including 22% that exceed 100% per month. Over the past centuries practical visionaries from the Franciscan monks who founded the community-oriented pawnshops, European credit union, (Friedrich Wilhelm Raiffeisen) and the founders of the micro credit movement in the 1970s (such as Muhammad Yunus) have tested practices and built institutions designed to bring the kinds of livelihood opportunities and risk management tools that financial services provide to the doorsteps of poor people. Although much progress has been made, the problem has not been solved yet, and the overwhelming majority of people who earn less than \$1 a day, especially in the rural areas, continue to have no practical access to formal sector finance. Globally Microfinance has been growing rapidly with \$25B currently at work in microfinance loans it is estimated that the industry needs \$250 billion to get capital to all the poor people who need it. At national level micro-finance loans total came to 80 million, some borrowers have multiple loans, so net beneficiaries may total 60 million households. This is more than the 55 million poor households, and more than a quarter of India's 220 million households (S. Anklesaria Aiyar, July 2009). Thus the challenge is more acute the industry has been growing rapidly and there have been concerns that the rate of capital flowing into microfinance is a potential risk

unless managed well. (Source: Article, Micro finance, Micro credit and social performance by Prof. David Costa, March, 2009). SHGs enhance the equality of status of women as participants, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life. (Ritu Jain 2003). The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, group cohesiveness, sprit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity building and empowerment (N.Lalitha).

### **Research Methodology:**

This study is based on both Primary and Secondary data. The primary data is in the form of Questionnaire and followed by the Interview based on the objectives of the study. Questionnaire consists of 10 questions which is collected from three self help groups selected for the study and each group consists of 10 members. Group of Ghatkesar district. The group consists of combination of BPL (Below Poverty Line) and others women members. Sample size of 30 members and also interviewed the President of the Groups. Secondary data is from statistics report of NABARD, Journals, various articles, books etc.

### **Objectives of the study:**

1. To Study the impact of SHGs in Improving Lifestyle of women and poor people.
2. To Study the Extent of Women Empowerment after joining the SHGs.

### **Hypotheses of the study:**

H1 There is a considerable improvement in the Lifestyle of the women and poor people after joining the SHG.

### **Scope of Study:**

The scope of the study is wide from a concept point of view because it covers major aspects of Micro finance. However, from an empirical point of view the scope of the study is narrow. The study explores improved Lifestyle of women and poor people who are the members in SHGs. Time period of the study is March 2009 to August 09.

### **Analysis of the Study**

The Self Help Group system in India was initiated by NGO's and is used for financial intermediation both by Indian commercial banks and by Micro Finance Institutions. By April 2001 some 2, 85,000 SHGs had taken loans from 41 Indian commercial banks, 166 regional rural banks and 111 co-operative banks. The average loan per group was about Rs 18,000 and the average loan per member was Rs. 1,100 or just under twenty-five dollars. During the year 2000-2001, 171,000 SHGs took loans, of which 149,000 were first time borrowers. (NABARD, Micro-credit Innovations Department, personal communication).

NABARD forecast by 2008 about one million SHGs would be taking loans from banks, with a total membership of around seventeen million people. This estimate was based on a forecast of 50,000 SHGs taking loans in 2001-2002, rising to a rate of 110,000 per year from 2005 onwards. One of the main reasons for the popularity of SHGs is poverty alleviation tool, and the members are getting benefited by these groups where there is no need to keep any security to get loans from the group, it is flexible in taking loans and also repaying loans.

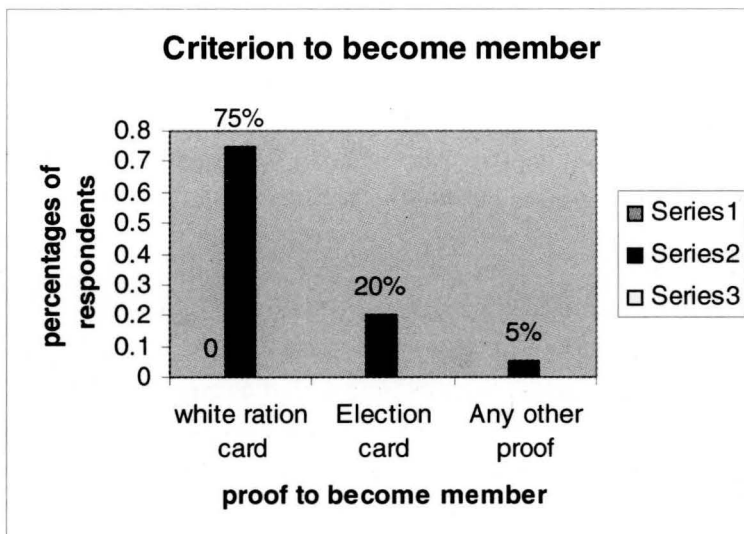
**Following are the results from the primary data collected from the respondents:**

**Criterion to become a member:** To become member in the SHG one should have White Ration card or Electoral ID cards or any other proof like own house, these people are given membership in the group and they have to open bank account with the bank through the president of the group. Only one woman from the family is eligible to become the member in that group. The following table 1 shows the details of respondents who became members in the SHG.

