SELF HELP GROUPS

Rationale Behind Self Help Groups

All over the world there is a realization that the best way to tackle poverty and enable the community to improve its quality of life is through social mobilization of poor, especially women into Self Help Groups. Ever since independence a number of innovative schemes have been launched for the upliftment of women in our country.

The concept of women's development in the First Five Year Plan (1951-56) was mainly welfare oriented. The Central Social Welfare Board (CSWB), set up in 1953, undertook a number of welfare measures through the voluntary sector. In the Second Five Year Plan (1956-61) women were organized into Mahila Mandals to act as focal points at the grass-root levels for the development of women. The Third, Fourth and other Interim Plans (1961-74) accorded high priority to education of women. In the Fifth Plan (1974-78), there was a shift in the approach for women's development from 'welfare' to 'development'. The Sixth Five Year Plan (1980-85) was a landmark in the history of women's development as it received recognition as one of the developmental sectors and was included in the Sixth Plan Document as a separate chapter for the first time in the history of developmental planning. The Sixth Plan, adopted a multi-disciplinary approach with a three pronged thrust on health, education and employment. In the Seventh Plan (1985-90), the developmental programmes for women continued with the major objectives of raising their economic and social status and to bring them into the mainstream of national development. The Eighth Five Year Plan (1992-97), promises to ensure that the benefits of development from different sectors do not bypass women and special programmes will be implemented to complement the general development programmes. Therefore, the flow of benefits to women in the three core sectors of education, health and employment will be monitored with a greater
vigil. Women must be enabled to function as equal partners and participants in the developmental process.¹

Indian Government has taken lot of initiatives to strengthen the institutional rural credit system and development programmes. However formal sector credit agencies find it difficult to reach vast majority of rural people. The problem highlighted above required a complete paradigm shift where the flexible and responsive system meets the needs of the rural poor. In the Ninth Five Year Plan (1997-2002) and shifting the concept of "development to empowerment"², the Indian Government adopted the approach of "Self Help Groups (SHGs)" to uplift the rural poor women focusing on the following aspects:

1. Direct involvement of women in programming and management.
2. Effective collaboration with community organization.
3. Organizing and strengthening of Women SHGs.
4. Sensitization and advocacy of gender just society.
5. Organizing women in different groups to undertake certain productive activities to earn their livelihood and to develop rural community.

The Tenth Plan (2002-07) aims to continue with the process of empowering women through translating the national policy for empowerment into action with a three-fold strategy: economic empowerment, social empowerment and gender justice. Economic empowerment would ensure provision of training, employment and income-generation activities with the ultimate objective of making all potential women economically independent. Social empowerment aims at creating an enabling environment through various affirmative development policies and programmes for development of women besides providing them easy and equal access to all basic minimum services so as to enable them to realize their full potential. Gender justice aims at eliminating all forms of gender discrimination.³

The vision of the Eleventh Five Year Plan is to end the multifaceted exclusions and discriminations faced by women and children; to ensure that
every woman and child in the country is able to develop her full potential and share the benefits of economic growth and prosperity.\textsuperscript{4}

**Empowerment of Women through Self Help Groups**

The Empowerment of women through SHGs would lead to benefits not only to the individual woman and women groups but also for the families and community as a whole through collective action for development. The self help groups have a common perception of need and impulse towards collective action. Empowering women not just for meeting their economic needs but also through more holistic social development.

**Origin of Self Help Group Movement**

The concept of SHG serves the principle “by the women, of the women, and for the women”. The origin of SHG is the brain child of GRAMIN BANK of Bangladesh, which was found by the economist, Pro Mohammad Yunus of Chittagong University in the year 1975. This was exclusive established for the poor. In words of Mohammad Yunus, “Sustainable societies are more important than sustainable construction. Sustainable human can provide for themselves, stand on their two feet. But there are many people who live in extreme poverty, with no opportunity to lead sustainability lives. These people we must help first. At the start of millennium a goal was set to halve the number of poverty stricken people by 2015. A great effort is required if we want to achieve a sustainable world.”\textsuperscript{5}

