

Self Help Groups, Financial Inclusion and Women Empowerment – A Critique

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ABSTRACT : *At present financial inclusion is given top priority as financial development, and economic growth is interdependent. Women constitute almost half of India's population. Their work participation is also increasing and diversifying, thereby impacting their families, neighborhood and the economy too. Notwithstanding their numerical strength, women are still confined to a secondary status in social life, economic activities and decision-making processes. The Draft on National Policy for Women in Agriculture (April 2008) prepared by National Commission for Women (NCW) stated that an estimated 20 per cent of rural households are defacto female-headed due to widowhood, desertion or male-out-migration. This makes women economically vulnerable and both occupationally and socially, the victims of discrimination. Self-reliance through solidarity and productivity seems to be the way out of this human poverty. Financial inclusion, therefore, could be a means to come out of poverty. Self-help Groups are considered to be the enabling mechanism in this regard. The most common group lending model under SHG movement in India at present is "SHG-Bank linkages". Across regions and communities, SHGs of women have improved their participation and saving capacity. When women have financial means, they invest that money back into their families resulting in better economic security. However, we need to know whether this impact translates to better social security in terms of health, education, equity etc. We argue that financial inclusion without social intermediation is a half attempt at women empowerment.*

Time has come to replace the 'nobleness' of group approach with 'ability' to cope with challenges and changes of the times. SHGs must be ready for new experiments for the sake of enhancing expertise in group management rather than be complacent with experience. The objectives of this paper, therefore, are to (i) critically examine the role and reach of SHGs towards empowerment;

(ii) discuss the issues and initiatives in establishing linkages between the socio-economic dynamics and women's empowerment; and

(iii) explore some strategies that may supplant or supplement the SHG initiatives and remove the imbalances that remain in accomplishing total empowerment of women.

KEYWORDS: *Empowerment, financial inclusion, India, women, empowerment*

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I. INTRODUCTION

India has a population of 1.27 billion out of which 40 per cent of the rural population and 23.62 per cent of the urban population is estimated to live below the poverty line. The urban and rural poor have been dependent on money lenders for their financial needs, such as marriage, illness or any other emergency needs because the formal credit system of banks is beyond the reach of poor. This provides an opportunity for money lenders to exploit the situation. Women constitute around half of the total human resources in our economy. Women are the poorer and underprivileged than men as they are subject to many socio-economic and cultural constraints. Financial inclusion alone can guarantee economic security to poor women. The Indian Government and RBI have introduced a policy of "financial inclusion". As a part of this policy, the Indian banks are required to lend to "priority sectors", one of which is rural women.

Out of the several subsidised programmes launched by the government, microfinance has emerged as a catalyst of rural development. Microfinance and SHGs are effective in reducing poverty, empowering women and creating awareness which finally results in the sustainable development of the nation. The impact of microfinance programme through self-help groups (SHGs) has been useful in making positive social changes to all members, irrespective of the direct borrowers of the microcredit. They assist SHGs in income-generating activities. Microfinance revolution in India is recognized as a powerful tool for women empowerment because when institutional finance failed microfinance delivered, although the outreach is not sufficient.

1.1 Background of the study

Financial Inclusion is the delivery of banking services at an affordable cost to the vast section of the disadvantaged and low-income group. Dr C. Rangarajan Committee on Financial Inclusion defines it as: "Financial Inclusion may be defined as a process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost."

In India, the primary responsibility of ensuring financial inclusion lies with the commercial banks subject to guidelines of the RBI. However, the large size and diversity of population necessitated the commercial banks to take the assistance of various social and financial entities like co-operative banks, regional rural banks (RRBs), self-help groups (SHGs), and other non-banking finance companies (NBFCs).

