

CHAPTER 1

INTRODUCTION

1.1. Background

The majority of the households residing in rural regions, especially women are subjected to multiple socio-economic limitations in different dimensions of their livelihoods. In many societies, women are powerless, over control of the resources. The empowerment of rural households through SHG is a requirement for the ‘economic and social ’ development of any nation. The SHGs help people to come out of hardships and debts, it is a dynamic process to help households who are living in the unfortunate situation of poverty. Microfinance and SHGs support people to make their livelihood more stable. The SHGs and microfinance do not only focus on taking people out of poverty but also teach them risk management. Microfinance and SHG based interventions have been proved very positive for the welfare of its members(Jaminia,2020).

SHG is notably perceived as a useful gadget for empowerment and income generation for the underprivileged segment of the society of the developing nations. The UN and ‘Nobel Peace Prize winner’ and the architect of microfinance ‘Muhammad Yunus’, 2005 declared the year the ‘International Year of Microcredit’ these are clear signs and recognition of the usefulness of SHGs and microfinance. (Pozzebon, & Diniz, 2008).

SHG, through rural development programs organizing rural people into groups, SHG do not only provides opportunities available to the participants for their empowerment and development but also provides them with options to develop their confidence and skills to uplift their status and to bring about a change in the attitude of the society (Kumari, 2012).

1.1.1. Concept of SHG

Munthu (2013), defined the SHG “as micro-credit institutions that emerged at the level of a village-based on self-help, collective perception, decision making and implementation of joint programmes”. The SHGs are now occupying a leading position in the rural credit distribution system. Microfinance and SHGS currently are being recommended by governments and development agencies across the civic range for the empowerment of underprivileged households. Several programs are supported by microfinance institutions to provide basic assistance such as start-ups capital for small businesses and programs to teach the participants of SHGs the ideologies of investing and savings.

1.2. The roots(Origins) of SHGs

“The SHGs (Self-Help Groups) idea was introduced in 1975 by Professor. ‘Mohammed Yunus’ of Chittagong, in Bangladesh with the main goal of helping the poor. The SHG concept serves the principle, with women, women and women” (Chandra, 2015).

2.2.1. Developments of SHGs in India

According to Shylendra (1998), India implemented the ‘Bangladesh model’ in a modified version of microfinance. To uplift the welfare of people from rural areas and lessen poverty, micro-finance was adopted.

Origin of the SHGs in India we can look back to 1972 through the establishment of SEWA “Self-Employed Women’s Association”.

In 1987 MYRADA (Mysore Resettlement and Development Agency) helped and encouraged credit management groups that were the same as SHGs. The basic common aspects of the MYRADA concept were:

- I. Voluntarism
- II. Affinity
- III. Homogenous and
- IV. The membership limit was 15-20 people
- V. The purpose of the credit management group was to uplift empowerment.

However, the effort to be involved and support SHGS came in the 90s, after the central government introduced the 'Swarnjayanti Gram Swarozgar Yojana' SGSY program which was based on the group approach for the rural. According to Tripathy (2004), the SGSY helped the poor to organise themselves into SHGs to voluntarily take up economic activities with help of government subsidies and loans from the bank.

1991-92 SHGs started to be extensively promoted by 'NABARD' this marks the actual evolution and turning point of the SHGs in India, SHGs emerged and spread overwhelmingly. In 1993 SHGs were permitted to open bank books by the Indian reserve bank.

In early 2000 following the achievement of the SHG program, the government became the major backer of SHGs. In 2004 following 'the decentralisation of power at the panchayat gram', SHGs were formally recognized as useful institutions for the poor. "In 2005 it was reported that in India almost 24 million poor households were provided with credit making it the largest program of microfinance worldwide".

1.2.3. SHG model/approach in India

Several agencies in developing nations and India are working with SHGs. Some models have been developed. Herdeep Kaur (2016) In his study on microfinance and SHG-Bank linkage, described three different models of linkage of SHGs that developed in India.

1. Banks finance and facilitate the SHGs with NGOs and others as financial mediators.
2. Banks formulate and finance the SHGs by themselves.
3. SHGs are formulated by NGOs and others but sponsored/funded by the Banks.

Further discussed is that the second model is popularly used. The majority of SHGs come under the second model, with 20% SHGs, and only 8 % used the third model.