Table 1  
Criterion to become a member

Proof to become a member	Percentage of respondents
White ration card	75%
Election card	20%
Any other proof	05%

Figure 1

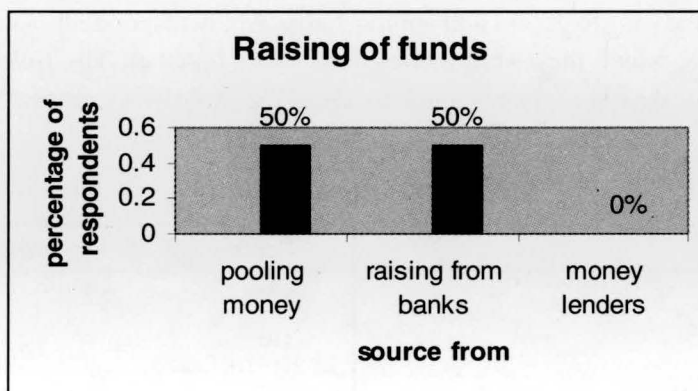


**Rising of funds:** initially the funds are raised by pooling money from the members as per the capacity of the group e.g. (Rs.100 or Rs 150) per month and kept with the president, who ever the group member wants to use for any urgency it will be given and time will be mentioned to repay back the amount, any default by any member the loss will be borne by the remaining members. After one year or two once the group is established the president will approach the bank for further loans. From the following table and figure 2 shows the details of the respondents who have got loans banks and others who are still waiting to complete the minimum period.

Table 2  
Raising of funds

Source from	Percentage of respondents
Pooling money	50%
Raising from banks	50%
Money lenders	0%

Figure 2

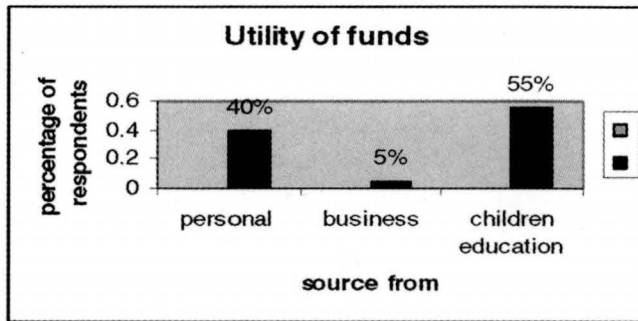


**Utility of funds:** Respondents of the group said, most of them used funds for children education, personal loans and others have used to set up small business in the house. The respondents who are the members for long time they have benefited by purchasing small piece of land and little of gold and starting up of joint business they come under 5% category. The following table and figure 3 shows the details of utility of funds.

Table 3  
Utility of funds

Funds utilized	Percentage of respondents
Personal	40%
Business	05%
Children education	55%

Figure 3

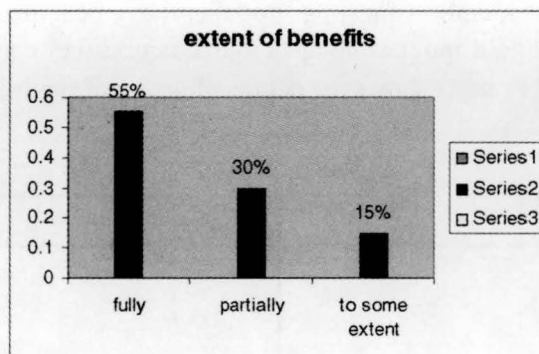


**Extent of benefits out of SHGs:** respondents who have benefited fully are (55%) in giving education to their children, taking decisions in house hold activities regarding money matters. By improving their standard of living in accordance with the society. Some respondents have benefited partially are (30%) which requires for them some time to improve. Others who are not sure about their improvement are said to some extent are (15%). They prefer to be life members in the group rather than in any other Institutions, due to flexibility in getting loans and easy to access and approachable. Many respondents said that they have repaid their loans, which they were indebted for years together. The following table and figure 4 shows the details of the respondents about their benefits received from the SHGs.

Table 4  
Extent of benefits out of SHGs

Benefited	Percentage of respondents
Fully	55%
Partially	30%
To some extent	15%

Figure 4



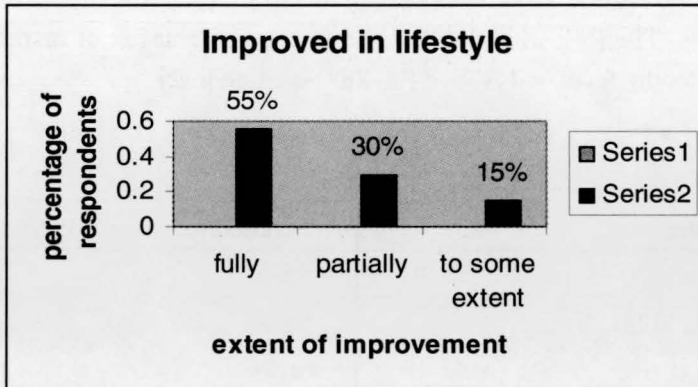
**Improvement in the Lifestyle:** The respondents felt happy about the SHGs, as they have improved in many ways, e.g. For illiterates, groups have given coaching in how to write their name and do signature, by conducting meetings they have educated awareness of many other things related to their life and well being.