Origin of SHGs:

SHGs are formed with fifteen to twenty members with similar socio-economic backgrounds and from a specific locality. SHGs originated in Bangladesh, founded by Prof. Mohammed Yunus in 1975, who gave a new approach to rural credit in Bangladesh. SHGs have been top-rated and are doing a good job in other countries like Bangladesh, Malaysia, Philippines, Korea, Indonesia and India. However, India's first Microfinance Institution 'Shri Mahila SEWA Sahkari Bank' was set up as an urban co-operative bank, by the Self-Employed Women's Association (SEWA) in 1974. NABARD initiated SHGs in the year 1986-87. However, the real effort was taken in 1991-92 after RBI's recognition of informal groups in July 1991 through the linkage of SHGs with the banks. However, the Indian bank and Tamil Nadu Corporation for development of women linked and selected NGOs which implemented SHG based poverty alleviation programme targeting rural women with the International Fund for Agriculture Development (IFAD). However, these are supply-side programs aided by corruption and leakages, which achieved little ignoring the demand side of the economy.

1. Purpose and Plan of the Study

1.1 Objectives of the Study

- To critically examine the role and reach of SHGs towards empowerment.
- To discuss the issues and initiatives in establishing linkages between the socio-economic dynamics and women's empowerment.
- To explore some strategies that may supplant or supplement the SHG initiatives and remove the imbalances that remain in accomplishing total empowerment of women.

2.2 Methodology

The present study is based on the collection of data from secondary sources. Secondary data is obtained from various published and unpublished records, books, magazines and journals.

2.3 Conceptual and Operational Framework

Working of SHGs

SHGs are working democratically. The major programme involving financial intermediation by SHGs is the SHG-Bank Linkage Programme, launched by National Bank for Agriculture and Rural Development (NABARD) in 1992, the apex bank for rural development in India. Commercial banks, Regional Rural Banks (RRBs), Small Industries Development Bank of India (SIDBI), Rashtriya Mahila Kosh (RMK), Housing and Urban Development Corporation (HUDCO), Housing Development Finance Corporation (HDFC) and Friends of Women's World Banking (FWWB), Donors and banks, including Rabobank, played an essential role in providing refinance facilities and loans to microfinance institutions (MFIs) for on-lending to SHGs and federations of SHGs.

SHGs are necessary to overcome exploitation, create confidence for economic self-reliance in poor, particularly women who are mostly invisible in the social structure. SHGs become the basis for change and build a relationship of mutual trust between the promoting organisation and the rural poor through constant contact and genuine efforts. Credit delivery through thrift and credit groups (SHGs) emerges as an alternative to the existing system of credit disbursement by the banks. SHGs have been found to help their members' healthy habit of saving and banking.

Functions of SHGs

- ❖ Creating a common fund by the members through their regular savings.
- ❖ Maintaining a flexible working system and democratically pooling the resources.
- ❖ Conducting periodical meetings wherein decisions are taken through group consensus and cooperation
- ❖ Lending small but reasonable amount of loans so that it is easy to repay in time.
- ❖ Keeping the rate of interest affordable, varying from group to group and loan to loan.

II. SHGS AND WOMEN EMPOWERMENT

2.1 SHGs towards empowerment

Empowerment is a multi-dimensional process, of enabling the individuals to realise their identity and powers in all spheres of life. It consists of greater access to knowledge and resources, greater autonomy in making decisions or free from the shackles imposed on them by custom, belief and practices in the society. Empowerment gives due recognition and reward for resourceful women.

Woman empowerment means empowering women to be free in developing their potential according to their ability, which was denied to them in the past just because of their gender (Shodhganga, n.d.). It is not a question of supermen versus superwomen, but a society of perfect men and perfect women. Ms Margaret Hepworth says: "In order to empower women, we also need to empower men. The world is changing..."

To be a woman in India means that you are the storehouse of tradition and culture and, in contrast, a volcano of seething energy, strength and power that can motivate a whole generation to change its values, its aspirations and its very concept of civilised life (Shodhganga, n.d.). Women are mostly venerated and found valuable. They are often invisible in the development scenario. Denial of access and opportunities to rightful place, possession and position to women begins at home and extends beyond to schools and other institutions of learning and work. Differences in avenues to growth and development thus become issues. The issues become areas of concern, not just for women, but for the entire society.