While no definitive date has been determined for the actual conception and propagation of SHGs, the practice of small groups of rural and urban people banding together to form a savings and credit organization is well established in India. In the early stages, NGOs played a pivotal role in innovating the SHG model and in implementing the model to develop the process fully. In the 1980s, policy makers took notice and worked with development organizations and bankers to discuss the possibility of promoting these savings and credit groups. Their efforts and the simplicity of SHGs helped to spread the movement across the country. State governments established revolving loan funds which were used to fund SHGs. By the
1990s, SHGs were viewed by state governments and NGOs to be more than just a financial intermediation but as a common interest group, working on other concerns as well. The agenda of SHGs included social and political issues as well.\textsuperscript{6}

Self Help Group is a small economically homogenous and affinity group of rural poor which is voluntarily ready to contribute to a common fund to be lent to its members as per group decision, which works for group's solidarity, self group, awareness, social and economic empowerment in the way of democratic functioning. The Self Help Group movement became a silent revolution with in a short span in the rural credit deliver system in many parts of the world. It has documented that nearly 53 developing countries including India, have taken up this on a large scale. In 1997, World Micro Credit Summit at Washington converged the developed and the developing countries to tackle the serious problem of poverty by using micro credit as a tool to empower the poorest sections. A global movement was launched to reach 100 million of world's poorest families by the year 2005.

**Concept of Self Help Groups**

"All for all" is the principle behind the concept of Self Help Groups. It is mainly concerned with the poor and it is for the poor, by the poor and of the poor. SHGs, a mini voluntary agency for self help at the micro level has been a focus on the weaker sections particularly women for their social defense. SHGs have got great potential in creating awareness on day-to-day affairs, promoting saving habits, developing self and community assets, increasing the income level, increasing the social powers etc. The concept of SHGs generates confidence, self-security, and self-reliance.

Self Help groups formed in rural India usually consist of ten to twenty members\textsuperscript{7} hailing from a certain locality with similar socio-economic backgrounds. The size of twenty is devised as any group larger than that would need to be registered under the Indian Legal System that brings the whole range of regulatory constraints.\textsuperscript{8} The unregistered group operated on the principles of mutual trust, co-operation and interdependence. Preference
in membership was offered to the poorest of the poor, handicapped, widowed, deserted and dalits. The leaders are selected from members of the group. Where there was no body to help the helpless mass the concept "Self Help" could be introduced. One of the significant features "Self Help" is, to make people not to rely on Government or NGOs to improve the infrastructure facilities needed the village. Hoping to achieve this target, SHG women are making collective efforts.

**Meaning of Self Help Group**

Self Help is one of the most fascinating aspects of development. It is a dynamic process that transcends the narrow boundaries of and given aspects of development. The purported benefits from self help are multifarious. Self-help is a fundamental tenant of recent expounded strategies of basic needs and self-reliance.

Self – help is both a means and a goal within the strategy of basic needs. It is a means with which to achieve goals of minimum requirements of private consumption i.e. adequate food, shelter and clothing and community services i.e. safe drinking water, sanitation, public transport, health and education. It is also identified as a tool; people should participate in making the decisions which affect them. As SHGs were initiated to combat the weakness in private credit formal financial institutions have been able to mobilize savings from the persons or groups who were normally expected to have savings and also recycle the same effectively.

Self-help groups are seen as instruments for a variety of goals including empowering women, developing leadership abilities among poor people, increasing school enrolments, and improving nutrition and the use of birth control. Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective.⁹

SHGs pool resources amongst the members and thus meet the credit needs of the poor. SHGs have emerged from the felt needs of the people and they have evolved their own methods of working. SHGs help in creating a
platform for sharing of experiences collective knowledge, building problem, solving and resource mobile satisfaction and other institutions. In SHGs the autonomy of women groups is never undermined and all the decision-making is entirely in their hands. This group helps women to build confidence in themselves as decision maker, planner and to work collectively in a democratic manner.

