

**IMPACT OF MICRO FINANCE INSTITUTIONS ON SOCIO ECONOMIC
DEVELOPMENT OF SELF HELP
GROUP OF WOMEN IN TRIBAL AREAS OF SOUTH RAJASTHAN****Mr EnockMochama Maina**

Research Scholar

SirPadampat SinghanianUniversity.

enock.maina@spsu.ac.in**ABSTRACT**

Microfinance in India presently is too small to create a great impact in poverty alleviation, but if provide new technologies with skills and opportunities for the development of the poor, it holds to change the socio economic face of the India's poor. The self-help group (SHG) model with bank lending to groups without collateral has become an established part of rural finance. SHG-based microfinance look after and supported by NGOs, have become an significant alternative to traditional lending in terms of reaching the poor without increase in operating and monitoring costs.

The government and financial institution have accepted this and have highlighted the SHG model and take initiatives to work along with NGOs. Million of SHGs have been linked to banks over the years but still most of the states are not doing well to established the development process of the poor and also do not link up and nurtured the various schemes of the Govt. This paper throw light on women empowerment through Self Help Group and it also discuss the growth of SHG in India.

The fact that almost half of our women are illiterate speaks of serious genderdiscrimination within the systemWomen's empowerment plays a very important role in the overalldevelopment of the country. It not only helps in the development of half of thehuman resources, but in improving the quality of life at home and outside.

KEYWORDS:

SHG, NGO, Empowerment, Discrimination, Microfinance.

Full Paper:-

Self – Help Group (SHG) is a small voluntary association of poor people, preferably from the same socioeconomic background. They come together for the purpose of solving their common problems through self-help and mutual help. The SHG promotes small savings among its members. The savings are kept with a bank. This common fund is in the name of the SHG. Usually, the number of members in one SHG does not exceed twenty.

Meaning of Empowerment

Empowerment is not essentially political alone; it is a process having personal, economic, social and political dimensions with personal empowerment being the core of the empowerment process. In fact political empowerment will not succeed in the absence of economic empowerment. The Scheme of Micro-financing through SHGs create empowerment promoting conditions for women to move from positions of marginalization within household decision making process and exclusion within community, to one of greater centrality, inclusion of voice. The Social processes of Micro financing programmes strengthens women's self esteem and self worth, instill a greater sense of awareness of social and political issues leading to increased mobility and reduced traditional seclusion of women.

Most importantly micro-finance programmes enable women to contribute to the household economy, increasing their intra-household bargaining power. Thus, micro financing through Self-help groups has transferred the real economic power in the hands of women and has considerably reduced their dependence on men. But the lack of education often comes in the way and many a times they had to seek help from their husbands or any other educated man/ woman for day-to-day work. The political as well as economic empowerment will not succeed in

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the absence of women education in skills and vocations they require the most. The Governments in developing countries therefore must take effective steps to enroll the members of SHGs in the Schemes of open schooling or any other distance mode to impart education. Although it is also true that economic empowerment alone does not always lead to reversal in gender relationship.

Strategy of Women Empowerment

In view of low literacy rate of women and the gigantic task of educating rural women a suitable strategy will have to be planned. The major task is to identify the areas where these groups in fact, are facing problems because at this stage only the problem solving adult learning technique will attract these rural poor to improve their working and income.

The success of any strategy of women empowerment depends upon the following factors:

1. Level of education, hard work
2. Social custom
3. Family planning, small family
4. Health, medical services, cleanliness
5. Environment, tree growing, kitchen gardening.

Various case studies show that there is a positive correlation between credit availability and empowerment of women.

The concept of SHG is based on the following principles:

- Self-help supplemented with mutual help can be a powerful vehicle for the poor in their socioeconomic development;
- Participative financial services management is more responsive and efficient;
- Poor need not only credit support, but also savings and other services;
- Poor can save and are bankable and SHGs as clients, result in wider out reach, lower transaction cost and much lower risk costs for the banks;
- Creation of a common fund by contributing small savings on a regular basis;
- Flexible democratic system of working;
- Loaning is done mainly on trust with a bare documentation and without any security;
- Amounts loaned are small, frequent and for short duration;
- Defaults are rare mainly due to group pressure; and
- Periodic meetings non-traditional savings.

