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A conceptual framework on self-help groups & economic empowerment of rural women

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Abstract

This paper has been executed to answer if the women that join a Self-Help Group are more empowered than the ones that are not members of any group. It starts understanding that women's empowerment refers to the process by which those who have been denied the ability to make strategic life choices acquire such an ability. In order to achieve this empowerment, financial assistance is being provided to women's SHGs as a powerful instrument for poverty alleviation to increase their well-being, their access to resources and credit, their self-confidence, self-esteem and their creditability in all aspects of life. A Self-Help Group is a voluntary and self-managed group of poor women belonging to similar socio-economic conditions who save a certain amount contributing to a common fund from which small loans are given to the members for meeting their productive and emergent needs. This model emerged in the 1980s and 1990s with the support of the government of India, state governments, National Bank of Agriculture and Rural Development (NABARD), the banking sector and NGOs and it has spread in the entire country especially in rural areas where 70% of India's 1.2 billion population live without access to productive assets and financial resources, with high levels of illiteracy, inadequate health care and limited access to social services.

Keywords: women empowerment, SHG, Socio- economic conditions

Introduction

The concept of Self Help Groups serves to underline the principle "for the people, by the people and of the people". The Self Help Groups is the brain child of Grameen Bank of Bangladesh, which was founded by Prof. Mohammed Yunus of Chittagong University in the year 1975. The Self Help Groups scheme was introduced in Tamilnadu in 1989. The activism within the women movement has influenced the government to frame policies and plan for the betterment of the country. The empowerment of women through Self Help Groups (SHGs) would lead to benefits not only to the individual women, but also for the family and community as a whole through collective action for development. Self Help Groups have linkages with NGOs (Non Government Organizations) and banks to get finance for development. In turn it will promote the economy of the country by its contribution to rural economy. Self Help Groups are small voluntary associations of rural people, preferably women folk from the same socio-economic background. They come together for the purpose of solving the common problems through self-help and mutual help in the Self Help Groups. Ethically women as members of society should have their equal role. But throughout the world women occupy a particular status which is significantly different from that of their male counter-parts. This difference is clearly evident in our society which is patriarchal and tradition-bound with poor socio-economic condition and low rate of literacy. Efforts have been taken to empower women by launching various schemes and providing extra benefits for them. But in spite of considerable improvement in the status of women, they still comprise the largest section of deprived population. It is widely recognized that the process of growth, economic transformation and development in particular has adversely affected women as a group. Lack of capital is a serious constraint to the development of women, particularly in rural areas, who find little or no access to credit. Credit can help women to take up farm-allied activities or small enterprises and enabling them to respond to the opportunities created by the process of economic development. In this situation micro-credit is emerging as a powerful instrument for overall development of rural women. In India, micro-credit is dominated by Self-Help Groups- (SHGs) bank linkage programme, aimed at providing a cost effective mechanism for providing financial services to the poor women. Based on the philosophy of peer pressure and group savings as collateral substitute, the SHG Programme has been successful in not only meeting peculiar needs of poor women, but also

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in strengthening their collective self-help capacities at local level, leading to their economic empowerment.

Self-help groups in India

Since the 80's, the SHGs have become a significant movement in India in order to eradicate poverty and empower rural women. India's SHG movement has many of the elements, such as "saver graduation" and a built-in tendency towards membership expansion that have been identified as key to make micro-finance sustainable (Ahlin and Jiang 2008). Indeed, a large and growing literature discusses SHGs' evolution, their role in the broader financial system (Basu and Srivastava 2005, Sinha 2006, Shah *et al.* 2007) [2, 6, 5] and recent innovative practices (Nair 2005). However, even within India, the geographical focus of SHGs was concentrated in few states; in fact 70 to 80% of SHGs are in the four southern states of Andhra Pradesh, Karnataka, Tamil Nadu and Kerala. Cumulative credit disbursed to SHGs amounted to some US\$ 4.5 billion (or about 10% of total rural credit) in India, which shows the drastic improvement of SHG in India. Generally, the members of these groups are based in poor villages acting as a tool for bringing economic development and contributing to community empowerment. This movement has been pointed by many researchers as the model that should be used for poverty reduction. For knowing more about this, it is useful to have a look of the background of India as a country and understand why the SHGs have been considered beneficial for reducing poverty and empower women within the nation.

