## CHAPTER FIVE

### SELF HELP GROUP

<table>
<thead>
<tr>
<th>Section</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Introduction</td>
</tr>
<tr>
<td>5.2</td>
<td>Definition</td>
</tr>
<tr>
<td>5.3</td>
<td>Organization of Self Help Group</td>
</tr>
<tr>
<td>5.4</td>
<td>Management of Self Help Group</td>
</tr>
<tr>
<td>5.5</td>
<td>Linkages of Banks</td>
</tr>
<tr>
<td>5.6</td>
<td>Financial Intermediation Models for the Poor</td>
</tr>
<tr>
<td>5.7</td>
<td>Swarnajayanti Gram Swayanrojgar Yojana</td>
</tr>
<tr>
<td>5.8</td>
<td>Conclusion</td>
</tr>
</tbody>
</table>
CHAPTER FIVE
SELF HELP GROUP

5.1 **Introduction:**
The women SHGs are a viable alternative to achieve the objectives of rural development and to get community participation in all rural development programmes. SHGs enhance the quality of status of women as participants, decision makers and beneficiaries in the democratic, economic, social and cultural spheres of life. In all stages of economic and social activities involvement of women becomes essential. SHGs encourage women to take active part in the socioeconomic progress of our nation.
The SHGs bring out the capacity of women in molding the community in right prospective and explore the initiative of women and train them to take active part in the socio economic progress of the nation and make them sensitized, self made and self disciplined. The SHGs have inculcated great confidence in the minds if rural women to succeed in their day-to-day life.

5.2 **Definition:**
“Self help group is a voluntary association of the people formed to attain certain goals, collectively”

**Characteristics of Self Help Group:**
1) Voluntary Association
2) Group of people
3) Collective Goals
4) The group of people interested in Activities

The group members are poor people, may be in rural or urban area. Thus they are economically homogeneous. Besides this there are some other common features such as cast, gender, aim, interest, community, age, saving amount etc.
The Self help groups are the platforms where women get together, they discuss their socio economic problems, their mutual understanding, knowledge, Communication are collective as well as individual strengths hence their common upliftment is the collective action.

The Self help groups are the informal micro saving and credit institutions organized non-government organization. This is an informal banking process when the people can save according to their common interest with lower time cost and transaction cost. At the same time they may get credit according to their small needs at emergency for any purpose.

5.3 Organization of Self-help group:

In the group activities democracy is the procedure of performing. The decisions of the groups are decided by the common decision of them members. The collective decision is the group decision.

The group leaders or the official bearer bear only the collective decisions. In a group the democracy is the basis of groups planning. Every group member is the leader on their decision producing.

In a group there are two types of group members, group leaders and general (ordinary) members. In the group there are three group leaders who are the office bearers.

**Office bearers:**

A) President
B) Secretary
C) Treasurer

**President:**

President has a vital role within the group and outside of the group. Her active role makes the development and the sustainability of the group possible.

**Role and responsibilities of President as follows:**

1) She/he convenes regular meetings of the group.
2) She encourages collective decision-making.
3) She keeps record of the repayment of loan distribution.
4) She sign and approves the decisions and resolutions of the group.
5) She takes initiative in the process of recovery of defaulting loans.
6) She takes initiative in solving the group problems as well as individual problems. She solves the problems with the help of office bearers and the other group members.
7) She assists in deciding about new members and dropouts.
8) She co-ordinates the group activities with other office bearers within the group.
9) She is the one of the signatory members for the bank account of the group.
10) She is the monitor of the group records (financial).
11) She is one of the visitors in different programmes relating to the Group.
12) She is trainer to her group members.
13) She builds the relations with other groups and different departments.

B) Secretary:
The secretary has also an important role within the group. She has the vital role.

Role and responsibilities of Secretary -
1) She calls and organizes the meeting.
2) She arranges the time, day and venue of the additional programmes of the group.
3) She supervises the resolutions of agenda for meetings in time
4) She verifies the account book, attendance register book, passbooks and other report books, the group maintenance.
5) She presents the financial report of the group with the help of the treasurer.
6) She acts as intermediate or in the group linkage process, with banks or other institutions.
7) She arranges different programmes for the group members with the help of president.

C) Treasurer:
Her ability and activity as a treasurer moulds the group development or otherwise the group is destroyed. Her malpractice and inability in financial recording may bring the loss of the group, so there is need of strict and proper recording process, otherwise it ruins the group. The role of a treasurer in a group is:
1) She keeps all the financial account, she maintains the records regularly by the formal books as minute’s books, loan ledger, cash book etc.

2) She deposits and withdraws the cash from bank; hence she has to keep the records of bank account also.

