

Self-Help Groups: Empowerment Through Participation



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Introduction

Self-help groups (SHGs) and women's self-help groups (WSHGs) in particular, represent a form of intervention that is a radical departure from most current programmes. They are an effective strategy for poverty alleviation, human development and social empowerment. They offer grassroots participatory implementation that is demand driven by 'beneficiaries' who, in other projects, often find themselves receiving goods or services in a manner that is opaque and impersonal. Most SHG-based programmes are implemented by the government in partnership with NGOs or by NGOs and donor agencies. SHGs also have the potential to transform themselves into vibrant civil society organisations.

Credit needs of the poor

Poverty represents a negative facet of human development. The state of Karnataka has always recognised the need for, and the value of, financial services to the poor. Financial services can be classified as access to finances and management of finances. Where the poor are concerned, access is tackled through various schemes for below the poverty line (BPL) households and while the names of such schemes have changed over the years, the core elements have remained the same since the days of the Integrated Rural Development Programme (IRDP), viz. a loan accompanied by a subsidy, that together, amount to a fairly large single-dose infusion of funds to the identified poor families. The management aspect was largely ignored with government functionaries making most of the credit decisions on behalf of the poor. Schemes on offer covered a limited range of pre-determined investment choices accompanied by inflexible terms and conditions.

Yet, there is no reason to believe that the basic reasons why poor people need money are any

different – except in matters of detail – from the requirements of the rich. The poor borrow to invest in activities that enable income-generation, to meet societal obligations related to 'life events' (births, deaths, weddings, etc.) and to meet emergency needs related to accidents, drought, illness and other such unforeseen contingencies. Cases of loans taken for asset-creation being 'diverted' to pay for contingent expenditure occur because financial institutions do not lend for non-asset creation purposes.

There is enough empirical evidence at hand to support the following statements:

1. A single-dose infusion of credit into a poor household – even when worked out on the basis of feasibility studies of economic activities and even if accompanied by a significant subsidy component – is not viable. The poor benefit far more significantly from multiple doses of credit that begin small and grow in volume with each loan cycle. It takes an average of 5 or more loan cycles to graduate from being poor to becoming non-poor.
2. The poor need money in amounts, at specific times, and for purposes that make the money materially useful to them. They are competent to make practical financial calculations and take 'street-smart' decisions just as well as the better-off. They may enjoy receiving grants and subsidies but are, at the same time, aware that subsidies are no replacement for a financial system that works.
3. The requirements of poor families, of materially useful sums of money, can come in one of several ways, of which, the three most ubiquitous are through (i) savings – where current consumption of money is postponed to yield lump sums at future dates

Poverty represents a negative facet of human development. The state of Karnataka has always recognised the need for, and value of, financial services to the poor.



BOX 14.1

What is an SHG?

NABARD defines it as a group of 20 or less people from a homogenous class who are willing to come together for addressing their common problems. They make regular savings and use the pooled savings to give interest-bearing loans to their members. The process helps them imbibe the essentials of financial intermediation including prioritisation of needs, setting self-determined terms for repayment, and keeping books and records. It builds financial discipline and credit history that then encourages banks to lend to them in certain multiples of their own savings and without any demand for collateral security.

To this definition can be added the affinity dimension and the need to acquire the 6 organisational characteristics of Vision/Mission, Organisational Management Systems, Organisational Accountability Norms, Financial Management Systems, Learning and Evaluation Systems and Networks and Linkages with other institutions.

The poor can and do save in a variety of ways. Yet, their poverty compels them to take loans from time to time, which – because of their fragile situations and the alignment of market forces – they may or may not be able to adequately service.

- (ii) loans – where a lump sum is obtained at present in exchange for surrendering future consumption, and (iii) sale of assets – which may either represent a planned process of financial management or be a crisis response.
- 4. The poor can and do save in a variety of ways. Yet, their poverty compels them to take loans from time to time, which – because of their fragile situations and the alignment of market forces – they may or may not be able to adequately service. What is true is that the moneylender – also represented by landlords, traders, provision shop owners, relatives, salaried friends and neighbours, etc. – is their most reliable credit provider, despite the prospect of adverse consequences in the future.

The origin of the self-help group strategy can be traced to recognition of these truths based on a systematic observation of people's coping mechanisms and behaviour in relation to money. However, though money and its management was the starting point of the SHG strategy (the groups were earlier called Credit Management Groups), experience in the facilitation of such groups soon made it obvious that not only did the money in their hands enable the poor to slowly acquire power, but even more, the group strategy itself created spaces and involved processes that transformed SHGs into civil society organisations that empowered members – both individually and collectively – a *gestalt*, where the organised whole

became more than the sum of its parts. This is an important realisation. It can influence the choice between adopting a credit delivery approach that is content with putting some extra money (loans/subsidies) in the hands of a poor person, and a group-based credit management approach where the processes of managing group funds lead to members taking the lead in the management of the group itself and becomes a means of empowering the poor, especially women, both in the public and private domains.

The history of SHGs in Karnataka

Karnataka does not figure on the top of the tables published by financial institutions that show the number of self-help groups formed in each state. This is mainly because the tables capture data after 1991-92 when the National Bank for Agriculture and Rural Development (NABARD) launched the SHG-Bank Linkage Programme. However, between 1984 and 1985, MYRADA, a non-governmental organisation engaged in rural development and based in Karnataka, promoted several co-operative societies that were enabled to give loans to their members. Subsequently, the large co-operatives broke up into small groups, which were the genesis of the first SHGs, referred to at that time as Credit Management Groups, with a focus on the management of credit. The concept of each member making a saving in the group soon followed, as also the establishment of a system of regular meetings, book keeping and records, and collective decision-making. A pilot study (Puhazhendi and Sai, 2000) gave NABARD the confidence to mainstream the SHG-Bank Linkage Programme in 1996 as a normal lending activity. The programme then spread rapidly, if unevenly, across the country, making it by 2002, the largest microfinance programme in the world.