Tremendous amount goes into these groups; it may worth mention that most of the groups tend to spend 4-10 hours a month in the early stages. The SHG activity is thus a win-win situation, wherein the poor women get access to credit as well as make profit.

Person/Institutions Help in the Formation of SHGs

District Rural Development Agency, Non Governmental Organisation (NGOs), Social Workers, Health Workers, VLV, Banks, Bank's Personnel, Farmer's club, under Vikas Volunteer Vahini (VVV) programme of NABARD play a very important role in the formation of SHGs.

Objectives of Self Help Groups

The following are the main objectives of the Self Help Groups:

1. To inculcate the habits of saving and banking among the rural women.
2. To build up trust and confidence between the rural women and the bankers.
3. To develop group activities so that various welfare and development programme can be implemented in a better way with the participation of these women groups.
4. To achieve women and child welfare programme goals by actively involving these women groups in Universal Immunization Programme, small family norms, Universal Elementary Education etc.
Characteristics of SHGs

The following are the features of SHGs:

1. Small size
2. Identical interest/social heritage/common occupation, homogeneity, affinity.
3. Intimate knowledge of members of intrinsic strength, needs and problems.
4. Flexible and responsive.
5. Democratic in operation.
7. Collective leadership, mutual discussion.

Stages of Self Help Groups

The following are the three stages of evolution of SHGs.

- Group formation
- Capital formation through the revolving fund and skill development
- Taking up economic activity for income generation

Methods of Group Formation

Getting a group formed takes time and skills. Development workers must pay frequent visits to the community where the group is to be formed and devote time to talk to the people and getting to know them. Some sort of investigation into the problems of people and their response pattern, before hands will surely help. There is no one best way to form groups, however, the following sequence of events have been found to be consistent in yielding good results:

1. A meeting with local opinion leaders and elders to develop mutual confidence.
2. Use of rural mass media like street play, puppet show, folk songs, etc. for sensitizing and motivating community members.

3. Providing clear picture about the theme of Self Help Groups programme soon after the cultural event.

4. Enlisting support of community volunteers for animation purposes and to do the talking with people.

5. Holding of focus meeting of interested members to clarify doubts and address fears.

**Formation of Self Help Groups**

Formation of Self Help Groups begin with an assessment of members strength. People are motivated to collect information an initiatives they have taken in the past to resolve problems and to initiate collective or group action. Information on income and borrowings and on availability and use of natural resources and skills and markets on people perception of poverty and its causes of the various social groups in society, their mutual interdependence should also be collected.

Participatory Rural Appraisal exercise including meetings with various groups in the villages and outside with poor families in public and private a structural analysis of the society and exercises that brings to the surface gender biases in society within caste, creed, colour, and employment benefits are appropriate instruments to collect information that is necessary in order to identify affinity groups. The members are saving money regularly. An account is opened in the nearest bank or post office. Basic record such as attendance register, minutes book, and saving ledgers are maintained.

**Benefits**

The benefits of SHGs are as follows:

1. A medium for developing saving habits among the poor.

2. An access to large quantum of resources.

3. A window for better technology/skill upgradation.
4. Availability of emergent, consumption/production credit at the door step.
5. Access to various promotional assistance.
6. Assurance of freedom, quality, self-reliance, and empowerment.

**Member in Self Help Groups**

It is important that people from poor households are made aware and made to recognize the significance of collective efforts, voluntarily deciding to put their efforts together to help increase their access to financial services, economic services like technology, training in skill and enterprise management, material support and marketing facilities, etc besides a host of other social services.

**Homogeneity Factor**

The greater the extent to which individuals share activities, the more they will interact and higher the probability that they will form the group. Interaction enables people to discover common interest, likes, and dislikes, attitude or sentiments. There are other important factors, which encourage homogeneous group formation etc,

1. Gender: Gender focus of groups has been quite successful in promoting gender concerns, particularly in the context of economic empowerment of women.
2. Neighbourhood: People who live in the same neighbourhood are likely to form stronger groups than people who live in different areas.
3. Community: People with similar social background exhibit similar copying behaviour in times of crises hence will be able to extend mutual support.
4. Occupation: People in similar occupation tend to be cohesive and group action is often found successful in confronting common problems.

