

Impact of the SHG-Bank Linkage Programme as an impressive factor for Women Empowerment in India

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Abstract

In the changed context of rural development, there is more emphasis on sustainable development and empowerment of women in India which demand micro credit. Empower the women in social, political, economical and legal aspects became necessary to convert the idle society into self-sustainable society. Women empowerment can be achieved through political power, education, employment and SHG. Among these, SHG dominate and fruitful success of the women empowerment. SHG mainly concerned with the enlistment of the women in the society through, social, economical aspects. SHG not only mobilize micro finance and provide micro credit to the needed members but also it provides self employment training, awareness programme, promote the leadership qualities and confidential life to its members. This paper is concerned with empowerment of women and delineates the status of women, and the impact of SHG bank linkage programme on women empowerment.

Keywords: Empowerment, Self Help Group (SHG), Micro Credit, NGO, NABARD

Introduction

Total theme is based on the fact that economy of a nation can be improved only when the quality of life of the citizens of a nation can be effectively improved only by raising the standards of living of the people on the street and in backward areas. Social empowerment in general and women empowerment in particular is very fundamental in achieving this goal. It leads to provide and bring the empowerment to the women In India, at the end of ninth five year pan 26.1% of the population was living below poverty line. In the rural area 27.1% of the population was living under poverty. The overall unemployment rate is estimated to 7.32%. The female unemployment rate is 8.5%. The rate of growth of women unemployment in the rural area is 9.8%.The Govt. of India introduced many various schemes to reduce poverty and to promote the gainful employment. But the more attractive scheme with less

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effort (finance) is “Self Help Group”. It is a tool to remove poverty and improve the rural development.

The importance of women to economic development of India was first recognized during the country’s struggle for independence. Women-owned business has the potential to make significant contributions to Job creation and economic growth, economic empowerment of women changes the balance of power because it allows half the world’s population to contemplate higher goals than basic survival. In rural areas, there is a urgent need of empowering women. The formation of SHGs and microfinance will enhance their socio-economic status in society. Mohd. Yunus, born 1940, is a Bangladeshi banker and the developer and founder of Concept of micro credit. With the help of micro finance, women get small loan for business and it gives them an independent means of generating wealth and becoming self-reliant in a society.



Fig 1: Self Help Groups and Its Concepts

Objective of the study

The study is a humble effort to assess the SELF HELP GROUP BANK LINKAGE PROGRAMME and impact of SHG based micro-finance on socio-economic empowerment of rural women for their development as well as effective functioning of SHGs.

Research Methodology

This is a descriptive research paper; this study is compiled with the help of the secondary data. Secondary data have been finding out by googling in different websites, Books, Journals and Magazines.

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Concept of Empowerment

What do we mean by empowerment? When does the well-being of a person improve? Nobel Laureate Amartya Sen (1993) explains that the freedom to lead different types of life is reflected in the person's capability set. The capability of a person depends on a variety of factors, including personal characteristics and social arrangements. However, the full accounting of individual freedom goes beyond the capabilities of personal living. For example, if we do not have the courage to choose to live in a particular way, even though we could live that way if we so chose, can it be said that we do have the freedom to live that way, i.e. the corresponding capability? Another important point made by Sen (1990) is that for measurement purposes one should focus on certain universally-valued functioning, which relate to the basic fundamentals of survival and well-being regardless of context. Taking the example of universally valued functioning like proper nourishment, good health and shelter, Sen asserts that if there are systematic gender differences in these very basic functioning achievements, they can be taken as an evidence of inequalities in underlying capabilities rather than differences in preferences. Anna's (1993) explains that two actual norms for human life exist globally: in no society is it indifferent to the shape of one's life and what one can make of it, whether one is a man or a woman. One's sex may close some options completely, or make them less available but it always makes a difference to what one's options are over one's life as a whole. According to her, in a traditional society norms for the lives of men and women are enforced strongly and there exists actual division of activities and ways of living. When we look at a society more traditional than our own, we systematically perceive injustice in the ways in which the two norms impose different kinds of life on men and women, however as soon as we position ourselves with regard to a more traditional society it is obvious that injustice results from the existence of two norms. In the feminist paradigm, empowerment goes beyond economic betterment and well-being, to strategic gender interests. As Mayoux (1998) suggests, Empowerment is a process of internal change, or power within, augmentation of capabilities, or power to, and collective mobilization of women, and when possible men, or power with, to the purpose of questioning and changing the subordination connected with gender, or power over. Empowerment can range from personal empowerment that can exist within the existing social order. Thus this kind of empowerment would correspond to the right to make one's own choices, to increased autonomy and to control over economic resources. But self confidence and self-esteem also play an essential role in change. Empowerment signifies increased participation in decision-making and it is this process through which people feel themselves to be capable of making decisions and the right to do so (Kabeer, 2001). Personal empowerment can lead to changes in existing institutions and norms, however, without the collective empowerment the personal empowerment and choices are limited, as Sen explains. The nature of empowerment can be diverse, depending upon the parameters that define the lack of power within the institutional