Thus, the history of SHG promotion started with NGOs taking the lead in the mid-1980s and the lead passing on to NABARD by the late 1980s. After the SHG-Bank Linkage Programme was launched in 1991-92, the very first loans to SHGs in the country were given in Kolar district of Karnataka: by the Vysya Bank,



Bangarpet branch to *Venkateshwara Mahila Sangha* of Muduguli on December 9, 1991 and by the Corporation Bank, Andersonpet Branch to *Saraswathi Mahila Sangha* of Boduguriki on January 30, 1992. NABARD upscaled the programme in Karnataka by initiating a series of measures that included training of NGO and bank staff, convening regular meetings of all intervening agencies, analysing reports and providing feedback for changes in operational systems to make them more user-friendly, and launching the first RRB (Regional Rural Bank), the Cauvery Grameena Bank of Mysore district, as an SHG promoting institution (1994-95). In the 1990s, IFAD, with World Bank collaboration and in partnership with the Government of India and six state governments, including Karnataka, launched a similar programme titled *Swashakti*. This experience encouraged Karnataka to launch a state-wide programme called *Stree Shakti*, (Women's Power) based on the SHG strategy.

Together, the initiatives of the various stakeholders, (the government, NGOs, banks) increased SHG coverage in Karnataka significantly. At recent estimates, 40,295 anganwadi workers (of the Department of Women and Child Development), 561 NGOs, 8 regional rural banks, 20 District Central Co-operative Banks, and 2 commercial banks are engaged in SHG promotion. Together they are estimated to have facilitated the creation of close to 1,95,000 SHGs in Karnataka.¹

Outreach

Today there is scarcely a village in Karnataka where an SHG has not been facilitated. The state government is now the single largest SHG promoting institution. It is important also to note that even in the many government programmes that are not primarily SHG-oriented, SHGs are still included and budgeted for, mainly to engage and empower the poor and introduce a measure

of equity, where otherwise, the programme may have remained 'poor-neutral'. Table 14.1 gives an indicative list of interveners and the SHGs they have promoted.

Broadly, therefore, there are three categories of institutions promoting SHGs: the government, financial institutions and NGOs. The promoting institution plays a significant role in the way an SHG develops and functions. The *Stree Shakti* programme, anchored by the Department of Women and Child Development, attempts to focus the attention of members on curbing domestic violence against women, promoting girl child education, preventing child marriage, etc. Up-scaling the number of SHGs to 100,000 meant that all activities did not take place as scheduled due to budgetary constraints. SHGs promoted by financial institutions are normally viewed as potential sources of clients. They tend to focus on credit provision, and investment in the institutional capacity building of SHGs is limited. These SHGs hardly ever move into social activism. Of the three broad categories of SHG-promoting institutions mentioned above, financial institutions may have the smallest numbers, but in a way they are the most significant since these initiatives of bankers to become directly involved in SHG formation have helped to mainstream the SHG strategy in their priority sector portfolio and to make it a normal lending activity of banks. SHGs promoted by NGOs tend to promote the priorities and agenda of the NGOs concerned and to reflect the organisational and financial strengths as well as weaknesses of the NGOs. Thus, at least in the first two years of formation, they may range between two ends of the spectrum: the one determinedly focussed on altering power balances in favour of the poor (mainly poor women) without much attention to strengthening SHG institutional systems and the other focussed on building up the SHG as a professionally managed institution with little or no attempt made to influence social issues on which members could focus, leaving it to the discretion of members themselves.

However, though there may be one institution taking the lead in SHG promotion in a given context, yet in most cases other institutions are

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¹ Estimated on the basis of a note circulated by NABARD at a meeting called in 2004 at Bangalore of bankers, Government (Women and Child Development Department) and NGOs in Karnataka to review the SHG-Bank Linkage Programme and fix targets for 2004-05. The number of 1,95,000 SHGs also tallies well with the figures obtained from the various agencies listed in Table 14.1.

TABLE 14.1
Some SHG-promoting institutions

Programme	No. of SHGs promoted	SHGs facilitated by	Programme focus
Swashakti Implemented by the Karnataka State Women's Development Corporation with IFAD-World Bank assistance.	2139	NGO partners of the Karnataka State Women's Development Corporation.	Empowerment of women. No credit or subsidy component. Emphasis on training for self-development.
Stree Shakti Implemented by the state government under the Department of Women and Child Development.	100000	Mainly anganwadi workers of the Department of Women and Child Development. Some NGOs now being involved.	Empowerment of women through savings and micro-credit, social awareness. Adequate budgetary provision for training. Grant of Rs.5000 per group as revolving fund.
SUJALA Implemented by the Department of Watershed Development with World Bank assistance.	1171	NGO partners of the Watershed Development Department.	The programme focus is on watershed development. SHGs are included to help the poor and the landless as a means to bring in a measure of equity into the programme. Budgetary provision made for SHG capacity building and to take up income generating activities.
KAWAD Implemented by the Karnataka Watershed Development Society with DFID assistance.	1013	NGO partners of the Karnataka Watershed Development Society.	The programme focus is on watershed development. SHGs are included to help the poor and the landless as a means to bring in a measure of equity into the programme. Budgetary provision made for SHG capacity building and to take up income generating activities.
Drought Prone Areas Programme (DPAP), Desert Development Programme (DDP), Integrated Watershed Development Programme (IWDP), Western Ghats Development Programme (WGDP), National Wastelands Development Programme (NWDP) These programmes are managed by the Watershed Development Department and implemented through the zilla panchayats. Funds are provided by the state and Central Government.	DPAP – 4795 DDP - 3220 IWDP – 1290 WGDP – 1075 NWDP – 2840	Department staff and NGOs.	The programme focus is on watershed development. SHGs are included to help the poor and the landless as a means to bring in a measure of equity into the programme. Budget is provided for training and working capital support (Rs.10,000 per group) to 'community organisations' (not specifically SHGs) but efficiency of use has varied with implementers and quality of monitoring.
Karnataka Urban Development and Coastal Environment Management Project (KUDCEMP) Implemented through Karnataka Urban Infrastructure Development and Finance Corporation (KUIDFC) with Asian Development Bank assistance.	3200	Municipal Corporation staff of selected towns along with NGO partners and promoters of Karnataka Urban Infrastructure Development and Finance Corporation.	The programme focus is primarily on sanitation and solid waste disposal in urbanising areas. SHGs are included to ensure that the poor are involved both in delivering the planned services and in benefiting from them.

