SUSTAINABILITY OF SELF HELP GROUPS IN INDIA

Archana Mishra*

ABSTRACT

Self-Help Groups are informal associations of people who choose to come together to find ways to improve their living conditions. The financial inclusion attained through SHGs has led to reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health – especially among women and children. But the SHG movement has certain weaknesses as well. Forming small groups and linking them to bank branches for credit delivery have been the most important feature of the growth of the SHG movement in our country.

Though, government efforts have played a major role in advancing the SHG movement in the country, there have been a large number of voluntary organizations (NGOs) which too have facilitated and assisted SHGs in organizing savings and credit in different parts of India. The strength of a Self-Help Group lies primarily in its solidarity-based participatory character, and in its ability to survive without any significant external support or involvement. Establishing stable linkage between a SHG and a local financial institution is one of the key elements of the SHG movement.

SHG federations play a critical role in improving the sustainability of SHGs through financial and organizational support. Besides promotion of savings among SHG members in general and savings for education, housing, marriage, and festivals in particular, they also provide loans to SHGs at low interest rates. The majority of Self-Help Groups comprise of women members.

The Objectives of the paper is; to study Performance and Sustainability of SHGs; Awareness and Benefits of SHGs; SHG Movement in India; Micro Credit and Microfinance Programmes; Private Initiative in SHG Development; Impact of SHGs on Rural Life and Issues of SHG Movement. Secondary data from various sources were used.

Key Words: SHGs, Micro Credit, Micro Finance, Women Empowerment, Sustainability.

***ICSSR Doctoral Fellow, School of Studies in Economics, Vikram University, Ujjain (M.P.) 456010;**

INTRODUCTION:

Self-Help Groups are informal associations of people who choose to come together to find ways to improve their living conditions. They help to build Social Capital among the poor, especially women. The most important functions of a Self-Help Groups are (i) to encourage and motivate its members to save, (ii) to persuade them to make a collective plan for generation of additional income, and (iii) to act as a conduit for formal banking services to reach them. Such groups work as a collective guarantee system for members who propose to borrow from organized sources. Consequently, Self-Help Groups have emerged as the most effective mechanism for delivery of micro-finance services to the poor. The range of financial services may include products such as deposits, loans, money transfer and insurance.

The existing literature on self-help group (SHG) bank linkage programs portrays them as an effective tool being used in various countries to approach a range of socioeconomic issues. This paper explores the performance and sustainability of this type of program in India. Because income-generating activities and other characteristics vary with the gender composition of self-help groups, their performance and sustainability vary. Overall, the performance analysis reveals that all-female SHGs perform best. The female SHGs are doing particularly well in terms of recovery of loans and per capita saving. The econometrics results indicate that only all-female SHGs are sustainable. The factors that determine the sustainability include recovery of loans, per capita savings, and linkage with an SHG federation.

OBJECTIVES OF THE STUDY:

The Objectives of the study are:

1. To study Performance and Sustainability of SHGs.
2. To study Awareness and Benefits of SHGs.
3. To study SHG Movement in India.
4. To study Micro Credit and Microfinance Programmes.
5. To study Private Initiative in SHG Development.
6. To study Impact of SHGs on Rural Life.
7. To study Issues of SHG Movement.

METHODOLOGY OF THE STUDY:

Secondary data from various sources were used in this study.

MICRO CREDIT AND MICRO FINANCE:

It has generally been observed that the poor people don't have access to bank loans. Private money lenders charge very high interest rates. This makes it difficult for poor people to access funds for starting small income generation activities like sewing, buying buffalo, opening a tea stall or some other small shop. Micro Credit caters the need of people for small loans. Micro finance includes support services along with the loan component. In Micro Credit, more emphasis is placed on loans. Microfinance, thereby, opens up channels for thrift, market assistance, technical assistance, capacity building, insurance, social and cultural programmes. Thus, Microfinance has an element of 'Credit plus' while micro credit is 'only credit'.

BACKGROUND:

In the pursuit of economic development and planning, microfinance programs were engineered by a few well thinking planners to generate income and employment and alleviate poverty especially in the developing countries. The approach is accepted by the World Bank and other financial institutions as an important tool for poverty eradication and enhancement of living standards, particularly those of women. Moreover, microfinance has come to be regarded as a supplementary development tool that widens the financial service delivery system by linking a large rural population with formal financial institutions through self-help groups (SHGs).

