

# Women's entrepreneurship development through self-help groups: journey from under participation to saviour

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## Abstract

**Objectives:** To investigate progress of SHGs through banking linkages in India and Odisha and to examine the impact of SHGs on women entrepreneurship development and their saving habit.

**Methods/Statistical Analysis:** Multi stage random sampling technique has been incorporated in the study to arrive at Nuasantha Gram Panchayat (GP) of Puri district of Odisha. Out of ten SHGs prevailed in the Panchayat, two SHGs have been chosen outthrough simple random technique. Data has been collected from the members of SHGs and used multiple regression analysis and descriptive statistic such as percentage, average, and pi-chart for interpretation.

**Findings:** The study reveals that in macro scenario growth of SHGs is quite uneven and growth in India is comparatively higher than growth in Odisha. It also concludes that amount of loan disbursed to SHGs from regional rural banks is increasing over the years while public sector banks also have remarkable contribution in this field. It makes a sense that SHG acts as an instrument for financial inclusion by which 40% of members have opened their own bank account after joining to it. The study reveals that major portion of loan (80%) received by the SHG members is used for repaying old debt & business purposes. There have a significant impact of own income on its own savings by 46% which depicts that government should put hand in hand with the bank and the society to mitigate under participation of women in the remote section.

**Application:** The study has its social and economic implication by addressing importance of SHGs in development of women in productive participation and financial contribution in the family.

**Keywords:** Women empowerment, Entrepreneurship, Rural development, Income, Saving, Banking linkage.

## 1. Introduction

Rural India is mainly become incapacitate to stand themselves in the process of development. Poverty is the root cause for slowdown in the process of any developmental work. Poverty does not represent only financially weak, it is something more than that socially backward, illiterate and with low motivation. Villages are faced with problems related to lacks in access to the knowledge and information, which are the most important components of today's development process. These are problems that cannot be tackled individually but can be better solved through group efforts. Today these groups known as self-help groups have become the vehicle of change for the poor and marginalized. So SHGs as initiatives bring strength to economically and socially poor individuals and significantly empowered poor people, especially women in rural area.

The SHGs will continue to provide extensive opportunities for important type of volunteer services [1]. An SHG is an indigenously developed model suited to local conditions for accelerating the pace of self-employment [2]. It is seen that the importance of credit for women and positive correlation between credit availability and empowerment of women through savings done by these groups. SHG as an agent of development known for emergency assistance and social welfare, social development, rural agricultural development such as water conservation, irrigation and promotion of income generating activities [3].

## 2. Conceptual background

The concept of self-help groups gained significance, especially after 1976 when Prof. Mohammed Yunus of Bangladesh began experimenting with micro-credit and women SHGs. The strategy made a quiet revolution in Bangladesh in poverty eradication by empowering the poor women. SHGs are small informal associations created for the purpose of enabling members to reap economic benefit out of mutual help, solidarity, and joint responsibility.

India has adopted the Bangladesh's model in a modified form. To alleviate poverty and to empower women, micro-finance as self-help groups has emerged as a powerful instrument in new economy and thus the movement of SHGs has spread out in India.

1. In 1970, Ilaben Bhat, founder member of 'SEWA' (Self Employed Women's Association) in Ahmedabad, had developed a concept of 'women and micro-finance'.
2. The 'Annapurna Mahila Mandal' in Maharashtra and 'Working Women's Forum' in Tamil Nadu and many National Banks for Agriculture and Rural Development (NABARD)-sponsored groups have followed the path laid down by 'SEWA'.
3. Since 1987 'Mysore Resettlement and Development Agency' (MYRADA) has promoted Credit Management Groups (CMGs). CMGs are similar to self-help groups.
4. In 1991-92 NABARD started promoting self-help groups on a large scale and it was the real take-off point for the 'SHG movement'. In 1993, the Reserve Bank of India also allowed SHGs to open saving accounts in banks.

Establishing informal self-help groups (SHGs) of poorest of the rural poor with up to 20 members as local financial intermediaries are need to mobilizing their own savings, transforming these into loans to members, and financing their growth in the initial stage through both savings mobilization and retained earnings. SHGs have two phases; the first phase of the SHGs, from 1987 to 1992, when NABARD focused on supporting NGO initiatives to promote SHGs and on analysing their potential and performance & the second phase, from 1992 onwards - the SHG-Bank linkage program.