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framework in operation. North (1990) points out that institutions are humanly devised constraints that shape human behavior and they structure incentives in human exchange, whether political, social or economic. It is the social or cultural environment that results in the varying degree of empowerment of different members of the society and which are broadly determined by not only formal constraints, such as rules of law, but also informal constraints, such as the codes of conduct. Malhotra ET. Al (2002) constructed a list of the most commonly used dimensions of women's empowerment, drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that women's empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. Since these dimensions cover a broad range of factors, women may be empowered within one of these sub-domains. They give the example of "socio-cultural" dimension which covers a range of empowerment sub-domains, from marriage systems to norms regarding women's physical mobility, to no familial social support systems and networks available to women. The World Bank defines empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. Central to this process are actions which both build individual and collective assets, and improve the efficiency and fairness of the organizational and institutional context which govern the use of these assets."⁸³ Thus, as the World Bank (2001) report confirms, societies that discriminate on the basis of gender pay the cost of greater poverty, slower economic growth, weaker governance and a lower living standard of their people. The World Bank also identifies four key elements of empowerment to draft institutional reforms: access to information; inclusion and participation; accountability; and local organizational capacity.



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Fig 2: Concept of Empowerment**Women Empowerment**

Women empowerment became a developing concept, which leads to bring a better society in the world. It providing powers and act them to become independent society builders with potential challenges to the future generation. We cannot omit the women contribution to the socio-economic development of the nation. Empower the women in social, political, economical and legal aspects became necessary to convert the idle society into self-sustainable society. Women empowerment can be achieved through political power, education, employment and SHG. Among these, SHG dominate and fruitful success of the women empowerment. Women's empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. Since these dimensions cover a broad range of factors, women may be empowered within one of these sub-domains. They give the example of "socio-cultural" dimension which covers a range of empowerment sub-domains, from marriage systems to norms regarding women's physical mobility, to no familial social support systems and networks available to women. The World Bank defines empowerment as "the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes. The quality of life of the citizens of a nation can be effectively improved only by raising the standards of living of the people on the street and in backward areas. Social empowerment in general and women empowerment in particular is very fundamental in achieving this goal.

