



THE CONCEPTUAL ISSUES: SELF-HELP GROUPS THROUGH MICRO CREDIT

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ABSTRACT

Women the world over suffer from various kinds of discriminations, marginalisation, inequities and invisibility. Despite their being half of the world's population and making up one-third of the labour force, their contribution towards households' chores, bringing up children and other related activities, are not counted for arriving at their actual work participation. The Indian scenario is as bleak as the world situation. In this context, the 'E' components are considered very important to initiate women into income- generating and economic activities for their overall upliftment and economic independence. The 'E' components refer to Education, Employment, Earnings, Empowerment, and Entitlement to property and Effects of violence. Hence the strategies and methods of intervention at the Government financing and other agencies levels need to take care of the 'E' component in an integrated manner and not in isolation. the 'Micro-Credit Summit was hosted by the Government of Bangladesh, sponsored by the World Bank and other organisations. The objectives and aims of the summit are discussed in this section.



KEYWORDS: *Employment, Empowerment, Microcredit ,Summit.*

INTRODUCTION-

Women the world over suffer from various kinds of discriminations, marginalisation, inequities and invisibility. Despite their being half of the world's population and making up one-third of the labour force, their contribution towards households chores, bringing up children and other related activities, are not counted for arriving at their actual work participation. The Indian scenario is as bleak as the world situation. Although the literacy level registered an increase from 0.6 per cent at the beginning of the century to 51 per cent by 2001, as a majority of the women still continue to reel under problems of illiteracy, lack of access to property, credit, information and market. In this context, the 'E' components are considered very important to initiate women into income- generating and economic activities for their overall upliftment and economic independence. The 'E' components refer to Education, Employment, Earnings, Empowerment, and Entitlement to property and Effects of violence. Hence the strategies and methods of intervention at the Government financing and other agencies levels need to take care of the 'E' component in an integrated manner and not in isolation.

Several studies and workshop deliberations have brought out the fact that women always need credit and credit plus services. Which will be towards meeting their requirements for orientation? sensitization, exposure visits, skill training, entrepreneurship development Programmes, marketing, training etc. Given autonomy, poor women are considered 'risk-free bankable clients'. Several cross-country reports have also highlighted the fact that bank loans for women's micro enterprises have been to the extent of as

little as less than 15 Per cent. Under the circumstances, massive efforts are needed, so that the women's accessibility to credit. information and market is improved considerably (Lalitha Mahadevan, 2001).

Especially the majority of Indian women living in rural area (77 per cent), usually meet their requirements by way of credit support (rpm the banking system. which have always been of small sized loans for investment either in micro credit or towards meeting Consumption purposes. The type of assistance required by them has thus been in the nature of 'cyclical credit', or 'rotating' or 'revolving fund' or even 'working capital'. Finding themselves unable to offer security for loans and also due to illiteracy and other socio cultural factors, women shy away from approaching the banks for provision of the requisite loan assistance. The procedures followed by the banking system are also considered cumbersome and lengthy. Therefore the women find it comfortable and easy to approach 'money-lenders', or 'pawn-brokers' to meet their day-to-day requirements, either for petty trades. Vegetable-vending etc or for meeting their direct consumption needs. Because of 'urban bias' and 'gender bias' on the part of the bank staff, banks are also unable to identify rural women clients for provision of necessary credit assistance to them.

Against the above backdrop, efforts are now under way at various national or international institutional agencies levels and also at Government levels to increase steps to circumvent some of the above hurdles being faced by the rural women and bring them to mainstream of economic activities, so that they will become 'partners' or 'change agents' for development. Which is what is being envisaged even at the global level for ensuring gender-development and gender-empowerment? No single country has so far achieved gender-equality as called for by the First World Women's Conference (1975), to the latest conference (2000). Efforts are, however, relentlessly being initiated to achieve the objectives in all earnestness in all countries. However, the Millennium Declaration's Goals for Development and Poverty Eradication recognises the collective responsibility to uphold the principles of human dignity, equality and equity at the global level" (Human Development Reports, 2001, pp. 20.21).

S. N. Mohanan (1997) says that the poverty level in the country has not declined, notwithstanding the spectacular increase in the budget estimates for poverty alleviation programmes over the years. He strongly argues that post economic reforms also maintained the tempo of rural development programmes has been maintained and even further accelerated by means of safety net and other new programmes. However, the study accepts that the future of poverty alleviation programmes may not be disturbed by the new economic reforms.

