
**THE ROLE OF SELF HELP GROUPS IN
RURAL EMPOWERMENT -
A STUDY WITH SPECIAL REFERENCE TO KERALA**

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By

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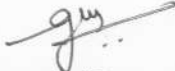
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CERTIFICATE

This is to certify that the thesis entitled "*The ROLE OF SELF HELP GROUPS IN RURAL EMPOWERMENT - A STUDY WITH SPECIAL REFERENCE TO KERALA*", submitted to Mahatma Gandhi University, Kottayam for the award of the degree of Doctor of Philosophy in Commerce, is a bonafide record of research work carried out by Mr. Ravi Mathew Vettoor, Associate Professor, Department of Commerce, Mariakose Gregorios College, Pampady, Kottayam District, Kerala, under my supervision and guidance. No part of this thesis has been previously submitted for the award of any degree, diploma, associateship or other similar title or recognition in any University or Institution.

He is permitted to submit the thesis.

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ABSTRACT

Microfinance sector has traversed a long journey from micro savings to micro credit and then to micro enterprises and now entered the field of micro insurance, micro remittance and micro pension. This gradual and evolutionary growth process has given a great opportunity to the rural poor in India to attain reasonable economic, social and cultural empowerment, leading to better living standard and quality of life for participating households.

Microfinance is recognised world-wide as the cost effective and sustainable way of outreach of the banking practice for the rural poor. In majority of cases, it is not the dearth of income but the financial indiscipline coupled with lack of financial awareness, financial literacy and access to financial services (Financial exclusion) which makes them dependent on microfinance and SHGs. SHGs were evolved as the potent tool for imparting financial inclusion across the rural masses. The SHG-Bank linkage programme initiated by NABARD in 1992 is the largest microcredit programme in the world. The participation in NHGs/SHGs has been instrumental in financial, personal, familial, social, legal and political and technological empowerment. The study is a fact finding enquiry on the role of Self Help Groups in the empowerment of rural poor in Kerala.

The data sources include both primary and secondary. The primary data were collected through depth interviews from 600 sample SHG members across the State (187 from Thiruvananthapuram, 216 from Ernakulam and 197 from Kozhikode) representing 120 sample SHGs from three different Regions. The secondary data were sourced from annual reports and publications of NABARD, IIR, Radhambashree etc., books, journals, periodicals, dailies and also from World Wide Web. Primary data were collected during the year 2013-14. The perceptions of members towards empowerment indicators were measured using five point scaling method in between the 'pre' and 'present' SHG situations. The primary data were suitably classified and analysed using statistical tools like Repeated Measures, MANOVA, ANOVA, Percentages, Log linear method, Pearson Chi-square,

one sample t-test, paired t-test, independent t-test, Kruskal Wallis test, Mann Whitney-U test, Friedman's test, Exploratory Factor Analysis, Step-wise Multiple Regression etc. The study findings confirm drastic improvements in the empowerment levels of members due to association with SHGs.

The study has shown significant positive changes in the participation of weaker sections in the NHGs/SHGs of the State. Ninety three per cent of the respondent members belong to Kudumbashree and the remaining are NGOs. The socio-economic indicators have shown the domination of Hindus and OBC/OEC community in the SHGs of the State. Most of the members found to reside in own, permanent dwellings. Majority of the groups are medium-sized and the average group size in hills is comparatively low. There is a favourable change in the regular dependence on money lenders from 39 per cent to 12 per cent and the average rate of interest at present is 12 per cent only. The share of loans for basic life needs increased from 8 per cent to 19 per cent and there is seven-fold increase in the average amount of borrowings. Percentage-wise, the funds used for construction or repairs of house changed from 53 per cent to 48 per cent but still it is single largest in absolute terms. Investment in IGA has shown a significant decline from 22 per cent to 16 per cent, the most proximate reason is the shift in favour of MGNREGP. Through participation in SHGs, the total loans of members have witnessed a four fold increase.

Inspiration from Gramapanchayat member and success stories of predecessors are the major attractive forces in joining SHGs as evidenced by Friedman's test. MFIs follow the same tactics adopted by money lenders though they are corporate microfinance providers. The higher rates of interest have the effect of adding fuel to the fire to the already unattractive IGAs which are non-viable and un-profitable. In addition, the diversion of funds for unproductive activities aggravates the situation which defeats the purpose of microfinance.