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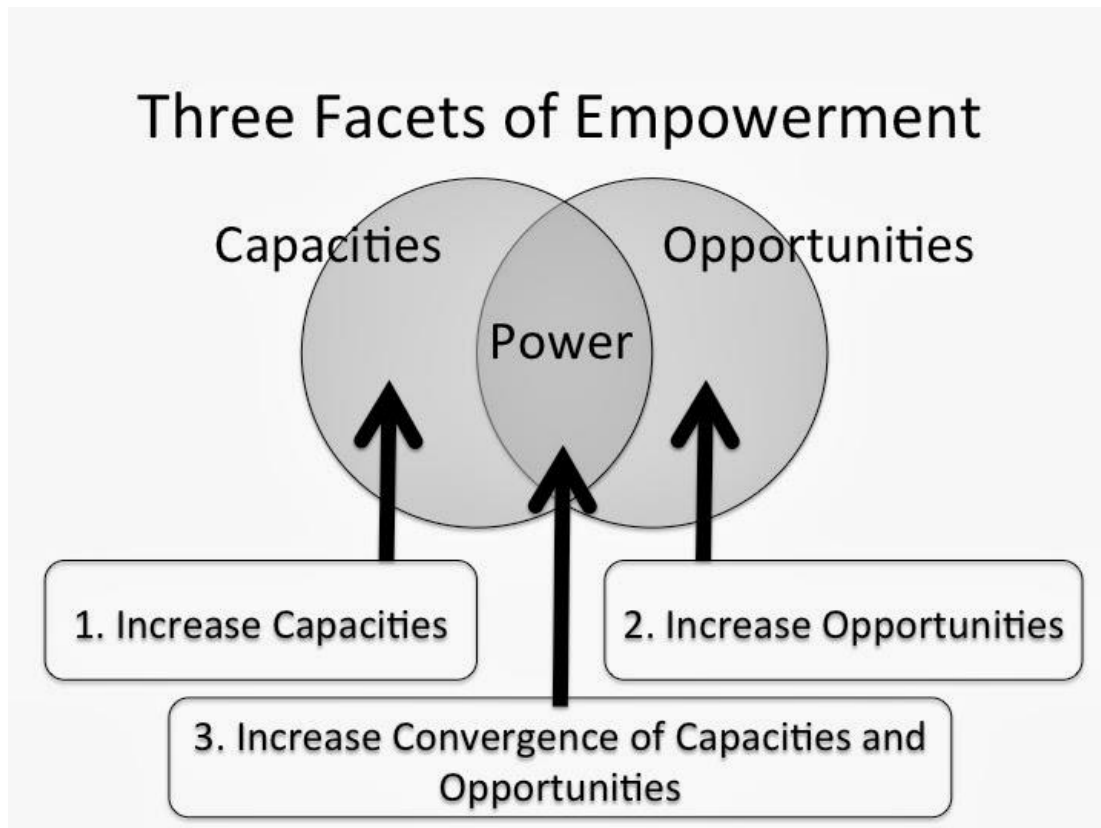


Fig 3: Concept of Women Empowerments and Its Facts

Women Development – Empowerment Paradigms:

Cardin Moser (1989) has identified five paradigms towards women's development in Third World countries (Chart 1). The first paradigm related to welfare approach is based on the traditional view of marking the women's role in development or the basis of customary gender division of labor. The second paradigm came in existence during 1975-85, when the decade was declared as the 'Decade of Women'. This approach was aimed at gaining equity and procuring her as active participant in development process. It further aimed at giving equal opportunities to women even by creating positive discrimination or reservation. The third paradigm was concerned with anti poverty, directed at poor women to ensure and increase their productivity. This is still being followed under the assumption that women's problems arise out of under-development. In this context, the approach of rural development is increasingly confronting itself to the formation of Self Help Groups (SHG's), in stabilizing and linking with viable socioeconomic activities for sustainable livelihood. This is seen as the only solution of poverty eradication, equity and development of women. The fourth paradigm is related with efficiency which depends on the belief that policies of economic stabilization

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and adjustment rely on women's economic contribution to development and their economic participation is seen as a mechanism to achieve equity. The fifth paradigm is empowerment model, which envisages greater.

Paradigms shifts in Development:

