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## Microfinance through Shgs- A Tool for Empowering Rural Women

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### Abstract

In the world, although women community is equal to men in population, it is the matter of concern that yet in the modern sophisticated world, women are treated as second citizen or subordinate to men. Although various efforts have been made to improve the status of women, women folk has not taken their maximum use and remain still backward. In India, majority of the poor are living in rural areas, and where women are its main component, so, it is impossible to think for developing the nation without developing the women folk of the society. In this regard, women empowerment is the right way for developing this section of the society. Among the various measures, micro-finance through self-help groups (SHGs) is now considered as a modern tool to empower women. In India, most of the micro-finance programmes are implemented by the SHGs which are extending support to the needy poor women of rural areas for taking up employment as well as income generating activities. Considering the importance of the issue, this paper makes an attempt to study the pattern and impact of micro-finance services on rural women by taking Dhakuakhana Development Block of Lakhimpur district as area of study.

**Keywords:** women empowerment, self-help group, micro-finance, income generation.

### 1. Introduction

Women empowerment means equal status, opportunity and freedom to the women for their upliftment. Thus, women empowerment refers to the dignity and right of the women towards their social life especially in the field of social, political and economic spheres. In the world, although women community is equal to men in population, it is the matter of concern that yet in the modern sophisticated world, women are treated as second citizen or subordinate to men. Although various efforts have been made to improve the status of women, women folk has not taken their maximum use and remain still backward.

According to 2011 provisional census, about 300 populations (19 %) are still living below the poverty line in India, and women are its main component. So, in a country like India, where women constitute nearly 50 per cent of the population, it is impossible to think for developing the nation until and unless women are empowered. In this respect, rural women, where majority of the women in the country live, can play a significant role in the domestic as well as social life of the society. This segment of the society alone can change the scenario of the rural economy.

### 1.2 Microfinance and Self-Help Group:

Microfinance is considered as one of the new paradigms for alleviation of poverty through social and economic empowerment of the poor. Microfinance can be defined as the provision of thrift (saving), credit and financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their level of income and to improve the standard of living. It is a paradigm shift from class banking to mass banking.

The Self-Help Group (SHG) has become a regular component of Indian financial system since 1996. With the objective of empowering women folk of the society, the Planning Commission of India has laid more emphasis on women empowerment issues in its Ninth and Tenth Five Year plans. Accordingly, in order to empower women and to fight against poverty, the Government of India has introduced Self-Help Group Programme as an innovative and dynamic antipoverty programme. National Bank for Agriculture and Rural

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Development (NABARD) was the main initiator of Self-Help Group movement which was started from 1996-97 in India. At present, the various Departments of both Central and State Governments, nationalized commercial banks, regional rural banks, co-operative banks and societies and non-governmental organizations have joined the SHG movement as promoters. Now, the SHGs are considered as the best facilitators of rural employment and income generation, income distribution and thereby empowering the rural women.

Microfinance through SHGs is now been considered internationally as the modern tool to combat poverty and rural development. Microfinance through SHGs is more effective in generation of income and in reducing poverty. Moreover, SHGs are the main promoter of microfinance programme. In India, under microfinance programme, there were about 69.53 lakh saving linked SHGs and about 48.51 lakh credit linked SHGs covering 5.7 crores of poor households as on 31<sup>st</sup> March, 2010. As majority of the SHGs are formed by poor women of the society, the microfinance services lead to women empowerment by positively influencing women's decision making power and enhancing their overall socio economic status.

Considering the broad aspects of these issues, the present paper makes an attempt to evaluate the impact of microfinance services through SHGs on empowering the rural women taking Dhakuakhana Development Block of Lakhimpur district as area of study.

### 1.3 Objectives of the study

The main objectives of the study are:

- (i) To study about the sources of fund of the SHGs.
- (ii) To study about the generation of income by the sample SHG members.
- (iii) To examine the impact of SHGs on improving their socio economic status.