A number of impact analyses have already established that these microfinance programs contribute to the achievement of several of the Millennium Development Goals (MDGs). In India, the National Bank for Agriculture and Rural Development (NABARD), a pioneer in agriculture credit activities in the country, was the first to notice the potential of an SHG bank linkage program (SBLP). In 1996, NABARD launched a nationwide pilot project to link the SHGs to the banks. In 1998, NABARD partnered with the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) Rural Financial Institutions Programme—which aims to improve the access of rural populations to sustainable, quality financial services—in support of the SHG bank linkage program. Since this partnership began, microfinance has been steadily spreading through the SHGs in India. The total number of bank-linked SHGs in India grew from 4,757 in March 1996 to 1,374,917 in March 2007. A report by NABARD (2008) suggests that by March 2008, the SBLP covered more than 70 million poor households across India. About 5,009,994 SHGs were maintaining savings accounts with the banking sector and about 79.6 percent of these SHGs were all-female. India's southern region had the largest percentage of SHGs having bank savings accounts (48.0 percent), followed by the eastern region (21.4 percent), central region (12.9 percent), western region (9.4 percent), northern region (4.2 percent), and northeastern region (4.1 percent). Among the three types of banks involved in promoting and disbursing loans to SHGs in India, the commercial banks had the largest share of SHG savings accounts (56.1 percent), followed by regional rural banks with 27.7 percent and cooperative banks with 16.2 percent. The total number of 3,625,941 SHGs in March 2008 had outstanding bank loans of US$4,250 million and about 68 percent of the banks reported more than 80 percent recovery of loans from SHGs. The progress of SHGs in India has been monitored by NABARD, other financial institutions (e.g., MYRADA 2002), and individual researchers (e.g., Harper 2002, Kropp and Suran 2002).

In India, a number of studies have examined the impact of the SBLP on various socioeconomic parameters of SHGs. Most of them have assessed the general impact of the SBLP but have not distinguished its impact from a gender perspective. The first study of the impact of the SBLP on SHGs that could be considered as an impact study was carried out for NABARD by Puhazhendi and Satyasai (2000). The study used a multistage stratified random sampling method to assess the impact of microfinance on socioeconomic conditions of 560 household members in 223 SHGs located in 11 states. They found that the average value of assets per household (including consumer durables and livestock) increased by 1.72 times in the post-SHG period from the level of Rs6,843 during the pre-SHG period. The share of households among the SHGs living below the poverty line (42 percent) decreased to about 22 percent in the post-SHG period. With regard to employment performance, the study found that employment increased by 17 percent between the pre- and post-SHG periods. On empowerment, they found that involvement in SHGs had significantly contributed to the self confidence of the participating women.

A study by Puhazhendi and Badatya (2002), also carried out for NABARD, assessed the impact of the SBLP on SHG members in the Indian states of Orissa, Jharkhand, and Chhattisgarh. The study followed a multistage random sampling method. The findings suggest an increase in household savings and assets for the SHG members after they formed the group. The average loan amount per member increased significantly by 123 percent between the pre- and post-SHG periods. About 83.3 percent of the groups had promptly repaid the loans and only 16.7 percent had repaid late. The net annual income of SHG households increased by 23 percent after joining the SHGs. Employment was found to have increased by 34 percent on average in each SHG household. The share of SHG member households below the poverty line fell from 88 percent to about 75 percent.

A more recent study on the impact of the SBLP on SHGs reported that the net household income of SHGs registered a significant growth of 6.1 percent per year between the pre- and post-SHG periods (NCAER 2008). Net change in the value of consumer durable assets per household was Rs4,329 and the assets recorded a high annual growth of 9.9 percent between the two periods. Average savings (financial and physical savings) per household registered an annual growth of 14.2 percent between 2002 and 2006. The average loan amount per household registered an annual growth rate of 20.5 percent between the pre- and post-SHG periods. The study also reported that about 93.0 percent of households took out loans in the post-SHG period as compared to 46.5 percent during the pre-SHG period. Loan repayment was also very good as 96.4 percent of households made regular repayments on their loans. One of the important findings of the study is that the share of households living below the poverty line decreased from 58.3 percent to 33.0 percent between the two periods. Regarding the impact of the SBLP on social empowerment of women, the study found that about 92.0 percent of households reported that women were more empowered socially after joining an SHG.