Nageswara Rao, K. and Smt. Subhashini, Y. (1996) have studied the functioning of DWCRA programmes in Ananthapur District of Andhra Pradesh and evaluated the impact of DWCRA programmes on income and employment generation among the beneficiaries. The authors observed that the DWCRA programmes generated additional incomes and employment opportunities and savings also increased. which resulted in high repayment of loans. They also found the difficulties faced by the beneficiaries such as inadequate loan amount, lack of marketing facilities and difficulties in securing raw materials, which hampered the rapid growth of income. Finally, they suggested that the concerned Government Department (DRDA) should take initiatives to overcome the hurdles faced by the beneficiaries for the successful achievement of the goals of the programmes.

In an evaluation study undertaken in Mahabubnagar District, Venkataramana. M. (1995), comparatively studied the functioning and performance of DWCRA groups and failed groups. He analysed the reasons for success of economic activities such as hard work, equal distribution of work, mutual co-operation among the group members, unity, co-ordination, able guidance of the group leaders, nearness to market, availability of raw material and found that income increased by Rs. 250 to Rs. 300 per month. Simultaneously, he also analysed the reasons for failure of vegetable vending activity such as less demand. inferior quality of raw material. poor storage and lack of proper preservation. Besides these, poor communication, conflicts at the time of repayment because of losses resulted in the total failure of the scheme.

1. The Micro-Credit Summit, Washington (1997):

The Summit formally launched a global campaign for micro-credit with lofty aims like credit for self-employment and business to reach 100 million of the world's poorest families, especially women by the year 2005. The Summit aimed at eliminating extreme poverty by the year 2005. However, the Micro Credit Summit in Washington did not set out the agenda for linking up with the formal institutional credit delivery system

2. Issues in India's Rural Credit System:

India's rural credit system although began with teccavis, cooperatives formed its backbone in actual sense, and continued to be the sole apparatus for credit delivery throughout the first seven decades of this century. Commercial banks and Regional Rural Banks (RRBs) have joined with the rural credit system only lately. The pace of lending by commercial banks and RRBs is more or less equal as partners in India's rural credit system.

3. Requirement of rural credit delivery system:

The primary requirement of the Government is to increase production, enhance rural productivity and provide gainful employment to the increasing rural masses. But the rural credit delivery system is beset with a number of problems that are affecting its viability. The increasing cost of lending and declining profitability of the banking system as a whole results in negative margins for most rural credit institutions. This is compounded by manpower constraints leading to poor monitoring of rural advances. poor motivation of urban-oriented staff posted in rural areas and lack of amenities / facilities, weakening of customer relationship between rural borrowers and bank staff, poor house-keeping and increasing number of frauds perpetuated by bank staff, very high transaction costs, high cost of loan recovery poor working conditions and a heavy work load due to non-computerization of transactions; lack of adequate supervision and control: and, poor industrial relations climate leading to poor staff productivity.

4. Need of Credit for Rural Women:

Prior to the 1990's, it is not surprising to note that there were hardly any credit schemes designed for ml women being in a male-dominated society. It is only after women oriented studies highlighted the deprivation and struggle for survival that the concept of women's credit was born. The UN Commission on Status of Women observed that 'women who contribute half of the world's populations by virtue of an accident of birth. Perform two-thirds of the world's work, receive one-tenth of its income and own less than one hundredth of its property'. Women produce 30 per cent of all food commodities concerned budget. own 10 per cent of the income and own 10 per cent of the property or wealth of our country (K G. Kannakar. P. 168, 1999). Women have been deprived of their economic status, especially in rural areas. Thus, the empowerment of women and improvement of their slants and economic role needs to be integrated into economic development programmes.

Especially rural women belonging to the Weaker Sections of that would make them financially independent. They live in conditions that do not permit them to meet bare minimum consumption needs. Even the money earned by them from hard physical labour is not controlled by them. Institutional credit is difficult to access as women rarely have any property rights to mortgage or collateral to offer, and they have to depend on rural-moneylenders for their production-cum-consumption needs. This entraps them into a 'vicious cycle' of perpetual poverty and indebtedness. The rural men do not welcome NGO/ SHGs working for the upliftment of women as economically independent women are perceived as a threat to their male dominance. Therefore, the women's earnings & savings are generally used for the family and is conveniently forgotten.

Women often shift among multiple depending on the season, variations in the market and changes in household demands on their labour time. At the lowest income level, women for whom their businesses are means to survival are risk-averse, have severely limited options for improving incomes, and have

difficulty in absorbing short- term debt except at minimum level. The terms and rules at institutional credit are too rigid for these activities. Formal finance considers the poor too risky and the small loans they demand too expensive to administer.