SHGs aim at promoting awareness among women about the on-going development programmes. They also help in Women's economic independence and improve their social status. For instance, TATA Steel's Tejashwini programmes were designed to uplift the lives of women through SHGs, and they are successful in ensuring the economic empowerment of women in becoming independent. Today Tejashwini reaches 800 villages spread across Jharkhand, Odisha and Chattisgarh. Families who depended only on rain-fed agriculture have multiple sources of income including employment with the Company, contracts for work at the Company, alternate income for women through SHGs, business opportunities such as shops etc. (Tata Steel, 2016). They have also introduced lessons on pickle-making, chicken-rearing, handicrafts and other similar pursuits through SHGs so that women are economically self-reliant. Similar programmes should be encouraged which encourages economic empowerment of women. Gender diversity is essential, and not having it can be detrimental to life and business. Tata Steel targets to have 20 per cent women in its workforce by 2020 as gender diversity ensures the availability of different mindsets to deal with challenges (Hindustan Times, 2017).

2.2 Women's indicators of empowerment through microfinance

- ◆ Increase in ability to save and access loans
- ◆ Promotes entrepreneurial ability.
- ◆ More extensive opportunity to undertake an economic activity
- ◆ Increase in mobility
- ◆ Creates awareness of local issues, MFI procedures, banking transactions
- ◆ Promotes skills for income generation
- ◆ Enhancement of decision-making within the household as well as in society
- ◆ Increase in the mobilisation of groups in support of individual clients and social issues
- ◆ Actively participates in community development activities

III. CRITICAL ESTIMATE

3.1 Some Pertinent Issues

MFIs are weak today for want of liquidity. They want to have more freedom in raising equity capital. However, they face difficulties in raising equity; at the same time activities financed by microfinance tend to remain 'micro'. With a small amount of loan monthly or quarterly instalment payments, high rates of interest and some amount of coercion (!) there is not much scope for expansion of activities, as their activities are confined to primary activities which provide the poor with the bare minimum. Not much has been achieved so far in terms of developing an asset base. 'Macro' finance needed for a larger scale of operations is still not forthcoming. Further, in some instances, if the micro activity does not fetch any return say crop failure due to bad monsoons, the beneficiaries of Microfinance suffer tremendously. In such instances 'Micro-insurance' should assist. For example, in India the Maharashtra State Employment Guarantee Scheme allows farmers to protect their assets in the event of a shock and has encouraged investment in higher-yielding crop varieties.

High degree of SHG concentration in few states belies the state and hope of the movement. Social protection or intermediation as a stabiliser and an investment in future growth is almost a non-starter in most SHGs. Social exclusion, therefore, continues to haunt women with a combined upshot of economic social political and cultural dimensions. Several studies show that while growth in savings and credit is noteworthy, economic empowerment is not uniform across social groups and promoters such as SCs, STs, Minorities and

others. SHG-based entrepreneurial and industrial activities are still languishing for want of infrastructure – growth and access.

Banks are locating its branches densely populated urban areas for covering its cost of operations. The density of population in rural areas is low. The remoteness of the financial services in the rural area is a significant snag of SHG activity. Banks levy different kinds of excessive charges like processing fee, maintenance minimum balance requirement which is a burden to the poor SHG members with uneven income.

