

Module-4

Self help Groups

Syllabus

Meaning of SHG's – Pattern of their functions – Funding Agencies of these SHG's – Activities of SHGs: Savings, Credit, Marketing and Insurance – Role of SHG's in Financial and Social Inclusion. Self-help, Self-help Groups and Self-help Promotion: concepts, Elements, Stages and Significances – Structure of Self-help groups – Precautions to be taken while forming the SHGs.

INTRODUCTION

Villages are faced with problems related to poverty, illiteracy, lack of skills, health care etc. 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.

Self-help group is a method of organising the poor people and the marginalized to come together to solve their individual problem. The SHG method is used by the government, NGOs and others worldwide. The poor people collect their savings and save it in banks. In return they receive easy access to loans with a small rate of interest to start their micro unit enterprise.

Self- help groups (SHGs) play today a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings and credit, as well as in other activities (income generation, natural resources management, literacy, child care and nutrition etc.). The Savings and Credit focus in the SHG is the most prominent element and offers a chance to create some control over capital, albeit in very small amounts. The SHG system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation.

HISTORICAL BACKGROUND OF SHGS

We can trace the origin of the concept of SHGs in Bangladesh. Bangladesh has been acknowledged as a pioneer in the field of micro-finance. Dr. Mohammed Yunus, Professor of Economics in Chittagong University of Bangladesh, was an initiator of an action research project 'Grameen Bank'.

The project started in 1976 and it was formally recognised as a bank through an ordinance, issued by the government in 1983. Even then it does not have a scheduled status from the Central bank of the country, the Bangladesh Bank. The Grameen Bank provides loans to the landless poor, particularly women, to promote self-employment. At the end of December 2001, it had a membership of 23.78 lakh and cumulative micro-credit disbursements of Tk 14.653 crore.

Bangladesh Rural Advancement Committee (BRAC), Association for Social Advancement (ASA) and PROSHIKA are the other principal Micro-credit Finance Institutions (MFIs) operating for over two decades and their activities are spread in all the districts of that country. BRAC is the largest NGO of Bangladesh with a total membership of 41.38 lakh. Initially set up in 1972 as a relief organisation, it now addresses the issues of poverty alleviation and empowerment of poor, especially women, in the rural areas of the country. This institute also works in the field of

literacy, legal education and human rights. BRAC has worked significantly in the fields of education, health, nutrition and other support services. PROSHIKA is also active in the areas of literacy, environment, health and organisation building, while Association for Social Advancement (ASA) and Grameen Bank are pure MFIs.

The micro-finance practices of these institutions revolve around five basic features.

- a) Firstly, these institutions primarily have women as their target group.
- b) Secondly, they adopt group approach for achieving their targets. The group approach focuses on organising the people into small groups and then introducing them to the facility of micro-financing. The MFIs of Bangladesh place a great deal of importance to group solidarity and cohesiveness.
- c) Thirdly, savings are an essential precondition in all these MFIs for availing credit from them.
- d) Fourthly, the officials of the Bangladesh MFIs remain present in the weekly meetings of the groups and collect the savings, update the pass books and even disburse the loans.
- e) Lastly, the systems and procedures of the MFIs are quite simple and in tune with the requirements and capabilities of their clients.

Indian Scenario

India has adopted the Bangladesh's model in a modified form. To alleviate the poverty and to empower the women, the micro-finance has emerged as a powerful instrument in the new economy. With availability of micro-finance, self-help groups (SHGs) and credit management groups have also started in India. And thus the movement of SHG has spread out in India.

In India, banks are the predominant agency for delivery of micro-credit. In 1970, Ilaben Bhat, founder member of 'SEWA' (Self Employed Women's Association) in Ahmadabad, had developed a concept of 'women and micro-finance'. The 'Annapurna Mahila Mandal' in Maharashtra and 'Working Women's Forum' in Tamil Nadu and many National Bank for Agriculture and Rural Development (NABARD)-sponsored groups have followed the path laid down by 'SEWA'. 'SEWA' is a trade union of poor, self-employed women workers.

Since 1987 'Mysore Resettlement and Development Agency' (MYRADA) has promoted Credit Management Groups (CMGs). CMGs are similar to self-help groups. The basic features of this concept promoted by MYRADA are:

1. Affinity,
2. Voluntarism,

3. Homogeneity and

4. Membership should be limited to 15-20 persons. Aim of the CMG is to bestow social empowerment to women.

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. Facility of availing bank services was a major boost to the movement.