Some other studies such as Nair (2005), Moyle, Dollard and Biswas (2006), and Chakrabarti (2004) have assessed more specific issues such as the role of SHG federations in the sustainability of SHGs and the economic and personal empowerment of women, as well as the role of microfinance in poverty eradication.

To sum up, the broad findings of the impact studies so far suggest that the average value of assets and savings of SHG member households increased significantly during the post-SHG period. Average annual net income of SHG member households increased significantly and this considerably contributed to poverty reduction. Employment per household also increased. There was remarkable improvement in social empowerment of SHG members in terms of self-confidence, decision making, and communication.

FINANCIAL SUSTAINABILITY OF SHGS:

The financial sustainability of an SHG depends mainly on its repayment patterns. Only when SHGs make timely repayments to banks do they gain access to bigger loans. The ability to make timely repayments to banks, in turn, depends on the repayment patterns of the individual members. Some SHGs impose a penalty on delinquent members, as peer pressure alone is not always enough to ensure that members repay on time. The financial performance of SHGs in 2006 is also indicated by loan amount outstanding. The average outstanding amount for all types of SHGs in 2006 was Rs. 28,779. The amount was greater in all-female SHGs (Rs35,237), followed by all-male SHGs (Rs30,657) and mixed SHGs (Rs20,442). This suggests that banks are more willing to disburse loans to all-female SHGs than to other types of SHGs. This may be because of the better repayment rates of all female SHGs.

AWARENESS AND BENEFITS OF SHGS:

The performance of SHGs also depends upon member's awareness of the overall objectives of SHGs, as well as SHGs' capabilities to develop their members' managerial and technical skills. A variety of training and awareness programs conducted by NGOs and other social welfare agencies are available to groups for the latter purpose.

SUSTAINABILITY OF SHGS:

Considering that the SHG bank linkage program has been operating in India for the last 25 years, the sustainability of SHGs has not been paid much attention in studies so far. Most of the existing studies on the SBLP (Armendariz de Aghion and Morduch 2000, Puhazhendi and Satyasai 2000, Puhazhendi and Badatya 2002, Kropp and Suran 2002, Hannover 2005) have focused only on the performance and impact aspect of the SBLP on SHGs and SHG households. A sustainable SHG would be one that continues to function well over a long period of time. Moreover, the long-term performance depends on member's overall socioeconomic development, including their empowerment. Hence, the analysis here on sustainability covers the performance of SHGs on various socioeconomic aspects and their dependency on self-help promoting institutions (SHPIs) for various developmental activities.

EVOLUTION OF THE SHG MOVEMENT IN INDIA:

Community Networks (Self Help / Joint Liability Groups) – Beginning:

The first organized initiative in this direction was taken in Gujarat in 1954 when the Textile Labour Association (TLA) of Ahmedabad formed its women's wing to organize the women belonging to households of mill workers in order to train them in primary skills like sewing, knitting embroidery, typesetting and stenography etc. In 1972, it was given a more systematized structure when Self Employed Women's Association (SEWA) was formed as a Trade Union under the leadership of Ela Bhatt. She organized women workers such as hawkers, vendors, home based operators like weavers, potters, papad / agarbatti makers, manual labourers, service providers and small producers like cattle rearers, salt workers, gum collectors, cooks and vendors with the primary objective of (i) increasing their income and assets; (ii) enhancing their food and nutritional standards; and (iii) increasing their organizational and leadership strength. The overall intention was to organize women for full employment. In order to broaden their access to market and technical inputs, these primary associations were encouraged to form federations like the Gujarat State Mahila SEWA Cooperative Federation, Banaskantha DWCRA, Mahila SEWA Association etc. Currently, SEWA has a membership strength of 9,59,000 which is predominantly urban. In the 1980s, MYRADA – a Karnataka based non-governmental organization, promoted several locally formed groups to enable the members to secure credit collectively and use it along with their own savings for activities which could provide them economically gainful employment. Major experiments in small group formation at the local level were initiated in Tamilnadu and Kerala about two decades ago through the Tamilnadu Women in Agriculture Programme (TANWA) 1986, Participatory Poverty Reduction Programme of Kerala, (Kudumbashree) 1995 and Tamilnadu Women's Development Project (TNWDP) 1989. These initiatives gave a firm footing to SHG movement in these States.