Besides these other factors like age, physical, or social disability, management of community resources/asset are also being tried out for building up community organizations.
Membership Requirements:

1. Size of group is normally restricted to 10 to 20 members to facilitate participatory processes.
2. Member of the group should be at least 18 years of age.
3. Members should be aware of rights and obligations of membership.
4. Member should share understanding on objectives and vision of the group.
5. Finally, membership by mutual selection is a solitary means to build up group solidarity.

Mutual selection process entails the participants to expressly indicate the list of all people who could be trusted with their money. Persons with negative characteristics tend to be left out of such formed trust groups and those with the positive attributes tend to be included.

Rights and Obligations of Members

- Each member has a right to determine goals, objectives and vision of the group.
- Each member has a right to participate in every activity of the group.
- Each member has a right to participate in group meetings and decision-making.
- Each member has a right to participate in the leadership function.
- Each member has a right to access loans from the pooled corpus funds of the group.
- Each member has a right to share in the group's wealth.
- Each member has a right to scrutinize group's record and inspect property.
- Each member has a right to withdraw from membership in genuine circumstances.
- Each member is under obligation to participate in all group activities.
- Each member is under obligation to accept goals, objectives and mission of the group.
- Each member is under obligation to make one self-aware and abide by group norms and rules.
- Each member is under obligation to participate in group meeting and decision-making.
- Each member is under obligation to contribute minimum agreed thrift amount to the group.
- Each member is under obligation to act with diligence in discharge of group responsibilities.
- Each member is under obligation to discharge debt liabilities contracted by the group.
- Each member is under obligation to participate in supervision of group finances/businesses.
- Each member is under obligation to defend the group.

It is quite interesting to note that the rights and obligations of members are almost convergent mainly on account of Self Help Group being a member owned, managed and controlled institution. Every ordinary member is also a part of management. Hence transparency is the watchword.

**Governance in Self Help Groups**

Strong saving and credit groups owned and managed by the community itself need component and committed development facilitators, strong cadre of leaders, and enlightened and active members. Hence the governance of Self Help Groups that promotes the democratic traditions is crucial for its success. Evolution of norms or rules and regulations for self-governance, participatory decision making, diligence and self-discipline among group members coupled with strong enforcement mechanism are sufficient conditions for transparency in group operation. These rules and regulations are not mere statement but reflect the understanding of group norms by members through their conducts in the group activities. Rules and regulations of the group, therefore, need to apprehend conflict situation in day to day functioning of group and provide read solutions. These could broadly cover:
Groups to have unique name to give it a distinct identity.
Goals and objectives of group formation
Membership issues-optimal size, entry norms exit policy
Extraordinary issues concerning membership – expulsion and co-option of members
Leadership structure- positions, roles, and responsibilities
Positioning of leader-tenure, selection and change process
Financial services-saving and credit products
Fund management-cash management, interest, rates and expenditures
Decision making-decision making apparatus, styles and record keeping
Enforcement of decisions made by the group
Enforcement of group norms-discipline procedure
Relationship management with service agencies-banks, DRDA, NABARD, SHPI etc

While stability of group membership is strongly encouraged, it is possible that a few members could be coopted into the group attain optimality in-group size, alternate delinquent members could be expelled, in which cases the group could undertake a situational analysis and take appropriate decision. However, core objectives of the group and rule for self-governance should not be lost sight of.