The movement of SHG was nourished in the states of Gujarat, Maharashtra, Andhra Pradesh, Rajasthan, Tamil Nadu and Kerala. Now nearly 560 banks like NABARD, Bank of Maharashtra, State Bank of India, Cooperative Banks, Regional Rural Banks, the Government institutions like Maharashtra Arthik Vikas Mahamandal (MAVIM), District Rural Development Agency (DRDA), Municipal corporations and more than 3,024 NGOs are collectively and actively involved in the promotion of SHG movement.

WHAT IS SELF HELP GROUP?

- a) Self-help groups, also known as mutual help, mutual aid, or support groups, are groups of people who provide mutual support for each other. In a self-help group, the members share a common problem, often a common disease or addiction.
- b) A self help group is defined as a group consisting of people who have personal experience of a similar issue or life situation, either directly or through their family and friends. Sharing experiences enables them to give each other a unique quality of mutual support and to pool practical information and ways of coping.
- c) Self help groups are small informal association of the poor created at the grass root level for the purpose of enabling members to reap economic benefits out of mutual help solidarity and joint responsibility. Self help groups are formed voluntarily by the rural and urban poor to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplift of their families and community.
- d) A self help group is defined as a "self governed, peer controlled information group of people with similar socio-economic background and having a desire to collectively perform common purpose." Self help group have been able to mobilize small savings either on weekly or monthly basis from persons who were not expected to have any savings. They have been able to effectively recycle the resources generated among the members for meeting the productive and emergent credit needs of members of the group.

- e) The Tamil Nadu Corporation for Development of Women Ltd. (TNCDW) in its credit guidelines for the SHGs defines as a small economically homogenous affinity group of rural poor, voluntarily formed to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplift of their family and community.
- f) Self Help Group (SHG) is a group of 12 to 20 women of the same socio-economic background who come forward voluntarily to work together for their own upliftment. The unique feature of the SHG is its ability to inculcate among its members sound habits of thrift, savings and banking. Regular savings, periodic meetings, compulsory attendance, and systematic training are the salient features of the SHG concept. Each group selects one animator and two representatives from among themselves. The animator is responsible for providing leadership to the group and to maintain the various registers. The representatives assist the animator and maintain the bank accounts of the group.

FEATURES OF SELF HELP GROUP

Self Help Group is a homogeneous group of micro entrepreneurs with affinity among themselves, voluntarily formed to save whatever amount they can conveniently save out of their earnings and mutually agree to contribute to a common fund of the group from which small loans are given to the members for meeting their productive and emergent credit needs at such rate of interest, period of loan and other terms as the group may decide. Following are the features of Self Help Groups:

1. An SHG normally consists of not less than five persons (with a maximum of twenty) of similar economic outlook and social status.
2. It promotes objectives like economic improvement and raising resources for development and freedom from exploitation.
3. It has its own bye-laws for the proper functioning of the group as well as for the observance of certain rules by the group members and regulations concerning membership.
4. The form of such a group could be mostly on an informal basis (unregistered).
5. Periodical meetings of members are held for solving their problems (economic and social) and they collect fixed savings of the members.
6. The savings of members are kept with a bank in the name of group and authorized representative of the group operates the bank account. The deposit kept in the bank is used for giving loans to members for purposes including consumption at the rate of interest decided by the group (usually higher than what the banks charge).

7. Sources of funds are the contribution of members' savings, entrance fee, interest from loans, proceeds of joint business operation and income from investment. Funds may be used for loans, social services and common investment.
8. The groups evolve a flexible system of operations often with the help of the Nongovernmental Organizations (NGOs) and manage their common pooled resource in a democratic manner.
9. Loaning is mainly on the basis of mutual need and trust with minimum documentation and without any tangible security.
10. The amounts loaned are small, frequent and for short duration.
11. Rates of interest vary from group to group depending upon the purpose of loans and are often higher than those of banks but lower than those of moneylenders.
12. At periodical meetings, besides collecting money, emerging rural, social and economic issues are discussed.
13. Defaulters are rare due to group pressure and intimate knowledge of the end use of the credit as also the borrower's economic resources.

