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Women's Self-Help Groups

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Abstract

Women's self-help groups (SHGs) are small informal organizations consisting of ten to twenty women who frequently meet to conduct finance-related activities. The SHGs are self-reliant units that mobilize their savings, extend credit, and initiate microenterprises, thereby sustainably conducting their activities. The SHGs comprise mainly women from pockets of vulnerability in the Global South, which help them to reclaim their due share in conventional society by enhancing their security, autonomy, and self-confidence. Group liability and peer monitoring help the SHGs to sustain for decades with due support from the facilitating institutions – governmental and non-governmental. The impact of the SHGs is found to be local, in the form of the empowerment of women, the health and wellbeing of women and children, political mobilizations, decentralized planning, etc. This solidarity methodology, binding the women together, makes it sustainable for decades.

Keywords: self-help groups; microfinance; microenterprise; outreach; group liability; solidarity

Introduction

Women's self-help groups (SHGs), one of the major types of social and solidarity economy organizations and enterprises (SSEOs) are small informal organizations, each usually consisting of ten to twenty (mostly poor) women, formed in local areas of the Global South. They frequently meet, weekly or fortnightly, to conduct beneficial finance-related activities. The essential activities of the women's SHGs are generally mentioned as 'microfinance' which includes mobilizing savings, extending credit, and initiating microenterprises among the members. The SHGs are self-reliant units in the sense that they mobilize their resources and sustainably conduct their activities. This mechanism indicated that these women are also 'bankable', as they could save their meagre income and extend effective credit needs, thereby promoting financial services for the poor. Experiences and research studies confirm that engaging in these various activities, mooted by the women's SHGs, ensured sustainable employment and income generation among women, thereby helping them to overcome poverty. In addition to the financial activities, many women's SHGs take up non-financial actions that comprise social, cultural, and political arenas. Hence the SHGs have become a part of the life of millions of women in the Global South.

Hence, the importance of SHGs in the lives of such women, who are generally uneducated, lack training in modern technology and do not hold any physical assets, is highlighted. After engaging in different activities initiated by the SHGs, the women found their due space in society and were involved in various activities outside their homes through collective action. They have become loan managers, and are now interested in many other activities, to which they may have been denied access previously, due to cultural reasons. Many of the women gained independence by forming microenterprises and also became part of group enterprises which allowed them to be visible in patriarchal societies, which give very little recognition to the role of women in the community. In short, for millions of women, the SHG movement has been proven to be a very effective mechanism through which rural credit delivery systems work. It adopts a solidarity methodology, having had a significant impact on poverty and low income in the rural arena of Asia, Africa, and Latin America over the last several decades by enhancing security, autonomy, and self-confidence in local women.

1. Development – Origin and History

Women's SHGs are formed across the world in various forms, using different solidarity methodologies (See the entry “Black Social Economy and SSE”). Despite being widespread among women in the Global South, Asia is a hotspot for women's SHG practices. The pioneer of the field, Dr Muhammad Yunus, Professor of Economics at Chittagong University, experimented with small groups of poor women near his university in Bangladesh back in 1976. Later, he built a vast empire under Grameen Bank (GB), consisting of more than nine million women members and covering 93 per cent of all villages in Bangladesh. These members hold forty per cent of shares in the bank and now own GB. He encouraged the women to save tiny amounts on their own, and money was reimbursed as loans to the groups, which comprise five women. In addition, women were asked to deposit a small amount (one taka) per week and also encouraged to contribute to an emergency fund which could be used at times of sickness, defaults, or

other contingencies. The contention of success was simple lending technology which includes characteristics such as group contract, small loan size, vetting, and other standardized practices. This innovative and alternative financial mechanism was started in Bangladesh, and it even fetched a Nobel Peace Prize for the great visionary and his experimentation.

