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Research Papers

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## SELF HELP GROUPS AND POVERTY ALLEVIATION

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### Abstract

*The first and perhaps the most critical Millennium Development Goals of all is to make a pivotal difference in reducing the extreme poverty and hunger by half within 2015. Around the globe, the United Nations Development Program (UNDP) seeks to promote various approaches to reduce human poverty by emphasizing the importance of social inclusion and equity, human rights and women's empowerment.*

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The UN commission on status of women observed ' women who contribute half of the world's population by virtue of an accident of birth, perform two-thirds of the world's work, receive one-tenth of its income and owns less than one-hundredth of its property'. · Create a common fund by the members through their regular savings.

- Flexible working system and pool the resources in a democratic way.
- Periodical meeting. The decision making through group meeting.
- The loan amount is small and reasonable. So that easy to repay in time.
- The rate of interest is affordable, varying group to group and loan to loan. .However it is little higher than the banks but lower than the money lenders.

There were many benefits due to micro-finance towards women empowerment and poverty alleviation, there are some concerns. First, these are dependent on the programmatic and institutional strategies adopted by the intermediaries, second, there are limits to how far micro-credit interventions can alone reach the ultra poor, third the extent of positive results varies across household headship, caste and religion and fourth the regulation of both public and private infrastructure in the context of LPG to sustain the benefits of social service providers.

**Key words:** self help groups, poverty alleviation, microfinance, women development, human rights  
The SHGs are functioning on the basis of following aims and objectives.

### Introduction

The first and perhaps the most critical Millennium Development Goals of all is to make a pivotal difference in reducing the extreme poverty and hunger by half within 2015. Around the globe, the United Nations Development Program (UNDP) seeks to promote various approaches to reduce human poverty by emphasizing the importance of social inclusion and equity, human rights and women's empowerment. A well understood but poorly articulated reality of development is the role of women. The UN commission on status of women observed ' women who contribute half of the world's population by virtue of an accident of birth, perform two-thirds of the world's work, receive one-tenth of its income and owns less than one-hundredth of its property'.

In India, women produce 30 percent of all food commodities consumed but get only 10 percent of the property or wealth of the country. There is a growing realization that rural women have been underestimated and discriminated against all walks of life, despite their substantial contribution to the

household economy and in turn, the national economy as such. As it is clear that the rights and protection of women from social inequalities in statute books are not good enough, some practical solutions are to be acknowledged and most importantly, implemented. Women have been deprived of economic independence. The empowerment of women and improvement of their status and economic role needs to be integrated into economic development programs, as the development of any country is inseparably linked with the status and development of women. Given the gender division of labour that prevails in India, Nutrition, Child health, and related matters typically depend mostly on women's actions and decisions. Experience has shown that promotion of enterprise creation and income generating activities among women would transform them from 'being alive' to 'living with dignity'

One of the powerful approaches to women empowerment and rural entrepreneurship is the formation of Self Help Groups (SHGs) especially among women. This strategy had fetched noticeable results not only in India and Bangladesh but world over. Women being central to the entire development process and at the precursor of social transformation can be demonstrated with many examples that could include Grameen Bank's success, SHGs of ICICI Bank, Shakthi Ammas at HLL, Cemex, Amul, the success of Avon, Mary Kay, and Tupperware in US and other parts of the world.

Micro Finance as a tool of poverty alleviation women empowerment has gained acceptance in development dialogue the world over. There is an acute need among the poor for credit, both for consumption and production, which often forms the declining line between survival and succumbing to poverty. It has been found that besides food, credit is also needed for health, housing education. These needs are also critical for survival (Zeller, 2000). The success of SHGs as a development tool depends on the availability of Micro Finance. This paper tries to link all the pertinent points discussed above namely Micro Finance, SHGs, Women Empowerment and poverty alleviation.

#### Poverty In India At A Glance

Total population (million), 2003	1,064.4
Rural population (as % of total), 2003:	71.7 %
Total labour force (million), 2003	473.3
Female labour force as % of total, 2003:	32.6
Number of rural poor (million) (approximate)	222.0
Poor as % of total rural population, 2000	30.2
Population living below US\$1 a day (%), 1990-2002	34.7
Population living below US\$2 a day (%), 1990-2002	79.9
Population living below the national poverty line (%), 1990-2001	28.6

Source: [www.ruralpovertyportal.org](http://www.ruralpovertyportal.org)

#### Micro Credit - Reaching The Remote Parts

Of course, there is a lot of ways and means to be used as the tools to eradicate the poverty in India. But in the recent past microfinance is often considered one of the most effective and flexible strategies in the fight against global poverty. It is sustainable and can be implemented on the massive scale necessary to respond to the urgent needs of those living on less than \$1 a day, the World's poorest. Because micro credit can provide a much-needed boost to people's earning power in remote parts of a country and an economy where the formal banking sector has shied away from lending.

#### Origin and Concept of SHGs

The origin of SHGs is from the brainchild of Grameen Bank of Bangladesh, which was founded by Mohammed Yunus. SHGs were started and formed in 1975. In India NABARD had initiated in 1986-87. But the real effort was taken in 1991-92 from the linkage of SHGs with the banks. A SHG is a small economically homogeneous affinity group of the rural poor voluntarily coming together to save small amount regularly, which are deposited in a common fund to meet members emergency needs and to provide collateral free loans decided by the group. In Tamil Nadu the SHGs were started in 1989 at

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combined Dharmapuri District. At present 1.40 lakhs groups are functioning with 23.83 lakhs members. So far it was utilized by the women members only. Recently many men are also eager to form the SHGs.