3) She conducts the financial transactions.

4) She collects the regular saving, excess saving, penalties, loan repayments and such other money from the members.

5) She is the final auditor of the financial account of the group in the absence of secretary.

5.4 Management of Self Help Group:

The success of any organization depends upon the management of the organization. Therefore sound management is essential for success of SHG. Self-help groups are self managed groups of people. They comes together to promote saving among themselves as well as pool savings for activities benefitting either individuals or communities economically.

Self Help Groups (SHG’s) are small groups of poor people. The members of an SHG face similar problems. They help each other to solve their problems.

SHGs promote small savings among their members. The savings are kept with the bank. This is the common fund in the name of the SHG. The SHG gives small loans to its members from its common fund. After six months, if the SHG satisfies the bank as per the checklist for quality, bank can give loans to the SHG.

Maintaining large number of small savings accounts is difficult for bank. It is also difficult to very small loan accounts. By opening an account for the group, about 20 persons are allowed to save in a single account. Its' cost is less and time is saved the members of SHGs realize that like their savings, the bank loan is also their own money. The group as a whole commits repayment of the loan to the bank. Moral pressure is exerted on the borrowing members for repayment of loan. Because of this, the repayment of loans by the SHGs is almost cent percent.

Banking with a larger number of people enables bank to gain goodwill SHG’s provide good business opportunities to banks. They provide better margins to the banks. It is officially recognized to bank with informal groups. RBI and
NABARD have approved banking with SHG5. RBI has priority sector lending. NABARD gives cent percent refinance to banks for loans to SHG’s. Many commercial banks, RRBs and co-ops give loans to SHGs. They realize that SHGs are good business.

Lending to SHGs fulfill social commitment of banks. As on 31st March 2002, banks gave more than Rs.1000 crore loans to 4.6 lakhs SHGs. This amount was only Rs. 57 crore in March 1999. This itself shows that more and more banks have accepted SHG banking as a part of their normal business during the past three years.

**Purposes for which the loan can be given to the SHGs:**

Loans may be granted by the SHGs for various purposes to its members. The bank does not decide the purposes for which the SHG gives loan to its members. The purpose can be emergency needs, like

1) illness in the family
2) marriage
3) repayment of earlier loan
4) buying assets
5) Starting new business

The group will discuss and decide about the purpose for which loan are to be given to its individual members.

**Keeping of Accounts by the SHGs:**

Simple and clear books for all transactions to be maintain. If no members are able to maintain the books, the SHG may take outside help. A boy or girl from the village with some educational qualification does this job enthusiastically. After some months, the group can even consider giving him or her a small reward for this job. Animator can also help to keep account records.

All registers and account books should be written during the course of the meeting. This creates confidence in the minds of members who are unable to read and write.
C) Book Keeping by SHGs

i) Minutes Book:
The proceedings of meetings, the rules of group, names of members are recorded in this book.

ii) Saving and Loan Register-
This book shows the savings of members separately and of the group as a Whole. Details of individual loans, repayments, interest collected, and balance are entered in this book.

Weekly /Fortnightly / Monthly Register:
Summary of receipts and payments updated in every meeting

Members Pass Book:
Individual member’s passbooks in which individuals savings and loan balance outstanding is regularly entered.

E) Functions of SHGs:

i) Saving and thrift:
The amount may be small but savings have to be regular and continuous habit with all the members.
“Saving first credit later” should be the motto of every group member. Group member learns how to handle large amount of cash through savings. This is useful when they use bank loans.
All SHG members regularly save a small amount. The amount may be small, but saving s have to be a regular and continuous habit with all the members. SHG members take a step towards self-dependence when through savings and internal lending.

ii) Internal lending:
The saving is used as loans to members. The purpose, amount, rate of interest, etc is to be decided by the group itself. Proper accounts are kept by the SHGs.

Discussing problems:
In every meeting, the SHGs are encouraged to discuss their problems. The group members try to find solution to the problems. Individually, the poor people are weak and lack resources to solve their problems. When the group tries to help its
members, it becomes easier for them to face the difficulties and come up with the solutions.

**Taking bank loan:**
The SHGs takes loan from the bank and gives it as loan to its members.

### 5.5 Linkages of Banks

A) **Opening of Saving Bank Account**
B) **Sanction of credit facility to the SHG**
C) **Internal lending by the SHG**

**Opening of saving Bank Account:**
The Reserve Bank of India has issued infrastructure to all commercial banks and rural banks, permitting them to open saving accounts of registered or unregistered SHGs.