OBJECTIVE OF SELF HELP GROUP

The Self Help Group Movement aims achieving the following objectives:

1. To build mutual trust and confidence between the bankers and the rural poor..
2. To create a habit of saving small amount of money regularly.
3. To mobilize the resources of the individual members for their collective economic development.
4. To meet the emergency financial needs of its members.
5. To uplift the living conditions of the poor.
6. To mobilize the individual skills for group's interest.
7. To encourage entrepreneurial spirit among its members.
8. To identify the problems, analyzing and finding solution in the groups.
9. To act as a media for socio-economic development of villages.
10. To develop linkage with institution of NGOs.
11. To organize training for promoting skill development.
12. To help in the recovery of loans.

13. To encourage collective decision making.
14. To build team work.
15. To solve conflicts among its members through collective leadership.
16. To provide collateral free loan with terms decided by the group at the market driven rates.

PRINCIPLES OF SHG (INGREDIENTS THAT MAKE A SHG)

1. **Interaction / Meetings / Reflection / Analysis and Action:** Interaction among the group members in the form of group meeting is one of the fundamental principles of self help groups. Meetings are held at fixed intervals of time.
2. **Regular Savings:** All group members contribute regularly to the group savings account.
3. **Trust in one's Self and among members in the group:** All the group members have trust on the group leader and have sense of belongingness for the group.
4. **Consensus:** Since the members have trust in one's self so the group leader is selected mostly by consensus method.
5. **Records:** All the groups have proper records regarding the number of members, amount deposited by each member, time of holding meetings etc.
6. **Access to Funds:** All group members have easy and free access to funds of group which helps in ruling out any fraudulent activity.
7. **Team management of Resources:** All the resources of these groups are managed with equal participation of all the members. Whole of the group function as one team with common goals.

ADVANTAGES OF SELF HELP GROUPS

Following are the advantages of self help groups:

1. Channel of Financial Inclusion

Usually, commercial banks are not very keen to lend money to the poor. In order to include the poor in the credit delivery system, the government decided to launch the SHG-Bank Linkage Programme (SBLP). The objective of the SBLP model is to include all groups of people in the credit system. SHG members are from a diverse background covering different social and economic categories like the Below Poverty Line population, Scheduled Castes and Tribes, minorities and women.

2. Resource Mobilization

SHGs play a very important role in mobilizing savings of the poor, many of whom individually do not make use of the banking system to save. Under the SBLP, as on March 2009, SHGs held total savings of Rs. 5,545 crore with banks.

3. Promote Savings and Banking Habit

A very large number of poor people do not have access to banks. SHGs play a very important role in linking them to the banking system by promoting savings habit in rural areas. People are motivated to save because of the benefits they get from such savings through the SHGs. Most of the share of SHG savings is held by commercial banks and regional rural banks.

4. Improve the living conditions of the poor

One of the major objectives of the SHG-Bank Linkage Programme is reduction of poverty. It is assumed that investments made with the credit provided by SHGs would generate income and contribute significantly to family earnings. Studies have shown that in many cases the provision of micro-credit to poor women has created a positive impact in this respect.

5. Women Empowerment

SHGs have been successful in making a number of rural women economically, socially and politically more empowered. Studies have pointed out a positive relationship between SHG membership and women's participation in politics. Many SHG women members have participated in and won Panchayat elections.

6. Promote Socio-economic Justice

SHGs are considered to be a unique system for promotion of socio-economic justice. SHGs help to reduce poverty and thereby promote economic justice. They empower women, people belonging to Scheduled Castes and Tribes and Minorities. Thus, they promote social justice.

7. Community Actions

Women in SHG can work together to address issues that affect not only their own members but others in the larger community. Case studies have shown that women in SHGs have been motivated to improving community services including water supply, education, health care, veterinary care, village roads, trying to stop alcohol sale and consumption, contributing finance and labour for new infrastructure and protecting natural resources. SHGs also make the rural poor aware about their various rights and entitlements and help them fight exploitation.

8. Develop Individual Skill of Group Members

The rural poor are usually not very educated and many are illiterate. While working as members of SHGs, they develop certain skills, like negotiation, marketing and accounting skills, creative skills, effective problem solving, team building and leadership skills.