## 3. Rationale of the study

People always think women are under marginalized section and depend upon men all times but many studies focus that SHGs acts as a platform in helping them to get a better standard of living and become self-sufficient. Women are equally important like men for development of society. SHGs play an important role in strengthening economic condition of the poor section of society [4]. It also helps in hastening country's social and political development. Involvement of women in SHG increases the consumption frequency of healthy and nutritious food in households. The linking of SHGs to bank for accessing credit has been one of the major routes of financial intermediation [5].

There is a positive correlation between credit availability and empowerment of women through savings. But the growth of saving through SHGs is less than growth of credit advanced to SHGs and the difference between outstanding of loan and disbursed of loans to SHGs is gradually increasing [6]. Extension of depth study on SHG can solve the gap between loan disbursements and loan outstanding for this there is a need of more awareness and involvement. By figuring out positivity and huge contributions of SHGs towards rural development and women empowerment motivated us to conduct the study.

The present paper addresses the progress of SHGs through banking linkages in India and Odisha and examines the impact of SHGs on women entrepreneurship development on their saving habit. The rationale of radical changes of women behaviour through economic empowerment is the way forward for this study to observe women's journey from under participation to become saviour of the house.

#### 4. Data and methods

The data has been collected from both primary and secondary sources. Data from secondary source are collected from NABARD reports, books, and journals. A period of 2007-08 to 2012-13 is taken for analysis purposes. Due to unavailability of data on Odisha for long time period, the study have taken less time period to compare Odisha with India. The primary data has been collected through sampling technique. Multi stage sampling technique is used in the study for area selection.

The state of Odisha constitutes 30 districts of which Puri district is chosen for the present study. Puri district have 11 blocks from which Nimapara block is chosen for the study purposes. There are 28 G.Ps in Nimapara Block. Out of 28 G.Ps, Nuasantha G.P is chosen for study. Two SHGs have been chosen out of ten SHGs by simple random technique from the Panchayat. Two SHGs have 40 members, 20 in each. Data has been collected from those 40 members of SHGs. The data from primary sources were collected in October 2015. Descriptive statistics such as growth rate, percentage, frequency and average has been employed in the study. Multi variable regression model has employed in the study to evaluate the impact of own income on the saving of the SHGs members. The description of the model is explained as follow.

$$S = \alpha + \beta_1 X_1 + \beta_2 X_2 + e_i$$

Where,

S- Saving of SHG member per month,  $\alpha$  – constant,  $\beta$ 's- slope coefficients,  $X_1$ - per month family income excluding income of SHG member,  $X_2$ - per month income of SHG member,  $e_i$  - error term.

#### 5. Results and discussion

To solve the financial constraints of rural women in India, SHGs banking linkage programme started in 1992. The growth pattern of SHGs banking linkage is quite uneven and fluctuating. Banking linkage is related to the performance of SHGs in the region. So here there is a need to compare the growth of SHGs linkage and average saving per SHGs of Odisha with national level.

Figure 1. Growth of SHGS Linked

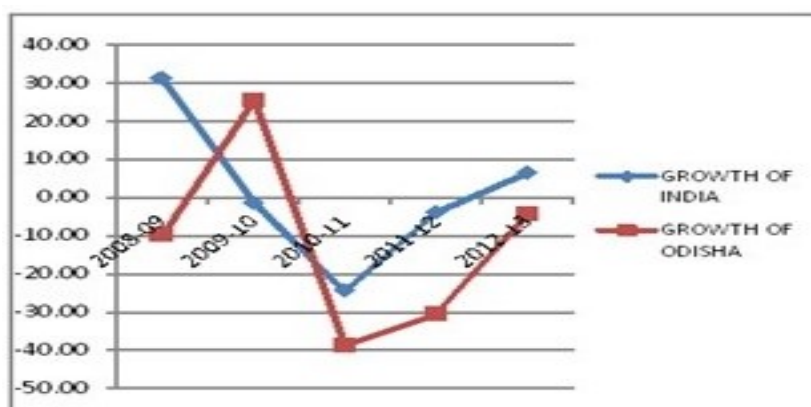
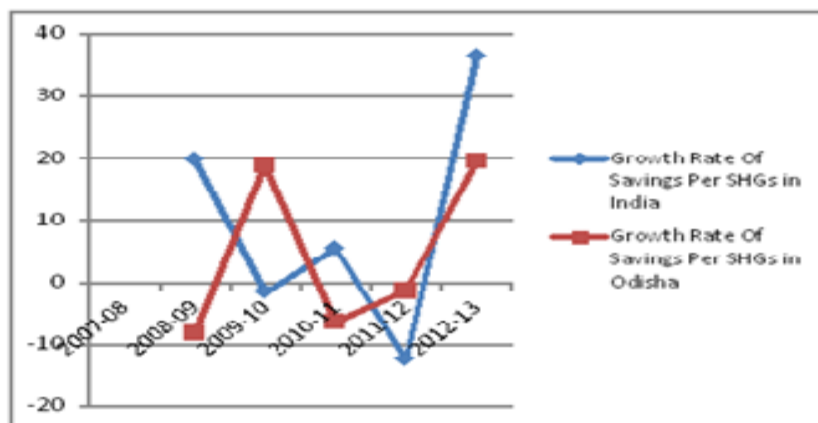


