

Critical Analysis of Self-Help Groups: With Special Reference to India

Ujjal Kumar De,

Guest Lecturer, Department of Political Science, Cooch Behar College, Cooch Behar, West Bengal

Abstract

Self-Help Group is a viable organized group to allocate micro-credit to rural women in order to make them entrepreneurial women and to encourage them to engage in business activities. The rural women's credit needs can be met through the SHGs. Self-help groups are typically voluntary communities where participants have a common perception of collective action need and significance. Both associations encourage community investment and use shared resources to meet their members' evolving demands and consumption requirements. SHGs have emerged as a popular method of working with people. It can help in economic interdependence and improve their social status. The development of women enables society to understand and appreciate their abilities. It provides needed psychological satisfaction and a deep sense of achievement to create their enhanced identity in the society. This research paper reflects critical analysis of Self-Help groups in India.

Keywords: Self-Help Group, voluntary, social, community, rural

1 INTRODUCTION

Self Help Group (SHG) is an informal social movement that is the self-managed group for poor people, often known as thrift and credit organizations. It is a group of people living in the same community that belong to specific socio-economic characteristics. The SHG is a tiny politically homogeneous and alliance community of rural poor people who voluntarily decide to donate to a shared fund to be given to their own members through group decision, working for group cohesion, self-awareness and group esteem, social and economic autonomy in a democratic way. Members of the group use collective wisdom and peer pressure to ensure proper product end-use and prompt redemption.

While the term self-help refers to soul-help, it emphasizes self-determination, self-sufficiency, self-reliance, self-assurance, self-respect, self-governance, self-employment and self-empowerment by mobilizing the group members internal resources. The SHG is a small group of poor women originating from BPL communities, politically homogeneous.

2. ORIGIN OF SELF-HELP GROUP

Self Help in essence is forging 'collaborative' ties between individuals who need each other's cooperation in solving their day-to-day crisis. The research project regarding SHG is initiated by **Prof. Mohammad Yunis** in Bangladesh in the year 1979 and established Grameen Bank in 1983. The Grameen bank shown positive change in the income of beneficiaries. The study revealed that there is increase in income and consumption level of borrowers and householders due to micro credit. The most of the borrowers after taking loans have followed their pre loan occupation in which they had experience and knowledge of the market. The Grameen bank's main focus has been on creating self-employment.

In 1984, the Federal Ministry of Economic Cooperation and the Federal Republic of Germany Technical Cooperation Agency undertook a series of studies and workshops on rural finance in developing countries resulting in a new policy to promote self-help groups and self-help institutions

as financial intermediaries among rural poor in the informal sector.

SHGs aim at promoting awareness among the poor about the ongoing development programmes. The poor should know how best to use existing government programmes meant for downtrodden section.

3. SELF HELP GROUP: MEANING AND DEFINITION

The Self-Help Group is described as a group of rural poor people generally comprised small and marginal farmers, land less agricultural labourers, rural artisans, folk women and other micro-entrepreneurs who are organized to acquire socio-economic development by initially increasing capital and subsequently connecting them with the bank with the support of NGOs.

SHG can also be described as a voluntary association formed to include small businesses. It requires a minimum of twelve representatives to create it organization. SHG leaders are developing and operating together. The banks are supplying this group with loans. Simply put, "a self-help group is any group that provides emotional support and practical assistance with a common problem for all members."

A self-help group was defined by R.S Krishnamurthy and Makarand Ratnaparkhi (2001) as a small voluntary association of poor people, preferably from the same economic background. They come together with self-help and mutual help to solve their common problems. Among its members, the SHG encourages small savings. With an account, the savings are kept. This common fund is in the SHG's name. Usually, there are not more than twenty members in one SHG.

The Self-Help Group [SHG] is regarded as a poor people's voluntary association. Most of them have the same socio-economic background. By self-help and mutual help, they are involved in solving their common problems. It creates small savings among members, and with any bank, the amounts are kept.

The goal of SHGs is to promote leadership, collective learning, and problem-solving in order to raise awareness among growers. SHG members also work with financial institutions, NGOs, and government organisations to mobilise the necessary financial and technical resources, as well as to support both on- and off-farm microenterprise activities.