Sinha (2005) also gave a classification of microfinance and model, broadly, microfinance is classified into the following model.

- Grameen Model
- The group approaches
- Individual credit
- Community Banking

Sinha (2005) noted that in India the most popular model is the group approach, the SHGs have become a revolution for social and economic basis and promoting the delivery of credit through thrift credits, and has helped to build a relationship and mutual trust.

Community-based organisations such as SHGs and other types are recognised as a tool for development policy today. In India the SHG program is very popular, the official figures from NABARD 2010 reported that at least '90 million households' are currently involved in SHGs.

The basic belief of the SHGs structure is that members of the self-selected group volunteer and save money with different types of austerity products. Savings are invested in a loan fund from which members can borrow, and pay off with interest payments. "SHGs are a form of

accumulation of savings and Credit Association”, a generic term describing this type of small-scale community managed by financial institutions. Manisha (2016) “noted that after more than 67 years of planning, various poverty reduction programs, and official estimates have shown that around 26.1 % of the entire people still live ‘below the poverty line’ in India, the financial requirement of one of the essential needs.” The poor rural residents of society for their ‘socio-economic’ upliftment, therefore, have been taken by SHGs.

(Paneh Kumar,2014). “Currently, the design of SHGs is a viable substitute for achieving ‘rural development goals’ and getting community involvement in development programs in rural communities. The SHGs are also a feasible organized set up to distribute microcredit to rural women and inspire them to enter into commercial activities”

Women's SHGs are widely recognized as an important tool for sustainable development in the world, especially in India and third world countries. Women are traditionally engaged in combining resources during hardships and social functions despite their poor socio-economic status (Dejin, 2012). “These groups are presumed to have served broader economic and social power, which is the women associated with non-domestic hobbies” (Stitcher and Hay, 2006).

The Government has launched and implemented many programs to reduce poverty and empower women, but it has been found that women in rural areas, especially poor families, won't benefit. This resulted in the launch of a program called SGSY “Swarna-Jayanti gram Swarozgar Yojana”, which was based on a ‘group approach’, here, poor villages especially women have been organised in the (SHGs) to permit them to build up a permanent business with the assistance of bank loans and government grants.

Garikipati (2008) observed that SHGs primarily focused on either economic benefit for members of SHG or on empowering the effect on members of the SHG". As regards the effects of income, households with a member of the SHG may be able to reduce the vulnerability of income-diversification shocks (IFAD, 2010).

According to Sundaram (2012), the SHG program has a group of economic and social consequences. "The World Conference on Women Beijing"1995, acknowledged that socio-economic empowerment of women is essential in decision-making in society and to improve family prosperity (UNESCO, 2003) SHGs are a powerful media to tackle many of India's rural problems, such as poverty removal, improvement of living standards, development of the rural economy, empowerment of women and building a democratic lifestyle. (Rego and Raj, 2013) "found out that the SHGs in India have a crucial role in achieving the allocated goals, such as empowerment".

Rego (2006) noted that "the SHGs program in India, especially in countries like rural areas comes with age and although men can also formulate SHGs, the word has become tantamount with groups for women. Today, the SHG movement has gained more than one goal of softening poverty in rural areas, as well as strengthening the role of households, especially rural and semi-urban residents".

Rego (2006) the usefulness of SHGs as tools for reducing poverty and strengthening the role of households in rural areas depends on local circumstances. "Poverty is often caused by low economic growth, high population growth and very uneven distribution of resources. In many countries, poverty is due to a lack of both physical capital and a large number of households in India are still trapped in poverty".

The objectives of the microfinance groups such as SHG are to bring personal and ‘social-economic’ changes to members/participants and society. All these groups emphasize the face of interaction between members and emphasize a set of values or ideologies that strengthens a member's sense of identity. Coleman's (1999) study took into account the impact of the group loans programs in Thailand according to the World Bank (2007), which “ found that under 50% of households in third world countries can only be managed to obtain financial services carried out by formal institutions in developed economies compared with more than 70%. Internationally, ‘from 193.6 million households that are poor around the world’.

Yunus (2007) explained microfinance SHG, an essential instrument for improving the rural economy and the livelihoods of rural people. SHG is a microfinance methodology for rural people to ensure access to monetary services for the underprivileged.