Figure 1 shows that there are more fluctuations in Growth rate of SHGs linked in both India and Odisha. From 2008-09 in the figure shows that Odisha growth rate is all time not more than the national growth rate except only in 2009-10. In the year 2010-11 there are a negative growth of SHGs banking linkage both in India and Odisha. More ever it is found that Odisha is lack behind the national level in SHGs banking linkage.

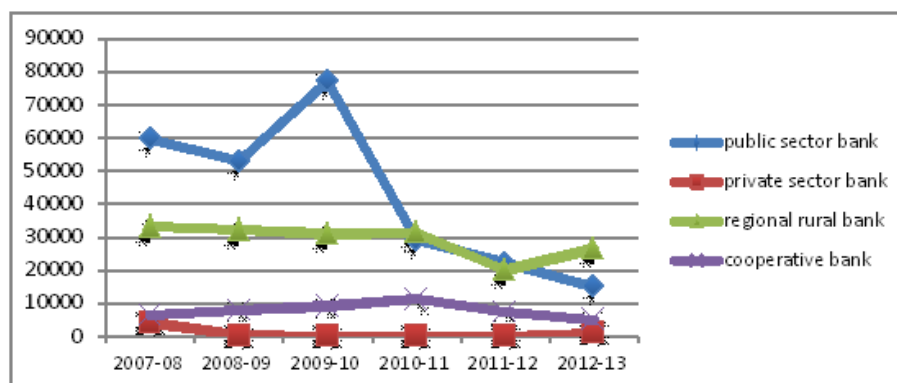
Therefore, there is a need for more SHGs linkage to banking sector for better financial performance and development. Growth rate of average per savings shows more variations in both national and state level shown in Figure 2. Odisha growth rate of average savings is highest in the years 2009-10 as compare to national level. So overall there are growths in the saving pattern of SHGs.

Figure 2. Average savings per SHGs



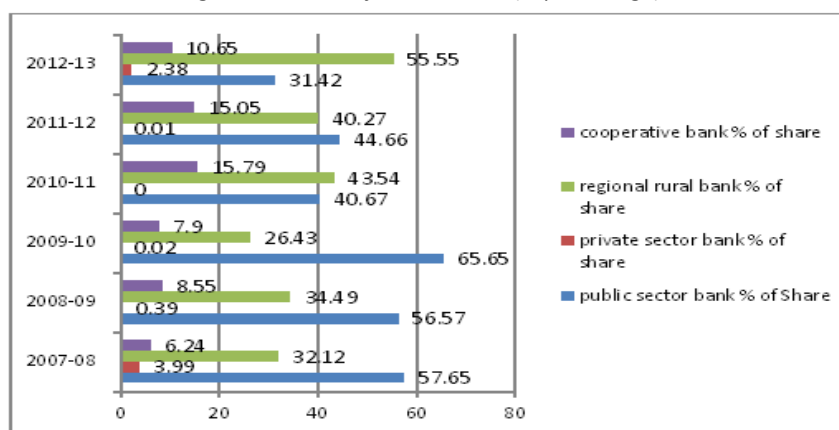
It is originally felt that SHGs are linked to these banking agents such as public sector bank, private sector bank, regional rural bank, and cooperative banks in Odisha. These are act as financial inter me diaries in order to help ensure the responsible use and repayment of bank loans to SHGs. The number of SHGs linked with the various bank are fall from 1, 03, 544 SHGs in 2007-08 to 47676 in 2012-13. It is shown in the Figure 3 those public sector banks have highest number 76957 SHGs in 2009-10 & lowest number of 14,981 SHGs in 2012-13.