Micro finance programmes are currently being promoted as a key strategy for simultaneously addressing both poverty alleviation and women's empowerment. Before 1990s, credit schemes for women were almost negligible. There were certain misconception about the poor people that they need loan at subsidized rates of interest on soft terms, they lack skills, capacity to save, credit worthiness and therefore are not bankable. Nevertheless, the experiences of several and SHGs reveal that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them in their enterprises rather than subsidies. Earlier government efforts through various poverty alleviation schemes for self-employment by providing credit and subsidy received little success. Since most of them were target based involving various government agencies and banks.

Bank-SHG linkage models

Since the introduction of financial sector reforms in 1991 the banks are using these distinct linkage models to finance SHGs.

1. **Model I:** - Banks provide micro finance to non-governmental organization (NGOs) for lending to SHGs and ultimately to the micro entrepreneur (It covers about 27% of SHGs)
2. **Model II:** - Banks provide direct financing directly to SHGs for on lending to micro entrepreneur (It covers 17%)
3. **Model III:** - Banks finance directly to SHGs for on lending to micro entrepreneur with the intervention of NGO as social mobilizers and facilitators (It covers 56% of SHGs).

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4. **Model IV:** - The fourth model envisages bank loans directly to individual members of SHGs upon recommendations of the SHGs and NGO. In this case, the NGO assists the Bank in monitoring supervising and recovery of loans.

Progress of Micro-Credit through SHG in India

A pilot project for linking SHGs with banks was launched by NABARD in 1992. The Reserve Bank of India persuaded Commercial Banks, Regional Rural Banks and Cooperative Banks to actively participate in the linkage programme. Under the RBI's guidelines, banks were given permission to open saving bank account in the name of SHG, and relaxation of security requirements. Thus, an informal credit system was evolved with assistance from formal financial institutions. The agencies involved in the schemes were NABARD, Banks, NGOs and SHGs members. The main objectives were to provide the following:

- Supplementary credit to SHGs
- Reductions in transactions cost for both banks as well as SHGs by reducing paper work.
- To mobilize small savings among poor rural women.
- To build mutual trust and confidence between Banks, NGOs and rural poor
- To create healthy relations between SHGs members and linking agencies
- Constant supervision and monitoring by banks through NGOs.

In March 1999, about 0.56 million families engaged in micro enterprises were financed under the scheme through 33000 SHGs (of which 84% were women SHGs). In all 202 banks consisting of 129 (64%) RRBs 38 (19%) Commercial Banks and 35 (17%) Cooperative Banks participated in the programme. A total of 550 NGOs, were involved. The aggregate loan outstanding was Rs. 570 million. The average loan outstanding per SHG and per micro entrepreneur worked out to Rs. 17297 and Rs.1019 respectively. The average number of micro entrepreneurs per SHG is 19. The number of SHGs linked to banks has increased to 7, 17,360 as on March 31, 2003. This translates into an estimated 11.6 million very poor families brought within the fold of formal banking services. About 90 percent of groups linked with banks are exclusive women groups. Cumulative disbursement of bank loans to these SHGs stood at Rs. 2048.7 crore with an average loan of Rs. 28,560 per SHG.

Recently, the government of India has launched "Swarnajayanti Grameen Swarozgar Yojana" (SGSY) by merging all the poverty alleviation programmes. The SGSY envisaged the routing credit preferably through SHG conduits. The earlier programmes like IRDP (Integrated Rural Development Programme) that provided credit at low rates of interest along with subsidy failed because of lack of incentives in the form of repeat loans and also because of absence of poor pressure from group members. Further, in SGSY credit is one of the ingredients that contribute to the success of micro entrepreneurs. The success actually depends on variety of other factors, like level of education, social customs, family planning, health, medical services and environment technology.

Women Centered Activities

To tap the potentialities and managerial capacities of rural women RASS has implemented several activities. RASS has been instrumental in organizing rural women to show their strength and defend themselves for their rights with the formation of Mahila Mandals. These Mandals work under the direct supervision and guidance of RASS and also, get regular information about Government programmes, bank financing, marketing trends etc. The successful working of Mahila Mandals has resulted in the formation of a large number of Self-Help Groups (SHGs). For women to get gainful employment especially belonging to SC, ST and BCs, RASS provides training facilities and generates innovative programmes. The vocational skills, thus acquired, help women to be self-reliant.