Informal credit sources for women:

Facing restricted access to formal credit, women have relied heavily on informal sources of credit from family and friends and traditional money-lenders, not only in the face of emergencies, but also for routine consumption needs. Credit from family and friends is particularly important for start-up capital. Moneylenders, pawnbrokers, suppliers and warehouses are also important sources of credit, especially for working capital, because they are close to the borrowers, offer small sums of money and immediate disbursement, and are often linked to other services such as supplying raw material or merchandise for sale. However, the client-patron system frequently channels benefits of increased production to the money-lender, not the borrower. The main drawbacks of internal credit institutions are that they are not dependants. often have a high cost, and offer limited capital. The rural Poverty syndrome is natural in scenario of rural population.

In general. there are various shades at rural poverty among the poverty of the poor such as termed as 'landless', 'marginal farmers ' or 'agricultural labourers, who have no land and depend only upon their physical labour.

Within the existing system, availability of credit resources is restricted to the few who are able to have resource to credit under various Government sponsored programmes like IRDP, DW CRA, PMRY, JRY, SGSY etc . The majority of the rural poor women are unable to avail the benefit of these credit programmes due to past indebtedness, lack of sufficient knowledge about these schemes inability to interact with bank/district officials etc. And the banks do not provide credit to meet the real urgent needs of the poor women as the rural credit delivery system in India has been built on the classical approach. However, today the entire system after the banking reforms period (1969) is on the verge of a major shakedown due to poor impact or these credit policies on rural development efforts. The problems of the rural credit delivery system have been documented by the Agricultural Credit Review Committee (1989). The major problem appears to be that of repayment and recovery of loan; the borrower level and the consequent weakening of the entire institutional credit system.

6. Rural Credit-Borrowers View point:

Most of the research studies on rural credit system reveal that the borrowers viewpoint is frequently left out or is treated as inconsequential. The rural women borrower is interested in:

1. Adequate loans.
2. Timely disbursements.
3. Low interest rates; and
4. Efficient and courteous customer services.

7. Are there other alternatives for the poor women?

How can the access for the poor to financial resources be widened? How can poor women have the financial means to engage in and sustain productive activities? Are there alternative modalities of providing Credit services to the poor? A number of credit schemes and programmes aimed at overcoming the limits to the poor's access to rural credit and at adapting financial services to their needs have been set up and tested. The conception and implementation of such may alleviation programmes were often based on the broad principles of social banking in several developing countries, including India, through Self Help Groups strategy.

Social banking can be described as "the elevation of the entitlements of previously disadvantaged groups to formal credits even if this may entail a weakening of the conventional banking practices. Under this policy, the initiative and direct involvement of the State was central to the development of the banking

system. In India, this policy led to the Nationalisation of major commercial banks in 1969, adoption of directed lending programme, development of credit institutions such as Regional Rural Banks (RRB) and implementation of the Integrated Rural Development Programme (IRDP) and a credit-based poverty alleviation programme implemented through commercial banks. These policy measures resulted in widening the "geographical spread and functional reach" of commercial banks in rural areas in the period that followed the Nationalization of Banks (Shetty, 1997, 253). Further, there was also some improvement in the access of rural poor (Charon, 2001).

In Andhra Pradesh, the SHGs/DWCRA women groups have been active since a decade. Many evaluation studies in the past on this subject have concentrated on, the economic aspect only. But very few studies tried to catch the social advancement the women have made/ achieved through their "common efforts". As economic development is inseparable term social development, both need to be studied simultaneously.

8. Need for Formation Self-Help Groups:

Individually a poor person tends to be rather tentative. Uncertain in his/her behaviour but group membership smoothens the rough edges at his behavior pattern, making him more reliable as a borrower. Thus, Membership in a group gives a feeling of protection and formation of a group would ensure the best participation of the poor in a credit programme.

The approach towards poverty alleviation should be self-help. Others should help the poor to help themselves. It is felt that individual effort is too inadequate to improve his/her life style. This brings the necessity for organizing them in a group by which they get the benefit of collective perception: collective decision-making and collective implementation of programmes for common benefits. And also the organisation holds power and provides strength and it can be an anti-dote to the helplessness of the poor women.

Group savings impose discipline on group members in developing saving habit. The multiplier effect of investment can be vividly demonstrated in a credit programme for the rural poor through the continuous expansion by their economic base. The acquired experience also encourages the group members to take up larger projects, on a collective basis in future.