Among the indicators of empowerment, the most prominent are Legal and political empowerment, Social empowerment and Personal empowerment. Percentage-wise, Financial empowerment is the fourth significant constituent of total empowerment. However, the impact on family is not much, especially

towards the freedom of movement. With regard to Technological empowerment, the SHG should act proactively. The Problems faced by entrepreneurial SHGs are compartmentalised under five heads, viz. Marketing Problems, Fund Management problems, Revenue Generation problems, Training Related problems and Problems in procurement of raw material. Among these, Marketing and Fund management problems found to have the highest impact. North found to have higher instances of raw material procurement problem, all other problems have uniform impact across regions. Majority of the groups are matured, linked and most of the leaders have secondary level of education only.

Among the problems faced by SHGs, fund raising and marketing are the prominent ones. Marketing problems are higher in Centre and lower in South but fund-raising problem is severe in North and lower in Centre. The sustainability of SHGs as measured by Financial, Operational, Organisational and Mission sustainability which is significantly influenced by conduct of meetings, thrift accumulation, Profit sharing, penalties, SHG bank linkage, skill development and training, loan repayment habits of members and style of governance. The SHGs of the state are financially and organisationally sustainable but operationally not.

The operational sustainability cannot be achieved without viable, tenable and demand oriented production/service activities. Apart from adequate training it requires in-depth understanding about the local resources and needs of in and around communities, for which the service of some reliable consultancy is essential. The relevance of SHGs stands unquestioned so far poverty and its inequalities remain in the society. Undoubtedly, self help groups play a proactive role in empowerment and emancipation of rural poor through social capital formation by wiping out deeprooted inequalities in financial, social, political, legal and familial spheres.

Keywords: Poverty, Financial Discipline, Financial Exclusion, Financial Literacy, Financial Inclusion, Microfinance, Self Help Groups, Neighbourhood Groups, Empowerment, Sustainability.

Contents

	Page No.
CHAPTER-1 INTRODUCTION	1-24
1.1 General Background Issues	1
1.2 Micro Finance	3
1.3 Self Help Groups	4
1.4 Empowerment	5
1.5 Why Target Women	6
1.6 Kadumbashree	7
1.7 Significance of the Study	8
1.8 Scope of the Study	9
1.9 Statement of the Problem	10
1.10 Objectives of the Study	12
1.11 Hypotheses of the Study	13
1.12 Methodology	13
1.13 Research Instrument	14
1.14 Population and Sample Design	14
1.15 Sample Size	20
1.16 Period of Study	20
1.17 Tools used for Analysis	20
1.18 Limitations of the Study	23
1.19 Organisation of the Study	24
CHAPTER-2 LITERATURE REVIEW	25-70
2.1 Studies in Other Countries	26
2.2 Studies in India	36
2.3 Studies in Kerala	61
2.4 Research Gap	70
CHAPTER-3 MICROFINANCE AND EMPOWERMENT- A SNAP SHOT	71-133
3.1 Preface	71

3.1.1	Poverty line	73
3.1.2	Poverty on decline	76
3.2.0	Financial Exclusion	76
3.2.1	Banking Exclusion	78
3.2.2	Savings Exclusion	78
3.2.3	Credit Exclusion	79
3.2.4	Insurance Exclusion	79
3.2.5	Social Exclusion	79
3.2.6	Who are excluded?	80
3.2.7	Reasons for Exclusion	80
3.2.8	Consequences of Exclusion	81
3.3.0	Financial Inclusion	81
3.3.1	Financial Inclusion leads to?	84
3.3.2	Expectations of Poor People from Financial System	84
3.3.3	Financial Inclusion covers	85
3.3.3.1	Accessing of Financial Products and Services	85
3.3.4.1	Benefits of Inclusive Financial Growth	85
3.3.5.1	Relationship between Financial Inclusion and Development Indicators	86
3.4.0.	Micro Finance	86
3.4.1.	Introduction	86
3.4.2.	Brief History	87
3.4.3.	Need	89
3.4.4.0	Service Providers	89
3.4.4.1	Formal Institutions	89
3.4.4.2	Informal Financial Institutions	89
3.4.5.0	Micro Finance Methodologies	90
3.4.5.1	Grameen Solidarity Model	90
3.4.5.2	The Group Approach	90
3.4.5.3	Individual Credit	90
3.4.5.4	Community Banking	91
3.4.5.5	Credit Union and Co-operatives	91
3.4.5.6	Village Banking	91
3.4.6.0	The Grameen Banking System	91