The experience of the more than five decades has demonstrated that there is always a possibility to develop but it is not invincible to occur. It is indent a few countries succeeding in rapid economic growth and poverty alleviation, while others not being so successful. Even measured by minimum standard of a dollar a day people living in poverty are about 1.3 billion out which 8 percent poor live in Uttar Pradesh, and the country topping the list in this respect. Many development strategies experimented so far have not yielded the desired results. For more than four decades, development was seen mainly as a measure of economics – increasing the capital stock and improving the allocation of resources. However, the Economists differed in their view of how best to improve resources and to their allocation, and the role government in this exercise. In 1980's, the development strategy shifted from micro management policies to macro economic policies along with adjustment of fiscal imbalances and monetary policies. The collapse of the socialist economies in the world and end the cold war demonstrated the inefficacy of a larger government role in the national economies. The new phase of development thereafter was followed by the policies of (L.P.G.) liberalization, privatization and globalization. However, this concept did not find four in many developing countries and is still at a very nascent stage. The rapid growth of most of the East Asian economies showed that successful development could be accompanied by reduction of poverty, widespread improvements in living standards and even in process of democratization. But for those advocating the technical solutions, the East-Asian countries were deeply disturbing. In most cases, national government played a larger role. They followed some of the accepted technical prescriptions, such as stable macro economic policies. Governments intervened in trade, though more to promote exports than to inhibit particular imports. They regulated financial markets, engaged in mild financial restraint by lowering interest rates and increasing profitability of banks and other financial institutions. There is wide spread recognition that even countries pursuing good economic policies can suffer from the volatility of short term capital flows while the risks and market failures associated with short term capital flows have now become apparent, the benefits especially for countries like those in East Asia with high savings rates remain unproven. The new development strategy takes up the transformation of the society as its core objective to development. It recognizes that an integral part of successful development is the increase in GDP per capital. It first needs to set forth the vision of the transformation, which may embrace certain quantitative goods, such as a reduction in poverty by half or universal primary education, or an increase in life expectancy by ten years, or a fall in crime by 30

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percent but these are elements in or targets for the transformation process, not the vision of the transformation itself. This vision needs to include a view of transformation of the institutions, the creation of new social capital and new regulatory or incentive-mechanisms. The mandatory and Key ingredients in a successful development strategy are ownership and participation. By involving public support groups of the civil society, the process of strategy formulation may be able to elicit the commitment and democratic involvement that is necessary to be socially acceptable and sustainable. Ownership and participation are also mandatory if the development strategy is to be adapted to the specific circumstances of a country. Recent researches prove that the projects with higher degree of active participation have been more successful and profitable. Although, the development priorities differ from country to country, yet there are some common elements. The most important is education, because without education a country cannot develop i.e. cannot attract and build modern industries and cannot adopt new modified technologies rapidly in the rural sector. Education also enables people to learn, to acquire values and standards of behavior, and also to accept and help engender transformation. Importantly, infrastructure particularly protection or property, communication, and transportation is vital for the conduct of business in modern times.

Necessarily in developing countries sense of isolation reduced. Health is again very important because unhealthy population cannot be a productive labor force. The basic quality of health should be viewed as a fundamental human right and upgrading health standard must be an integral part of any holistic development strategy. Knowledge, like education, enriches the human spirit and with education and health, it leads to a more productive society. The power of Knowledge is enormous as with increased knowledge, the output that can be produced with the limited resources can be multiplied in magnitude. The Capacity building of the individuals is must to empower them for social transformation, economic development, participation in development process and representation in governance. Hence a country aspiring to develop must have institutions, entrepreneurship and leadership to catalyze, absorb and manage the process of change and the changed society.

Origin and Concept of SHGs:

The origin of SHGs is from the brainchild of Grameen Bank of Bangladesh, which was founded by Mohammed Yunus. SHGs were started and formed in 1975. In India NABARD is initiated in 1986-87. But the real effort was taken after 1991-92 from the linkage of SHGs with the banks. A SHG is a small economically homogeneous affinity group of the rural poor voluntarily coming together to save small amount regularly, which are deposited in a common fund to meet members emergency needs and to provide collateral free loans decided by the group. (Abhaskumar Jha 2000). They have been recognized as useful

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tool to help the poor and as an alternative mechanism to meet the urgent credit needs of poor through thrift (V. M. Rao 2002) SHG is a media for the development of saving habit among the women (S. Raja Mohan 2003). 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, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure in repayment, skill training capacity building and empowerment (N.Lalitha). In Tamil Nadu the SHGs were started in 1989 at Dharma Uri District. At present 1.40 lakh groups are function with 23.83 lakh members. At present, many men also eager to form SHGs.