India-the subcontinent

The Republic of India is located in South Asia sharing borders with Pakistan and Afghanistan on the west and Bangladesh, Myanmar, China, Tibet, Nepal and Bhutan on the east. It has twenty nine states and seven union territories. It is the seventh largest country by area with 3'287.263 sq. km and the second most populous with 1'267.401.849 people (17.5% of the total world population) of which 32% is urban and 68% is rural.

Education In 2011, the literacy rate was 74% (male: 82,14% and female: 65,46%). It has been estimated that this country will attain universal literacy in 2060 (India state, 2011). The constitution of India, written over 60 years ago, guarantees that all children up to 14 years have the right of a free and compulsory education, a statement that has not yet become true). The mean years of schooling of the working population (over 15 years old) increased from 4.19 years in 2000 to 5.12 years in 2010, which is below other emerging economies such as China (8.17 years) and Brazil (7.54 years) and the average for all developing countries (7.09 years). Youth literacy has increased from 60% in 1983 to 91% in 2010 and adult literacy improved from 64,8% in 2001 to 74% in 2011 (Commission planning of India, 2013, p. 47). The difference between the highest and the lowest literacy rate in the country is high. Kerala state, in the south west, has the highest rate with 90, 9%, while Bihar state, in the north east, has the lowest with 47.5%.

The main determinants of poverty in India are

1. Lack of income and purchasing power.
2. Increase in the price of food, especially food grains (70-80% of the consumption basket).

3. Inadequacy of social infrastructure.
4. High population growth rate.
5. Unequal distribution of income and resources (Deaton, 2010) In 2005, the lowest castes and tribes accounted for 80% of poor rural people.

Gender Patriarchal norms have relegated women to secondary status within the household and workplace affecting their health, financial status, education, and political involvement. Indian legislation allows women to inherit real estate, but under the traditional Hindu law, males control family resources, such as land, and under the Muslim law, men tend to inherit twice the share of women. According to the 2011 census, there are 586.47 million women representing 48.5% of the total Indian population of which 56.2% is malnourished because usually they are the last member of the household to eat and the last to receive medical attention. This problem gets worst when men migrate because they can't provide income for the family and women remain in charge of the entire household and field. Bihar (45%), Chhattisgarh (43%), Madhya Pradesh (42%) and Odisha (41%). On the other hand, less than 45% of women have access to funds. They face barriers to access to credits because they do not have any collateral and only 15% of them have a bank or savings account Women work long hours in and outside the household but their work is invisible and it is not considered as paid-wage labor. Moreover, they do not have the same freedom of mobility as men. Nowadays, two thirds of Indian women face restrictions in visiting public places (market, health care center or other communities) by their own, what limits their participation in public and political life.

The government has declared that "women are equal partners like men" bringing some changes in women's status and role in the society. Nonetheless, news of violence against them show that there is a deep-rooted gender bias. Women are living in unsatisfactory socio-economic conditions being poor and illiterate and having to sustain their family physically and emotionally.

Economy India is one of the world's fastest-growing economies. Until 1991, it followed protectionist policies but a balance of payments crisis forced the nation to liberalize its economy, and since then, it has been directed towards a free-market with special attention to foreign trade and direct investment. According to the International Monetary Fund (IMF), 2014, the Indian economy is the 10th-largest economy by market exchange rates, and the third-largest by purchasing power parity. Its average annual GDP growth rate has been 5, 8% over the past two decades, reaching to 6,1% during 2011–2012. The service sector contributes with 55, 6% to the GDP, the industrial sector with 26,3% and the agricultural sector with 18,1%. In 2014, the GDP per capita was 1627 USD, higher than in 2013 (1508 USD) and it is estimated to increase to 2110 USD by 2016 with an average growth of 8%, which will make India the world's fastest-growing economy until 2050 (World Bank, 2014). However, since the economic liberalization, economic inequality between the country's states has also grown.