The studies confirm that with a few cycles of loans with GB if women manage the loans there is a higher probability of the families coming out of poverty (Todd 1996). The runaway success of GB can be attributed to the notion that the institution dealt with self-managed SHGs rather than individual clients. GB provided small loans with short repayment periods, which helped the women invest in agriculture, petty trading, handicraft, processing units, and even consumption. The administrative structure is simple, and the entire process ensures the participation of the members. These informal participatory structures, reinforced by the cultural underpinnings existing in the traditional communities, created an atmosphere where debtors honour their obligations. The conventional system of providing collateral for credit is replaced with group liability, and group supervision is exercised on processing and repayment. Hence the repayment is relatively high, and thereby the system is sustained for decades on its own. In due course, the notion of women's SHGs had made a significant breakthrough in the rural population across the world. Given the advantages of these institutions, many non-governmental institutions (NGOs) and governments in Bangladesh itself, and neighbouring Asian countries, utilised this strategy to reach poor women by improvising the needs of the local population.

Box 18.1: SHG-Bank Linkage Programme – A Win-Win model

Even with a population of 1370 million, India has not reached those poor individuals, who are financially excluded from the formal financial system. As part of the financial inclusion strategy, the National Bank for Agriculture and Rural Development (NABARD), the specialized institution for refinancing the rural and agricultural credit in India, initiated the SHG-Bank Linkage Program (SHG-BLP) to facilitate financial inclusion as early as 1992. The SHGs in India, facilitated by different agencies, are tested for viability after six months of formation. Then the banks start lending to the SHGs based on their savings. Hence, the SHGs are capable of availing credit from formal financial institutions, giving their savings as collateral security. According to the annual report of NABARD of 2020-21, 8.7 million SHGs mobilized Rs. 195,000 million (\$2,602 million) deposit and an annual loan offtake of Rs 470,000 million (\$ 6,270 million). The banks also extend credit to men and mixed groups, as well as groups initiated under different government programs such as Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM). This is a win-win strategy, as the beneficiaries can reach the banks, and the banks get business with low transaction costs. Transaction cost relates to the cost of lenders, which can be estimated by multiplying the number of hours spent by bank personnel per loan account by salary and allowances per hour. The system of SHGs lowers the transaction cost of the formal financial institutions by reaching the maximum number of women, thereby realizing the mighty objective of financial inclusion. The formal financial institutions are relieved from arduous duties such as identification of the borrower, pre-sanction and post-sanction inspection, preparation of documents, monitoring, and following up on

recoveries. The banks found that transaction cost is meagre when they lend to groups rather than to individuals. This, in turn, helps the women get access to formal financial institutions and thereby avail of loans from the banks.

Source: NABARD Annual Report 2020-21.

For instance, TYM (Tao Yeu May Fund), a licensed Microfinance Institution (MFI) in Vietnam, managed by Vietnam Women's Union, has a client base of around one million women, actively engaging in various activities among poor women in the country. Indonesia's Bank Rakyat Indonesia (BRI) specializes in small-scale and microfinance style activities including borrowing from, and lending to, approximately 30 million retail clients, who are primarily women. Khushhali Microfinance Bank Limited (KMBL), the largest MFI in Pakistan, has a client base of around 10 million people. Pro Mujer, social enterprise offering services across Latin America (Argentina, Bolivia, Mexico, Nicaragua, and Peru), reached the poor by facilitating SHGs to target prospective clients. Aga Khan Agency for Microfinance even transcends the borders. It reaches out to people in various countries across Africa and Asia, including Tajikistan, Syria, Pakistan, Mali, Madagascar, Kyrgyz Republic, Egypt, Côte d'Ivoire, Burkina Faso, and Afghanistan. For example, Malawi Rural Development Fund (MARDEF) has given out 177,195 microloans within the landlocked country, meanwhile, NGO CARE has initiated the SHG program in Niger, which has been running since 1991.