(Table 14.1 Contd...)

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Programme	No. of SHGs promoted	SHGs facilitated by	Programme focus
Swarna Jayanti Shahari Rozgar Yojana (SJSRY) Bank loans to SHGs accompanied by state and Central Govt. subsidy.	6896	Staff of Town, Municipal and City Corporations with or without the involvement of NGOs.	The programme focus is on using the SHG approach for poverty reduction through channelling of bank loans and government subsidies. Budget is provided for training and working capital support to SHGs but efficiency of use varies with implementers.
Swarnajayanti Gram Swarozgar Yojana (SGSY)	Not separately calculated since SHGs formed under all programmes in rural areas are included for support.	No separate cadres engaged to form groups. SHGs formed under all programme are eligible for support depending on annual budgetary quotas.	
SHGs promoted by Regional Rural Banks with NABARD support for capacity building	3044	The staff of the Regional Rural Banks.	Focus is on building up priority sector clientele for SHG-Bank linkage. Budgets for SHG capacity building vary from bank to bank. Efficiency of budget use can even vary from branch to branch of the same bank.
SHGs promoted by Commercial Banks with NABARD support for capacity building	21	The staff of banks concerned.	
SHGs promoted by DCC Banks and Co-operatives	34881	The staff of the DCC Banks/ Co-operatives concerned.	
SHGs promoted by Non-Government Organisations	30000 (approximate number)	The staff of the NGOs concerned. Since NGOs are also involved in several of the programmes listed above, the number of SHGs given here excludes the numbers already given above.	The focus is on empowerment of women but the extent to which this is understood and actually facilitated varies very widely between NGOs. Different levels of budgetary constraints also influence the quality of work.
Total SHGs promoted	195585		

Source : Estimated on the basis of a note circulated by NABARD at a meeting of bankers, Government (Women and Child Development Department) and NGOs in Karnataka called in 2004 at Bangalore to review the SHG-Bank Linkage Programme and fix targets for 2004-05.

brought in as the programme progresses. For example, both the government and the financial institutions tend to involve NGOs in the training of SHGs. NGOs and the government encourage their groups to link with financial institutions, and NGOs learn both from the government and from financial institutions the formal systems of reporting and financial management. Such interactions, coupled with the dynamic nature of the SHGs themselves, give reasons to believe that even if the promoting institutions do not share the same level of skills, time, staff or budgets for SHG promotion, and even if SHG promotion is not the primary objective of all such institutions, they tend to develop the same understanding of what an SHG is and what it can achieve as a civil society organisation.

Towards human development

The SHGs, as originally conceived, are not just groups that promote savings and provide credit,

they are intended to become institutions that promote human development and empower their members. The major objectives of building participatory institutions of the poor such as SHGs is to provide the members with an opportunity and the space to develop a vision/mission, to develop and maintain organisational and financial management systems, to grow in confidence and skills to manage their lives and promote their interests in the private and public domains, to establish the linkages required for an institution to function effectively and sustainably, and to support its members to become agents of social change. There is adequate evidence to substantiate the claim that in this process, the members of the SHGs build new relationships, which are more balanced in terms of gender and decision-making and more equitable in resource distribution, within the group, in the home and with other institutions and groups in society. Institutions, by

BOX 14.2

Promoting good quality SHGs through SPIN

SPIN, or Self-help Promoting Institutions Network is a network of NGOs, Government and Banks started in Chitradurga district in 1999. Though each member institution in the network may have an independent agenda, their coming together in SPIN is specifically for the promotion of good quality SHGs. Their commitment is (i) to ensure that common minimum quality standards are maintained in their SHGs; (ii) all SHG related data is shared between member organisations and used to create a district level data base; (iii) programme related information and capacity building inputs are shared between members in the spirit of 'give and take'.

themselves, do not empower the poor unless they are participatory like the SHGs (in which all the members are united by a degree of homogeneity and affinity, all are involved in decision-making and in establishing the rules that govern their behaviour) and adequately provided with capacity-building support. In fact, institutions have the potential to be disempowering, if their structure is inappropriate and imposed from outside and their internal processes are hierarchical or elitist; in such cases they reflect and reinforce the existing class/caste/gender relations.

A major assumption on which the SHG strategy is based is that participatory institutions of the poor provide them with the space to develop skills and confidence and to mobilise resources. Good SHGs have been known to provide the impetus by which people can change the iniquitous power relations which have been keeping them both in poverty and

subjugation. In a society where gender, class and caste play a major role in supporting exclusivity and extraction of surplus, it is not enough to teach people to fish, if they cannot reach the river. The hurdles in the way have more to do with oppressive socio-economic relations and structures rather than with skills. Building people's institutions, therefore, should be the primary objective of SHGs if they wish to transform themselves into civil society organisations.

The most visible manifestations of success are financial. Attempts have also been made to assess the degree of empowerment of SHG members, though not as regularly and uniformly as financial information flows. A majority of the SHG promoting institutions have not created reliable databases or promoted record keeping and documentation systems that enable good quality data related to empowerment to be accessed, consolidated and analysed. 'Empowerment' is such a misunderstood term that its meaning is trivialised to the extent that merely giving a small loan ends up being seen as gender empowerment.