3.2 Suggestions for strengthening the SHG Movement

- ✓ Implementation of ICT (information and communication technology) based banking operations must be given priority
- ✓ Skill development of SHG members should be given due attention
- ✓ Educating the SHG members and coordination amongst the SHGs, NGOs and banks is very important
- ✓ The ‘Pradhan Mantri Jan Dhan Yojana’ should be well conceived as it enhances the poor’s access to institutional credit
- ✓ Timely provision of credit at a low rate of interest is essential
- ✓ Enhancement of credit absorptive capacity of a region is equally important.
- ✓ Encouraging SHGs in hitherto excluded regions
- ✓ Check on corruption and commission while sanctioning and upgrading the loan
- ✓ Simplification of KYC norms
- ✓ Extension of the facilities of General credit card system in the form of overdraft
- ✓ Identification of unbanked districts and opening bank branches there
- ✓ Better interaction between a bank official and SHG member is essential
- ✓ Transparency should be maintained of records
- ✓ SHGs in empowering women through financial inclusion must scale up in the parameters namely access, quality, usage and welfare
- ✓ For inclusive growth, besides financial inclusion, SHGs must strive for health inclusion, education inclusion, housing inclusion, legal inclusion, equity inclusion, leadership inclusion, and governance inclusion too
- ✓ To supplement SHG's efforts, it must develop linkages with manufacturing, marketing and service units for enhancing quality and professionalisation besides financial viability
- ✓ Strengthening and integration of technology and human development routes to inclusive growth are urgently needed.

3.3 Initiatives

Various initiatives have been taken for financial inclusion by the RBI and the GOI. Some of the initiatives are:

- Aadhaar - GOI established the Unique Identification Authority of India (UIDAI), which issues Aadhaar numbers to every Indian citizen which is accepted the document and has enabled easy opening of bank accounts. As of June 2018, 1.21 billion People in India were enrolled in Aadhaar. Around 6 million-bank accounts opened by e-KYC and 450 million bank accounts linked to Aadhaar as of June 2018.
- Increase in bank branches: as a part of the financial inclusion programme, 4,90,298 unbanked villages with population less than 2000 were identified were allotted to facilitate banking services. With the efforts of public sector banks, private sector banks, and regional rural banks total banking outlets increased to 5, 98,093 in March 2017 to 67,694 in 2010 (RBI 2017). There is also a significant increase in the expansion of the ATM network in rural areas.
- General Credit Card (GCC): To help the poor and the disadvantaged with access to secure access to credit, banks have introduced the general-purpose credit card facility to facilitate hassle-free credit to rural and semi-urban customers based on the assessment of transactions without insisting on security. Banks issued 1 million in 2010, 11 million in 2016 and 13 million GCCs cards in 2017 (RBI 2017).
- Financial Literacy Programmes: Financial literacy imparts information on candidness of the credit facilities, investment opportunities by formal financial institutions The Reserve Bank of India has identified target groups to provide financial literacy programmes through Financial Literacy Centres (FLCs). One of the five identified target group is SHGs. As of March 2016, 1384 FLCs, were operating. The Financial Literacy Centers (FLCs) has conducted totally, 87710 financial literacy camps in the financial year 2015-16 (RBI, 2016).

IV. CONCLUSION

There have been perceptible and wholesome changes in financial activity and economic security of the SHG members. The SHG-Bank linkage programme is considered as a benchmark in women's empowerment and socio-economic development of women, but it has a long way to go. It is essential that SHGs are required to

overcome the exploitation, create confidence for self-reliance among women. Microfinance remains a powerful tool for development. It may be a few drops in the ocean, but it has helped people in becoming self-sufficient. The requirement is to bring down the capital and the operating costs and strengthen the existing bonding between Microfinance and the Formal Financial System.

Similarly, women entrepreneurship needs a facelift from superficiality to productivity. Total empowerment of women should be the goal to authenticate the pro-people policies and programmes in the country, including 'Jhan-Dhan', 'Skill India' and 'Start-up India, Stand up India'. Women have more battles to fight because with greater visibility there is also greater hostility. Strong and successful SHGs should diversify their activities. Women welfare programmes gradually began to open possibilities for women entrepreneurship in various government and corporate sectors. They must help in the professional growth of women and be active in granting advocacy and technical support to women. They should offer fellowships to young women graduates to pursue their developmental training to mature women entrepreneurs to refine their skills. Legally considering there is absolute equality between men and women in each sphere of life. However, the law directs the society to promote the interests of women, to develop their personality, to secure social justice, to provide humane working conditions and primarily it aims at making women aware of their rights which they can exercise at the time of need.

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