Growth And Performance of SHGs

The successful working of Mahila Mandals has resulted in the formation of a large number of Self-Help Groups (SHGs). In 1990 with the help from RASS, 30 SHGs were formed involving 10-15 women members. Within a year, there were 123 SHGs with a total membership of 1559 women. A significant feature of this system was that a large number of women shifted their borrowing from traditional moneylenders to SHGs at reasonable rates of interest. Moreover, RASS has lined with Rashtriya Mahila Kosh (RMK) and NABARD to mobilize funds. RASS has borrowed about Rs.7 million from RMK and lent it to informal women groups. Along with the loan from RMK and their own savings, women groups have generated credit to the extent of Rs. 11 million. Some of the notable features of this scheme are a high percentage (96.7) of repayment, utilization of funds for income

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creating activities and generation of saving by women members in the SHGs. Many such success stories can be collected from Indian experience in the field of Micro-finance.

Education Empowers Women

It is also observed that open education at present is mainly catering to the needs of elites in the urban areas and it has to make inroads in rural areas where India lives. In rural areas women are totally dependent on men, as they do not have economic power to spend. The historical relationships with their husbands can be seen as influenced by historical factors that shape the social structures of how they are subordinated. It has been observed in several research studies that women do experience a double day, as they return to study combined with their domestic roles. The Policy planners must think to integrate the economic benefits with education. We suggest the Differential Rate of Interest (DIR) for women are doing any Course through Open schools or any other mode of Open and Flexible learning. Women Education is sometimes also perceived as a threat by their husbands. Studying is seen as changing the identity of the partner from being subservient and domesticated (Morgan 1995: 321) it has been noted that education as such serves to empower women. This may be on the most basic level through literacy programmes or on more advanced levels through university study and even Ph. D. programmes. A UNICEF study (1998) on Violence against women in South East Asia concluded that compulsory schooling for all girls would be a long-term measure to reduce violence against women by providing them qualifications as the basis for getting a job which in turn will enable them to earn their own income and improve their status. Thus the SHGs should in fact also be converted into Self Help Study Groups that will give them not only enhanced income but also enhanced esteem and self confidence to do something meaningful for the society as a whole. They should realize that they are not the isolated unproductive but important wheel for the smooth running of the society. The economic incentives and effective NGOs participation will definitely make the women empowerment a reality from a distant dream at present.

Conclusion:-

SHG-based microfinance in India has significant achievements: over 10 million people reached, Rs.8 billion (US\$170 million) in savings mobilized, Rs.20 billion (US\$425 million), and over 95% on-time repayment rate on these loans. However, the financial sustainability of SHGs has not been clear because several of their costs are subsidized by organizations that had promoted them, and because of less than market cost paid by SHGs on loans from banks. Similarly, their organizational sustainability has been suspect because of their small size, which limited the financial and human capital available to them, and thereby the services they could provide themselves.

NABARD has played a crucial role in the development of the SHG microfinance program. It has been focusing, perhaps justifiably given the slow initial progress of the program, on increasing the outreach of SHGs and strengthening their linkage with the banking system. However, given the exponential increase in the program in the recent years and similar trends observed in other microfinance programs around the world (including that of Grameen Bank) (World Bank 2003), the focus needs to shift to sustaining the benefits provided by SHGs. Despite the considerable achievements of the SHG-bank linkage program, sustainability of SHGs has not been clear. The extent of sustainability and factors determining sustainability are not known. Knowledge on impact is also inadequate. The need to investigate these issues is long overdue. Factors those are likely to make the benefits of SHGs sustainable need to be identified. Fundamental questions such as whether SHGs need to be sustainable for the program benefits to be sustainable need to be tested. This shows that the SHGs need to be sustainable and suggests that SHG groups have the potential to contribute to this. This suggestion needs to be tested further. SHG federations studied for this paper provides several services to their member SHGs. These services help the SHGs gain economies of scale, obtain value-added services, reduce transaction cost, and enhance empowerment, thereby contributing to organizational sustainability of the SHGs.

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