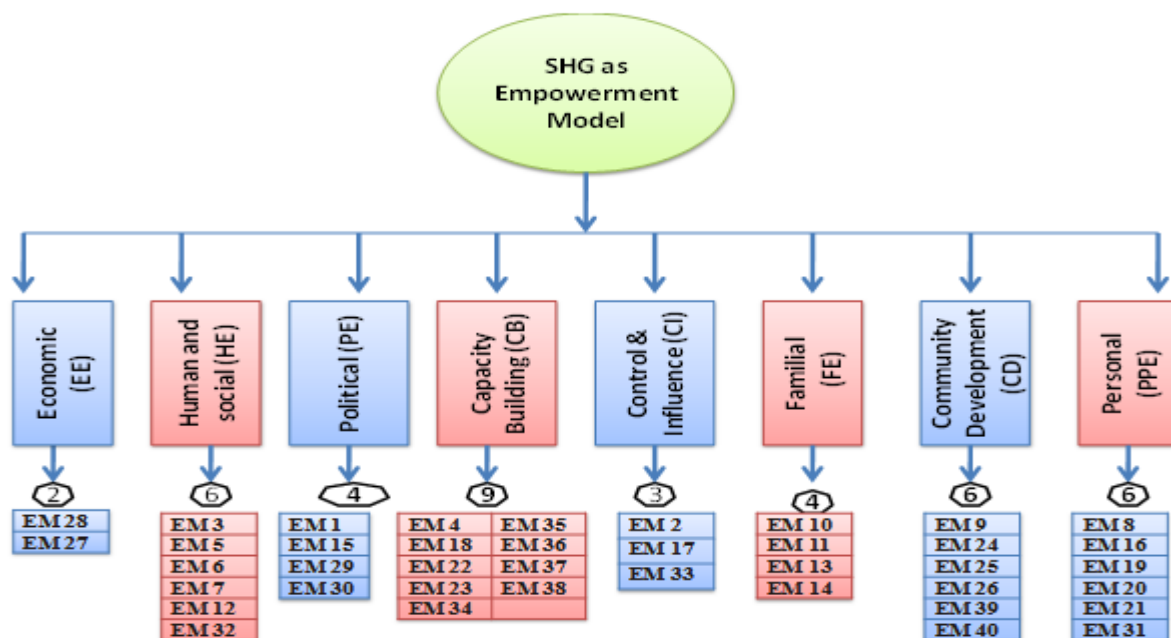


Fig 4: Origin and concept of SHGs

The SHG offerings:

The SHG offers the canvas to conduct social intermediation, provide women the opportunity to acquire the ability and entitlement to their own lives, set their own agenda, gain skills, solve problems and develop autonomy (Meenai, 2003). Significantly, the member of SHG's may exhibit the following outputs, resulting from their activities:

- Acquisition of literacy and numerically skills;

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- b) Awareness of basic legal rights;
- c) Awareness of projects and state development activities;
- d) Critical political consciousness; electoral process, societal analysis and gender issues;
- e) Enhanced social status as perceived by self and other's;
- f) Freedom from exploitation, money lenders, landlords etc;
- g) Active role in organization of group and other political bodies, viz. Panchayat;
- h) Ensuring literacy and education of girl child;
- i) Health consciousness;
- j) Restructuring of women's time utilization; and
- k) Enhanced decision making powers within the household.

Today, there is over 100000 women's Self Help Group reporting to have credit linkage with bank through micro credit schemes. These groups have been promoted with the support of NGOs (something under national schemes) and bilateral or multilateral donors, like United Nations and the World Bank. Actually, the World Bank has set a target of reaching 100 million of the world's poorest people with micro credit schemes, and has placed micro credit at the center of its global strategy for poverty alleviation. In India, NABARD plays a key role in assisting banks and NGOs involved in micro finance schemes.

SHGs and Women Empowerment

The complexity of the concept of 'women empowerment' is clear from the different interpretations and methodologies that have been used to measure it. It is therefore not surprising that every investigation of the impact of microfinance programmes on women empowerment has its own incomplete interpretation of the concept. Using the World Bank's definition of empowerment along with Kabeer's sensible interpretation of women empowerment within the South Asian context, this paper argues for a more strict interpretation of women empowerment. It is interpreted as the process in which a woman challenges the existing norms and culture to effectively improve her well-being. A distinction is therefore made between the outcomes that lead to greater efficiency within the existing norms, community driven development (CDD) and outcomes that can be directly interpreted as women empowerment. For instance, activities like improvement in nutrition of children, lead to greater efficiency in the woman's role in the household but it also falls within the existing role of the women within the norms of the society. When a woman is better able to perform such activities, it leads to an increase in her self-confidence and feeling of well being. This might create conditions leading to woman empowerment, but are not empowering on their own. Similarly, Community Driven Development activities, undertaken under the initiative of the SHGs – for instance, solving drinking water problems in the village, reduces the demand on a woman's time while leading to better health of all household members, particularly children. However, most of these activities are for the welfare at the household