SHG Development since 1992 and NABARD:

Forming small groups and linking them to bank branches for credit delivery has been the most important feature of the growth of the SHG movement in our country. The SHG-Bank linkage programme was started as a test project in 1989 when NABARD, the Apex Rural Development Bank in the country, sanctioned Rs.10.0 lakhs to MYRADA as seed money assistance for forming credit management groups. In the same year, the Ministry of Rural Development provided financial support to PRADAN to establish Self-Help Groups in some rural pockets of Rajasthan. On the basis of these experiences, a full-fledged project involving a partnership among SHGs, Banks and NGOs was launched by NABARD in 1992. In 1995, acting on the report of a working group, the RBI streamlined the credit delivery procedure by issuing a set of guidelines to Commercial Banks. It enabled SHGs to open Bank Accounts based on a simple inter-se agreement. The scheme was further strengthened by a standing commitment given by NABARD to provide refinance and promotional support to Banks for credit disbursement under the SHG – Bank linkage programme. NABARD's corporate mission was to make available microfinance services to 20 million poor households, or one-third of the poor in the country, by the end of 2008. In the initial years, the progress in the programme was a slow; only 32995 groups could be credit linked during the period 1992-99. But, thereafter, the programme grew rapidly and the number of SHGs financed increased from 81780 in 1999-2000 to more than 6.20 lakhs in 2005-06 and 6.87 lakhs in 2006-07. Cumulatively, 32.98 million poor households in the country have been able to secure access to micro-finance from the formal banking system.

Table 1: Details of SHGs Finance

Year	No. of SHGs financed during the year (in lakh)	Cumulative number of SHGs financed (in lakh)
2001-02	1.98	4.61
2002-03	2.56	7.17
2003-04	3.62	10.79
2004-05	5.39	16.18
2005-06	6.20	22.38
2006-07	6.87	29.25

Source: NABARD

NABARD, in association with Deutsche Gesellschaft fur Technische Zusammenarbei (GTZ), conducted a study, in 2005, on the comparative performance of SHG – Bank linkage programme vis-à-vis other modes of priority sector lending. The findings are based on the data received from 27 Commercial Banks, 192 RRBs and 114 Cooperative Banks participating in the programme. One of the important observations of the study was that 1.44 million SHGs had loans outstanding of Rs.4,200 crore with the banking system. 2.63 million SHGs had saving accounts with the banks and the savings outstanding was Rs.2,391 crore.

Table 2: Trends and Progress of SHG - Bank Linkage Programme in India

(INR Rs. Million)

	March 1993	March 1996	March 2006	March 2007
SHGs linked	255	4,757	22,38,525	29,24,973
%women's groups	70	74	90	90
Families assisted (m)	0.005	0.08	32.98	40.95
Population covered (m)	0.025	0.40	164.90	204.75

Banks participating	14	95	501	498
SHG promoting partners	32	127	4,323	4,896
Districts covered	26	157	572	587
Cumulative bank loan	2.58	53.32	1,13,974.01	1,80,407

Source: NABARD

At first glance, the above figures; 40.95 million families and 204.75 million people having been covered under this programme and the cumulative loan figure standing at 18040 crores as on 31-03-2007 appear to be impressive. But in the context of the magnitude of poverty prevailing in the country and the overall quantum of the fund flow available under various anti poverty programmes of the Government, the size of the SHG movement could be described only as modest. In the years 2003-04, 2004-05 and 2005-06, the average loan available to newly formed groups from external financial institutions was Rs.32005, Rs.32012 and Rs.37581 respectively. The figure for per capita disbursement works out to be less than Rs.4,000/-; whereas under Swarna Jayanti Gram Swarojgar Yojana (SJGSY) (a scheme meant exclusively for BPL families in the rural areas), it stood at Rs.21,818 (2005-06).

OTHER AGENCIES INVOLVED IN SHG DEVELOPMENT:

Apart from NABARD, there are four other major organisations in the public sector which too provide loans to financial intermediaries for onward lending to SHGs. They are (a) Small Industries Development Bank of India (SIDBI), (b) Rashtriya Mahila Kosh (RMK), and (c) Housing and Urban Development Corporation (HUDCO). Then, there are public sector/other commercial banks which are free to take up any lending as per their policy and RBI guidelines.