Figure 3. Number of SHGs with various banks in Odisha



All other banks have fewer linkages to SHGs as compare to public sector bank but after 2010 regional rural bank cross the public sector bank and become highest linkage with the number of SHGs in 2012-13. During 2007-08 the bank loans disbursed to number of SHGs in Odisha were financed by public sector commercial banks having highest share of 57.65% followed by RRBs with share of 32.12% as depicted in Figure 4.

Figure 4. Amount of loan disburse (in percentage)

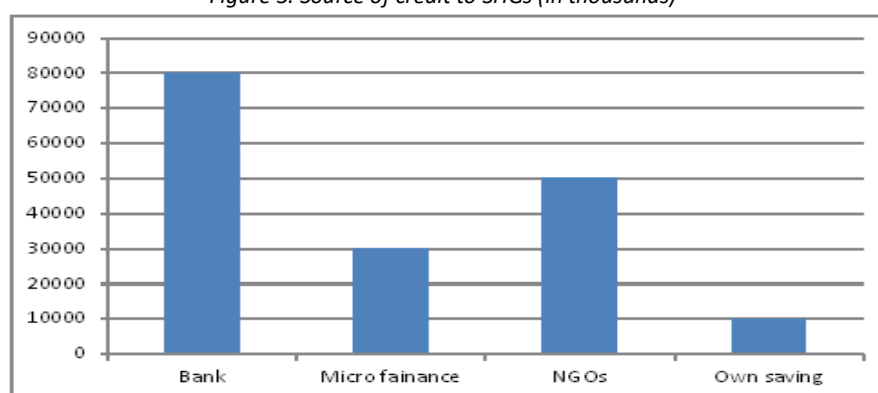


The public sector commercial banks have financed highest number of SHGs in 2009-10 with 65.65% share. Private sector commercial banks have financed lowest of rupees 2.00 lakh with share of 0% in 2010-11 among all other banks respectively. As shown in the figure due to highest linkage of SHGs in 2012-13 having highest share of loan to SHGs compare to others.

### 1. Financial services to SHGs

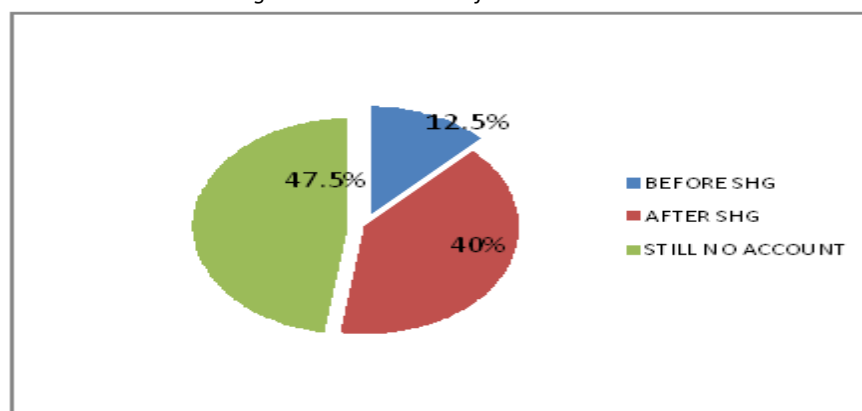
Finance is one of the important constraints in the rural areas and more typically for women society. To wipe out the problem of finance groups were formed for mutual help. Eventually this problem also emphasized by the government. The provision of financial accessibility from formal institutions with easy manner makes the problem slighter reduction. Further micro-finance grows up as an emerging agency in this field. Micro finance provides easier form of financial assistance with very less time period. Other individual organisations also come forward in this way. In current discussion we will discuss the source of financial assistance obtained by two SHGs and the entrepreneurship development among them with this capital.

