



## **The Catalyst Role Of SHGs For Empowerment Of Women**

**Mr.K.BhanuPrakash**

M.Com.,M.Phil.,(Ph.D.) SAP FI/CO & HR Consultant

Associate Professor

KLUniversit B-School, Vijayawada

**Dr.A.Kondaiah Swamy**

Lecturer in CCP, Government Polytechnic for Women

Nandigama Krishna District, Andhra Pradesh, India

### ***Abstract:***

*Empowerment of women is an essential part of human resource development. Self-Help Groups are one of the catalysts for empowering women in advanced countries after the Second World War. In India, the scheme of Self Help Groups (SHGs) is pioneered in the era 1982-83 for systematically organizing women in groups and for providing them opportunities of self-employment on a sustained basis.*

*Thousands of rural women from the length and breadth of the country participated in this program, and take up a number of trades under the Self Help Group placard. Women participation in self-help groups has to be more meaningful and to be effective. There should be avenues for savings, investments and credit for them. The objective should be socially empower women so that their role as mothers could be played with better results. Poverty alleviation is the ultimate goal of SHGs. Keeping in view the afore cited objective, Vikram Akula set up the first micro finance SKS Microfinance Pvt. Ltd. (SKS) in 1998, a new micro financing model in India, which is profitable and self-sustaining to provide microfinance to the poorest sections of the Indian society that earns a per capita less than INR 6,000 (\$120) per year. The SHG movement in India in general and Andhra Pradesh in particular, has metamorphosed the rural economic scenario perceptibly. This paper articulates the role SHGs for Empowerment of Women and covers the problems and perspectives of Self Help Groups in India exclusively in Andhra Pradesh.*

**Introduction**

The term 'Women Empowerment' means "Redistribution of social power and control of resources in favour of women. Empowerment is a multi-faceted process which encompasses many aspects i.e. enhancing awareness, increasing access to resources of economic, social and political etc."<sup>1</sup> In recent years women empowerment has become a subject of great concern for the nations all over the world especially in poor and developing countries.

Empowerment by way of participation in SHG can bring enviable changes and enhancement in the living conditions of women in poor and developing nations. Self Help Group (SHG) is a process by which a group of 10 – 20 women with common objectives are facilitated to come together voluntarily to participate in the development activities such as saving, credit and income generation thereby ensuring economic independence. The principles underlying the SHGs are financing the poorest of the poor, and achieving holistic empowerment.

SHG phenomenon certainly brings group consciousness among women, sense of belonging, adequate self confidence. Self-help groups are started by non-profit organizations (NGOs) that generally have broad anti-poverty agendas. Self-help groups are seen as instruments for a variety of goals including empowering women, developing leadership abilities among poor people, increasing school enrolments, and improving nutrition and the use of birth control.

Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective.<sup>2</sup> Participation of women in collective activities through SHGs address the strategic needs. In the process, it aims to empower women with several forms viz., socio, economic and psychological.

*Psychological Empowerment*

The participation of women in SHGs enables them to rise up psychologically in any socio cultural and economic environment which is an essence for women empowerment. Empowerment as a concept was introduced at the International Women's Conference at

---

<sup>1</sup> . International Women's Conference held at Nairobi, 1985.

<sup>2</sup> . Stuart Rutherford. Self-help groups as microfinance providers: How good can they get? Mimeo, 1999, p. 9

Nairobi in 1985. The various psychological benefits include self-consciousness, self-esteem, self-reliance, an awareness on rights, privileges, roles and responsibilities; positive attitude, risk taking ability, power to face challenges in daily life, updating knowledge, relieving from stress and strain leading to a contentment in all walks of life.

#### *Social Empowerment*

The women who actively take a part in SHGs have the benefit of plethora of social benefits including an awareness about societal basic needs and wants, welfare needs of community, participation in public and political life, role in family decision making on important matters, plan and promote for better educare, medicare, and health care of children and needy, helping weaker sections of the society as well as handicap and also able to resist social evils like dowry, aggression against women, gender discrimination and other social injustice in the family as well community, sense of responsibility for collective action and solidarity etc.