Rastriya Mahila Kosh (RMK):

The Rashtriya Mahila Kosh was set up by the Government of India in March 1993 as an Autonomous Body registered under Societies Registration Act, 1860 under the Department (now Ministry) of Women and Child Development. The objective was to facilitate credit support to poor women for their socio-economic upliftment. It was felt that the credit needs of poor women, especially those in the unorganized sector, were not adequately addressed by the formal financial institutions of the country. Thus RMK was established to provide loans in a quasi formal credit delivery mechanism, which is client-friendly, has simple and minimal procedure, disburses quickly and repeatedly, has flexible repayment schedules, links thrifts and savings with credit and has relatively low transaction costs both for the borrower and the lender. The maximum amount of loan that can be given to a beneficiary at a time is Rs. 25,000 for income generation, Rs.50,000 for house building and Rs. 10,000 for a family purpose.

Microfinance Programme of SIDBI:

Small Industries Development Bank of India (SIDBI) launched its micro finance programme on a pilot basis in 1994 using the NGO / MFI model of credit delivery wherein such institutions were used as financial intermediaries for delivering credit to the poor and unreached, mainly women. Learning from the experience of the pilot phase, SIDBI reoriented and upscaled its micro finance programme in 1999. A specialized department viz. 'SIDBI Foundation for Micro Credit' (SFMC) was set up with the mission to create a national network of strong, viable and sustainable Micro Finance Institutions (MFIs) from the informal and formal financial sectors. SFMC serves as an apex wholesaler for micro finance in India providing a complete range of financial and non-financial services to the MFIs so as to facilitate their development into financially sustainable entities, besides developing a network of service providers and advocating for appropriate policy framework for the sector. SFMC is implementing the National Micro Finance Support Programme (NMFSP). The overall goal of NMFSP is to bring about substantial poverty elimination and reduced vulnerability in India amongst users of micro finance services, particularly women. The NMFSP is being implemented in collaboration with the Government of India, the Department for International Development (DFID), UK and the International Fund for Agricultural Development (IFAD), Rome. The cumulative assistance sanctioned under SIDBI's micro finance initiatives under its various products upto March 31, 2008 aggregates to Rs. 1946.82 crore while cumulative disbursements stand at Rs. 1661.77 crore. SIDBI is also focusing on development of microfinance in the weaker States which have inadequate access to formal financial services such as Uttar Pradesh, Bihar, Jharkhand, Orissa, Chhattisgarh, Madhya Pradesh, Rajasthan and the North-Eastern States. Government of India (GOI) has committed support of Rs. 150 crore under the Portfolio Risk Fund (PRF) Scheme which is being utilized by the Bank for meeting a part of the security cover requirements under the Micro Credit Scheme for providing loan assistance to MFIs. The PRF corpus is available for a period of five years with effect from the Financial Year 2007 and aims to cover an additional fifty lakh beneficiaries throughout the country. Cumulatively, as on March 31, 2008 disbursement to eligible MFIs under PRF stood at Rs. 709.37 crore covering 11.83 lakh clients.

Private Initiative in SHG Development:

Though, government efforts have played a major role in advancing the SHG movement in the country, there has been a large number of voluntary organizations (NGOs) which too have facilitated and assisted SHGs in organizing savings and credit in different parts of India. SEWA in Ahmedabad, MYRADA in Karnataka, Nav Bharat Jagriti Kendra and Ramakrishna Mission in Jharkhand, and ADITHI in Bihar are some of the names which took the lead in promoting Self-Help Groups (mostly of women) around income generation activities using local skills. From organizing villagers into groups which could work on viable activities, to making a project and securing funds (own contribution or through a tie-up with the financial institution), these VOs have worked with involvement and dedication. PRADAN (Professional Assistance for Development Action), DHAN Foundation, ASSEFA (Association of Sarva Seva Farms, MALAR (Mahalir Association for Literacy, Awareness and Rights), SKS, Janodaya, Cohesion Foundation and Jan Chetna Sansthan are some of the other major non-governmental institutions which are promoting and nurturing a large number of SHGs of poor people, mostly women into effective organizations which could leverage credit from formal sources, and develop local resources and skills to increase productivity and income. It is thus, due to the combined efforts of the government and these private voluntary agencies that the SHGs have come to occupy a place of prominence in the socio-economic fabric of rural India.

