

SELF HELP GROUPS: AN ACCELERATOR TO RURAL DEVELOPMENT

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Abstract

Self-Help Group (SHG) model of microfinancing enables the rural poor to earn their own livelihood besides participating in the process of development. The SHG scheme has been extensively used by voluntary agencies for a long time but has been incorporated in the conventional development programmes only recently. A typical rural women's Self Help Group is a good example of capacity building for prospective entrepreneurs. Its aim is enabling members with no educational, industrial or entrepreneurial background to become self-dependent and self-reliant by developing and enhancing the decision making capacity of members and instilling in them the strength and confidence for solving their problems

The subject of providing credit to support people in rural areas has been explored extensively from time to time in India. The practice of microfinance that emerged in the developing world as a socially tuned vehicle to alleviate poverty among vulnerable segments of population is gradually being seen as a profitable business opportunity. In the initial stages of development, these activities were perceived to be done with a laudable intention without any exploitative under tune. The Indian rural credit system, as it has emerged, is a product of both evolution and intervention with a view to (a) institutionalize credit (b) enlarge its coverage and (c) ensure provision of timely and adequate finance at reasonable rates of interest to as large segment of the rural population as possible.

Microfinance:

Microfinance is an attempt to improve access to small deposits and small loans for poor households neglected by banks. Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector¹.

Self Help Groups (SHGs)

Self Help Group is an economically small, homogenous and affinity group of rural poor voluntarily formed to save and mutually agreed to contribute to a common fund to be lent to its members as per the groups decisions and for working together for social and economic upliftment of their families and community²

Working of SHGs

In India SHGs are formed for a variety of purposes and by variety of people. Improving the standard of living through collective savings and investment in income generating activities is the main objective of promoting SHGs in rural areas. Most SHGs in India have 10 to 20 members who can be either men or only women or both. As a wide range of Government and Non-Government agencies have promoted women's SHGs or Sangha, they now make up 90% of all SHGs. As Indian women do not generally have the same opportunities to migrate for wage work as men due to obligations, particular importance is given to women for improving employment and income earning opportunities. The rules and regulation of SHGs vary according to the preference of members and those facilitating their formation. A common feature of the group is that they meet regularly to collect the savings from members, decide which members to give loan, discuss joint activities such as training, running of a commercial business etc and to mitigate the conflict that may arise. Most SHGs have elected chairperson, a deputy, treasurer and other office bearers. It happens as though the vast majority of rural SHGs invest the loan amount in a mix of consumption and productive purposes. Most SHGs start their operation without external financial capital by saving regular contribution by the members. These contributions may be very small (Rs.10 per week). After a period of consistent savings (6 months to one year) the SHGs start giving loans from savings in the form of small internal loans for micro enterprise activities and consumption. Only those SHGs that have utilized their own funds well are assisted with external funds through linkages with other financial intermediaries. The development initiatives working through SHGs are specially targeting the poorest people. Through the support of NGO and Government, the poor accelerate their entry and expand their involvement in social and economic activities.

Self Help Group – Bank linkage model and Financial Inclusion

In spite of Indian banking sector having witnessed a spectacular progress in spread of banking networks and extending financial outreaches across the country, the relative decline in the supply of credit in rural areas poses the biggest challenge to achieve hundred percent financial inclusions before the Indian formal financial system. In this context, Self Help Group Bank Linkage model launched by NABARD in 1992 can be conceived as an alternative model to bridge the gap which could not be filled by formal banking system. It facilitates extending financial services to unbanked vulnerable section of society. NABARD led SHG Bank Linkage model is widely accepted as one of the largest and successful micro finance model in the world.

Three distinct models can be observed in linkage programme between banks and low-income groups.

- **Bank- SHG-Members Model I:** This model envisages the bank itself as Self Help Group promoting institution. The bank takes initiative in forming groups, nurtures them over a period of time and then provides credit to them after satisfying itself about their maturity to absorb credit.
- **SHG-Bank linkage Model II:** Groups are formed, nurtured and trained by NGOs or by government agencies. The bank provides credit directly to the SHGs after observing their operations and maturity to observe credit.
- **SHG-Bank linkage Model III:** NGOs act as both facilitators and microfinance intermediaries. NGOs promote the groups, nurture and train them and get bulk loan from banks for lending to the SHGs.