#### *Economic Empowerment*

The members of SHGs are really privileged to enjoy many economic benefits include economic independence, economic sovereignty, pooling up of savings to meet long-term needs, improving economic skills for income generation, able to meet education as well as health care needs of their families in turn accumulate economic assets and strong enough to meet up unexpected economic and financial challenges.

### **The Genesis And Growth Of SHGs In India**

Self-help, mutual aid and reciprocal support have benefitted members of Indian human society in ancient times. The Self-Help and support Group (SHG) phenomenon occupy an important role among wide array of groups' viz., psychotherapy groups, educational / didactic groups, focal-group therapies, social and recreational groups and task groups of all kinds.

SHGs have taken the form of a movement for women's social development in India. As a group-oriented model, SHGs in India is a mechanism for women's development to bring in individual and collective empowerment through improvement in both 'condition' and 'position' of women. SHGs in India are primarily micro-credit groups and the direct objective of micro-credit is to improve the 'condition' of women. Women are organized as collectives towards the overall goal of achieving gender equality as well as sustainable, comprehensive community development.

Early in the 20th Century laws were passed to create cooperative financial institutions to serve people living in rural areas. Following independence in 1947, much of India's financial sector was nationalized. Part of the rationale was to ensure access to finance to a much larger number of Indians, especially those living in rural areas. As a further effort to reach rural areas, India established a specialized class of Regional Rural Banks in the 1970s. And in the 1980s social entrepreneurs created the Self-Help Group (SHG)-bank linkage program, whereby commercial banks were encouraged to lend funds to groups of 10 to 20 women.

Indian SHGs were initially formed as a means to extend training and other nonfinancial services to rural areas; some also mobilized savings and made loans to members. But through the bank linkages program, the SHG model began to incorporate credit from the banks thus allowing for much larger lending volumes. Today there are 4.5 million SHGs receiving credit nationwide, with 58 million members.

A Self-Help Group (SHG) is a registered or unregistered group of micro entrepreneurs having homogenous social and economic back grounds; voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. Also, it is a group of people who pool in their resources to become financially stable by taking loans from the money collected by that group and by making everybody of that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment.

This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by microfinance institutions.<sup>3</sup>

The Self Help Group (SHG) in India has come a long way, since its inception in 1992.

The spread of SHGs in India has been phenomenal. It has made dramatic progress from 500 groups in 1992 to 6, 18,456 groups that have taken loans from banks. About 24.25 million poor households have gained access to formal banking system through SHG-bank linkage programme and 90% of these groups are only women groups (NABARD2005).

The NABARD (2006) homepage declares that more than 400 women join the SHG movement every hour and an NGO joins the Micro- Finance Programme every day. The spread of the SHGs is highly concentrated in the southern part of the country with very

---

<sup>3</sup>. Reserve Bank Of India on 'Self-Help Groups (SHGs)'.

few in the north and the east. Over half a million SHGs have been linked to banks over the years but a handful of States, mostly in South India, account for almost 60% of this figures (NABARD 2005).

Andhra Pradesh has over 42%, Tamil Nadu and Uttar Pradesh have 12% and 11% SHGs respectively, and Karnataka has about 9% of the total SHGs. Since the advent of SHG in India, it's growth rate has been very low in the states of Rajasthan, Bihar, Uttar Pradesh, Madhya Pradesh, Orissa and union territory of Andaman Nicobar Islands where the status of women

#### Coverage Of Women SHGs In India

The details of total number of women SHGs Savings Linked, Credit Linked and Loans Outstanding for 2009-10 are presented in the following Table- 1.