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(including women) or community but are not directly empowering. According to our definition, the truly empowering activities are those that reflect the changes that women have effectively made to better their lives by resisting the existing norms of the society. Over the past decades, subsidized rural banking in India, despite its large network of rural bank branches has failed to reach the poorer sections of the society. By the early 1980s, the All India Debt and Investment Survey (Government of India, 1981) showed that the share of non-institutional agencies (informal lenders) in outstanding cash dues of the rural households was 38%. The main limiting factor in reaching formal finance to this group was the high transaction costs and lack of appropriate credit and saving products. A study conducted by NABARD in the mid-eighties revealed that financial services required by poor households are: safe-keeping of small surpluses in the form of thrift; access to consumption loans to meet emergency needs and financial services and products that did not require collateral (MYRADA, 2002). The Self Help Group Bank Linkage model evolved from the pioneering efforts of NABARD and two NGOs, MYRADA and PRADHAN.⁸⁸ starting with 500 groups in the early 1990s, the cumulative numbers of SHGs that have been financed have increased to 1,618,456, by March 2005. The expansion of the SHG bank linkage programme has seen acceleration in the past few years. It has reached an estimated 121.5 million people and disbursed more than Rs. 68 billion in cumulative bank loans up to March 2005, using a network of 41,082 bank branches and 4,323 NGOs.

THE SELF-HELP GROUP BANK LINKAGE PROGRAMME

NABARD (2005) explains that the Self Help Group is a group with “an average size of about 15 people from a homogenous class. They come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use this pooled resource to make small interest bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritization of needs, setting terms and conditions and accounts keeping. This gradually builds financial discipline in all of them. They also learn to handle resources of a size that is much beyond the individual capacities of any of them. The SHG members begin to appreciate that resources are limited and have a cost. Once the groups show this mature financial behavior, banks are encouraged to make loans to the SHG in certain multiples of the accumulated savings of the SHG. The bank loans are given without any collateral and at market interest rates. The groups continue to decide the terms of loans to their own members. Since the groups’ own accumulated savings are part and parcel of the aggregate loans made by the groups to their members, peer pressure ensures timely repayments.” The SHG bank linkage programme links a SHG group to banks, where the banks provide a loan to a mature group. The group places its savings in the group deposit account in the bank (at about 12% per annum), using its group savings and group guarantee as a collateral. NABARD provides subsidized refinancing

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support to banks to encourage such lending. However, the demand for such refinancing support to banks has fallen, as SHG lending is more profitable and has lower default rates (less than 1% as compared to 11-12% of their regular portfolios) (Base and Srivastava, 2005). The NABARD SHG bank linkage programme has achieved only 1.4% of the potential demand, reaching out to seven million households with an average credit of Rs. 2,000 a household, as against the need to reach 100 million with Rs. 10,000 per household. The microfinance institutions (MFIs) on the other hand, have been able to meet only 0.25% of the demand (Mahajan, 2002). India has 37% of the world's population earning less than \$1 a day, of which 60% are women (Human Development Report, 2003). The Government of India, National Policy for the Empowerment of Women (2001), declared various measures aimed towards achieving greater equality between men and women. In 1993, the Indian government ratified the International Convention on the Elimination of all Forms of Discrimination Against Women (CEDAW). The government's poverty alleviation programmes such as Swarnajayanti Grama Swarojgar Yojna (SGSY) and the Rashtriya Mahila Kosh implement their programmes through microfinance interventions of NABARD's Self Help Group bank linkage programme. Apart from the large numbers of households that this programme services, the following features make the NABARD SHG model unique:

1. The distinctive process of formation of the SHGs and the freedom that they have in deciding the terms of their lending and borrowings within the group, once they receive the loan.
2. The use of the existing and extensive infrastructure of rural bank branches for disbursing microfinance services.
3. Three distinctive ways of linking the SHGs to the banks, through NGOs, commercial and rural banks, with the NGOs playing a major role in promotion of the SHGs and their training.
4. The government's poverty alleviation programmes such as Swarnajayanti Grama Swarojgar Yojna (SGSY) and the Rashtriya Mahila Kosh implement their programmes through microfinance interventions.