9. Employment Generation

The SHGs are designed to support the livelihoods of the members. The members are encouraged to start micro enterprises. The credit needs of SHG members vary from the introduction of new livelihoods to providing support such as marketing efforts to procurement of raw materials. SHGs are a very effective way of promoting entrepreneurship and generating self-employment in rural areas. Small rural enterprises help in reducing the incidence of disguised and seasonal unemployment.

10. Reduce Influence of Unorganised Sector

The unorganised sector of the money market consists of money lenders, chit funds, nidhis and indigenous bankers. They are not regulated by the RBI and provide credit to the rural poor at very high rates of interest. SHGs have made a difference in reducing the influence of this sector by providing bank- supported credit to the poor.

11. Beneficial to the Financial Sector

The linkage of SHGs with the financial sector was beneficial for the banking sector. The banks are able to tap in a large market, namely the low-income Households, transaction costs are low and repayment rates are high providing benefit to the overall society.

FUNCTIONS OF SELF HELP GROUPS

The prominent functions of self help groups are:

1. The major function of self help groups is to make the members more self-reliant or self dependent.
2. It is platform which enables its members to discuss their social and economic problems.
3. By providing the financial help it aids in elevating the economic and social status of the members of the group.
4. It provides the forum for the members for the exchange of ideas
5. Through the exchange of ideas, it enhances the decision making capacity of its members.

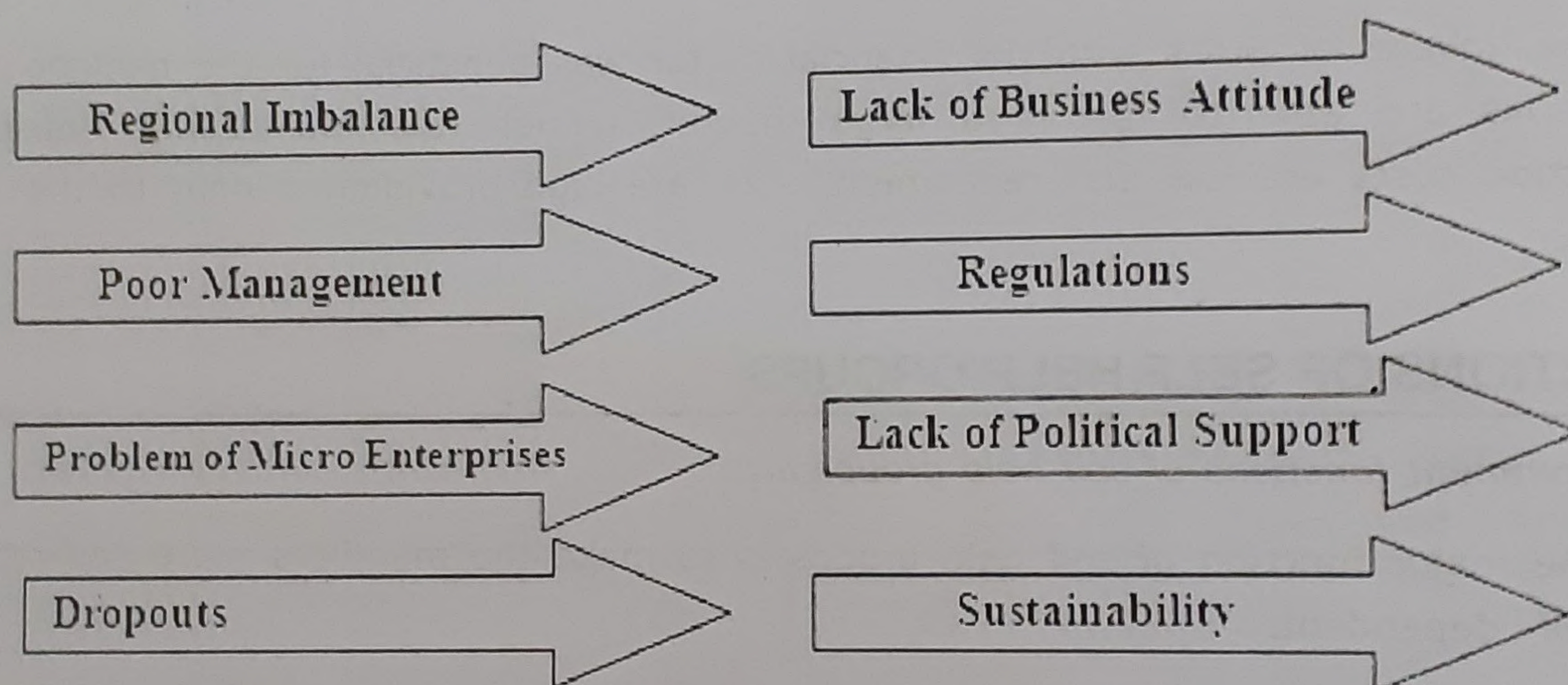
6. It fosters the spirit of mutual help and cooperation among members.
7. It boosts the confidence level of its members. This leads to building their strength which in turn helps in problem solving.
8. Provides organisational strength to its members.
9. Through its literacy programmes, it increases general awareness among its member.
10. It promotes financial literacy among its members.