Entrepreneurship Development of Rural Women through Self Help Groups

The micro entrepreneurs are strengthening the women empowerment and remove the gender inequalities. Self Help Group’s micro credit mechanism makes the members to involve in other community development activities. Micro credit is promoting the small scale business enterprises and its major aim is to alleviate poverty by income generating activities among women and poor. Therefore, they could achieve self-sufficiency.

Now-a-days economic development is one of the factors that have changed the entire scenario of social and cultural environment within the country especially for the women. The rural women are engaged in small-scale entrepreneurship programme with the help of Self Help Groups. Through that they were economically empowered and attaining status in family and community.

Rural women play a vital role in farm and home system. She contributes substantially in the physical aspect of farming, livestock management, post harvest and allied activities. Her direct and indirect contribution at the farm and home level along with livestock management operation has not only help to save their assets but also led to increase the family income. She performs various farm, livestock, post harvest and allied activities and possesses skills and indigenous knowledge in these areas. The women were empowering themselves technically to cope with the changing times and productively using their free time and existing skills for setting and sustaining enterprises. They were engaged in starting individual or collective income generation programme with the help of self-help group. This will not only generate income for them but also improve the decision-making capabilities that led to overall empowerment.

Progress of SHG linkage programme in India

NABARD led SHG bank linkage programme witnessed a significant progress in the recent past. Overall progress under micro finance through SHG Bank linkage model from 2008-09 to 2010-11 has been given in the following table-1.

Table -1: Progress of SBL Programme in India

Particulars	2008-09		2009-10		2010-11		
	No of SHGs	Amount (crores)	No of SHGs	Amount (crores)	No of SHGs	Amount (crores)	
SHG Bank Linkage Model							
Savings of SHGs with Banks as on 31 st March	Total SHGs	5009794	3785.39	6121147	5545.62	695320	6198.71
	Out of which SGSY	1203070	809.51	1505581	1563.38	1693910	1292.62
Bank loan disbursed to SHGs during the year	Total SHGs	1227770	8849.26	1609586	12253.51	1586822	14453.30
	Out of which SGSY	246649	1857.74	264653	2015.22	267403	2198.00

An analysis of the above table 1 shows that, total 6953250 SHGs were having Rs.6198.71 cr savings with banks as on March 2011. On the other hand total 14453.30 cr loans have been disbursed to 1586822 SHGs.

Regionwise Growth trend in savings of SHGs in Banks in India

Regionwise savings of SHGs in Banks is shown in the below table 2

**Table: 2 Regionwise Growth trend in savings of SHGs in Banks
(Amount in Rs. Lakh)**

Year	Region					
	Northern	North Eastern	Eastern	Central	Western	Southern
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
2006-07	3101.791	2787.17	24493.69	13357.85	16281.63	100902.3
2007-08	12767.69	8633.18	80599.65	33531.01	33063.23	209944.2
2008-09	22703.92	10210.16	159688.04	38679.2	66428.4	256852.1
2009-10	34207.31	12167.09	112014.6	51363.57	92667.48	317450.84
2010-11	32857.16	13104.6	140837.61	60338.01	82901.13	371591.77
2011-12	25276.88	15251.75	94726.20	61358.23	87193.68	371334.70
2012-13	29118.52	13010.63	139325.98	62421.54	69586.20	508262.60
Total	160033.271	75164.58	751685.8	321049.4	448121.8	2136339
Mean	22861.9	10737.8	107383.7	45864.2	64017.39	305191.2
SD	11298.83	4105.01	45907.54	18322.59	28833.58	131221.76
CV%	49.42	38.23	42.75	39.94	45.04	43

Source: NABARD Annual Report

An analysis of the above table 2 shows that in all the regions self help groups have more savings. The coefficient of variation shows that savings are 49.42 per cent in Northern region, 45.04 per cent in Western region and 43 per cent in Southern region. Total Savings of SHGs in Northern region was 160033.271 lakh and in North Eastern region was 75164.58 lakh as on 31 March 2013. Further Total savings of SHGs in Eastern region was 751685.8 lakh, Central region was 321049.4 lakh, Western region was 448121.8 lakh and Southern region was 2136339 lakh as on March 31, 2013.

Conclusion

In the context of rural development within the framework of the development of the country, it is presumed that a Self Help Group is an informal association of rural poor especially women who have come forward voluntarily to work for their own economic, social and political development. By establishing of micro enterprises in rural area through microfinance, SHGs- bank linkage programme plays an important role in the country. SHGs alleviate poverty, reduce regional inequality, provide employment opportunity by utilizing local resources and solve socio economic problems encountered by the society.

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