Using higher rates of savings, borrowings, timely repayment of credit, promptness in attending SHG meetings and decisions by individual members as indicators of enhanced credit access, income generation and socio-economic empowerment Over the past decades, subsidized rural banking in India, despite its large network of rural bank branches has failed to reach the poorer sections of the society. By the early 1980s, the All India Debt and Investment Survey (Government of India, 1981) showed that the share of non-institutional agencies (informal lenders) in outstanding cash dues of the rural households was 38%. The main limiting factor in reaching formal finance to this group was the high transaction costs and lack of appropriate credit and saving products. A study conducted by NABARD in the mid-eighties revealed that financial services required by poor households are: safe-keeping of

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Impact of the SHG-Bank Linkage Programme

- Microfinance has reduced the incidence of poverty through increase in income, enabled the poor to build assets and thereby reduce their vulnerability.
- It has enabled household that have access to it to spend more on education than non-client households. Families participating in the programme have reported better school attendance and lower drop out rates.
- It has empowered women by enhancing their contribution to household income, increasing the value of their assets and generally by giving them better control over decisions that affect lives.
- In certain areas it has reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health – especially among women and children.
- It has contributed to a reduced dependency on informal money lenders and other non-institutional sources.
- It has facilitated significant research into the provision of financial services for the poor and helped in building ‘capacity’ at the SHG level.
- Finally it has offered space for different stakeholders to innovate, learn and replicate. As a result, some NGOs have added micro-insurance products to their portfolios, a couple of federations have experimented with undertaking livelihood activities and grain banks have been successfully built into the SHG model in the eastern region. SHGs in some areas have employed local accountants for keeping their books and IT applications are now being explored by almost all for better MIS, accounting and internal controls.

Conclusion

The study suggests that a lot needs to change to make women truly empowered. it is difficult to believe that a minimalist SHGs programme would have sustainable impact on the empowerment of women. SHGs, where a majority of groups are linked with the help of NGOs that provide support in financial services and specialized training, have a greater

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ability to make a positive impact on women empowerment. If women empowerment is to be pursued as a serious objective by SHG programmes in particular and the larger microfinance community in general, greater emphasis needs to be placed on training, education and creating awareness in order to achieve a larger and more lasting empowerment. Rural women play a significant role in the domestic and Socio-economic life of the society and therefore, holistic national development is not possible without developing this segment of the society. The review of studies related to credit accessibility to women simply demonstrates that the direct access to institutional credit to rural women is very limited and suffers from the sex bias in extending it to them. However, women from the non-farm sector have better access to banks than the women working in the farm sector. Even, male members of women borrowers have greater influence on accessibility to credit utilization and its repayment. The SHG's became a regular component of the Indian financial system since 1996. The SHG's are small, informal and homogenous groups. These groups have proved as cyclic agents of development in both the rural and urban areas. The SHG's after being formed started collecting a fixed amount of thrift from each member regularly. After accumulating a reasonable amount of resources, the group starts lending to its members for pretty consumption needs. If the bank is satisfied with the group in terms of (i) genuineness of demand for credit; (ii) credit handling capacity of the members; (iii) repayment behavior within the groups; and (iv) the accounting system and maintenance of the records, it extends a term loan of smaller amount to the group. Micro-finance interventions through SHGs programmes are well-recognized world over as an effective tool for poverty alleviation and improving socioeconomic status of rural poor in India too, micro-finance is making headway in its effort for reducing poverty and empowering rural women. Micro-finance through the network of cooperatives, commercial banks, regional rural banks, NABARD and NGO's has been largely a supply driven recent approach.

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