

# Empowerment of women through shgs economics essay



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Mahatma Gandhi states that; “ The position of women in the society is an index of its civilization. Train a man and you train an individual, Train a woman and you build a nation”. SHGs are the major resource of inspiration for new generation women’s welfare. In an attempt to uplifting the women, the government has initiated Women Welfare Programmes through development centers, rural agencies, banks, NABARD. In India, most of the SHGs are lead by woman with benefits of socio-economic homogeneity smaller size, functionality, participation, voluntary operating mode and non political women. The SHGs in India operating from April 1999, have entered into various fields like dairy farms, fisheries, ration shops, handlooms, farm cultivation, rain water harvesting etc.”

The concept of SHGs moulds women as a responsible citizen of the country with social and economic status. It leads women to develop the habit of raising loans, form savings, inculcated with a sense of belongingness, habit of thrift and discipline among themselves. Groups actively take part in social welfare programmes focusing on dowry, AIDS awareness, nutrition, legal literacy, multiple roles of women and poverty alleviation programmes. The concept of self-monitoring has been introduced by the SHGs in a phased manner with the aim to make women totally own their movement and institutionalize its sustainability through networking. The women groups have taken the initiative to educate their own members with great enthusiasm. Women belonging to lowest strata of the society are getting habituated to savings and paved the way for decision making power in the family. Developing country like India, SHGs uplift the women who are mostly

not involved in the social structure by entrusting self-confidence and self-reliance.

## **CONCEPTUALIZATION OF EMPOWERMENT**

Women are an integral part of every economy and all-round development and harmonious growth of any nation would be possible only when women also considered as equal partners in progress with men. However, in most developing countries, women have a low socio and economic status. In such countries effective empowerment of women is essential to harness the women labor in the main stream of economic development.

Women empowerment is the process of enabling an individual to think, behave, take action and organize work in a self-governing way. It is the process by which one can gain control over one's destiny and the circumstance of their lives. Empowerment can be viewed as means of creating a social environment in which one can make decisions and make choices either individually or collectively for social transformation.

Women represent half of the world's population and they are still the biggest group which is barred from the benefits of social and economic development. They women comprise strong labor force which needs to be mobilized and encouraged to make an effective contribution on the development process of the country. The work participation rate for women is less than half of men in India. Efforts made towards economic empowerment of women, still majority of active female population limits to micro, small scale enterprises and in unorganised sectors.

The 9th Five-year plan [1992-2002] guided the strategies of women's component plan under which minimum 30 per cent of funds / benefits were earmarked for all the women- specific sector's and women related programmes.

Tenth Five-year plan [2002-07] also initiated steps to further strengthening of SHGs and community based organizations towards the empowerment of women. Special awareness needs to be given to generating employment opportunities and useful resources of women through special financial intermediaries and thus building women's empowerment and increasing economic benefits among women entrepreneurs.

Empowerment is a subjective concept expected to take control over lives becoming conscious of one's own situation and position, setting agendas, creating space for themselves, gaining skills, building self-confidence, building linkages, solving problems, and developing self-reliance. It is a social and political process intended to improve the overall development of the self. It is not only a process but an outcome too.

Tenth Five Year Plan places an important role on equitable distribution and growth with social justice of the society through adopting a three-pronged strategy as.

“ Social empowerment” through removing all the existing inequalities, disparities, discriminations and other problems, besides providing, easy access to basic minimum services.

“ Economic empowerment” through promotion of employment

thereby income generation activities and

“ Social justice” through eliminating all types of discrimination with the strength of legislative support, affirmative awareness generation and requisite change in the mindset of people.

## **IMPORTANCE OF ECONOMIC EMPOWERMENT**

Poverty is the biggest challenge in India’s development efforts to bring about a perceptible change in the quality of life of the people. In India, a vast section of its population suffers from malnutrition, unemployment, and poor health care. This is particularly, true in the case of four main weaker sections of society namely, women, children, scheduled castes and scheduled tribes. In rural India, the high rates of illiteracy and low economic status of women underlie the need for increasing their earning by providing income-generating assets. Provision of employment opportunities to rural women is one way to improve their nutrition, health, education and social status. In most of the developing countries greater emphasis is laid on the need for development of rural women and their active involvement in the main stream of development especially economic.