Type of SHG	Year	Total SHGs	
		No of SHGs	Total Amount (Rs. In crores)
Savings Linked	2009	6121147	5545.62
	2010	6953250	6198.71
Loans Disbursed	2009	1609586	12253.51
	2010	1586822	14453.30
Loans Outstanding	2009	4224338	22679.84
	2010	4851356	28038.28
Type of SHG	Year	Exclusive Women SHGs	
		No of SHGs	Total Amount (Rs. In crores)
Savings Linked	2009	4863921	4434.03
	2010	5310436	4498.66
Loans Disbursed	2009	1374579	10527.38
	2010	1294476	12429.37
Loans Outstanding	2009	3277355	18583.54
	2010	3897797	23030.36

Type of SHG	Year	Percentage of Women SHGs To Total SHGs	
		No of SHGs	Total Amount (Rs. In crores)
Savings Linked	2009	79.5	80.0
	2010	76.4	72.6
Loans Disbursed	2009	85.4	85.9
	2010	81.6	86.0
Loans Outstanding	2009	77.6	81.9
	2010	80.3	82.1

Table 1: Savings Linked SHGs

Source: NABARD

It may be seen that of the total number of savings linked and credit linked SHGs, exclusive women SHGs with banks were 76.4 per cent and 81.6 percent respectively. Further, the percentage of loans outstanding of exclusive women SHGs to loans outstanding of total SHGs which was 81.9 per cent as on 31<sup>st</sup> March, 2009 has increased to 81.2 per cent as on 31<sup>st</sup> march 2010.

Total number of SHGs savings linked with banks	69.53 lakh
Out of total [of which] exclusive Women SHGs	53.10 lakh
Out of total [of which] -SGSY SHGs	16.94 lakh
Total number of SHGs credit linked during 2009-10	15.87 lakh
Out of total [of which] exclusive Women SHGs	12.94 lakh
Out of total [of which] -SGSY SHGs	2.67 lakh
Total number of SHGs having loans outstanding as on 31 March 2010 :	48.51 lakh
Of which exclusive Women SHGs	38.98 lakh
Of which-SGSY SHGs	12.45 lakh

Table 2 : SHG – Bank Linkage Programme – 2010 (Physical)

Source: NABARD

Total Savings amount of SHGs as on 31 <sup>st</sup> Mar, 2010	Rs.6198.71 Crores
Out of total [of which] exclusive Women SHGs	Rs.4498.66 Crores
Out of total [of which] -SGSY SHGs	Rs.1292.62 Crores
Total amount of loans disbursed to SHGs as on 31 <sup>st</sup> Mar, 2010	Rs.14453.30Crores
Out of total [of which] exclusive Women SHGs	Rs.12429.37Crores
Out of total [of which] -SGSY SHGs	Rs.2198.00 Crores
Total amount of loans outstanding to SHGs as on 31 <sup>st</sup> Mar, 2010	Rs.23038.28 Crores
Out of total [of which] exclusive Women SHGs	Rs.23030.36 Crores
Out of total [of which] -SGSY SHGs	Rs.6251.08 Crores
Average Loan amount outstanding per SHG as on 31 <sup>st</sup> Mar, 2010.	Rs.57795
Average Loan amount outstanding per SHG Member as on 31 <sup>st</sup> Mar, 2010.	Rs.4128

Table 3 : SHG – Bank Linkage Programme – 2010 (Financial)  
Source:www.nabard.org