14.7.0	The SHG system	91
14.7.1	Features	92
14.8.0	MFIs- The Corporate (Commercial) Model of Microfinance	93
14.8.1	MFI - Models	93
14.8.2	Micro Finance Activities	94
14.8.1	Micro Credit	94
14.8.2	Micro Savings	94
14.8.3	Micro Insurance	94
14.8.4	Micro Remittances	94
14.8.5	Micro Pensions	95
14.8.6	Micro Housing	95
14.9.0	Rating of Micro Finance Institutions (MFIs)	95
14.1.0	Penetration of Microfinance	95
15.0	The Self Help Groups	96
15.1	Introduction	96
15.2	The Genesis and Growth of SHGs in India	97
15.3	Major Features of SHGs	101
15.4	Self Help Promoting Institutions (SHPIs)	101
15.4.1	Non Governmental Organisations (NGOs)	102
15.4.2	SHG - Bank Linkage Programme	103
15.4.2.1	Feature of SHG-Bank Linkage Programme	104
15.4.3	Models of SHG- Bank Linkage	104
15.4.3.1	Banking Indicators and SHG spread	105
15.4.3.2	Socio-Economic Indicators and SHG Spread	106
15.4.4	Joint Liability Groups	109
15.4.4.1	Introductions	109
15.4.4.2	Objectives	109
15.4.4.3	General Features	109
15.4.4.4	Security	110
15.4.4.5	Formation of JLGs	110
15.4.4.6	Type of Loan	110
15.4.4.7	Margin and Security Norms	110
15.4.4.8	Support Extended by NABARD	110
15.4.4.9	Capacity Building	110

3.5.4.5	Post Office and SHGs	111
3.5.5.0	Micro, Small and Medium Enterprises	111
3.5.5.1	MSME in Manufacturing Sector	112
3.5.5.2	MSME in Service Sector	112
3.5.6.0	Kerala Context	112
3.5.6.1	Poverty in Kerala	112
3.5.7.0	Kudumbashree	114
3.5.7.1	Mission Statement	115
3.5.7.2	Focus	115
3.5.7.3	The Strategies	115
3.5.7.4	Historical Evolution of KDMS	116
3.5.7.5	Structure of Kudumbashree	117
3.5.7.5.1 A.	Neighbourhood Group (NHG)	117
3.5.7.5.1 B.	Area Development Society (ADS)	118
3.5.7.5.1 C.	Community Development Society (CDS)	118
3.5.7.6	Participation of Vulnerable group	118
3.5.7.7	Role of CDS	119
3.5.7.8	Flow Chart of Empowerment Process through Kudumbashree	121
3.5.7.9	Credit Activities of Kudumbashree	122
3.5.7.10	Micro Enterprises	122
3.6.0	Empowerment	123
3.6.1	Definition	125
3.6.2	Variables of Empowerment	126
3.6.3	Elements of Empowerment	126
3.6.4	Women's indicators of empowerment through Microfinance	127
3.7.0	Sustainability	130
3.7.1	Variables to Measure Sustainability of SHGs	132

CHAPTER-4 MEMBERS' PERCEPTIONS

135-318

4.1	Profile of SHGs	135
4.1.1	Distribution of SHGs on the Basis of Agency	135
4.1.2.	Distribution of SHGs on the Basis of Nature	136
4.1.3.	Distribution of SHGs on the Basis of Live- Linkage	137

A1	Personal Profile of respondents.	137
A1.1	Age of Respondents	138
A1.2	Distribution of Samples by Religion	138
A1.3	Distribution of Samples by Community	139
A1.4	Distribution of Samples by Level of Education	140
A1.5	Distribution of Samples by Marital Status	142
A1.6	Distribution of Samples by Occupation.	142
A2	Family Details and Housing Facilities	143
A2.1	Type of Accommodation	143
A2.2	Nature of House	144
A2.3	Social Status	145
A2.4	Size of the Family	146
A3	Details Regarding Group	147
A3.1	No. of Members in the Group	147
A3.2	Positions Held in SHGs	148
A3.3	Source of Funds before SHGs	149
A3.4	Source of Funds at Present	150
A3.5	Rate of Interest Applicable to Members' Before Joining SHGs	151
A3.6	Rate of interest Applicable to Members' at Present	152
A4	Purpose for Which Loans are Availed	154
A5	Motivational Factors for Joining SHGs	158
A5.1.1	Motivation from Friends and Relatives	161
A5.1.2	Success Stories of Others	161
A5.1.3	Strength of Unity	161
A5.1.4	Access to Emergency Loans	161
A5.1.5	Inspiration from Grama Panchayat Member	162
A5.1.6	Role of Bank Officials	162
A5.1.7	A way to Earn Livelihood	162
A5.1.8	Role of Media	162
A5.1.9	Other Elements Motivation	163
A5.2.1	Motivation from Friends and Relatives	164
A5.2.2	Success Stories of Others	164
A5.2.3	Strength of Unity	164