### 1.4 Methodology

The study is mainly based on primary information collected personally by the researcher. The study was carried out on 60 women SHG members selected randomly from 6 SHGs of

Dhakuakhana Development Block. A schedule cum questionnaire was canvassed among the sample SHG members for collection of required information. Simple statistical tools and techniques have been used for presentation of data and for drawing inferences. However, the information regarding income of the sample SHG members for the year 2012-13 has been taken in to consideration for drawing inferences.

### 1.5 Sources of Fund and Financial Position of the SHGs

The SHGs are generally formed by including 10-20 members of the homogeneous groups who come voluntarily to work together in order to tackle the problem of poverty. As per Government guideline, all the members of the group should belong to below poverty line family. The SHGs after being formation, start to collect a fixed amount of thrift (saving) from each member regularly and it is vary from group to group. After accumulating a reasonable amount of resources, the group starts lending operation to its members for meeting their small financial requirements. Moreover, for getting financial assistance from the government, the group has to be registered at the local Block Development Office, where an officer designated as Extension Officer (Credit) has been assigned the responsibility to deal with the SHGs. In addition to this, the group has to open a bank account to deal with the bank. The SHGs can approach the bank for financial help to undertake some economic activities. It is generally observed that if the bank is satisfied with the group in terms of (a) genuineness of demand for credit, (b) credit handling capacity of the members, (c) repayment behaviour within the groups, and (d) the accounting system and maintenance of the records, then it extends a term loan of smaller amount to the group at the initial stage of formation.

It was found in the study that all the six (6) sample SHGs have already completed 4-5 years of its formation and all the sample SHG members have been providing their regular monthly contribution to the group. It was found that the amount of monthly contribution ranges from Rs.30 to Rs.50 per month per SHG member from group to group ( Table:1.1).

**Table 1.1:** Annual Deposit of the sample SHGs from its members

Member's Contribution (per month)	No. of SHGs	NO. of SHG Members (per SHG)	Annual Deposit (per SHG)
1	2	3	4
Rs.30	02	10	Rs.3600
Rs.40	03	10	Rs.4800
Rs.50	01	10	Rs.6000

**Source:** Field Study

It is seen from the Table:1.1 that out of 6 SHGs, two (2) SHGs collect Rs.30 per month from each member and till now they have generated a total amount of Rs.14,400 to Rs.18,000 during last 3-4 years. On the other hand, three (3) SHGs have fixed their monthly member's contribution at Rs.40 and thereby generating a capital of Rs.14,000 to Rs.19,200 during last 3-4 years. Out of six SHGs, one SHG has completed 4 years of its formation, which collects Rs.50 from each member and till now Rs.24,000 have been deposited from its member's contribution. As reported by the SHGs, all the SHGs use their fund to provide loan to the group members and other than group members. However, the rates of interest are varying from group to group and higher

than that of banks, but lower than that of local money lenders. Moreover, the SHGs generally charge a low rate of interest on the group members and a high rate of interest on the outside members. Thus, the SHGs have been earning a regular income from interest rate which increases the total capital of the SHGs. As reported by the SHG members, this process of lending and borrowing behaviour has developed their habit of capital accumulation in their domestic lives also.

It was found in the study that all the six sample SHGs have already received financial support from the bank as well as from the DRDA under SGSY programme. Table:1.2 shows the amount of bank loan and subsidy received by the SHGs.

**Table 1.2:** Amount of Bank Loan and Subsidy Received by the SHGs during 2010-11

Amount of Bank Loan (in Rs.)	Amount of Subsidy under SGSY (in Rs.)	No. of SHGs	No. of members per SHG	Amount of Bank Loan & Subsidy per SHG member
1	2	3	4	5
50,000	1,20,000	3	10	17,500
75,000	1,20,000	2	10	19,500
80,000	1,20,000	1	10	20,000

Source: Field Study

As per SGSY guideline, after six months from the formation of the SHG, First Grading has been provided to the SHG, where the revolving fund (Rs.10,000 as subsidy and Rs. 15,000 as bank loan ) is extended to the SHG for making lending operation among the group members. After six months of First Grading, when the group becomes capable of taking up of economic activities for generation of income, Second Grading is provided, and the SHG is assisted with bank loan and subsidy to perform the economic activities. It is observed from the Table:1.2 that all the six sample SHGs could able to get the subsidy at equal amount i.e.Rs.1,20,000, but bank loan was not provided equally to them and it was varied from group to group. After getting the financial support from both government and bank, the SHGs had

distributed the amount among the group members at an equal amount and thus, each SHG members received on an average Rs.18,667 for taking up of economic activities.