### The Movement Of SHG In Andhra Pradesh

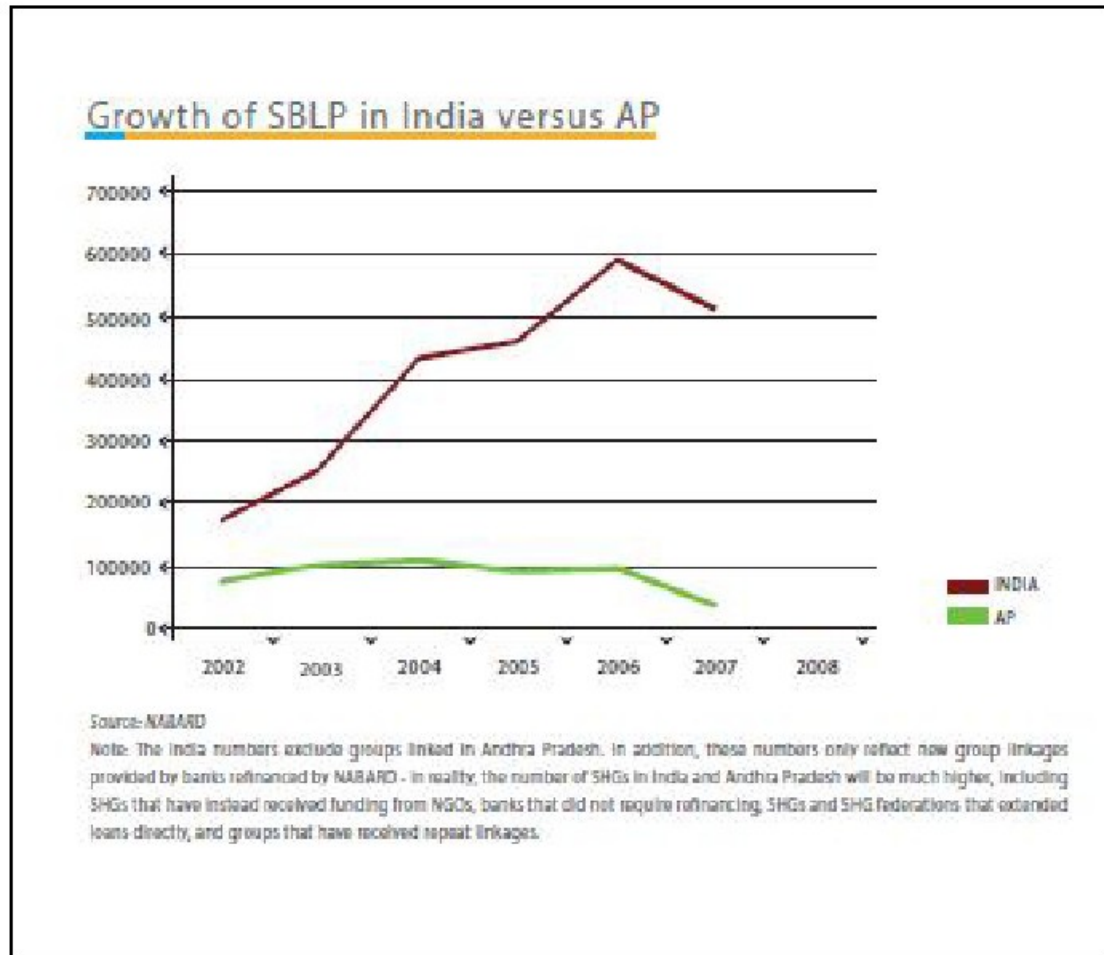
Andhra Pradesh is India's fifth largest State with a population of 76 million of which 3/4<sup>th</sup> live in 26500 rural villages. The origin of Self Help Groups in Andhra Pradesh can be traced back to government-led attempts to form "Self Help Groups (SHGs)," or groups of 12 to 20 (mostly) women which collect regular savings from members and make loans internally to members. The government first formed SHGs through the Development of Women and Children in Rural Areas (DWCRA) program. Nationally, 2,73,000 groups (2.73 lakhs) were formed under the program until its absorption into the larger Swarnajayanti Gram Swarajgar Yojana (SGSY) program in 1999. However, the formation of SHGs on a large scale did not take until the creation of the SHG-Bank Linkage Program (SBLP) in 1992. Under the program, India's apex agricultural development bank, the National Bank for Agriculture and Rural Development (NABARD) provided a set of incentives for banks to lend to SHGs that adhered to certain guidelines, such as collecting regular savings from group members. In 2000, SHG promotion in Andhra Pradesh was massively expanded with the launch of the 5-year

Andhra Pradesh District Poverty Initiatives Project (APDPIP). The program, known locally as Velugu, was modeled after an earlier program led by United Nations Development Program.<sup>11</sup> The initiation of this program marked a watershed for micro finance in the state.