Thus the Self Help Groups function on the principle of the five Ps:

- a) Propagator of voluntarism •
- b) Practitioner of mutual help
- c) Provider of timely emergency loan
- d) Promoter of thrift and savings and
- e) Purveyor of credit

PROBLEMS FACED BY SHGS

The problems faced by self help groups are as under:



1) Regional Imbalance

The success of SHG programme is limited. The Southern States account for 70% of funds. There is a need for better linkage efforts in northern, central, eastern and north eastern states. These states have high concentration of rural poor.

2) Poor Management

Many SHGs suffer due to poor management. In many cases internal controls are lacking. There has been poor management of cash flows. Roles and responsibilities of members and office bearers are not defined properly.

3) Problem of Micro Enterprises

Many micro enterprises developed by SHGs lack skills and strategy to survive. Even the NGOs fail to provide them with necessary linkage and market survey report.

4) Dropouts

There are many incidences of dropouts from groups. The main causes are migration for employment and inability to make regular savings. The dropout rate is 11% for very poor and 7% for non-poor.

5) Lack of Business Attitude

Many banks supporting SHGs treat the projects as a social or developmental programme and not as a business proposition. This has restricted the spirit of entrepreneurship among members.

6) Regulations

SHGs are governed by multiplicity of regulations. This makes their formation and functioning difficult. Micro Financial Sector Bill 2009 is expected to sort out this problem by making NABARD the single regulatory body for SHGs.

7) Lack of Political Support

Usually political parties are after Co-operative Societies as they serve vote banks. A SHG does not contain enough votes to be inspired by politicians.

8) Sustainability

Sustainability of SHGs depend on the quality of SHGs and the support given by Self Help Promoting Institutions (SHPIs). Many SHPIs have been supporting SHGs, but only to achieve targets. This affects its sustainability in long run.

STRUCTURE OF SHGS

A self-help group may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogeneous social and economic backgrounds; all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by micro finance institutions. To make the book-keeping simple enough to be handled by the members, flat interest rates are used for most loan calculations.

Structural aspects include parameters such as size of a group, socio-economic profile of group leaders and profile of group members.

a) Size of the group

A SHG normally consist of 12- 20 members. SHGs with a membership of 10-20 women belonging to under privileged sections are also prevalent.

b) SHG leaders

Each SHG constitutes three office bearers i.e. president, secretary and treasurer. These office bearers are generally known as group leaders. Group leaders are defined as persons who keep the records of the group and attend the training programs/ meetings with the promoting institutions.

c) SHG members

Apart from the office bearers, other women who were members of SHG are called as SHG members. The members mostly contribute to the savings of the group.

d) Functions of SHG

The performances of groups need to be understood from functional point of view. The functioning of these groups can be discussed in the form various parameters such as: meetings, savings and interloaning.

e) Meetings

It is the gathering of group members to discuss about saving, interloaning, social problems etc. at a specified place and time.

f) Saving

It is a process of regularly pooling small amount of money to the group fund as decided by group members

g) Interloaning

It is the process of lending money to needy group members from their own group savings with pre-decided interest and term by the group.

FUNCTIONING OF THE SHG

The functioning of elf help groups is discussed below:

- a) The group functions democratically with 2-3 office bearers elected by a consensus of the group. Two office bearers viz. the President and Secretary are essential, while a third office bearer i.e. a Treasurer is optional.