Theoretically and ideally, SHGs, both of men and women, promote the following features which could have an impact on enhancing human development and empowerment: (i) a habit of regular savings; (ii) weekly meetings with a clear agenda and conducted in a participative way, where decisions are taken by the groups to give loans to its members regarding the purpose, size and schedule of repayments; (iii) a culture of sanctions for wilful default; (iv) awareness of, and involvement in, credit plus issues related to equity, gender and rights including the creation of a culture that reduces violence in the home; (v) the ability and willingness to carry out periodically a participatory self-assessment; and finally, (vi) a culture of learning. Together these contribute to, and enhance, the management skills and the confidence of the SHG members while increasing their capacity to meet their livelihood needs.

The following sections will draw from studies, which indicate the impact resulting from the experience that the poor have in managing SHGs.

BOX 14.3

Perspectives of poverty

If human development is the ability to lead a long, healthy and creative life with freedom, self-respect and the respect of others, then in turn this requires that (1) the income; (2) the basic needs perspectives of poverty are met – both of these perspectives will be referred to as the livelihood needs of the poor; and (3) that the social perspectives are achieved.

1. Income perspective of poverty:

A person is poor if his/her income is below the poverty line.

2. Basic needs perspective of poverty:

A person is poor when he/she is deprived of material requirements for fulfilling minimum human needs (food, shelter, clothing, health, education, employment, and participation).

3. Social perspective of poverty:

A person is poor when he/she lacks the ability and opportunity to function at a minimal acceptable level in society.

The impact will focus on issues related to their ability to cope with their livelihood needs, which include incomes and basic needs, as well as with the impact on gender relations in the home and on changes in society.

The livelihood needs of the poor – The income and basic needs perspective of poverty

Savings and Credit

Cultivating the habit of regular savings and the ability to access them when required through credit not only reduces significantly the vulnerability of the livelihood base of the poor and their dependence, it also enhances human development. It enables them to borrow for urgent needs instead of going to moneylender, which increases their dependency since he/she is often the one who provides them with labour employment at low wages. This, in turn, gives them a degree of freedom to bargain for better wages and working conditions and enables them to build a capital base which, hitherto, was impossible since the exorbitant interest rates demanded by moneylenders siphoned off all surplus. The 'feel good' factor is evident in a group that has been able to save enough in the group to meet with urgent needs. However, the members of the group need to go further if they are to justify the claim that savings empower people. They need to ensure that savings and credit are managed effectively.

When asked why they joined the SHG, 88 per cent of SHG members interviewed said that the primary reason for their joining was that it gave them the opportunity and motivation to save money regularly (NABARD 2002).²

This is a significant piece of information, making it possible to appreciate the figures given in

Table 14.2 below as an indicator of the SHG's role in building financial buffers for members to overcome dependence and vulnerability.

This represents a huge sum of money by any standard, over which the members (95 per cent of whom are women) have access and control. Studies made by MYRADA³ have shown that in remote villages where the SHGs meet about 25 per cent of the credit requirement, the interest rates of private moneylenders fall considerably – often by 50 per cent - and moneylenders from outside the village stop coming since the cost of transactions cannot be met with the lower interest rates.

A study of 64 SHGs in Chitradurga district (Berg et al, 1998) indicates that the average savings of members in the SHG increases as their membership matures.

Loans to members

Savings made by members are pooled and loaned to one another. SHG members determine the terms and conditions (these differ from SHG

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TABLE 14.2
Savings by SHG members in selected major programmes

(Rs. crore)

Promoting Institution	Total SHGs promoted	Total members enrolled	Total savings mobilised in SHGs
Karnataka Watershed Development (KAWAD) Society, through partner NGOs (upto February 2004)	1013	16012	2.53
<i>Swashakti</i> Programme (KSWDC, through partner NGOs) (upto December 2003)	2139	38346	4.76
<i>Stree Shakti</i> Programme (Department of Women and Child Development, through anganwadi staff) (upto March 2004)	100000	1479794	179.60
MYRADA (NGO directly promoting SHGs) (upto December 2003)	8359	130672	27.77
Total	111511	1664824	214.66

Source: Reports of KAWAD, KSWDC, Women and Child Development Department and MYRADA.

² Page 22, Table 3.9, *Impact of Self-Help Groups (Group Processes) on the Social/Empowerment Status of Women Members in Southern India*, commissioned jointly by MYRADA and NABARD, designed by MYRADA and conducted by A.C. Neilson ORG-MARG (SRC), published by NABARD in November 2002 and released at the Seminar on SHG-Bank Linkage organised by NABARD at New Delhi on 25th – 26th November 2002 to commemorate 10 years of SHG-Bank Linkage.

³ Internal (unpublished) studies conducted by MYRADA in 2003 covering selected villages in Chamarajnagar, Mysore, Chitradurga and Erode districts to estimate the impact of SHGs on the existing moneylenders servicing the areas.

BOX 14.4

Savings

Where the poor are concerned, savings are made, not out of a surplus of income, but by cutting down some expenditure somewhere. In theory $\text{income} - \text{expenditure} = \text{savings}$; in the case of the poor, the reality is $\text{income} - \text{savings} = \text{expenditure}$. Savings are an essential feature of all SHGs, creating pools of funds for loaning to members and also serving as the basis to attract additional loan funds from financial institutions. Several studies have shown that savings reduce their vulnerability since they provide them with credit during periods when income is low. Such periods occur just before the onset of monsoons. It is during these periods that they have to depend on moneylenders whose terms and conditions ensure that they are in perpetual debt, unable to accumulate capital and in many cases lose their pledged lands or assets. Rural people generally do not have steady monthly incomes. The harvest, if good, brings in a lump sum income which they tend to spend without saving for the lean periods because they have no place to save which is 'friendly' and which they can access easily, other than converting money into household assets.