**Improvement in the Lifestyle**

Table 5

Extent of improvement in lifestyle	Percentage of respondents
Fully	55%
Partially	30%
To some extent	15%

Figure 5



**Extent of Women Empowerment after joining the group:** Regarding women empowerment 40% of the respondents felt fully and remaining 36% said partially and 24% respondents feel they are empowered to some extent. but those who are widows and divorcées they are happy with the scheme, that they need not depend either on their parents or on their parent-in-law, in fact they feel it is a boon for them to become a member in the SHGs.

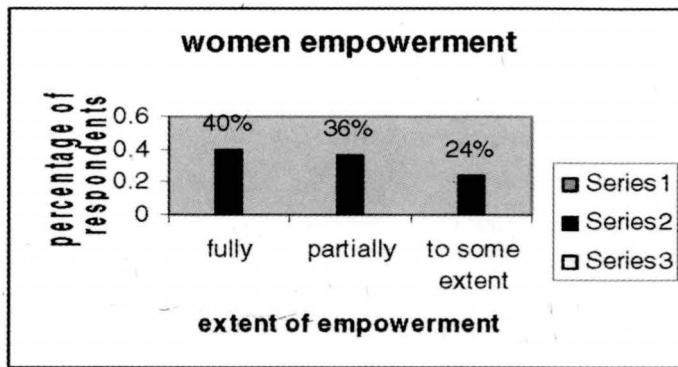
**Extent of Women Empowerment after joining the group**

Table 6

Extent of women empowerment	Percentage of respondents
Fully	40%
Partially	36%
To some extent	24%



Figure 6



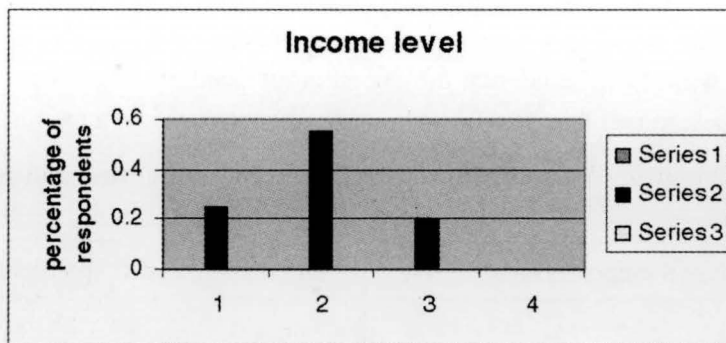
**Income level of the members:** the income level of the members are varies from month to month as they are not sure of their earnings, so most of them said their average income for the month would be Rs 3000 to Rs 4000 as their family total income. Most of them work under daily wages. The following Table 7 shows the percentages of respondents who are below Rs 2000 income level and Above Rs 4000 income level.

**Income level of the members**

Table 7

Level of Income	Percentage of respondents
Rs 2000 to Rs 3000	25%
Rs 3000 to Rs 4000	55%
Above Rs 4000	20%

Figure 7



**Time taken to come out of Poverty situation:** SHGs started with loans of Rs 3000 in the first year, going up to Rs 4,000 in the second year, and so on. But now some SHGs start with

Rs 10,000, go up to Rs 15000 the next year, and so on, with this kind of loan facility, respondents said minimum period without any discontinuation poor member can come out of poverty line after two years which is very slow process and further steps to be taken.

**Maintaining books of accounts:** The president of the group will maintain books of accounts and conduct meeting once in a week. And all members must be present for the meeting and decisions will be taken with the concern of members, for this the president will be paid a commission of 2% of the loan amount sanctioned.

**Dropouts in the Group:** There will be dropouts in the groups, even after taking many precautions before they join. But on the whole they will be less in ratio, in order to maintain harmony in the group they take the new members in to the group in the name of Old member, through the willingness of remaining members.

**Misappropriation in getting loans:** respondents of the group said that, as the president who looks after the sanctioning of the loans and getting them, distributing among the members, different groups charge different types of interests. Even though they get 25 paise interest, but presidents charge from them for 1.25 paise, but members of group feel that they are comfortable with the group than instead of going to Money lender who charges for higher rate of interest with security. But in SHGs there is no Collateral Security.

### **Conclusions and Suggestions of the Study**

H1 There is a considerable improvement in the Lifestyle of the women and poor people after joining the SHG.....Accepted.

In India still there are 40% of the people who has no bank account out of which 60% are lying in rural areas. Approach to the common people should be fastened and should make flexibilities in obtaining rural credit. This paper has outlined several areas of working with SHGs to further their civil society; the financial status of households had improved due to improvement in access in formal credit institutions, since SHGs are linked with banks. It has enabled women to undertake income generating activities and increased awareness levels about the society. The SHGs system reflects the independence and diversity.

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