1.2.4. Principles of SHGs

Lalitha (2002) in her study, listed out the SHG's basic principles, including:

- Group approach.
- Small manageable group and mutual trust
- Spirit of thrift
- Non-Collateral.
- Friendly loan for the poor
- Capacity-building, Skill training, and empowerment.

According to (Jaya S. Anand,1998) the decade of 1970s saw the rebirth of the concept of SHGs. Bangladesh has been acknowledged as an inventor in the arena of micro-finance.

(Praba and Kavitha, 2015) noted that “SHGs have appeared as a potential gadget for poverty alleviation and financial inclusion and empowerment of people, especially women. SHGs allow women to save and improve their economic situation, confidence and minimise dependence on private money borrowers, and allow them to take on income-generating activities.”

1.3. Empowerment

1.3.1. Meaning of empowerment

Empowerment means ‘expanding the freedom of choice’ and action that comes with increasing its powers and controlling resources and decisions.

Thomas (1995) defines empowerment as “it relates to how people can be able to gain mutual govern over their lives to achieve their interest as a group and how social workers try to strengthen the power of people who do not have”

The World Bank (2012) defines empowerment as “a practice of enhancing the ability of persons or ‘groups’ to make options and turn these choices into the desired actions and results. Activities that build both individual and collective assets are significant to this process, improving the efficiency and integrity of the organisational and institutional context that regulates the usage of these assets.”

Empowerment, as defined by Kabeer, (2001) “expands people into the capacity to make planned life decisions in a situation where this possibility was previously denied to them.” In a general sense, this means expanding the freedom of choice.

Microfinance through SHGs performs a tremendous role in the overall initiation of rural people and women, as it covers all aspects of empowerment. The idea of ‘empowerment’ as a

multidimensional development can be understood in different ways, for example, to express one's strength, control, self-regulation, self-sufficiency, self-sufficiency, decent life, following their values, capable of the fight for your rights, independence, decision-making, being free, awakening and building potential. It enables a natural person to realize their full identity, ability, abilities and power in every life.

1.3.2. SHGS and Empowerment – Indian Experience

According to (Rajasekar, 2013) “SHGs have a strong groundwork for capacity-building and empowerment. The government and several NGOs introduced different programs. The SHGs consisted of a group of individuals to get empowerment and find solutions to most of their common problems and realize their potential for business development”. The main purpose of microfinance institutions such as SHGs is to make a strong, cohesiveness of SHG participants through team spirit.

The Indian Government announced 2001 as a ‘women empowerment year’, focusing on the same situation of women with their partners. SHGs have grown to become a powerful apparatus for poverty mitigation and women's empowerment in rural economy households. In India, microfinance is becoming increasingly important after the government launched a massive microfinance program in 1992 to integrate community-based financial groups, or SHGs into an existing banking network to provide services and financial resources to the poor. Meanwhile, the beginning of this program focuses on the influence of SHGs on households.

SHGs are considered a vehicle to empower women and reduce poverty. As explained by the India Planning Commission, SHG is a self-governing, professionally controlled small and informal association of the poor, with socially economically regular families organized around austerity and Credit activities.

Dennis, (2002, p. 4) noted that in India since ‘independence in 1947’, there have been some changes in the approach to politics from the concept of welfare to the development in the 80s

and now to emitting to empowerment, where SHGs play a recommendable role in improving poor people Life. Empowering households and women is vital for development in any country. Evidence among nations suggests that empowerment in the country can be achieved by providing microcredit for the (SHG). Initiation by participating in SHG can bring extraditable changes and strengthen women's living conditions in poor and developing states, the basic belief of SHG is to ensure the poorest poor and achieve initiation (Narang, 2012).

Sahu (2012) noted that SHG members had economic security, simple access to credits, and better 'decision-making' in the family, improving the family environment. Rosappu (2004) discussed that economic independence through the SHGs, that in the absence of additional government time and jobs, SHG's role in fundraising, the acquisition of loans from banks and using different women SHGs business programs have proven that strengthening the role of rural areas is made possible by strengthening women's household position in the development process. (Saravanan, 2016) sums up his findings: This is a very important impact indicator. SHGS is a significant instrument that helps rural women to gain strength in their life support. SHG has a huge impact on the life of the poor, SHGs not only meet their economic needs but also all-inclusive social development.