Impact of SHGs on Rural Life:

A random impact evaluation study covering 560 members of 223 SHGs linked to Banks located in 11 States was carried out by NABARD. A three year period was selected for this study. The results of this survey released in 2000 indicated that (a) 58% of the households covered under SHGs reported an increase in assets; (b) the average value of assets per household increased by 72% from Rs.6,843 to Rs.11,793; (c) majority of the members developed savings habit against 23% earlier; (d) there was a threefold increase in savings and a doubling of borrowings per household; (e) the share of consumption loan in the borrowing went down from 50% to 25%; (f) 70% of the loans taken in post-SHG period went towards income generation ventures; (g) employment expanded by 18%; (h) the average net income per household before joining a SHG was Rs.20,177 which rose by 33% to 26,889; and (i) about 41.5% of the household studied were below their State specific poverty line in the pre-SHG enrolment stage; it came down to 22%. Participation in group activity significantly contributed to improvement of self-confidence among the members. In general, group members and particularly women became more vocal and assertive on social and family issues.

The structure of the SHG is meant to provide mutual support to the participants in saving money, preparing a common plan for additional income generation and opening bank accounts that would help them in developing credit relationship with a lending institution. It ultimately supports them in setting up micro-enterprises e.g. personalized business ventures like tailoring, grocery, and tool repair shops. It promotes the concept of group accountability ensuring that the loans are paid back. It provides a platform to the community where the members can discuss and resolve important issues of mutual concern.

While some of the SHGs have been initiated by the local communities themselves, many of them have come through the help of a mentor Body (either government or an NGO) which provided initial information and guidance to them. Such support often consists of training people on how to manage Bank accounts, how to assess small business potential of the local markets and how to upgrade their skills. In the end, it creates a local team of resource persons. Group formation becomes a convenient vehicle for credit delivery in rural areas. Commercial Banks and other institutions which are otherwise not receptive to the demands of marginalized individuals, start considering such groups as their potential customers. Overall such Joint-Liability Groups expand the outreach of the micro-finance programme in an effective way, reaching out to the excluded segments e.g. landless, sharecroppers, small and marginal farmers, women, SCs/STs etc.

The financial inclusion attained through SHGs has led to reduced child mortality, improved maternal health and the ability of the poor to combat disease through better nutrition, housing and health – especially among women and children. But the SHG movement has certain weaknesses as well:

- Contrary to the vision for SHG development, members of a group do not come necessarily from the poorest families;
- The SHG model has led to definite social empowerment of the poor but whether the economic gains are adequate to bring a qualitative change in their life is a matter of debate;
- Many of the activities undertaken by the SHGs are still based on primitive skills related mostly to primary sector enterprises. With poor value addition per worker and prevalence

of subsistence level wages, such activities often do not lead to any substantial increase in the income of group members;

- There is lack of qualified resource personnel in the rural areas who could help in skill up gradation / acquisition of new skills by group members.

Issues of SHG Movement:

Though, during a short span of fifteen years the SHG movement has recorded remarkable progress (29.24 lakhs SHGs in operation on 31.03.2007 with a cumulative loan of 180,407,42 millions), much still remains to be done. Even if we consider only the BPL population of the country (24.2% - 26 crores), the above achievement seems to be minuscule. The movement shows steep territorial variations. Many areas of the country lack adequate banking structure. Urban and semi-urban areas, to a large extent, stand excluded from this mode of credit delivery. Further growth of this movement faces threat from inadequacy of skills in the rural areas. And finally the pace of the movement needs to be accelerated. The Commission has comprehensively considered the strength and weaknesses of this movement and it feels that the following eight issues of this sector deserve priority attention:

- Maintaining the participatory character;
- Need to expand the SHG movement to States such as Bihar, Uttar Pradesh, Madhya Pradesh, Orissa, Rajasthan and in the North-East (where the SHG movement and micro finance entrepreneurship is weak);
- Need to extend small group organizations (SHGs) to peri-urban and urban areas;
- Mode of SHG development and financial intermediation;
- Self-Help Groups and Regional Rural Banks;
- Issues of sustainability;
- Financial assistance to SHPIs and other support institutions;
- Role of Micro-Finance Institutions.

MAINTAINING THE PARTICIPATORY CHARACTER OF SHGS:

The strength of a Self-Help Group lies primarily in its solidarity-based participatory character, and in its ability to survive without any significant external support or involvement. In the early phases of its existence, the intent behind the cooperative movement too focused on stakeholders' participation. The government and banking institutions were thought of as some sort of catalyst which would provide support to the sector. But gradually these primary institutions became subordinate to Cooperative Banks, Apex Unions, and Marketing Federations. Election of the office bearers of these large organizations became big ticket events. Very soon, the cooperative sector became a springboard for political aspirants. Though the SHG movement is relatively new, government interventions and subsidies have already started showing negative results. The patronage and subsidies provided to the SHGs by government and the Panchayats often lead to their politicization. Therefore, due care must be taken to ensure that government initiatives do not erode the fundamental principles of self-help and empowerment of the poor.