Box 18.2: SEWA: A trade Union of Women in Informal Sector

Self Employed Women's Association (SEWA) in Ahmedabad, India, was formed in 1972 as a trade union of women working in the informal sector ranging from small-scale vendors, traders to washerwomen, cooks, and cleaners. SEWA started a bank consisting of 4000 members in 1974 and later extended its services to the women's SHGs which now consists of 6,880,000 members. SEWA is running its cooperative bank, and it initiated a group life insurance scheme; now, its members can become self-reliant. It also started several skill-training courses to enhance the income-earning potential of its members, and it provides legal services to help disadvantaged women obtain the benefits of national labour legislation previously denied to them.

Source: Bhatt, 2006.

Coming to India, many players, including private banks, NGOs, community organizations, regional governments, government departments, central government schemes, etc., took up the methodology and effective manner to reach 93 million women. It is claimed that through seven million SHGs, 76 million women are mobilized. The Non-performing assets (NPA) of SHG loans is at 2.83 per cent. The primary reason for this most comprehensive outreach is partly attributed to the interventions made by NABARD. As part of the laudable objective of financial inclusion of vulnerable sections of the country in the ambit of formal financial institutions, the SHGs, whether initiated by women or under different government schemes, are encouraged to link with the banks (see Box 18.1). The facilitating institutions of microfinance in the country used this excellent opportunity to reach a vast expanse of the population. Some of the other essential

successful stories can be told by SEWA) (see Box 18.2), Mysore Resettlement and Development Agency (MYRADA), Kudumbashree (see Box 18.3), etc.

Box 18.3: Kudumbashree: Asia's Largest Women's Collective

Kudumbashree (word meaning 'prosperity to family') was started in 1997 as a poverty alleviation program in Kerala state, India, with a slogan "to reach out to families through women and reach out to the community through the family." In the initial stage, the members identified nine risk factors and formed women's SHGs of vulnerable women from the neighbourhood. Thus formed women's SHGs are known as neighbourhood groups (NHGs in short/*ayalkoottam* in the Malayalam language). As of 2021, 4,114,097 women spread across the state and with 0.29 million neighbourhood groups in urban and rural areas. Kudumbashree included members from different backgrounds - transgender people, differently-abled, older women, etc. – and women belonging to marginalized sections of the society. The Kudumbashree movement is federated with NHGs as the lowest unit with Area development and community development societies at the higher level. All the NHGs have an elected president and Secretary, and the activities of each SHG are governed by a written by-law. Apart from the regular activities, the women's SHGs take up (micro-savings, microcredit, microenterprise, etc.), training, and skilling are imparted to the women in various services, information technology, logistics, etc. Group framing initiatives are rampant in the state, which gives prominence to organic farming, value addition, imparting of agricultural technology to the women, etc. All the NHGs are linked to the nationalized banks, and subsidized bank loans are extended to them. The provisioning of a range of support and resources to the women attracted scores of them - auditing of the accounts, creation of an emergency fund, provision of poverty alleviation measures, and relief measures during crises are included. The impact is visible in the local areas as the members of Kudumbashree contested the elections of local bodies, and many of them emerged leaders and thereby participated in the decentralized planning process. As it is dovetailing the Mahatma Gandhi National Rural Employment Guarantee Act 2005 (MGNREGA) via Kudumbashree, it ensures wage employment opportunities too.

Source: Parthasarathy, Soma Kishore, Poulomi Pal, Shubha Bhattacharya, Subhalakshmi Nandi, Nandita Bhatla, and Alpaxee Kashyap. Kudumbashree State Poverty Eradication Mission: A Model Documentation Report on Addressing Intimate Partner Violence (IPV) in India. New Delhi: ICRW, 2018.

Various factors are attributed to the success of these institutions in the Global South. One of the influential factors is the density of the population which decreases the average administrative costs. The other factors, such as the education of the clients and the facilitating officers, the quality of the rural infrastructure, etc., paved the way to success. In this part of the world, gender inequality is high with biases in access to different capabilities and entitlements, including education, employment, ownership of physical assets, and access to financial services. It is this part of the world where the feminization of poverty is very high, and the women are facing the vagaries of poverty. In addition, these parts of the world ignore the importance of savings and lending among the poor, citing the reason for creditworthiness. The mechanism of women's SHGs is

proved before the world that diversified and alternative financial systems can be mooted and can be sustainably carried forward successfully among the poor too.