TABLE 14.3
Savings of SHGs

(Rupees)

Age of SHGs	1 Year	3 Years	5 years
Average monthly savings in kind	250	800	750
Average monthly financial savings	175	175	375
Total average monthly savings	425	975	1125

Source: Berg Christian, Bredenbeck Kirsten, Schurmann Anke, Shanzick Julia and Vanekar Christiane (1998), Humboldt Universitat zu Berlin, 1998.

to SHG). Loans are provided for all purposes without making the traditional distinction between 'consumption' and 'income generation'. An example of the variety of purposes is given in Table 14.5. The SHG model provides its members with the space and flexibility to make decisions that are appropriate to each situation. Only private moneylenders lend for such a variety of purposes with minimum fuss and paper work; all financial institutions and government schemes lend only for 'productive' purposes. But it is the 'life events' and emergencies that drive the poor to debt traps. It leads also to the diversion of loans taken from formal organisations/government into consumption loans, which they are unable to repay.

It must be noted, that apart from their savings, SHG members also credit all the interest earned on loans to the group's common fund. Unfortunately data on interest earned by the SHGs is not easy to access from any of the major government sponsored programmes. Data from MYRADA's projects however is indicative. The 8,359 SHGs in MYRADA have earned a total of Rs.17.1 crore (Rs.171 million) through interest, which remains in the common fund of the groups. This is almost two-thirds of their total savings of Rs.27.7 crore (Rs.277 million). This amount from interest adds significantly to their 'own' funds and is a major indicator of how well the group is functioning, financially, as well as of its level of self-reliance.

TABLE 14.4
Loans given by selected SHGs to their members

(Rs. crore)

Promoting institution	Total SHGs promoted	Total members enrolled	Total loans given	Total amount loaned
Karnataka Watershed Development (KAWAD) Society, through partner NGOs (upto February 2004)	1013	16012	51598	14.66
<i>Swashakti</i> Programme (KSWDC, through partner NGOs) (upto December 2003)	2139	38346	73542	13.36
<i>Stree Shakti</i> Programme (Department of Women and Child Development, through Anganwadi Staff) (upto March 2004)	100000	1479794	Data not collected	380.79
MYRADA (NGO directly promoting SHGs) (upto December 2004)	8359	130672	796780	183.45
Grand total	111511	1664824	921920	592.26

Sources: Reports of KAWAD, KSWDC, Women and Child Development Department and MYRADA.

TABLE 14.5
Pattern of lending

(Rupees)

Sl. No.	Item	No. of loans	Amount loaned	Amount recovered	Balance outstanding	Amount overdue
1	Clothing	1366	528692	238479	290213	106
2	Education	3945	4261683	2780085	1481598	17474
3	Food	40354	65099160	44786373	20312787	17602
4	Health	8012	10362055	7057492	3304564	590
5	Repaid to moneylender	1203	3582419	2196208	1386211	0
6	Socio-religious ceremonies	3659	8824255	5674839	3149416	38579
7	Travel	689	307762	158043	149720	0
8	Crop loan	26842	45683839	31569955	14113884	1814
9	Equipment (agriculture)	298	222495	134246	88250	14023
10	Irrigation	12	137348	18367	118981	10265
11	Land development	466	1245006	705603	539404	17820
12	Land release/purchase	442	2492261	1451745	1040516	102466
13	Bullock	761	3388875	1655596	1733280	29144
14	Cow/buffalo	2655	13479698	6452113	7027586	36256
15	Feed treatment	19	39039	22382	16657	(-) 6707
16	Infrastructure (sheds, carts, etc.)	173	280439	111894	168545	42714
17	Poultry	17	19210	7940	11270	0
18	Piggery	15	22500	1660	20840	6860
19	Sheep/goat	443	1698036	453646	1244390	68135
20	Bee-keeping	16	19500	19500	0	0
21	Cottage industry	294	656344	326822	329522	71025
22	Petty business	12574	41468598	28702603	12765995	82118
23	Sericulture	123	184120	42423	141697	(-) 1780
24	House construction	311	1114760	591810	522950	10745
25	House electrification	20	26700	15187	11513	1500
26	House repair	1338	4897626	2423549	2474077	13980
27	Low cost latrine	267	256700	165123	91577	0
28	Fishery	44	255133	103003	152130	0
29	Release of bonded labour	2	5000	0	5000	0
30	Paying mortgage on house	4	16500	2900	13600	0
Total		106364	210575755	137869584	72706172	574729

Source: MYRADA's HD Kote Project, Mysore district as on December 31, 2002.

It would be misleading to estimate per capita loans from the above figures since the groups vary widely in age from over 10 years to less than six months. Sizes of loans given by SHGs to members range from less than Rs.500 to over Rs.30,000, depending on the age and capital base of each group. Loan repayment periods range from under a month to over two years, and the interest charged by the groups to their members could range from 12 per cent to 36 per cent per annum. In fact, the interest rates charged by SHGs come in for some criticism but since members decide them collectively, it is obvious that the rates are not regarded by members as being exorbitantly high.

The average amount loaned annually under the *Stree Shakti* programme alone, which has mobilised loans from banks for the last three years, works out to around Rs.106 crore; this figure is at least three times larger than the loans given annually under the erstwhile IRDP. The total number of loans that SHGs advanced to members is 9,21,920. This could never have been achieved by the formal financial system where one bank branch sanctions about 30 loans in the priority sector.

The wide variety of purposes for which loans are advanced and the ability to ensure a high rate of recovery indicates that where the microfinance model places the responsibility of decision-making squarely on the SHG, members are able to manage the SHG as a productive, responsive organisation.

An analysis of the data indicates that the SHG members take several loans over a period of three to five years. This is the only way that they are able to move out of poverty. A single dose or a one-time infusion of subsidised credit does not significantly raise them above the poverty line. The wide variety of purposes and the difference in the sizes of loans for similar purposes show that the SHGs do not have fixed and standardised patterns of lending and are able to adjust to each member's needs.

A review of the trends in lending indicates that during the first two years, SHG members take a large number of loans for clothing, education, food, health, to repay money lenders, and for

socio-religious ceremonies. These are commonly known as 'consumption loans'. The trend in loans also indicates that loans for trade, cottage industries, animal husbandry and agriculture increase in number and size from the third year onwards after people have acquired a degree of independence and confidence that their investment in assets will be safe and productive.