The formation of SHGs increased immensely and the SHG movement was being scaled up in the late 1990s, private micro finance institutions also began entering the state. In 1996, Vijay Mahajan created the MFI BASIX, with funding from the Ford Foundation, the Swiss Agency for Development and Cooperation and the Sri Ratan Tata Trust. BASIX's for-profit model and reliance on loans and equity rather than grants for financing marked a first not just for Andhra Pradesh, but for India as well. Other major MFIs, including SHARE, Spandana, and SKS soon followed suit, converting from non-profit societies to for-profit Non-Banking Finance Companies (NBFCs).

Since 2000, the outreach of private MFIs in Andhra Pradesh has grown at a frenetic pace, with the total number of borrowers more than doubling each year. In 2005, several of the fastest growing MFIs in the world were based in Andhra Pradesh. At times, this explosive growth has led to tension between MFIs, the clients they serve, and government officials. In 2006, Andhra Pradesh was the site of the first large-scale confrontation between micro finance borrowers and MFIs in the country. Borrowers in two districts of Eastern Andhra Pradesh (Krishna and Guntur) protested against what they claimed were exorbitant interest rates and unfair business practices. Local bureaucrats quickly intervened, shuttering several MFI offices and publicly stating that borrowers need not repay loans. While the crisis was eventually resolved and an agreement was finalized between the MFIs and local government officials.





*Table 4: SHG – Bank Linkage Programme – Andhra Pradesh (2010)*

*Source : Centre for Micro Finance, IFMR Research*

Today there are more than 25 lakh SHGs in the country, ninety percent of them are women Self-Help Groups. There are about 4.65 lakhs women SHGs in Andhra Pradesh covering nearly 61.70 lakhs poor women. Andhra Pradesh alone has about half of SHGs organized in the Country. Since inception, an amount of Rs.1556.90 crore is mobilized as corpus by these groups.

#### **An Overview Of Savings, Outstanding Principal, Dropouts In SHGs**

Regular savings, the defining aspect of SHGs was overwhelming strong in Andhra Pradesh. The primary component of SHGs is regular savings. From these savings groups generate a common pool through which they can extend emergency loans and avail bank loans. Almost all groups (99%) reported collecting regular savings. About

96% collect Rs.50 in savings per individual per month, while 4% of groups save weekly at an average of Rs.17 per week (Rs.66 monthly).

Indebtedness to SHGs in rural Andhra Pradesh is quite high as 224% implying that each household below the poverty line penetrates the microfinance arena.

SHG Memberships by individual members seem to be driven by credit need. The majority of SHG Members had an outstanding loan.

<b>Membership Years</b>	<b>Average Principal</b>	<b>Median Principal</b>
0-5 Years	Rs.7965	Rs.5000
6-10 Years	Rs.10855	Rs.9000
10+ Years	Rs.13211	Rs.10000

*Table 5 : SHG – Members' Principal Outstanding By Duration of Membership*

*Source : Centre for Micro Finance, IFMR Research*

Regular group meetings were common, despite the fact that many groups had not received a follow-up of a loan. Reports of dropouts and defaults were limited.

<b>Reason</b>	<b>Percentage</b>
Repayment Problem	34%
Moved	32%
Old Age	23%
Group Conflict	9%

*TABLE : 6:Reasons for Drop Outs among SHG Member in A.P.*

*Source : Centre for Micro Finance, IFMR Research*

Nearly 74% of groups had no drop out members. The mean age of groups with no dropouts was 4.4 years. While the age of those with one or more dropouts was 7.9 years. The top reasons for dropping out were repayment problems and members moving to new locations. A large number (88%) of groups have had no member defaults. Only 2% of groups have seen a member default and dropout of the group.

Although groups were overwhelmingly government-formed, most members did not receive SGSY Subsidies. 95% of SHGs were government-formed and these were formed under DWCRA or Velugu programmes. Of these, only 2% received SGSY subsidies. The average individual subsidy received amounted to Rs.12,739. Interestingly, only 7% of rural members reported that politicians had approached their groups to ask for political support.

Group credit was overwhelmingly extended by Public Sector Banks. Over 50% of group loans were issued by Public Sector Banks followed by RRBs at 28%. These numbers align with industry calculations of 2009 bank linkages which estimate that Commercial Banks issued 55% of group credit while RRBs issued 27%.