Leadership Responsibilities

It is apt to realize that leadership in a Self Help Group is a verb not a noun. The range of leadership responsibilities includes the following:
1. Providing guidance for group activities
2. Assisting in information sharing among group members
3. Helping define problems and identify solutions
4. Facilitating appraisal of group performance
5. Encouraging members to offer ideas and opinions
6. Resolving conflicts and disputes between group members
7. Conducting meetings and facilitating group decisions
8. Organizing, implementing and coordinating group plans
9. Facilitating financial transactions during group meetings
10. Maintaining and keeping records of accounts
11. Maintaining a bank account on behalf of the group
12. Presenting the group interest to outside bodies
13. Conducting negotiations and doing business with other organizations
14. Rendering truthful and correct accounts to members

Considering the wide range of responsibilities of leaders in Self Help Groups, responsibility-sharing mechanism by assigning different leadership roles to several members must be worked out. This entails:

- Grouping of leadership responsibilities and identifying leadership positions
- Affording clarity in roles and responsibilities of different leadership positions
- Selecting leaders for discharging expected leadership roles on consensual basis
- Developing systems and procedures where ordinary members are required to assist leadership in discharge of routine functions
- Providing in built mechanism for rotation of leadership at least once in two years with clear succession plans for smooth change-over of leadership, similar to that found in clubs etc.
- Adopting a methodology for changing leaders in case of non-fulfillment of expected roles.

Meetings

Group meetings include time when members gather either periodically or at short notice to discuss the activities of the group and decide on its future actions. All activities in Self Help Group revolve around meeting at which members access savings and credit services, share experiences, learn from each other and also receive education and training.

- Meeting is a forum for group action and facilitates information sharing among members
- Meetings are to be convened at regular intervals as per the convenience of the members
While frequency of meeting is guided by the convenience of members, the critical determinant is the ability of members to discharge financial obligation to the group. In other words, thrift, credit, and record keeping functions must converge with the meeting at least once a month.

Meeting must be held at a mutually decided place, date and time. In other words, meetings are conducted at same place, on the same day and at same time each time they are held.

In the absence of common meeting place, meeting could be held at the house of each member by rotation.

Active participation in the deliberations by all members must be encouraged with expression of free and frank views. However, involvement of non-members in the decision making process should be strictly avoided.

Structured agenda for group meeting with definite sequence of activities to be pursued viz., attendance, review of decisions of previous meeting, thrift, repayment, loans and social issues) will make meeting effective.

Deliberations on other social and community issues together with routine financial matters are found to consolidate group dynamics.

Sharing of various responsibilities among the members during the meeting process.

Attendance of members taken before commencement of deliberations at the meeting enables effective member participation.

Meeting should have near-full attendance of members must be viewed seriously.

Penal provisions like fine, penalties, etc must be enforced for late coming/leave without prior intimation.

Chronic absenteeism in meeting are generally discouraged by withholding or delaying other pecuniary benefits to members.

Functions of SHGs.\textsuperscript{14}

In view of carrying out the empowerment of women, the SHGs are expected to take on certain functions, which are essential documentation on the happening of SHGs, and their involvement with the wider society is considered to be vital. The members themselves maintain small saving details.
Saving Functions

Poor look for saving services from formal financial institutions. Without a safe place to park their savings, the poor tend invest it in “assets” such as gold, silver, livestock, etc which can be pawned or sold in times of need. Thrift contributions by members to the group must be perceived as a saving product serving long term financial security needs. As such poor households generate savings either by refraining from consumption or postponement of their not so urgent needs. The thrift contributions reflect confidence of members on the group and are seen as an index of their stake in the process. Thrift management is, perhaps, the most important function in a self Help Group. Some of the best practices in this include:

1. Thrift collection could commence from first meeting itself.
2. Periodically and quantum of thrift decided by group members themselves keeping in view the ability of poorest members among them to pay the agreed amount at predetermined intervals
3. Minimum compulsory thrift contribution to be made by all members
4. Withdrawal against compulsory thrift contribution are not permitted unless the member withdraws from primary membership
5. Groups must insist for on-time contribution by members
6. Group must collect thrift contribution in the presence of all members during the meeting only.
7. Thrift collection must be utilized for lending to group members and must not be kept idle.
8. Penal provisions like fines, penalties, etc must be enforced against late payment or default in thrift
9. Chronic in on-time thrift contributions by members are generally discouraged with holding or dealing other pecuniary benefits to members. At time penalties for late/non-payment include fees, denial of higher loan amounts of longer waiting periods for loans.
10. Delayed thrift contributions must not be received outside meetings.
11. Additional or seasonal savings are encouraged by a few numbers of groups. But it is again desirable to have equal savings without interest implications keeping in view the weak fund management capability of
many groups. However, whenever optional savings are offered it is suggested that suitable compensation (interest) is provided to address the equity question among various members.