Figure 5. Source of credit to SHGs (in thousands)



SHGs are having high level of dependency on external institutions for loans. The two SHGs taken for study purposes approach loans from banks, microfinance, NGOs and also sometime use credit from their own savings as shown in Figure 5. Bank provides highest credit to the groups followed by the NGOs. The highest source of credit is from bank is due to suitability of the members as bank is situated in the same village. NGOs and micro finance also have some contribution to the SHGs financing. Members have also contribution by themselves to the groups. This shows a pattern of credit availability to SHGs.

Figure 6. Bank account of SHG members



SHG also helps women to include them financially in the society. Figure 6 depicts that 40% of women have bank account after joining SHG which shows increment in financial inclusion as compare to 12% before joining SHG. Still 47.5% members are not having bank account. It is very inconvenience to mention that Banking Mitras are not there to aware them and give information about the benefits of having a bank account.

Various sources provide credits to the groups and that loans were effectively used by the members of the groups for their better standard of living shown in Table 1. The table shows that highest uses of loans by the members are for business purposes (45%) and following to those 25% are using loan for repaying their old debt. Loans providing to SHGs also makes the members beneficial for their household purposes like any urgent needs, illness and for building house. So loan disbursement to SHGs should increase.

Table 1. Use of Loan by members

Use of loan	No. of SHG members	%
Illness/urgent needs	5	12.5
Building house	1	2.5
Repaying old debt	10	25
Business purposes	18	45
Both repaying old debt and business	4	10
Both illness and business	2	5
total	40	100

Source: Primary data

## 2. Entrepreneurship development through SHGs

SHG makes the members of the group as marginal entrepreneurs in different fields in the study area. SHGs make the members self-reliance to get involve into various kinds of activities. Preparation of mid-day meal in the primary school gives them a small amount of income. Most of the members of the group start private entrepreneurship at the home through financial assistance. Group also engaged in different productive activities like production of *agarabati* (used at the time of worship), *Balita* (a kind of *agarbati* from cotton) and also in food preparation. The easy availability of marketing of these products by different agencies made the work easier and beneficial. Earning of some income also motivates them for higher level of production. SHG is a platform for various action and activities, women of study area understood that and encourage themselves to being a role model for their family. A subsistence level of income helps them to promote the saving in different institution. Saving generally specifies low-risk preservation of money and also involves reducing unnecessary expenditure. All the members are maintaining their savings and this should make SHGs very secure for the members. Though the income levels of the members are marginal, they used to make a small amount of saving. 70% of members save at least 400 rupees per month shown in Table 2. This makes them self-sufficient and secured in their life.

Table 2. Saving per month of SHG members (In rupees)

Amount of savings	No. of members	Percentage
0-400	28	70
401-1000	10	25
1000 above	2	5
Total	40	100

Source: Primary data

The model identifies that both family income and own income positively affects saving of the SHG members shown in Table 3. Family income excluding the income of SHG members has a positive significant impact on the saving with a 5% of level of significance. The important variable defining saving of SHG members is their self-income. Income of the particular member affect positively with a 1% of level of significance. One unit change in income of the member impacts 46% changes in saving of the member. The model shows 0.536 of R square, which depicts us that saving of the member is 53% explained by the family income and their own income.

Table 3. Model summary

Variables	B Coefficient	t value	P value
(Constant)	-764.605**	-4.331	.000
Family income	.026*	2.539	.015
Income of SHG member	.464**	5.914	.000
*, ** represents the level of significance 5% and 1% respectively, R square- 0.536, Regression F value- 21.350 (0.000)			

Source: Primary data

## 6. Conclusion

SHG is a powerful instrument to empower the rural poor economically, socially and politically and playing very important role in developing countries like India to encourage women mainly from poorer sections in rural areas. The paper concludes with the major findings that public sector banks and regional rural banks are the major supporter to SHGs for loan disbursement. The major source of credit to SHGs is from the bank which extends 47% of the total loan & the NGOs extend 29.41%. SHGs make deprived women self-sufficient. After joining SHG 40% of members have opened their own bank account. The major portion of loan by the SHG members is used for repaying old debt & business purposes which is more than 80%. The authentic utilization of loans by the members of the SHGs makes them proud for their family and become example for other deprived women in the village area. The women who had no value in the society, they got the social, administrative value through SHGs by the process of income generation. The result shows the significant impact of income on savings through self help groups which depicts that government should put hand in hand with the bank and the society to mitigate under participation of women of remote section. We can say that SHG is a step to overcome social exclusion among marginalized people of the society.

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