SHGs are an approach to upsurge earnings levels and improve the living standards and economic independence of rural households, (Nedumaran, 2001) observed the performance and 'socio-economic' influence of SHGs in India, there was an upsurge in income in the SHG participants, in comparison to the pre-SHG members. The social conditions of participants improved significantly after partaking in the SHGs.

1.3.4. Measuring of Empowerment.

It can be measured by involvement in ‘decision-making’ in the household, Participation in community programs, and self-development programs through SHG are the only way to improve the condition of rural households. “Although power means ‘invest with power’, in the context of the ‘empowerment’ of the role of the poor, the term came to denote the peoples of rural areas who have increased governance of their lives, and backgrounds. In discussions on empowerment, the focus is often economic and self-sufficiency and legal rights” (United Nations, 1995).

The capacity to exercise decisions includes three interconnected dimensions: means which include access and future claims on measurable and social resources; which includes the process of ‘decision-making’, concession, deception and achievement relating to the welfare of the selection results.

- **Economic empowerment**

Economic empowerment is only the most important parameter of the overall empowerment, which includes social, psychological and political aspects of empowerment. Strengthening the economic situation in terms of increased income, self-employment and thrift can lead to women's ability to influence or choose, increase confidence, better position and role in the household.

Stresses the fracture of the backbiting circle of poverty, reducing the vulnerability, increasing the resources available for use and diversifying towards higher incomes. “Microfinance, guaranteed to women through SHGs to promote dynamic activities or entrepreneurship, will have a progressive impact on the asset-owned base of women, monthly revenues, savings, capacity-making about enterprises, (Rahul Sarania,2015)”.

Studies were conducted by various scholars to detect the correlation between ‘microfinance and economic empowerment. Mayoux (1996) explained that microfinance programs are assumed to be from quartz spirals with the help of poor women in providing access to credit (Mayoux, 2002). “Women's access to credit and savings will help them improve their economic situation, which will further assist them in making decisions and help them optimise their own and family-level prosperity. Access to credit and savings will lead to better skills, mobility and knowledge and support networks”.

Although microfinance does not address all the challenges for women. “There is a constructive impact, such as improved confidence and self-respect and partaking in decision-making in girl’s education, and family planning”. Cheston (2015).

- **Social empowerment**

It means that a woman must have a valid place in the household and society and should have the right to enable her to use the available resources. This has led to the development of self-respect as well as raising the lives of poor women in the household. Since the woman has now increased their presence, on various government boards, etc., their social status looks slightly elevated. The social influence of the SHGs program increased participation in making a decision, awareness of various programs and associations, increased access to such organisations, increased spending on health, this is a change in the relationship of male members families are now confident of the concept of SHG and encourage women to attend meetings and women to report to savings on their own, name and give them confidence and increase self-esteem.

The study conducted by Bansal (2011), in Punjab, India “showed that microfinance programs were successful in diversifying economic activities in rural parts and participants who participated there, has increased the individual's income, as well as household and also economically, socially and politically trained”.

Most studies deal with the link between microfinance and the economic empowerment of women participants through SHGs in rural areas about the development of households. It is also equally important that increasing the ability to generate income should be translated into important objectives such as income and profit control and their use for welfare and household income.

1.3.5. Indicators of socio-economic empowerment

It is necessary to pinpoint the specific areas of empowerment and the indicators of empowerment before we look further into the role of SHG in empowering the women participants. The specific critical areas that need to be empowered are divided into the following:

1. Economic Empowerment

It is very crucial to attain economic independence before other forms and categories of empowerment, the following are the indicators of economic empowerment.

- The capability to work and have employment.
- The capacity to make decisions or control resources and income
- Possession or ownership of economic resources and land.
- The capacity to provide or contribute to the welfare of the household and society.
- The partaking in making critical decisions on consumption, spending, purchases and household expenses.

- The capacity for women to decide on how to utilize their wages/income.

2. Social empowerment

Social empowerment simply means social equality, equality of treatment, respect, opportunity, respect, dignity, and status. This resulted in changes in livelihood, values and attitudes. The following are considered the indicators of social empowerment.