4. SELF HELP GROUP IN INDIA:

The SHG is India's dominant methodology of microfinance. The activities for SHGs of 15-25 participants were based on the principle of recycling the assets of the members themselves. External financial support-by MFIs or banks-supply the resources available to the revolving fund operated by the group. Savings therefore precede members ' borrowing. The volume of individual borrowing in many SHG programs is determined either by the volume of member savings or by the group's savings as a whole. Many NGOs run microfinance initiatives by coordinating SHG federations to serve as the MFI which collects large amounts of foreign loan funds to be channeled through the SHGs to participants. A program that involves commercial banks' lending directly to SHGs rather than through bulk loans to MFIs has been facilitated and widely supported by NABARD. NABARD refinances the loans of the commercial banks to SHGs.

In India SHGs have been formed generally around specific production activities and often they have promoted savings among their members and used such resources to meet the emergent credit needs of the members of the group. Since such SHGs have been able to utilize savings from persons or groups that were not expected to have any savings and also to effectively recycle the resources generated among the members, their activities need serious attention as a possible complimentary mechanism for meeting the credit needs of the poor. SHGs have been the innovational to poor people organizations in underdeveloped regions. The SHG movement in India commenced as a result of an initiative in the form of a research experiment undertaken by NABARD in 1986-87. But the real effort was taken from the link between SHGs and banks after 1991-92. The theory of SHG stresses the principle for the people, by the people and to the people. The Self-Help Groups is a homogenous

gathering of persons who join on a voluntary basis, the main objectives of the group activities are multipurpose, and they quite often have a special focus on thrift and credit management. Although unregistered, they function within the framework of an informal set of bylaws framed by the members themselves. Though the concept is entirely new to India the SHGs are a group of individuals coming together for some common objective like

Nature:

1. A local level informal institution
2. Goal is socio-economic sustainable development of its members « Having its own objectives
3. It is a form of a tiny bank with self-banking concept.

Formulation:

4. All are poor
5. 10 to 20 members group
6. Regular meetings
7. Group has entity
8. Rules and bylaws are of their own
9. Committed to thrift

Characteristics:

1. Homogeneity
2. Affinity
3. Common interest
4. Voluntary
5. Self-help (mutual help)
6. Non-political
7. Participatory
8. Rotation of leadership

5. MODELS OF SHG:

The SHGs are classified into five categories are defined as follows:

Model-I: SHGs Formed and Financed by Banks

Based on this model, SHG formed directly by banks, the banks themselves act as SHPIs in forming and nurturing groups, opening their savings accounts and providing bank loans to them.

Model-II: SHGs Formed by NGOs, and Formal Agencies but Directly Financed by Banks:

This is called Facilitated SHGs by the NGO. This seems to be the bankers ' most popular model. Under this framework, micro-finance Organizations and formal organizations serve as facilitators.

They spread the word, assemble teams, educate and develop them over a period of time in thrift and credit management. Banks connect these groups in due course by providing them with loans directly. This model ties more than 70 percent of SHGs.

Model-III: SHGs Financed by Banks Using NGOs as Financial Intermediaries

NGOs play the dual role of facilitators and financial intermediaries in this model. They help form nurture and train SHGs in thrift management and credit management. Basically, NGOs target banks for large-scale funding assistance to these SHGs.

Model-IV: NGO Guided but Self-Supported SHGs

The group members are actively establishing and endorsing this class of SHGs, not seeking any help or funding from banks or NGOs. By observing the group formed in the neighborhood areas, these groups have initiated themselves and function as others models mentioned above.

Model V: Completely Self-Supported SHGs

Another very unusual class of SHGs is the SHGs created and sponsored by the NGOs, directed by them on the rules and regulations, accounts to be managed, etc. Nevertheless, no financial support is provided whether explicitly or through the link with banks, but only members' funds are used for internal loans as well as starting a business. Of all the four groups mentioned above, this group seems to be different, self-dependent and accordingly may be encouraged. However, by not getting any external support, the size of the enterprises initiated may be too small and also expansion is not possible.

Self Help Groups form the social capital which facilitates financial linkage of poor borrowers with Formal Financial Institutions (FFI's) in India.

6. THE BASIC PRINCIPLES ON WHICH THE SHG FUNCTION :

The basic principles on which the SHG function are:

- The SHG is a network of members who fulfill location criteria. They are resident in the area and are homogeneous.
- They have rules/norms regarding their functioning
- Savings first, credit thereafter is the motto. Personalized services suiting the requirements of the members are ensured.
- SHG's hold regular meetings to ensure participation of members in the activities of the group.
- SHG's maintain accounts.
- Group leaders are elected by members and rotated periodically.
- Transparency in operations of the group and participatory decision-making ensure that the benefits to members are evenly distributed.
- Market rates of interest on savings and credit are charged.
- Group liability and peer pressure act as substitutes for traditional collateral and loans.