### **Final Note**

Self-Help Groups form the basic constituent unit of micro-credit movement in India. The empowerment of women through SHGs would lead benefits not only to the individual woman and women groups but also the families and community as a whole through collective action for development. SHG programmes create a silent revolution in the lives and status of the women particularly in rural areas these create a movement for women's solidarity and protect their interests and needs. E- Book-keeping also enable SHGs to record and maintain transactions of SHGs in a more simple and efficient manner.

Recently, the SKS microfinance fiasco in Andhra Pradesh spotlights on events unfolding in India. Beginning with the SKS IPO in summer 2010, and more recently with the ordinance introduced by the State Government in Andhra Pradesh, events have spurred discussion on critical issues at the heart of microfinance. Critical areas related to growth, profits, sustainability, governance, and mission-drift have been raised by the national and international community.

Finally, SHGs should encourage to undertake economic activities /income generating activities for sustainable income to the group and also promote them to form cooperative societies to promote Village, Cottage and Other industries as well as to involve in manufacturing products such as electronic and electrical goods, readymade garments , handicrafts to get a hold of market in Third –World countries , European countries, USA and Latin American countries. In order to promote SHGs for women empowerment Governments and Mass media such can play a significant role by creating awareness in

the public and also among women about the merits, achievements of SHGs the efforts of Government .

Thus, undoubtedly SHGs can be an effective instrument to empower women socially and economically by which the implication on the overall development of women is indisputably possible particularly for a country like India wherein still large segment of women population are underprivileged, illiterate, exploited and deprived of basic rights of social and economic spectrum.

**Reference**

1. G. Sreeramulu ., Empowerment of women through self help groups, Gyan Books, New Delhi, 2008.
2. B. Suguna., Empowerment of rural women through self help groups, Discovery Publishing House, New Delhi, 2006.
3. Linda Farris Kurtz., Self-help and support groups: a handbook for practitioners, Sage sourcebooks for the human services series, SAGE, 1997.
4. Ajai Nair ., Sustainability of microfinance self help groups in India: would federating help?, World Bank Publications, 2005.
5. Elinor Bowles., Self-help groups: perspectives and directions: an instructional guide for developing self-help mutual aid groups, University of Michigan Publications, 2007.
6. U. Jerinabi., Micro credit management by women's self-help groups, Discovery Publishing House, 2006.
7. Sriram, M. S., What Is Wrong With Indian Microfinance?, Forbes India, 21<sup>st</sup> May, 2010.
8. Report of Reserve Bank of India to Study Issues and Concerns in the MFI Sector, Jan 2011.
9. Amit Singh Sisodiya and Ramana Pemmaraju., IPOs : Bulls' Day Out, THE ANALYST, September, 2010.
10. A S Shiralashetti ., Women Empowerment Through Self-Help Groups in Bijapur District: A Study, The IUP Journal of Entrepreneurship Development, June, 2010.
11. Dr. BK Swain ., Managing Poverty through SHGs, Professional Banker, March, 2010.
12. Srabanti Mukherjee ., Initial Marketing Design to Enter the Pickle Business: A Case Study on an Aspiring Women's Group in Hooghly District, The IUP Journal of Management Research, Jan, 2010.
13. Sumit Kumar Chaudhuri and Rupesh Kumar Madhogaria., Vikram Akula's SKS Microfinance Pvt. Ltd.: The Making of a Successful Microfinance Institution, The IUP Journal of Entrepreneurship Development , March, 2007.
14. Shanmukha Rao Padala., Entrepreneurship Development among Women: A Case Study of Self Help Groups in Srikakulam District, Andhra Pradesh, The IUP Journal of Entrepreneurship Development , March, 2007.

15. <http://www.stockholmchallenge.org>
16. <http://www.cgap.org>
17. [www.worldbank.org](http://www.worldbank.org)
18. [www.outlookindia.com](http://www.outlookindia.com)
19. <http://www.microfinancegateway.org>
20. <http://indiamicrofinance.com>
21. [www.nabard.org](http://www.nabard.org)