The Berg study referred to earlier estimates that in the first year 25 per cent of the SHG members are above the poverty line; in three years, this number increases to 70 per cent and in five years, to 86 per cent as Table 14.6 indicates. About five to ten per cent of the SHG members, who join the SHG, are just above the poverty line before they join, though they are closely united by affinity with the others; in the first year about 10 per cent to 15 per cent make use of the opportunities provided by the SHG to cross the poverty line, but in most cases they fall below after six months or so, and then rise again.

This trend is also confirmed by another study commissioned by NABARD/MYRADA (2002) as the Table 14.7 indicates.

SHGs and financial institutions

Increased lending has been made possible through accessing loan funds from financial institutions, after the SHG – Bank Linkage Programme was launched in 1991-92. Under this programme, there are no subsidies for the asset, yet it has grown, particularly after 1999, and is today the largest microfinance programme in the world. The repayment rates average around 95 per cent.

The SHG members consider their ability to raise loans from banks and their ability to negotiate with banks directly as a major indicator of increased levels of confidence and self esteem⁴. This provides some insights into SHG members' ability to access finance from mainstream institutions. Many members say



⁴ Social Intermediation Study sponsored by Aga Khan Foundation and Canadian International Development Agency, Page 12 of unpublished final draft of MYRADA segment, Sue Szabo (supported by Mamtha Krishna and Madhuri Partha Sarathy).

that they learnt to sign after joining the group. Although this might seem like a minor achievement to most of us, to SHG members, it seems to be a way of gaining acceptance in the 'mainstream', and a source of pride. Many members spoke of how they were previously ashamed to conduct bank transactions, as they used thumb impressions in place of signatures. Only after learning to sign were they comfortable about going to a bank. It was after joining the SHG, that they had gained the confidence of conducting bank transactions on their own, and approaching bank officials for loans.

The credit funds provided under the SHG-Bank Linkage Programme in Karnataka compare favourably with the credit disbursed to SHGs in Karnataka under the *Swarna Jayanthi Gram Swarozgar Yojana* as shown in Table 14.9. It may be recalled that all the previous loan-cum-subsidy programmes of the Central government for the rural poor, including IRDP and DWACRA, have been merged under SGSY. The SGSY programme is mainly intended to provide loans to groups. Due to various compulsions, individual beneficiaries are also being included in large numbers but they are not considered the primary target. Hence, Table 14.9 is of loans given to SHGs only.

Social perspectives of poverty

Data on social development is far more difficult to put together because of the varied ways in which

BOX 14.5

Loan cycles

People need several cycles of loan to overcome poverty and that some of these loans may be 'non-productive' in nature but are an essential part of the process to climb up the socio-economic ladder. Thus, if a leaking roof is not repaired the income earning produce stored under it will be destroyed; if a broken leg is not treated immediately, the labourer may never be able to work productively again; if land pledged to a moneylender is not redeemed, the land itself may be lost forever; if a social event is not appropriately celebrated, friends and relatives may become unavailable in times of need. Similarly, a person may not be able to manage a larger programme right from the beginning but if her programme starts small and slowly graduates in size, this growth is steered by her and she can manage it much better. The varieties of purposes for which loans are given by SHGs indicate that the SHGs are able to meet this need.

information is collected and the relatively fewer efforts made to present quality information along standard parameters in terms of quantified data. The skill levels and time required to undertake such research also makes it far more expensive compared to consolidating financial information. Nevertheless, an attempt will be made to assess the impact on SHG members with respect to their ability to introduce changes in gender relations in the home and in society as a result of their experience in a well-functioning SHG. The CATAD study represents one effort made to quantify progress in social development and empowerment; Tables 14.10 - 14.13 indicate significant progress in these domains.



TABLE 14.6
Percentage of households above the poverty line

Age of SHGs	1 year	3 years	5 years
Percentage of households above the poverty line	25	70	86

Source: SHG-Bank Linkage programme in Karnataka, NABARD, 2004.

TABLE 14.7
Financial status of SHG members

Change in personal financial status after 3 years	Number of SHG members	Percentage
It has improved	114	89.1
It has remained the same	14	10.9
Can't say	0	0
Total	128	100

Source: SHG-Bank Linkage programme in Karnataka, NABARD, 2004.

BOX 14.6

Profiles in empowerment

Lakkappa Ningappa Heggade is from a poor family and joined the Shri Sharada *Stree Shakti* group of Metaguda village, Mudhol taluk, Bagalkot district. She took a loan of Rs.1,000 from her group and bought a sheep, which gave birth. Soon after, she sold the sheep and lambs at a small profit. She then added it to another loan of Rs.3,000 that she took from her group, and bought a cow. She sold milk and milk products to repay her loan. A third loan of Rs.5,000 enabled her to purchase a buffalo which she managed in the same way. She then took a loan of Rs.7,000 to buy a small house site. Her fifth loan of Rs.8,000 was taken to release her father-in-law's mortgaged lands and the sixth loan of Rs.6,000 helped her husband and father-in-law to re-start cultivation. She regularly repays all her loans and has become a model of how a poor woman can overcome poverty with planning and determination backed by SHG support.

Sundamma, who has been an SHG member for five years, lives with her husband and two children in Holalkere village of Chitradurga district. The family is landless and lives in a rented house, in front of which they have set up a small grocery shop. She and her husband also work as agricultural labourers. After six months of regular savings, Sundamma asked for, and got, a loan of Rs.5,000 from her group, to expand her shop. After repaying this loan, she took another of Rs.10,000 of which she used Rs.5,000 to improve her shop and Rs.5,000 to buy a cow. She then took a third loan to buy six sheep, which soon expanded to a flock of 12. She sold seven sheep for Rs.10,000, which she invested in a chit fund since she still owed some money to the SHG and was not yet eligible for a fourth loan. With the chit fund amount, she purchased a small house site and leased a two acre coconut plot for one year. Her husband started selling tender coconuts. By then, she had repaid her earlier SHG loan and got another loan of Rs.15,000, of which she used Rs.5,000 to buy a buffalo, Rs.5,000 to further expand her shop, and Rs.5,000 to purchase wholesale bakery items that her husband then started selling, along with the tender coconuts. She continues to be a responsible SHG member and her family now has assets worth Rs.1 lakh.