7. SHG LINKAGES - THE INDIAN EXPERIENCE :

The SHG campaign in India is primarily targeted at using the SHG's as an 'intermediary' between banks and rural poor to support both banks and rural clients drastically reduce transaction costs. NABARD is an Apex Development Bank in India with headquarters in Mumbai to fund and support

farming, small-scale manufacturing, cottage and village industry, crafts and other agricultural crafts to facilitate integrated rural development. In the wake of the banking sector reforms initiated in the early 1990s, the role of commercial banks in offering credit to rural poor people came under intense debate about the viability of the entire banking activity to provide banking services — both in terms of savings and credit to rural poor people. Sheokand (1998) suggested that, despite the further marginalization of the rural poor's share in the supply of formal sector finance, NABARD initiated the SHG-Bank linking system with the Reserve Bank of India's policy backup in 1992. According to Shanmugam (1998) the SHG-Bank linkage programme initiated by NABARD, in active collaboration with Non-Governmental Organizations (NGOs), aimed at enhancing the coverage of rural poor under institutional credit thereby focusing on poverty alleviation and empowerment. Prior to this, NABARD's initiative in promoting active partnership between banks and SHG's was encouraged by the findings of a study conducted in 1988-89 by NABARD in collaboration with member institutions of Asia Pacific Rural and Agricultural Credit Association (APRA.CA), Manila.

According to a NABARD report (1995), in 1993 and April 1996 the scheme on SHG's was made applicable to RRB's and the country's cooperative banks, RBI advised banks that lending to SHGV should be regarded as an extra segment under priority sector advances and integrated into the mainstream normal credit operation. Rao & Dasgupta (1999) commented that the SHG-Bank Linkage Program has achieved substantial movement in the country's southern region, although the northern states are now also catching up rapidly and the Women Self Help Groups (WSHG's) are an overwhelming (78%) of the listed SHG's, that is, the SHG's that consist only of women. After NABARD's implementation encouraged SHG linking scheme, there has been a significant increase in both SHG development and its links to banks. Policymakers have embraced and implemented the definition and value of SHG's, and it now forms the foundation of the Indian government's rural poverty alleviation strategies.

8. EMPOWERMENT OF WOMEN THROUGH SHG's:

Women's empowerment through SHG's would bring benefits not only to individual women, but also to the family and community as a whole through collective development action. These SHG's have a common sense of need and an impulse to collective action. Empowering women is not only about meeting their economic needs, but also about their holistic development in society. The SHG's offer legitimacy and socially and economically motivate people. They encourage women to take part in household, community and local democratic decision-making and encourage women to take on leadership positions.

9. SHG's AND 73RD CONSTITUTIONAL AMENDMENT:

The above amendment was enacted with the objective of empowering the poor by enabling them to participate in development programmes that matters them most through the process of decentralization. The notable feature of the act was that it has given a statutory power to the Gram Sabha. It is expected that the Gram Sabha will act as a major platform for the poor to participate in the developmental activities and express their desires and demands. The various factors like division of village on the basis of caste, political ideology kept away the rural poor from participating in the activities of Gram Sabha. As now no special attempts have been the poor to participate in the statuesque. It is necessary to link Panchayati raj institutions with the self-help groups of the poor. This will ensure the poor to participate in their own developmental programmes including the planning, implementation and decision making. Apart from linking SHG's with Panchayati Raj it is desirable to implement poverty alleviation programmes through these groups by entrusting them to identify the beneficiary among themselves. Such an effort will ensure reaching the benefits of developmental programmes to the poor.

10. CONCLUSION:

Particularly in India's rural regions, the SHG's have had a long-lasting effect on the lives of women. They are able to expand their talents and abilities through variety of useful activities, which

significantly enhance their quality of life. Their income, savings, and consumption all increase. Women are better able to mobilise numerous public services for their benefit as a result of their increased self-reliance and confidence. They have grown courageous and are able to talk openly in front of a sizable crowd. They become fearless at the time of performing any type of official task. 7) The ladies who are uneducated or semi-literate experience happiness and wish fulfilment. They become the most significant and productive members of the family. Gender-based issues like domestic abuse, dowry, polygamy, etc. have significantly decreased on account of advancements in women's economic prospects and their capacity for collective action. Lastly, we can conclude that the SHGs have been successful in advancing women in decision-making.

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