### **Working of SHGs**

SHGs are working in democratic manner. The upper limit of members in a group is restricted to 20. Among them a member is selected as an 'animator' and two members are selected as the representatives. The animator is selected for the period of two years. The group members meet every week. They discuss about the group savings, rotation of sangha funds, bank loan, repayment of loan, social and community action programmes.

### **Functions of SHGs**

The SHGs are functioning on the basis of following aims and objectives.

- ★ Create a common fund by the members through their regular savings.
- ★ Flexible working system and pool the resources in a democratic way.
- ★ Periodical meeting. The decision making through group meeting.
- ★ The loan amount is small and reasonable. So that easy to repay in time.
- ★ The rate of interest is affordable, varying group to group and loan to loan. However it is little higher than the banks but lower than the money lenders.

### **Need for Women Empowerment**

There is an urgent necessity to improve the status of women by well conceived, planned development programmes which would have active community participation based on the women's needs in order to emancipate and empower them. The physical strength and alleged dominance of men has been an important instrument of controlling women's freedom of action.

### **Self-Help Groups in Tamil Nadu**

As per September 2005 statistics there are 142,682 women Self Help Groups in Tamil Nadu. These Self Help Groups have an enrolment of 2,427,141 women members. The following objectives motivate the women to form the Self Help Groups.

### **Objectives of Self-Help Groups**

- ★ To develop women in socially and economically, who live below the poverty line
- ★ To stop treating of women as slaves
- ★ To develop self-confidence among the women
- ★ To bring out the potential in women
- ★ To promote gender equality and equal rights.
- ★ To promote unity among women, learn to work together
- ★ To abolish dowry
- ★ To enhance community harmony
- ★ To promote education and make cent percent literacy for women
- ★ To give importance to the differently abled person and help them
- ★ To follow the small family norms
- ★ To encourage women to take over village level administration
- ★ To take part in the political processes.
- ★ To voluntarily save from their income and expenditure.
- ★ To take small loans without having to pledge jewels with money lenders or pledge documents in the banks.
- ★ To pay the school fees of children and meet emergency medical expenses from out of the savings.
- ★ To understand about the economic, political situation and visit different places like government offices, banks etc.
- ★ To get schemes to meet the basic needs of the village or women themselves.

### **Empowering Self-Help Group Women**

- ★ Creating awareness about the government and bank procedures.
- ★ Making women able to read and write
- ★ Taking them to visits outside.
- ★ Developing the capability to manage a mini bank with ledgers and passbooks.
- ★ Aiming at the total abolition of over interest rate (Kandhu Vatti)
- ★ Enhancing their knowledge and skills to undertake economic activities.
- ★ Motivating them to increase their incomes by undertaking successfully, economic activities as

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individual or groups.

- ★ Providing good marketing outlets for their products.
- ★ Encouraging their participation in the Gram Sabhas, Panchayat Level Federation Clusters, Block Level Federations, meetings of BLCC and DPCC held under the chairmanship of the District Collector.
- ★ Creating the confidence and courage to address and take up varied issues concerning themselves and the community.

#### SHG-Bank Linkage

India has the world's extensive banking infrastructure. There are about 60,000 retail credit outlets of the formal banking sector comprising 12,000 branches of district-level cooperative banks, over 14,000 branches of Regional Rural banks and over 30,000 rural and semi-urban branches of commercial banks; in addition to 1,12,000 cooperative credit societies at village level. There is at least one retail credit outlet on an average for about 5,000 rural people or every 1,000 households. This is an extensive and remarkable network that is present nowhere in the world and is capable of meeting the financial needs of the entire rural population. However, poor credit-deposit ratios (except in PACSs), unsustainable lending and high levels of NPAs, often cripple much of this infrastructure.

Under the SHG-Bank linkage programme, in 2004, 16.7 million poor households were accessing credit through 35,000 branches of 560 commercial and cooperative banks. The GoI made linking SHGs with banks a national priority from 1999 and Nabard continues to nurture the expansion of the outreach of the programme by providing umbrella support to various stakeholders. The programme is growing at a pace of about 2.5 million households annually. It is the largest and fastest growing microfinance programme in the world in terms of its outreach and sustainability.

Considering the increased competition in micro-credit and the pressure to reduce interest rates, it is time to move to considering moving beyond group lending. The primary reason for group lending are the inability of the takers to offer collateral, and hence the group mechanism was looked as collateral. The commonly stated advantages of group lending are that the problems of adverse selection, moral hazard and enforcement are sufficiently addressed.

#### Conclusion

To conclude collective strategies beyond micro-credit to increase the endowments of the poor/women enhance their exchange outcomes vis-à-vis the family, markets, state and community, and socio-cultural and political spaces are required for both poverty reduction and women empowerment. Even though there were many benefits due to micro-finance towards women empowerment and poverty alleviation, there are some concerns. First, these are dependent on the programmatic and institutional strategies adopted by the intermediaries, second, there are limits to how far micro-credit interventions can alone reach the ultra poor, third the extent of positive results varies across household headship, caste and religion and fourth the regulation of both public and private infrastructure in the context of LPG to sustain the benefits of social service providers.

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