4.6.4.4	Access to Emergency Loans	165
4.6.4.5	Inspiration from G.P Member	165
4.6.4.6	Bank Officials	165
4.6.4.7	A way to Earn Lively Hood	165
4.6.4.8	Role of Media	166
4.6.4.9	Other Elements of Motivation	167
4.6.5.1	Motivation from Friends and Relatives	167
4.6.5.2	Success Stories of Others	167
4.6.5.3	Strength of Unity	168
4.6.5.4	Access to Emergency Loans	168
4.6.5.5	Inspiration from Grama Panchayat Member	168
4.6.5.6	Bank Officials	168
4.6.5.7	A Way to Earn Livelihood	168
4.6.5.8	Media	169
4.6.5.9	Others	169
4.7	The MFI penetration among SHGs in Kerala	176
4.8	Empowerment through SHGs	178
4.8.1	Financial Empowerment	179
4.8.1.1	Participation in Financial Services	201
4.8.1.2	Financial Empowerment	226
4.8.2	Personal Empowerment	246
4.8.3	Familial Empowerment	261
4.8.4	Social Empowerment	281
4.8.5	Legal and Political Empowerment	298
4.8.6	Technological Empowerment	308
4.9	Problems Faced by Entrepreneurial SHGs	

CHAPTER-5 SUSTANABILITY AND OPERATIONAL PROBLEMS

	OF SHGs	319-394
5.1	Profile of SHGs and Their Leaders	319
5.1.1	Age of Leaders	320
5.1.2	Level of Education	321
5.2	Groups' Details	321
5.2.1	Age of SHGs	

11.1	State of Linkage	322
11.2	Low Linkage	322
11.3	Low Linkage Age	323
11.4	Role of Banks in Granting Linkage to Groups	324
11.5	Nature of SHGs	325
11.6	Size of the Groups	326
11.7	Mode of Election	327
11.8	Pattern of Meetings	328
11.9	Percentage of Attendance	329
11.10	Nature of SHG Services	330
11.11	Cost per Meeting	330
11.12	Interest on Bank Loan	331
11.13	Bank Loan Terms	332
11.14	Borrowing Needs	333
11.15	Internal Interest Rate	334
11.16	Internal Loan Sanctioning Period	335
11.17	Collateral	336
11.18	Periodicity of Repayment	337
11.19	Repayment Period	338
11.20	Loan Recoveries	339
11.21	Action against Defaulters	340
11.22	Reasons for Charging Penalty	341
11.23	Decision Regarding Penalty	342
11.24	Annual Dropout Rate	343
11.25	Reasons for Dropout	344
11.26	Training	345
11.27	Help in Income Generation	346
11.28	Local Body Members at Present	347
11.29	Total Local Body Members	348
12	Problems Faced by SHGs in Kerala	350
13	Sustainability of SHGs	360

CHAPTER 6 SUMMARY OF FINDINGS, CONCLUSIONS AND POLICY SUGGESTIONS	395-440
6.1 Findings- Members' Perceptions	398
6.1.1 Profile of Groups	398
6.1.2 Personal Profile of Respondents	398
6.1.3 Family Details and Housing Facilities	399
6.1.4 Participation in Groups	400
6.1.5 Purpose for which Loans are availed	401
6.1.6 Motivational Factors for Joining SHGs	402
6.1.7 The MFI Penetration among SHGs in Kerala	403
6.2 Empowerment- Financial Empowerment	405
6.2.1 Participation in Financial Services	405
6.2.2 Personal Empowerment	408
6.2.3 Familial Empowerment	411
6.2.4 Social Empowerment	412
6.2.5 Legal and Political Empowerment	414
6.3 Sustainability and Operational Problems of SHGs	417
6.3.1 Profile of Leaders	417
6.3.2 Profile of Groups.	424
6.3.2 Problems faced by SHGs in Kerala	424
6.3.3 Sustainability of SHGs	426
6.4 Testing of Hypotheses	428
6.5 Policy Suggestions	432
6.6 Conclusion	435

BIBLIOGRAPHY

APPENDICES