2. Organisational structure and Patterns of activities

The members of women's SHGs mostly hail from similar economic, social, and ethnic backgrounds. This homogenous background helps them to understand each other in a better manner, and it addresses their problems effectively. The feelings of mutual aid, joint responsibility, peer monitoring, and overall bonding through cultural ties help the women run the business at their own pace. They agree upon standard criteria regarding the frequency of savings, disbursement of loans, type of enterprises they engage in, and a mode of activities using a written by-law or an agreement. Many women's SHGs are federated at higher levels which helps them mobilize at the local level (see Box 18.3 and the entry "Social Policy and SSE").

A striking feature in the case of SHGs is that the women get an avenue to save a meagre amount in a safe place. The savings of all the group members are pooled together to get a substantial amount which can be rotated among these women in the form of credit. Women's SHGs work based on solidarity methodology to bring in their resources and make the best use for their benefit and families. Even though the significant women's SHGs are confined to savings and credit, some institutions have even gone beyond credit to offer insurance and other financial services such as remittances, emergency funds, etc. They even engage in various activities in the local areas, including political mobilization, social and cultural activities, engage in related environmental issues, and so on. Apart from meeting the financial needs, many microfinance institutions like Kudumbashree in Kerala and Grameen Bank try to impart various inputs in terms of legal rights, sanitation, reproductive health, nutrition, gender sensitization, etc. to the members (Christabell 2013).

The very idea of 'microfinance' gained its ground in the poor regions of the Global South due to the inadequate inclusion of the poor in the formal financial institutions. The major constraint is that these institutions ask for collateral security to sanction loans. But the access to collateral-free credit, group actions based on cooperation, and strict terms and conditions on the part of the facilitating institution- whether governmental or non-governmental -, handholding, etc., positively influence their participation. From the point of view of financial inclusion, the SHG methodology could reach the poor people who cannot enter the premises of banks. But most microfinance institutions report that the NPA is significantly less so that this is a sustainable kind of mechanism which reaches the poorest of the poor also in the Global South.

The studies show that in these areas, people depend on informal sources for their credit needs. Shreds of evidence prove that because the benefits from the SHGs are better, the reliance on informal sources of credit has come down substantially. This is because of the cheap finance the women can avail themselves of with meagre transaction costs. As they join together, the risk of default becomes very low.

3. Impact of SHGs in the political, economic, and well-being of women

The impact of SHGs is multi-fold as it is instrumental in effectively reducing poverty. For instance, a study among the participants of SHGs in Bangladesh showed an increase in gender participation in agriculture and non-agricultural activities in the local arena. The

economic power relations inside the households are tilted, and women have started becoming a significant force in the decision-making processes. The result can be summed up as empowerment which is fuelled by economic power.

Capacity building of the women was given special care by imparting training as part of initiating enterprises too by many facilitating institutions, which helped them engage in income-generating activities - farming, agro-processing, manufacturing, services, logistics, etc. (Christabell 2016). Gender sensitization and interventions on gender-related violence have indeed made cultural changes in the local areas.

In countries like India, the SHGs are linked to nationalized banks and other formal financial institutions. NPA is used to understand the level of default in the banking system. When the level of NPA is nine per cent for the formal financial institutions, the NPA among the SHGs is less than three per cent, which is again a win-win situation for both the women and the banking system. Hence the SHGs are capable of attracting credit funds from the larger public and what they mobilize on their own, which in turn equips the women to avail more capital for the enterprises and also to meet their consumption needs. This again prevents them from falling prey in the hands of usurious money lenders in the local areas who charge exorbitant interest rates (Wilson 2002).

Evidence shows that microcredit support to the households has improved the nutritional status of children and shifted them from traditional to non-traditional activities. It also enhances the people's employment opportunities, increases the per capita consumption of food in the household, and increases investments in housing, sanitation, and education with an improved standard of living in the remote regions of the Global South.