- enhanced self-confidence and self-esteem,
- ability to enjoy life and relationships
- ability to counter exploitation and violence
- ability to form groups and associations
- **Domestic decision-making (household level)**

The social impact of the SHGs program can be measured by integrating women into decision-making. SHGs encourage women to participate in various decisions, such as savings, investments and loans. Women have reported having savings in their name and giving them confidence and increased self-esteem

- **Employment**

The implementation of SHGs created the possibility of self-employment for the poor in rural regions. After joining the SHG they developed different skills to give them different employment and entrepreneurial opportunities.

- **Decision Making on Financial**

One of the key advantages of participating in SHGs is the capacity to regularly store, access to and participate in the management of these savings. Settled regularly, have their bank accounts and make deposits in those accounts.

- **Self-confidence among members**

The composition of the group showcases hidden talent and leadership properties among members. It can therefore be inferred that, after entering the SHG, the members improve their status in the family, become useful in family financing and sometimes also help others.

1.4. Importance of SHGs

Poor households whose livelihood typically depends on agricultural activities lack the capital needed for a small-scale business that could improve their households. Saving money needed for, education and investment is rather impossible than a bit of cash in hand to earn digests to replenish their daily maintenance and fulfilling their basic support of their need, SHG is a unique and most interesting aspect of development and is a primary occupation developed as a strategy to attain basic needs and self-sufficiency.

Below are some of the importance of SHGs.

- Poverty alleviation
- To increase employment opportunities.
- To accelerate economic growth.
- To boost society's status.
- It looks at building the functional capacities of the deprived and the poor in employment and income generation activities.
- Addresses disputes with collective guidance and mutual discussions.
- It provides a non-loan guarantee with the conditions in which the group aligns at market prices.
- SHGs have arisen as an active tool to provide microfinance services to the disadvantaged.

1.5. Problem Statement

The partaking of women in (SHGs) has been promoted based on serving the welfare of its members through savings, investment, capacity building and lending services. In pursuing this potential, different stakeholders have promoted women's participation in the SHGs to strengthen community development. However, for households falling into their 'socio-economic' status, they are still poor. Although there were several studies on women's SHG in India, especially concerning economic empowerment, through SHGs and microfinance and female groups, little was done on the possible impact of SHGs on the 'socio-economic' status of the rural household. This study looks into the impact of rural women's households' participation in SHG and socioeconomic statuses.

1.6. Significance of the Study

The study highlighted the influence of microfinance such as SHG on the 'socio-economic' empowerment of rural households. Overall, it will also contribute to general knowledge of the role of informal microfinance institutions in the country's economic development. The findings will also be important to other 'social work' researchers to make people understand the importance of involving communities in SHGs.

1.7. Social work viewpoint linked to the topic

The overall function of ‘social work’ in dealing with SHGs and microfinance groups is to assist participants of SHGs to achieve personal and group goals. Social workers perform various roles, through social work methods such as community organization, social case and group work etc. These methods are applicable in microfinance and are used by several development practitioners. Social work intervenes through capacity building and skill development, and an empowerment approach this process helps to physique political, economic and social empowerment. Hence social workers use SHG as a tool for grassroots development for rural households. Social workers with professional experience and skills in these fields helped to rebuild poor communities through microfinance to address the social and economic situation of individuals and communities, which is necessary for effective poverty alleviation.

“Social work as a professional seek out to smoothen the welfare of, individuals, groups as well as communities”. It promotes, development and empowerment. Social work is more concerned with social problems, it works to alleviate, and eliminate problems and the harmful effects they have on people., social workers help the participants of the SHG, through the process of empowerment.

1.8. Chaptalisation

CHAPTER - 1

The first chapter contains the introduction of the topic of the study and the definition, the notion of microfinance and SHGs, in India and the empowerment of rural households.

CHAPTER - 2

The second chapter provides related literature and the research gaps in the study.

CHAPTER - 3

This chapter provides an overview of the methodology and research design carried out in this study; it presents a depiction of the research procedure. The chapter also describes the various steps it covers such as sampling procedures, sample size, ‘methods of data collection ’ and analysis.

CHAPTER – 4

This section provides a detailed analysis of the research according to the objective and purposes of the study. This section also analyses the empowerment of the participants of the SHG and categorises the levels of empowerment of the participants of the SHG.

CHAPTER - 5

This chapter discusses the findings on the impact of SHG on socio-economic empowerment of rural livelihoods from Anand and Panchmahal the results derived from primary data analysis, this section also provides suggestions and conclusions.