The Commission is of the view that there is need to learn from the experience of the cooperative sector. The mutually participatory, solidarity-based character of SHG movement needs to be retained and protected. SHG movement should be recognized as a people's movement and the role of government should be only to facilitate and create a supportive environment, rather than 'manage' the movement directly.

EXTENSION OF SELF-HELP GROUPS TO URBAN / SEMI-URBAN AREAS:

According to the 2001 census, 314.54 million persons changed their place of residence (vis-à-vis the situation in the 1991 census) within the country and out of this 29.90 million or 9% changed their place of residence in search of better prospects elsewhere. This migration can be divided into two broad categories: (i) movement from villages to the neighboring middle grade towns; and (ii) movement to metropolitan cities. The first category, often called transient migration is in the nature of temporary movement where the worker stays in the new location intermittently for shorter periods and maintains close links with his home village through his colleagues, relatives or through his own frequent visits. But when he moves to a metropolitan city, his stay in the new location is for longer durations. This class of workers mostly stays in tenements and slums. Since issue of any form of identity card is invariably linked with the possession of an immovable property, such migrant workers do not have any formal document to prove their domicile in the city. But the overall economic and social well being of the city is closely linked with the condition of this section of the city dwellers.

Taking the case of Delhi as an illustration, in 2006 the city saw an increase of 2.33 lakhs in its population on account of migration. The estimates of migration in Delhi are based on birth and death rates and total increase in population. It is revealed from the estimates that percentage of migration was 47.61% in 2005 whereas percentage of natural growth in 2005 was 52.39%. In absolute terms, natural increase in population during 2006 was 2.24 lakhs whereas migration has been estimated at 2.33 lakhs.

MODE OF SHG DEVELOPMENT AND FINANCIAL INTERMEDIATION:

Establishing stable linkage between a SHG and a local financial institution is one of the key elements of the SHG movement. Currently, four distinct models of financial intermediation are in operation in various parts of the country namely;

1. SHG-Bank linkage promoted by a mentor institute;
2. SHG-Bank direct linkage;
3. SHG-Mentor Institution linkage; and
4. SHG-Federation model.

Self -Help Groups and Regional Rural Banks (RRBs):

As on 1st April, 2007, out of a total of 622 districts in the country, 535 have a network of Regional Rural Banks; the rest 87 districts have no RRB presence. Currently, 14494 branches, in all, are operating in rural areas of these 535 districts. These branches have been created by the Regional Rural Banks Act, 1976 primarily for providing institutional credit to the marginalized sector of the rural economy (small, marginal farmers, landless labour and rural artisans). The Commission is of the view that extension of the RRB network to the remaining 87 districts would considerably speed up the process of inclusive banking and help in extending microfinance to local SHGs.

Issues of Sustainability, Capacity Building and Use of Technology:

The institutional sustainability and the quality of operations of the SHGs are matters of considerable debate. It is generally held that only a minority of the Self-Help Groups are able to raise themselves from a level of micro-finance to that of micro-entrepreneurship. Neither do such Bank linkages lead to sanction of larger individual loans under the Bank's normal lending programmes. The ultimate objective of such a tie-up is to impart financial strength to the SHGs so that they can enter into a stable relationship with the local financial institutions - without any external support. Even after many years of existence, by and large, SHGs are heavily dependent on their promoter NGOs or government agencies. The withdrawal of NGOs / government agencies even from areas where SHGs have been federated, has often led to their collapse. The leadership and management of most SHG federations continue to be in the hands of NGOs.

Capacity building of small groups / members is an important component of organizational effectiveness. It consists of participatory training methods covering issues such as SHG formation, its strengthening, book keeping and some elementary techniques of financial management. Capacity building of government functionaries and Bank personnel is a necessary element of an equitable triangular relationship involving the SHGs, government functionaries and the local Banks and there is a positive correlation between the training received by government functionaries / Bank personnel and their overall attitude towards local organizations. The Commission is of the view that for success of such cooperative / social capital ventures, there is need to provide extensive training to all the three pillars of the self-help movement.