The SHGs consist of very poor people who do not have access to proper financial facilities. The SHGs enables the members to learn to cooperate and work in a group atmosphere. They act as the financial forum for their members to provide freedom and support to each other. SHGs provide investments mechanism, which also helps the needs of the members and also provides a cost effective mechanism for small credit to its members.

The SHGs considerably contribute to the empowerment of poor women in India.

## **RISE OF SHGS**

The success of SHG is because of its transparency. Every member of the group knows the details of the operation. The group's savings will be deposited in an account with the bank besides the individual's pass book in which the amount of each member will be noted. Books of accounts will be maintained and the details are made known to every member. All these generated considerable level of confidence in the local people, in addition to this, the members behave economically to save from their own incomes and expenditures. 3 The members borrow money from their group savings thereby they gradually reduce their dependence on the local money lenders at exorbitant rates of interest. Generally they borrow money for the agricultural operations and to meet the emergencies. Some SHGs have direct link with banks to take up economic activities.

They develop personality by contact with government offices and outside world rather than being confined at home.

The overall benefits of the SHGs and their success were watched by the local people. The message of its success spread in every interior corner of the rural village. Women join the groups with hope and confidence. The positive environment initiated the sporadic growth of SHGs.

### **Table: Number of Self Help Groups in India, 1992-93 to 2000-01**

Year

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No. of Groups

Cumulative No. of Groups

Bank Loan

NABARD Refinance

1992-93

22

22

2239

2277

1993-94

34

56

4247

408

1994-95

203

259

20994

20. 883

1995-96

205

464

33468

33. 468

1996-97

408

872

5952

59. 453

1997-98

444

1316

21774

217. 74

1998-99

2633

3849

558935

558. 935

1999-2000

771. 5

11664

1958237

1958. 237

2000-01

16926

28590

5137523

5080. 448

Total

28590

7992903

7935. 521

Source: The Compendium of circulars on SHGs Bank Linkage.

At all-India level, the number of SHGs formed has increased to 12. 78 lakhs, out of these 1. 08 lakhs have already taken up productive economic activities. The concept of SHGs has been propagated by the National Bank for Rural Development (NABARD). The NABARD has been interested in developing SHGs in order to empower the womenfolk's economically since 1992-93. During the nine-year period ending 2000-01, 28590 SHGs were formed in Tamil Nadu. Bank loan disbursed was Rs. 7992. 90 lakhs and NABARD refinancees were at Rs. 7935. 52 lakhs.

an experiment in social engineering in the field of rural banking, by adopting a multi-pronged strategy on the part of the lending institutions.

Current scenario the " Macro credit" is seen as a powerful mechanism of social and economic change. It is defined as a stipulation of prudence, credit and other financial services and products or service of small amount to the poor in rural and urban areas for enabling them to raise their economic levels and enhance their living standards. Micro credit has emerged as a viable alternative credit channel to the poor in as much as the access to conventional credit channels are constrained by the requirement of collateral and high transaction cost. Micro-finance is routed through the SHGs. The crucial factor that is indispensable for the success of the SHGs is mutual understanding and reciprocal cooperation. It is incumbent upon the SHGs to

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find the gap in market and fill the gap with its product to be successful. To help the SHGs to realize this objective institutional support and facilitation is required. Even the corporate sector is playing its part in this aspect.

## **Factors Motivated Women to Join SHGs**

The important factors responsible for the motivation of women and their joining SHGs in large numbers are to 1. Borrow money at short notice to meet essential needs; 2. Eliminatekandhuvatty; 3. Internal lending for their own savings. Women come to know-about a lot, which improve their awareness; 4. More things can be achieved as a group.

In addition to these motivations, women have many expectations also. They include 1. To develop self-confidence; 2. To bring out capabilities in women; 3. Tobecome self-reliant; 4. To be respected by the family and community; 5. Gender equality; 6. To promote unity among women; 7. To abolish dowry; 8. To eradicate poverty; 9. To establish economically gainful activity; 10. To take soft loan; 11. To take part in political processes.

## **The Functioning of SHGs**

Every SHG has an animator and representatives (I and II). The animator is the crucial person of a SHG, generally a young and educated lady because she has to maintain and register all accounts. If an educated lady does not take the leadership of the group, the group becomes weak and nonfunctional. In some cases, if the daughter of the animator is educated, she makes use of her service. Important functions of the animator includes: 1. Maintaining register and accounts; 2. Convening the weekly meetings; 3.