Saving bank account in the name of SHG could be opened after obtaining the following documents from the group-
- Resolution from SHG
- Authorization from the SHG
- Copy of the rules and regulations of the SHG

**B) Sanction of credit facility to the SHG:**

i) Sanction of loan
ii) Disbursement
iii) Repayment of loan
iv) Collateral Security
v) Rate of Interest
vi) Documents required
vii) Defaults
viii) Advantages of Bank linkage

**Sanction of Loan:**
The loan is always sanctioned and issued in the name of group and not in the name of the individual members.

The amount of loan to the SHG can be to the tune of 1 to 4 times of its savings.
The saving of the group constitutes
a) The groups balance in the SB AIC
b) Amount held as cash with the authorized persons.
c) Amount internally lent amongst the members.
d) Amount received as interest on loans.
e) Any other contributions received by the group like grants, donations etc.

**Disbursement:**
The authorized functionary of the SHG withdraws money from bank by way of cash or by cheque. The loan amount is handed over to the individual borrowers in the groups meeting.

**Repayment of Loan:**
The SHG makes the repayment to the bank. The group is collectively responsible for the repayment of the loan. Repayment schedule is drawn up with the SHG, and the loan is to be repaid regularly. Small and frequent installments will be better than large installments covering a long period.

**Collateral Security:**
RBI / NABARD rules stipulate that no collateral security should be taken from SHGs by banks.
Collateral security is not necessary for the loans sanctioned to SHGs for the following reasons
a) The members of SHGs know that the bank loan is their own money like savings
b) They are aware that they are jointly responsible for the repayment
c) They exert moral pressure on the borrowing members for repayment

**v) Rate of Interest:**
The RBI has allowed the banks & freedom to decide on the interest rates to be charged to the SHGs.
The rate of interest to be charged by the group to its members I should be left to the group. This is usually 2 to 3 rupees per hundred rupees of loans.
vi) **Documents Required:**

a) Agreement to be executed by all the members of the SHG. This is an agreement by the members with the bank, authorizing a minimum of three members to operate the groups account with the bank.

b) Application to be submitted by SHG to bank branch while applying for bank loan assistance. This includes details of the purposes for which the SHG gives loan to its members.

c) Articles of Agreement for use by the bank while financing SHGs.

d) This contains the duly stamped agreement between the bank and the SHG wherein both the parties agree to abide by the terms and conditions set thereon.

vii) **Defaults:**

The group using their collective authority discourages defaults. Every member is made to realize that the money not only belongs only to him, but also to the other members of the group. Jr group members are collectively responsible for the repayment of loans to the bank it has been the experience of bankers who lend to SHGs that the repayments from SHG’s are far better when compared to individual accounts.

viii) **Advantages of Bank linkage:**

a) Transaction cost are reduced

b) Increase in the deposits

c) Very little cost for appraisal and monitoring of the loan

d) Increase in the social base in rural area

**Transaction cost are reduced:**

Only one SB NC is required for a 20 members group. If 100 SHGs have SB NC in one branch, one is servicing 2000 customers through just 100 accounts.

b) **Increase in the deposits:**

Though the amounts are very small it pays to have such small savings with us. Over a period of time, one will find that SHG financing will become big business.

c) **Very little cost for appraisal and monitoring of the Loan:**
The moral authority of the group members on the borrowing members is an effective means of control over both proper utilization and repayment of loan amount.

d) Increase in the social base in rural area:
Through banking with the SHGs, branch will get social recognition and command goodwill of people. This will also help in developing one's business with the development of the village.

C) Internal lending by the SHG
After saving for a minimum period of 2 to 3 months, the common saving fund should be used by the SHG for lending to its own members.

The purpose, terms and conditions for lending to its members, rate of interest etc. may be decided by the group through discussions during its meeting. RBI and NABARD have permitted the members to decide on this aspect. The interest is usually kept as 2 to 3 rupees per hundred rupees per month. Interest per month is better understood in villages, than annual interest.

Through internal lending’s, the members of the SHG will learn to properly manage, utilize and repay their SHG loans. This will be of help, when they later borrow from the bank.

5.6 Financial Intermediation Models for the Poor:
Since ages the financial intermediation for the poor has gone through different stages starting from the simplest to the more complex. In this section we are tracing the different important stages of the long journey. In other words we are tracing the overall evolutionary profile of these models.

Model I: Self-formed and financed SHGs:
This is the primitive form of the SHG.

The model depicts the informal traditional financial intermediation of the poor taking place without the intervention of any formal financial institution. The model was the most spread among the poor before the emergence of microfinance as it requires no book keeping skills. It is found all over the world with minute differences in the functioning system.
Model II: SHGs formed and financed by NGOs/MFOs:
This is an improvement over the first. In this model, NGOs come to the rescue of the poor by organizing them into groups and providing them loans for their different needs. This stage marks the beginning of the microfinance era where NGO start playing the role of MFOs. Here below is the financial channel for this model.