Utilization of Technology: Currently, many public sector banks and micro-finance institutions are unwilling to provide financial services to the poor as the cost of servicing remains high. Use of appropriate technology can reduce it. The Commission is of the view that high penetration of telecom connectivity in India, together with the latest mobile technology could be used to enhance financial inclusion in the country.

CONCLUSION:

The major findings of these studies are that SHG federations play a critical role in improving the sustainability of SHGs through financial and organizational support. Besides promotion of savings among SHG members in general and savings for education, housing, marriage, and festivals in particular, they also provide loans to SHGs at low interest rates. As far as organizational support is concerned, federations employ their own resources in promoting new SHGs and have been able to reduce the cost of promotion of SHGs as compared to other agencies such as banks and nongovernmental organizations (NGOs). A large share of female SHG members reported significant development of their self-confidence and work efficiency despite the challenges they face due to the work and responsibilities involved with being an SHG member.

The majority of Self-Help Groups comprise of women members. There is evidence in this country as well as elsewhere that formation of Self-Help Groups has a multiplier effect in improving women’s status in society as well as in the family. Their active involvement in micro finance and related entrepreneurial activities not only leads to improvement in their socio-economic condition but also enhances their self-esteem. Women in a group environment become more articulate in voicing their concerns and a change occurs in their self-perception. They start to see themselves not only as beneficiaries but also as clients / informed citizens seeking better services. On the home front, their new found awareness and the confidence generated out of their entrepreneurial skills make them more confident vis-à-vis their men folk.

The SHG programme has contributed to a reduced dependency on informal money lenders and other non-institutional sources. It has enabled the participating households to spend more on education than non-client households. Families participating in the programme have reported better school attendance and lower drop-out rates.

REFERENCES:

1.Chakrabarti, R. (2004), The India Microfinance Experience: Accomplishments and Challenges, In B. Debroy and A. U. Khan, eds., Integrating the Rural Poor into Markets, Academic Foundation, New Delhi.

2. Hannover, W. (2005), Impact of Microfinance Linkage Banking in India on the Millennium Development Goals (MDG): Summary of Major Results from Existing Studies, Deutsche Gesellschaft für Technische Zusammenarbeit, New Delhi and National Bank for Agriculture and Rural Development, Mumbai.

3. Harper, M. (2002), Promotion of Self Help Groups under the SHG Bank Linkage Programme in India, Paper presented at seminar on the SHG-Bank Linkage Programme in New Delhi, 25–26 November, National Bank for Agriculture and Rural Development, Mumbai.

4. Kropp, E. W., and B. S. Suran (2002), Linking Banks and (Financial) Self Help Groups in India: An Assessment, Paper presented at the seminar on the SHG-Bank Linkage Programme in New Delhi, 25–26 November, National Bank for Agriculture and Rural Development, Mumbai.

5. Moyle, T., M. Dollard, and S. N. Biswas (2006), Personal and Economic Empowerment in Rural Indian Women: A Self-Help Group Approach, International Journal of Rural Management 2(2).

6. MYRADA (2002), Impact of Self Help Groups (Group Process) on the Social/Empowerment Status of Women Members in Southern India, Paper presented at the seminar on the SHG-Bank Linkage Programme in New Delhi, 25–26 November, National Bank for Agriculture and Rural Development, Mumbai.

7. Nair, A. (2005), Sustainability of Microfinance Self Help Groups in India: Would Federating Help?, World Bank Policy Research Working Paper 3516, February.

8. National Bank for Agriculture and Rural Development (NABARD), (2008), Status of Micro Finance in India, 2007–2008, NABARD, Mumbai.

9. National Council of Applied Economic Research (NCAER) (2008), Impact and Sustainability of SHG Bank Linkage Programme, NCAER, New Delhi.

10. Puhazhendi, V., and K. C. Badatya (2002), SHG-Bank Linkage Programme for Rural Poor: An Impact Assessment, Paper presented at the seminar on the SHG-Bank Linkage Programme in New Delhi, 25–26 November, NABARD, Mumbai.

11. Puhazhendi, V., and K. J. S. Satyasai (2000), Microfinance for Rural People: An Impact Evaluation, NABARD, Mumbai.

12. Parida Purna Chandra, and Sinha Anushree (2010), Performance and Sustainability of Self-Help Groups in India: A Gender Perspective, Asian Development Review, vol. 27, no. 1.