The self-help groups: the tool of India to eradicate poverty and empower women

In India, the SHGs are village-based organizations that focus on building the savings and credit, as well as the

social empowerment of their members. A typical group has 10-20 poor women sharing similar socio-economic backgrounds who meet once a week to pool savings and discuss issues of mutual importance. The fund is deposited in the group's bank account which is available for providing credit to the members in need. One of their objectives is to improve community issues such as the abuse of women, alcoholism, the dowry system, educational quality, and inadequate infrastructure. Since independence in 1947, there have been some changes in policy approaches from the concept of 'welfare' till the 70's to 'development' in the 80's and now to 'empowerment' where the SHGs play an important role for improving poor's people life. From the First Five Year plan (1951-56) the alleviation of poverty has been one of the objectives of the government of India who has launched some employment and income generation schemes for women in rural areas to provide a source of income, sustain livelihoods, and eradicate poverty. Within these schemes, the SHGs have been related with microfinance to improve the living standards of the poor people, strengthen their productive potential, and provide opportunities for being part of the economy.

Bank-shg members

The bank acts as a SHG promoting institution. It deals directly with the groups, opens accounts, and provides financial assistance and loans with a credit rate that is decided with the members. ii. Bank-facilitating agency-SHG members: NGOs, government agencies, or other community-based organizations form the groups acting as facilitators. They nurture them and provide training about thrift and credit management. Banks give loans directly to the groups (they decide the credit rates) and open saving accounts. This is the most successful and popular model in India.

Bank-NGO-MFI-SHG members

NGOs act as facilitators and microfinance intermediaries. First they promote the creation of the groups, nurture and train them, and then they approach to the banks for loan assistance for lending to the SHGs Stages of the SHGs' creation In order to clarify the steps to be followed in the creation of SHGs, NABARD has developed a manual with the following phases:

- a. First: social mobilization and formation of groups. Link people with mutual affinities (similar experience of poverty, living conditions, livelihood, caste, place of origin, etc.). This process normally takes 5-6 months. Once it is formed, it takes around 1-one and a half years to settle.
- b. Second: savings and internal lending among the members of the group (funds from the government and linkages with banks can increase the amount).
- c. Third: obtain micro finance d. Fourth: setting up of micro enterprises. This should be the objective of every group. However, only those with special skills, know-how, marketing linkages, and access to the essential infrastructure can reach to it (NABARD, 2014).

Characteristics of the SHGs

The main characteristics of these groups are:

- 10 to 20 members (active participation)
- From one family, only one member

- Only men or only women (not mixed groups-women's groups generally perform better)
- Members with the same social and financial background
- Regular meetings

Importance of the SHGs

The Self-Help Groups are important in India because of the following reasons.

- To alleviate poverty
- To increase employment opportunity
- To accelerate economic growth
- To raise status in society
- To promote income generating activities
- To interact with other social groups
- To improve collective bargaining position
- To group very poor people

For these and other reasons, the SHGs are considered as the vehicle of change for the poor and marginalized women where they can participate as subjects and not as objects of the development process. For this, some of the following documents are required:

- Resolution: acquired in the group meeting, signed by all members, indicating their decision to open an account with the bank.
- Authorization from the SHG: at least three members, any two of whom jointly operate the account.
- Copy of the rules and regulations of the SHG: SHGs Increase Ability to save, access to credit, employment, decision-making, children education, health care, participation in local government, self-confidence, leadership, banking knowledge, interaction with outsiders, community participation, nature care Decrease Domestic violence.

The main reason for the poor coverage of the program in some states is the lack of efforts by bankers to identify NGOs with savings and credit groups; a lack of NGOs already working with SHGs, and the unsuitability of the approach to the region.

Conclusion

After concluding this research, some gaps between intentions and results from the movement were found, underlining that being part of a SHG does not automatically lead to greater economic autonomy for poor rural women. It cannot be assumed in a simple way that women will take control over loans and additional incomes just because they belong to a group. To achieve noticeable changes in their position within the household and the community; education, training and awareness-building programs are some of the measures that are missing in the studied group and have to be taken into consideration. This study attempted to determine if rural women of a SHG are more empowered compared to non-members and the answer of this research question is yes. Notwithstanding, still the access to information and resources is lacking what does not allow to have different options for making choices and get a positive thinking to create changes. To obtain a real empowerment there is the need to have the family support, capacity building, land rights, access to ICT tools, management training, among others, otherwise no empowerment will be achieved. Decades of passivity

cannot be solved in just some years, it needs time, cooperation and determination. From this investigation new questions may arise for what future research could be in charge of going further and get more evidence about the benefits of this movement in India and the changes poor rural women are experiencing for being empowered.

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