Model III: SHGs financed by banks through NGOs/MFOs:
This is the model wherein the NGOs take on the role of financial intermediation. In areas where the formal banking system faces constraints, the NGOs are encouraged to approach a suitable bank for bulk loan assistance. This, in turn, is used by the NGO for on lending to the SHGs. Other agencies like Non Banking Financial... (NBFC5) are also coming up to take up this role.

The financial interaction takes place in the following channels.
In this model, NGOs work as financial intermediaries and incorporate the microfinance organization role in their activities. Here the Bulk Loan is given to NGOs by the bank for on lending to SHGs/individuals. In this linkage model NGO would be responsible for repayment, and would bear the risk of nonpayment.

Model IV: SHGs formed by NGOs but financed by Banks:
Here, NGO5 and formal agencies in the field of microfinance act only as facilitators. They facilitate organizing, forming and nurturing of groups, and train them in thrift and credit management. Banks give loans directly to these SHGs.

The financial interaction takes place in the following channels.

5.6.5 Model V: SHGs formed and financed by Banks:
This is an improvement over the first model. In this model, banks themselves take up the work of forming and nurturing or only nurturing the already existing informal groups (ROSCA, ASCA), opening their savings accounts and providing them bank loans. In areas where a very large number of SHGs have been financed by bank branches, intermediate agencies like federations are coming up as links between bank branch and member SHGs financed by banks, which, in turn, finance their member SHGs.
5.7 Swarnajayanti Gram Swayanroigar Yojana-
Holistic Programme of micro enterprises covering all aspects of sustainable self employment in rural areas – Organisation of the poor and capacity building through self help groups (SHGs), training credit-cum-subsidy, technology, infrastructure and marketing intervention. This is implemented by District Rural Development Agencies (DRDAs) through panchayat samities.

5.7.1 Features of SGSY Scheme

1. Six rural development programmes have been integrated into SGSY. These are IRDP, TRYSEM, DWCRA, SITRA (Supply of Improved Toolkits to Rural Artisans), GKY (Ganga Kalyan Yojana), and MWS (Million Wells Scheme).

2. Group Approach – Self Help Groups (SHGs) to involve women members in each SHG. At the block level, at least half of SHGs will be exclusively of women.

3. Assisted families may be individuals or groups. Major part of funding of SHGs, as emphasis is on group approach.

4. To cover at least 30% of the poor from each block in a five year period from 1999, to help Swarozgaris to cross the poverty line in three years; with monthly income beyond Rs. 2000 per month, after repaying to the bank.

5. 4 to 5 Key Activities to be identified in each block for formulating plans for activity clusters. Entire programme is to be implemented through activity clusters.

6. Multiple Credit rather than one time credit. It is planned to involve banks and other financial institutions closely by linking SHGs with them for obtaining loans based on project approach.

7. Subsidy: At 30% of project cost, up to a maximum of Rs. 7500; for SCs/STs at 50% of project cost, up to a maximum of Rs. 10000/-. For
groups of SHGs subsidy will be 50% of project cost, subject to a maximum of Rs. 1.25 lakh. There is no monetary limit on subsidy for irrigation projects. Subsidy will be backended. Revolving fund up to Rs. 25000/- for each group at Rs. 1000/- per member.

8. SGSY INFRASTRUCTURE FUND will be maintained by DRDAs to make up critical gaps in investments at the block level, subject to a ceiling of 20% (25% in case of North Eastern States) of the total programme allocation for each district.

9. Women and Weaker sections will be the focus of poverty eradication effort under SGSY. 50% of the benefits under the programme will accrue to the SCs/STs, 40% to women, and 3% for the disabled persons.

10. Apart from the central scheme of SGSY, the State Governments also allocate matching grant equal to the savings made by SHGs.

11. Emphasis is laid on skill development programmes, and promotion of marketing of goods produced by SGSY beneficiaries. 10% of the SGSY allocation in DRDAs is set apart for training, and is referred to as Training Fund.

5.8 Conclusion:
Self Help Group is the concept which is new and helpful for women empowerment.
The SHGs members are from similar background, like they may be from same community or from same class or sometimes are relatives. Collectively the group members want to achieve their goal. The banks, NGOs and other organizations are supportive agencies to SHGs.
The social status of women is reliable indicator of the social development of the society. Women’s development is possible only if they are given opportunity to develop freedom and participation in decision-making. SHGs are creating environment for the development of women.