Sources: *Stree Shakti* case study, DWCD, 2004, MYRADA 2003.

TABLE 14.8

Loans by banks to SHGs under the SHG-Bank Linkage programme in Karnataka

Year	Number of SHGs credit linked with formal financial institutions	Amount loaned (Rs. lakh)
1992-93	114	5.73
1993-94	51	5.51
1994-95	481	77.71
1995-96	1460	145.08
1996-97	760	159.12
1997-98	1138	232.19
1998-99	2002	429.86
1999-2000	5018	1054.81
2000-01	8009	1714.00
2001-02	18413	3475.39
2002-03	25146	7249.50
2003-04	41688	13960.36
Total	103866	28521.28

Source: SHG-Bank Linkage Programme in Karnataka, NABARD, 2004.

The study of 64 WSHGs selected three decision-making areas, all related to their husbands, in order to assess whether their experience in the SHGs had an impact on gender relations. These decision-making areas were (i) who decides on the purpose of loans in the home before the woman submits her request at the SHG meeting; (ii) who makes decisions about making changes to household infrastructure; and (iii) who makes decisions regarding the purchase of higher value household articles.

In these three decision areas there is a significant shift from a position where women were largely dominated to one where they have equal say or even where they take the lead. This progression can be attributed largely to two factors: (i) the money to implement many such decisions

comes from SHGs and from the increased contribution of women to household income. As providers of funds the women are able to assert their right to influence the use of such funds; (ii) weekly engagement in SHG-related decision-making enables women to gain competence in decision-making, which includes presenting their side of the case coherently, reasonably and logically.

The study then went on to enquire whether SHG members were able to play an influential role in community affairs. Table 14.11 indicates that they were increasingly able to do so.

TABLE 14.9
Credit disbursements to SHGs under SGSY and Bank Linkage Programmes

(Rs. lakh)

Year	Credit-cum-subsidy disbursed to SHGs under SGSY	Credit disbursed by financial institutions
2000-01	4187.91	1714.00
2001-02	7114.86	3475.39
2002-03	3688.87	7249.50
Total	14991.64	12438.89

Source:

1. SHG-Bank Linkage Programme in Karnataka, NABARD, 2004.
2. Ministry of Rural Development 2002-03 (upto February 2003) for SGSY.

TABLE 14.10
Increased decision-making power of women SHG members in their households

(Per cent)

Decision areas	Influence on decisions	SHG age: < 1 year	SHG age: 3 year old	SHG age: > 5 years
Decisions on purpose of loans	Decision dominated by husband	30	13	12
	Decision made jointly by SHG member and husband	51	53	42
	Decision dominated by SHG member	19	34	46
Decisions on making changes to household infrastructure	Decision dominated by husband	36	4	7
	Decision made jointly by SHG member and husband	48	58	41
	Decision dominated by SHG member	16	39	52
Decisions on higher value household purchases	Decision dominated by husband	26	17	14
	Decision made jointly by SHG member and husband	55	35	58
	Decision dominated by SHG member	19	48	28

Source: SHG-Bank Linkage programme in Karnataka, NABARD, 2004, Pages 117-118.

TABLE 14.11
Increased influence of SHGs over community/village issues

(Per cent)

Community/Village affairs	Indicators of influence	SHG age: < 1 year	SHG age: 3 year old	SHG age: > 5 years
Maintenance of village infrastructure/utilities	Percentage of SHGs that play roles in ensuring the maintenance of at least 2 utilities	30	65	90
Intermediation to solve problems in community/village	Percentage of SHGs that have been approached at least once by others in the village to solve problems	25	50	50
Representation of SHG members in local bodies	Percentage of SHGs having elected members in at least two local bodies	10	25	55

Source: SHG-Bank Linkage programme in Karnataka, NABARD, 2004, Pages 127-128.

TABLE 14.12
Increased knowledge and awareness of SHG members

(Per cent)

Subjects	SHG age category	Good knowledge
Self-help group concept and approach	< 1 year	35
	3 years old	65
	> 5 years	90
Banking knowledge	< 1 year	40
	3 years old	65
	> 5 years	95
Health and sanitation	< 1 year	60
	3 years old	85
	> 5 years	95
Family planning	< 1 year	50
	3 years old	75
	> 5 years	70
Income generating programmes	< 1 year	45
	3 years old	75
	> 5 years	95
Common properties management	< 1 year	30
	3 years old	25
	> 5 years	70

Source: SHG-Bank Linkage programme in Karnataka, NABARD, 2004, Page 102, Table 3.

BOX 14.7

Leading to social and civic action

Nayakanahatti, a large village of around 1,600 households in Challakere taluk of Chitradurga district has 20 SHGs with around 400 members. They have been federated into an *Indira Mahila Kendra* (IMK) under *Indira Mahila Yojana*, a programme of the Government of India. The IMK acts as an interface between the SHGs and government departments. The local fair price shop provoked frequent complaints regarding the sale of kerosene. An SHG member brought this up at an IMK meeting where other SHGs and government representatives were also present. There she discovered that not only was she entitled to a regular supply of her full monthly quota, she was also only expected to pay Rs.3.35 per litre and not the Rs.3.60 that she was being charged. At this meeting the SHGs decided to bring the matter to the notice of the Tehsildar. The Tehsildar issued a warning to the shop and for some months kerosene was supplied properly. A few months later, the shop manager reverted to his old ways. The matter was again discussed at an IMK meeting and all the SHGs decided to make a combined public protest outside the shop. Once again, the supply was resumed properly and the price was lowered. The members were pleased with the outcome but they also realised that one-time protests were not always enough and consumers should always be vigilant. The federation also acted as a catalyst for civic action.