The Self-Help Groups (SHG) as viable alternatives is to achieve the objectives of rural development and to get community Participation in all the rural development programmes. SHG is a viable organisation set up to disburse micro credit to the rural women for the purpose of making them enterprising women and encouraging them to enter into entrepreneurial activities. The women led SHGs and DWCRA have successfully demonstrated how to mobilize and manage thrift appraise credit needs, maintain linkages with the bank and enforce financial self-discipline. Today there are 4.37 lakh women's self-help groups with 58.50 lakh rural poor women members in Andhra Pradesh, progressing in the development sector with micro credit funding in India amounting to Rs. 1411.00 crores and it is estimated that it would increase to Rs. 1500.00 crores in the coming one year.

9. Experiences:

The international conferences sponsored by the United Nations started from the Rio through Vienna. Copenhagen. Beijing and New York have generated a lot of interest on the social development and highlighted the growing feminization of poverty and possible impact on women of the structural adjustment process.

The scheme of micro-credit, as conceived by Grameen Bank has been based on innovative financial practices. Following its innovative example, several other institutions have been set up for providing micro-credit in Bangladesh and in many developing countries. Apart from the State-controlled Bank Rakyat. Indonesia and Badan Kredit Kecamatan in Indonesia and institutions, such as BRAC (Bangladesh), Bancosol (Bolivia), SANSa (Sri Lanka) and Muzdi Fund (Malawi) are non-governmental in nature (NGOs) and depend for funding on international donors such as IFAD, SIDA, OECF, OXFAM and CARE.

10. Need for Formation of SHGs:

Social mobilization may be defined as the process of enabling the poor, marginalized and disenfranchised segments of society to build and manage their own organisations and thereby participate in decisions affecting their day-to-day lives through the use of their own creativity. The goal of social mobilization is to raise the status of the poor in society through capacity-building for self-awareness, self-development and self-realization. The crux of the philosophy lies in the assumption that the poor are creative and have the capacity to take actions for self-improvement (Rana, 1995).

Credit groups should be allowed to come up on their own or through intervention of voluntary agencies (NGOs), rather than being tanned by officials or financing agencies. If the group takes shape on its own, interaction and group dynamics ensures that group solidarity and a group 'consciousness' is fostered.

For self-reliance and reduced dependence on financial institution, a strong savings programme is essential. Also the acquired experience encourages the group members to take up larger projects, on a collective basis, in future.

11. Women self-Help Groups of Andhra Pradesh:

Availability of credit is the basic requirement to any citizen, more so, to a poor person. Credit, should be timely as well as easily available. Formal institutions, including Nationalized Banks are unable to meet the micro-credit requirements of the poor people, as normally credit for income generation has been institutionalized rather than micro-credit for various purposes. This has left poor persons with no option except to depend on money-lenders for credit. Money lenders with abundant common sense offer timely, but exploitative credit. Which act as a poverty trap for the poor. Various studies have proved that in rural India, a person taking credit from money lender for health or for a ritual like marriage, has forever, gone below the poverty-line.

Poverty, as we understand, is a complex phenomenon and it cannot be solved only by providing income generation assets. But through comprehensive personality development of poor persons enabling them to meet various needs.

CONCLUSIONS:

Before knowing the respondents sample of socio-economic profile of the East Godavari District and the reasons for their motivation to join in the self-help groups achievement the conceptual issues of self help groups through micro credit are explained in chapter-5. The importance of the Micro-credit Summit, issues involved in rural credit system, poverty line in Andhra Pradesh are given in this chapter. The rural poverty ratio in Andhra Pradesh has declined from 48.41 per cent in 1973-74 to 15.92 per cent in 1993-94 and 11.05 per cent in 1999-2000. Based on these figures especially fund women needs further credit to meet their basic needs, informal credit sources not women such as money vendors, pawn brokers, private chit agencies are important for women to meet their basic needs as well as economic activity which is available for high interest rate and other limited capital, In order to provide other alternatives for poor women, self-help group programme is aptly suited for the women, which acts on lines of Grameen Bank of Bangladesh. The conceptual issues of SHGs such as formation of self-help groups, aspects of SHGs, and some theoretical propositions and empirical evidences of SHGs gives their experiences. The historical background of SHG is in Andhra Pradesh, its implementation and assistance by the government and the status of SHGs in Andhra Pradesh in general and East Godavari District in particular are explained in this chapter. The findings of the chapter indicate that the proportion of savings; corpus and bank loans are high in Rajahmundry and Anaparthi, medium in Seethanagar and Peddapuram and low in Addateegala and Maredumilli respectively. The amount repaid reveals the loan repayment performance of the members total amount taken by sample stakeholders is Rs. 109.73 lakhs. The proportion of amount repaid is 92 per cent and the remainder is loan amount outstanding and the performance of SHGs is satisfactory at 70 per cent level.

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