Maintaining the account with the banks; 4. Representing the SHG to the outside world; 5. Representing the NGO in the group.

## **Representatives**

Usually there are two representatives who are educated. They should be better educated than other members of the group. They could also be elder to the animator, however, takes priority the age of the women for all the reasons. The representatives alternate with the animator go to the bank. They attend all the training programmes the animator attends. They support the activities of the animator. The responsibilities of the representatives include; 1. Alternate with the animator; 2. Supportive to the animator; 3. Go to the bank; 4. Represent the SHG to the outside world; 5. Representative of the NGO group.

## **Members**

There are a maximum of 20 members and a minimum of 12 members in the SHG. The maximum is fixed as 20; otherwise SHG has to be registered as a company. It can open an account in a bank and can function as an economic activity. The duties of the members include: 1. Attend the meetings; 2. Pay the savings and membership fees and 3. Repay the loans properly.

A SHG functions as successive group because of the equality of rights of members in the group. The animator of the group is never treated as a leader but as a facilitator, nevertheless he is the most responsible person in file group. The functioning of the SHG is more of a participatory style rather than in a hierarchical order.

## **Meetings**

SHG meeting is conducted every week on a particular day at a particular time. All members must attend every meeting. Absence may result in charging some fine. The weekly meetings are conducted in a common place or in the residence of the animator. Savings are collected in the meeting and deposited in the bank the next day. Money is also drawn from the bank and distributed to its members during the meetings and loans are collected back with interest. A special meeting will be conducted if any member requires loan urgently.

The most striking points of success of SHG are the volunteer-ship provided by the animator and representatives. It carries forward the group. There is also a core group of members around these animators and the representatives whose resoluteness has kept the group going. Their services towards the progress of the group are entirely voluntary.

## **Outcome Expected from SHG**

The capabilities of women in the SHG generally enhance due to their participation in the group. 1. They conduct meetings and pass resolutions. 2. They learn to work as a group. 3. They maintain, register and record accounts. 4. They meet outsiders without shyness. 5. They speak boldly. 6. They attend the outside meetings with confidence. 7. They visit government offices without fear. 8. They explain the matter to officials and interact with them. 9. They petition all village issues.

## **Empowerment**

### **Social Issues**

The SHG solves family problems, especially against violence and wife beating.

Unite deserted wives and husbands.

Stop illicit production of alcohol, which is meant for the consumption of their male members.

Encourage sending children to schools and discourage child labour.

Take up issues related to drinking water, health, street lights, public sanitation, road issues and planting of trees.

Clean public places, celebrate important festivals.

Encourage Dowry abolition.

### **Within the Family**

Command respect at home.

Men understand, cooperate and share their work.

After seeing the activities of SHGs, there is no opposition from the families to attend the meetings.

### **Savings**

The savings are the first activity the SHGs take up. And every SHG proudly declares the amount it has saved; some animators state it as the total

amount for the SHG. Savings have not been without problems and difficulties. Although it is voluntary in theory, each member must pay weekly, the amount that the group has decided on. Initially, the women found it difficult to pay as they paid it from their income. The first goal of an SHG is to save and generate a sizable savings amount quickly.

## **Interest**

The interest charged by the SHGs varies for different purposes and between districts. The interest charged ranges from 24-36 per cent i. e., double or treble the rates charged by the regular bank. The justifications given by the SHGs are that (a) the interest comes to the group only and this interest rate will make the borrowers return the loan to the bank by the group quickly.

## **Internal Lending**

Internal lending is that which the SHG lends to its members from the amount saved and deposited by its members with the SHG. The lending commences after six months of saving. The saved amount is collected on a weekly basis from the members and is deposited the next day in an account opened by the group in a nationalized bank. The installment repayment of the loan along with interest is collected on a monthly basis and this is also deposited in the bank.

## **Use of Interest**

The interest is used in different ways. Primarily, it is added to the savings and lent. The group's unexpected expenses are paid from this amount. The amount is used to pay for the annual excursions the group undertakes annually. It pays for the uniforms for the group members. In respect of a few

groups, the interest has been divided among the members according to the savings of the members. The activity of savings and credit makes an SHG function as a mini-bank: There are more than hundred and twenty thousand mini banks in Tamil Nadu, and more are under formation every day.