### 1.6 Type of economic activities undertaken by the SHGs and generation of income

For empowering rural women, it is very much essential to make them financially sound and independent. In this respect, economic empowerment of women is a vital element for strong economic growth in any country for which it requires to take up some income generating activities for improving their economic conditions and thereby social status.

**Table 1.3:** Activity wise Generation of Income by the sample SHG Members during 2012-13

Type of Economic Activity	No. of SHG Members	Income Generated from the Activity	Income per SHG Member
1	2	3	4
Piggery	20	2,70,000	13,500
Goatery	10	60,500	6,050
Poultry	10	92,000	9,200
Handloom	10	56,000	5,600
Agriculture	10	48,000	4,800
Total	60	5,26,500	8,775

Source: Field Study

It is observed from the Table: 1.3 that piggery, goatery, poultry, handloom and agriculture are the main economic activities undertaken by the sample SHG members in the study area for generation of income. However, it was found that a total amount of Rs.5,26,500 was generated by the 60 sample SHG members and thereby generating on an average income of Rs.8,775 per SHG member. It was also found that piggery activity generated highest income per member which was followed by poultry, goatery, handloom and agriculture activity. While discussion was made with the sample SHG members they opined that although the income generated from these activities was small in amount, yet it helped them in meeting their small financial requirements. They also opined that banks were generally reluctant to provide loan to them when they approached the bank individually. But after formation of SHG they are not facing this problem, and could able to get small amount of finance at any time whenever they required. Thus, after formation of SHGs as reported by them, they became independent in taking financial decisions in society as well as in their domestic lives. It thus helped in empowering them economically.

### 1.7 Findings of the study

The major findings of the study are as follows:

- During the course of study it was found that all the sample SHGs are formed with 10 members and all the SHGs have already completed 4-5 years of its formation.
- It was observed that all the SHG members are contributing their monthly contribution on regular basis

which is ranged from Rs.30 to Rs.50 per month. Thus, it developed the saving habit of the group members and thereby motivating them towards the microfinance activities.

- So far as the utilization of the total deposited amount of the SHGs is concerned, it was found that all the SHGs used this fund to provide short term loan to the group members and outside members. But the SHGs charge a high rate of interest on outside members than that of the group members. Thus, this type of practice led the SHG members to perform the lending and borrowing activities in a positive manner in their social as well as domestic lives.
- The study reveals that all the six sample SHGs could able to get the bank loan and subsidy from the DRDA for taking up of economic activities. And thus, each SHG member received on an average Rs.18,667 to perform their economic activities. Thus, the formation of SHG, and thereafter the microfinance activities led the rural women to undertake some activities for their self-reliance in order to improve their socio-economic status.
- Regarding the economic activities undertaken by the SHG members, it was found that out of 60 sample SHG members, 20 members undertook piggery activity, while goatery, poultry, handloom and agriculture activities have been undertaken by each 10 members.
- In regard to the generation of income from the economic activities by the SHG members, it was found that a sum total of Rs.5,26,500 was generated by the 60 SHG

members during the year 2010-11, thereby generating an income of Rs.8,775 per SHG member.

- g) It was observed that although the increased income was small in amount, yet it helped the SHG members in meeting their small financial needs, which otherwise they had to borrow from local money lenders at a high rate of interest. *According to them, with the increased income they could able to solve their problems and it fulfilled some basic needs of the families to some extent. Thus, it indicates the economic empowerment of the rural women.*

### **1.8 Conclusion**

In conclusion, it can be said that micro-finance through SHGs can be considered as the best way to empower rural women which requires positive attitude of the SHGs and proper utilization of fund by the SHG members in income generating activities. In this regard, steps should also be taken for capacity building of the rural women by the promoting agencies so that they can extract the benefit of the SHG programmes.

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