Source: MYRADA (2002) and *Stree Shakti* Case Study, DWCD, 2004.

The training provided to the SHGs in the initial year and a half, focuses largely on institution building. Apart from this, members also experience an increase in social awareness through capacity building. The study also analysed whether members felt that their knowledge in these areas had increased and whether there was adequate recall. Table 14.12 indicates that there were significant increases in knowledge and recall as the groups progressed. In all cases it can be seen that members' knowledge (and ability to recall this knowledge) increased with the length of time spent as a group member.

A study commissioned by the Department of Women and Child Development (2003)⁵ also yields some interesting data on social development aspects. This study covered a random selection of 65 *Stree Shakti* groups with 998 members across 13 districts of Karnataka. Members ranked (i) group unity and fellowship; (ii) awareness of issues; and (iii) self confidence as the benefits they had derived from their SHGs. Improvement in social status, participation in community events or awareness of social problems were quite low on the list. What is significant, however, despite some of the shortcomings of this programme, is that the process of development in a government delivered scheme was participatory and empowering. SHGs offer a successful and viable alternative to top-down approaches to programme formulation and implementation.

Self-help groups, managed in an ideal scenario, provide a way of reducing poverty that simultaneously improves the capacity of its members on many levels. It is grounded in participatory decision-making, which creates a sense of ownership among members. This is very different from how many other poverty alleviation/human development programmes evolve with a top-down system of decision-making and distance from the people most affected by these decisions. For the purposes of presenting an alternative approach to sustainable development, this chapter

⁵ Page 19, Table-13, *Stree Shakti* Self-Help Groups – Basic Quality Assessment: A Study commissioned by the Department of Women and Child Development, Karnataka, and carried out by MYRADA in October 2003.

BOX 14.8

Dealing with dowry

Beebamma is a member of a *Stree Shakti* SHG at Santhemagenahalli of Channapatna taluk, Bangalore Rural district. Her daughter was of marriageable age and she was worried that she would not be in a position to pay dowry. Her preoccupation with this issue prompted her to discuss it with the other members at an SHG meeting. The members understood her situation and decided to find a solution. In this process they discovered that another member, Putteeramma, had a son of the right age. They proposed that the two women could negotiate an alliance. This worked out and soon the wedding was celebrated without any dowry being involved, only the wedding expenses for which Beebamma was granted a loan of Rs.5,000 from her SHG. The SHG members narrated this, not only as an example of helping one another, but also as a demonstration of the usefulness of open and meaningful discussions at SHG meetings. Dowry, it may be noted, is legally prohibited. The group acted responsibly to curb this evil.

Source: MYRADA (2002) and *Stree Shakti* Case Study, DWCD, 2004.

consciously focuses on success stories and best practices. The reality is that many SHGs are unable to survive in times of natural or personal calamity. Savings drop when there is drought, which affects income and leads to migration. Many *Stree Shakti* SHGs became defunct during the drought that affected the state three years in a row from 2001 onwards. There is sometimes an internal conflict between donor-driven project goals i.e. financial viability of an SHG and the larger theme of empowerment, especially in women's SHGs. SHGs have been known to replicate the social relations of their environment, with poorer SHGs unable to compete for credit with the more viable ones. These issues must be recognised and addressed if we are to upscale the concept as a significant poverty reduction and social empowerment tool.

TABLE 14.13

***Stree Shakti* SHGs: Involvement in social activities**

Issues taken up	Total SHGs interviewed
Anti-child marriage	65 SHGs from 13 districts of which 5 aged less than 2 years and 60 aged above 2 years
Anti-dowry	
Anti-domestic violence	
Pro-girls' education	
Any other	

Source: Page 19, Table-13, *Stree Shakti* Self-Help Groups – Basic Quality Assessment: A Study commissioned by the Department of Women and Child Development, Karnataka, and carried out by MYRADA in October 2003.

Notes:

1. In the case of girl child education, though only few SHGs have taken it up as an issue of public concern, all the interviewed SHGs said that in their own groups they tried to ensure that all members with girls in the school-going age members sent their daughters to school.
2. Any other includes village water, street lights, road and drain cleaning, mobilising social security for the disabled and widows, contributing money for charitable and community development purposes.

BOX 14.9

The SHG that evolved into a CSO

In Neelanahalli village of Davangere district, a *Stree Shakti* SHG, *Adishakti Mahila Sangha*, won the Best SHG Award from the state government last year. Group lending has helped members take up a number of income generating activities. In addition to their own saving, the SHG has taken loans of Rs.2,80,000 from the State Bank of India, Davangere under the SHG-Bank Linkage Programme and Rs.1,25,000 under the SGSY Programme. But most importantly, the group has raised its voice against alcoholism, dowry and child marriage. Looking beyond the needs of its own members, it has also organised veterinary camps where all villagers can bring their animals for treatment. Its most important community contribution so far has been in resolving the drinking water problem in the village. The group contributed Rs.11,000 from its own funds towards the Government of India's *Swajaldhara* Water Project, as a result of which the village was enabled to augment its drinking water supply. This SHG has steadily grown into a vital civil society organisation.

Source: MYRADA (2002) and *Stree Shakti* Case Study, DWCD, 2004.

Recommendations

- Given the effectiveness of SHGs in reducing poverty and building capacity of members, this strategy must now move into areas such as the development of the Scheduled Castes, the Scheduled Tribes and Minorities.
- It is very important for programmes using the SHG strategy to have clarity about objectives. Too many objectives are unrealistic. Fuzzy definitions of objectives mean that they may fall by the wayside.
- Objectives relating to empowerment must be clearly defined and then supported by appropriate interventions.
- Given the low levels of community and political participation by members, this aspect must be strengthened since SHG members usually are people who are voiceless in the community.
- Training programmes for Panchayat members should also build capacity in CSOs such as SHGs. This process will enable the emergence of a more vibrant civil society.