## **Membership Fees**

The SHGs charge its members a membership fee. It is rupees two to rupees five for a month. It is collected along with one of the weekly savings payments. The expenses of the animators, the representatives and members, when they travel on official SHG work, are met from this membership fund. Only bus fare and tea costs can be claimed and also one lunch can be had with this amount.

The purposes for which expenses are claimed are for, going to:

The bank

The NGO office

The government offices

Attend PLF/BLCC meetings

Attending training programmes

## **Loans with Subsidy**

The difference between the DCL and the loan with subsidy is that DCL is a loan without subsidy. Even when the bank sanctions the loan with subsidy, the bank keeps the subsidy amount with it until the SHG repays the entire

loan amount and releases it to the SHG only after full repayment of the loan. Only some have been able to receive loans, both for it and for its members, with subsidy, to undertake economic activities. This involves preparing a loan file with various documents like caste, income certificates, rating, etc. After one year of existence, the further growth of an SHG depends entirely upon whether it has been able to mobilise a loan. An SHG receiving a loan depends entirely upon the bank manager. When this manager becomes indifferent, all the SHGs attached to this bank branch suffer.

SHG is a movement to empower women socially, economically and politically through capacity building of the poorest and the most disadvantaged. What sets the SHGs in Tamil Nadu apart from that elsewhere is that they undergo a well-conceived and well-structured training through the specifically developed training modules.

### **SHG Members Training**

For developing this training, the lessons learned from earlier training given to the grass root level animators have been incorporated. It is felt that training only the group leader is not sufficient. Hence it has been decided to impart training to all the SHG members under this project. Accordingly, ten modules of one day each were prepared, taking into account the subjects, which are essential for the empowerment of rural women. Recently, these ten modules have been combined and made into four concise modules covering all the subjects needed.

## **Animator and Representative Training**

This training is considered to be very important since it has been feigned for all the leaders and the animators who lead the groups. This helps them convene the meetings, maintain accounts and the registers, be signatories of the bank accounts, represent the group at Block level committee meetings and the Panchayat level meetings. Hence the capacity building of these group leaders is very important especially in ' Double entry' Book-keeping, Leadership and Communication.

## **Micro Finance and SHGs**

The trainers training is an ongoing process as the new NGOs entering the Self Help Movement need to have their own trainers. These training programmes are entirely conducted with the help of NGO and the resource persons. A stringent selection process is followed during the selection of trainers. After completion of trainers training, the successful candidates are given certificates and allowed to conduct training programmes.

The micro finance service providers include apex institutions like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), and, Rashtriya Mahila Kosh (RMK). At the retail level, Commercial Banks, Regional Rural Banks, and, Cooperative banks provide micro finance services. Presently there are about 60, 000 retail credit outlets of the formal banking sector in the rural areas comprising 12, 000 branches of district level cooperative banks, over 14, 000 branches of the Regional Rural Banks (RRBs) and over 30, 000 rural and semi-urban branches of commercial banks besides almost 90, 000 cooperatives credit societies at the village level.

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NABARD launched a Pilot Project in 1991-92 in partnership with Non-governmental Organisations (NGOs) for promoting and grooming self help groups (SHGs) of homogeneous members and making savings from existing banks and within the existing legal framework. Steady progress of the pilot project led to the mainstreaming of the SHG-Bank Linkage programme in 1996 as a normal banking activity of the banks with widespread acceptance.

The uniqueness of the micro finance through SHG is that it is a partnership-based approach and encouraged NGOs to undertake not only social engineering but also financial intermediation especially in areas where banking network was not satisfactory. The rapid progress achieved in SHG formation, which has now turned into an empowerment movement among women across the country, laid the foundation for emergence of MFIs in India.

There are a large number of NGOs that have undertaken the task of financial intermediation. A majority of these NGOs are registered as Trust or Society. Many NGOs have also helped SHGs to organise themselves into federations and these federations are registered as Trusts or Societies, Many of these federations are performing non-financial and financial functions like social and capacity building activities, facilitate training of SHGs, undertake internal audit, promote new groups, and some of these federations are engaged in financial intermediation. The NGOs and MFIs vary significantly in their size, philosophy and approach. Therefore, these

NGOs are structurally not the right type of institutions for undertaking financial intermediation activities, as the byelaws of these institutions are

generally restrictive in allowing any commercial operations. These organisations by their charter are non-profit organisations and as a result, face several problems in borrowing funds from higher financial institutions.