The women are well connected at the local level and started participating in various organizations and other community-based organizations based on the experience they gain from women's SHGs which has a spillover effect in the community. The women's SHGs enhance capacity at the individual and group level, empowerment, and self-efficacy, which lead to 'greater control over household decision making, wider participation in civil institutions and political processes' (Gugerty et al. 2019, 5).

4. Criticisms

In some areas, a significant question that arises is the viability of the SHGs during crises and whether the women can manage and also sustainability involved in the repayment of loans. Institutions such as Grameen Bank and other microfinance institutions can deepen their credit by giving larger loans to the members in women's SHGs. In some cases, it is reported that women cannot absorb large volumes of credit. Sometimes, large credits remain unutilized in the local areas as the women have limits in the general cultural settings, and it will become a burden for them. On the other hand, women, with their practical knowledge and skill, could manifest their capability to invest credit and come out with profitable ventures. The illiteracy, low education, weak management skills, etc., also hamper the efforts of some women entrepreneurs.

Even though the institutions reach scores of women at the grass-root level, it is found that effective targeting, rendering of quality financial services, etc. plays a significant role in sustaining the activities in those regions. Many studies have come out hailing the positives of SHGs among women, but it is also found that most of the institutions failed

to reach the poorest of the poor. The widowed, divorced, female-headed households, disabled, old, needy, and most vulnerable sections are sometimes excluded from the ambit of these local institutions. The issue of mistargeting is rampant in many parts of the world. But utmost care has been taken by various institutions to include women from divergent backgrounds.

A major criticism levelled against the women's SHGs is that the loans given to them are so small that too for the short term, which forces the women to spend on consumption rather than lead any enterprises. Many economists question this and become sceptical about the purpose of these loans. Thus, it is argued that this kind of arrangement did not ensure sustained longer-term changes. The reasons cited are the inadequate quantum of the loans, irregularities in distribution, and using it for consumption. A report by FUNDELAM, however, observed that even though the credit is deficient, it enabled the women to finance part of the cost of the productive assets, which helped them cushion households from worsening their socio-economic status.

The institutional innovation of microfinance which introduced the concept of women's SHGs is governed by a critical triangle comprising financial sustainability, outreach to the poor, and the impact on the poor (Christabell 2009). These institutions are more effective if the population density is high and if the availability of homogenous women is sufficient in number in the neighbourhood.

Uniform replication of the success models indiscriminately is often made worldwide without understanding the substance that led it to failure (Galbraith 2017). These replications give little importance to local conditions and the evaluation of earlier programs. Yet another major issue is that several programs are running side-by-side in the same locality, which prompted the members to switch from one group to another or keep membership in the multiple SHGs. This is a threat to the sustainability of the SHG movement as the defaulter may move to another SHG, and the first one may feel it difficult to take disciplinary action against the member.

5. The way forward,

In short, the women's self-help groups initiated by microfinance institutions across the world have become a part of the life of millions of women in the Global South. The prime objective of microfinance was to initiate micro-enterprises among the self-employed women at the grass-root level. But some other institutional issues like illiteracy, low education, and deficiency of management skills hamper the efforts of micro-entrepreneurs. Hence training and imparting of skills, extending technical assistance in different forms are also started becoming part of these programs. Women's economic status, as well as household work responsibilities, severely limit the level of participation outside the house. The policies of the Government, including financial and institutional barriers, hamper the women who would like to initiate microenterprises. This warrants a comprehensive approach to the women at the grass-roots level who try to make a livelihood on their own using the solidarity methodology among them. The international community, as well as the local governments, must take up an earnest effort to keep the women at the centre stage, and it has to be replicated in various other scenarios across the globe to help the women to pull themselves out of poverty.

Women are very much resilient to crises of various types across the world. They find ways to absorb the shocks - economic, social, personal, emotional, and psychological. It is imperative to initiate these kinds of institutions across the world in all cultures to help the people in various ways to grow economically and socially.

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