12. It is desirable to make payment of thrift amount to a member withdrawing from the group for genuine reasons.

13. Continuity of thrift is the jugular of Self Help Group process and an attempt to obstruct or discontinue it after receipt of revolving fund, subsidy grant or even a bank loan can only be a self-inflicting move.

**Credit Function**

Providing credit access to members of poor household on sustainable basis is the primary objective of Self Help Group. A well conceived loan programme in a self Help Group will enhance its attractiveness to the members. These loans are often given for various purposes without insistence on collateral but are available at cost. There is no compulsion to avail loan facility, as such those who avail loans have to make a choice to pay the cost, or have no credit at all. Some of the best practices in the area of credit function management include:

1. Self help Groups typically offer small, short-term loans for meeting emergent and consumption requirement only to their members.

2. The internal lending must preferably commence from the data of first pooling of savings. Need based lending is strongly recommended by active groups.

3. Loans are extended keeping in view the nature of need of particular member. Preference in borrower evaluation is, however, given to those who are regular in attendance at meeting and timely payment of thrift amounts.

4. Group must have the system of differential priorities to several purposes for taking loaning decisions. Here urgency of purpose is given precedence while selecting a borrowing member.

5. Group must establish a process to assess of credit requirement for arriving at loan quantum, efficacy of such system need to be seen in the context of particular Self Help Group.
6. In a few groups, the loan quantum is in proportion of the individual member's total thrift contribution. Decision of groups indicating differential loan quanta based on the purpose and person availing the loan reflects their maturity.

7. All credit decisions must be taken at the meeting only after giving due consideration to opinion of all members.

8. Large loans to members are suitably collateralized considering the risk perception of the group. Often groups go in for chattel financing wherein a borrower offers critical productive assets as security for loans.

9. Term of credit for interest rates and schedule of loan repayments are negotiated and conveyed clearly to the borrowing members.

10. Groups taking into consideration the various income-flows of the household and repayment capacity of member concerned work out flexible repayment schedules.

11. Monthly or even weekly repayment of both principle and interest are found to be convenient to both borrowers and the group to liquidate the loan liability.

12. Separate schedule for principal and interest payments may be stipulated as they are easy to comprehend even by illiterate borrowers.

13. Loan could be issued to the borrowing members in the presence of other members of the group.

14. Group ensures proper end-use on credit as also management of asset, wherever created. This practice must be continued at frequent intervals till the loan is fully repaid by the borrowing members.

15. Most groups in view of small fund base generally discourage concurrent loans. But wherever they are given, rigorous appraisal must be undertaken on the purpose, genuine need of borrower and her performance in the earlier loan.

16. Reward for on-time repayment may be given to members in the form of future access to higher loan amounts.

17. Withholding or dealing other pecuniary benefits to members generally discourages chronic default in on-time loan repayment by members. All
time penalties for late/non-payment include fees, denial of higher loan
amounts or longer waiting periods for further loans.
18. Penal provisions like fines; penalties etc must be enforced against late
payment or default in loan repayment.
19. Continuity of need based internal lending will strengthen Self Help
Group processes and any attempt to obstruct or discontinue it after
receipt of Revolving Fund, Subsidy, Grant or even a Bank Loan can
only be a self-destructive move.

Fund Management in Self Help Groups

Mobilizing micro thrifts is only part of a comprehensive saving service
of Self Help Groups. Small savings from resource-poor households need
operative protection against loss of deposits. Misappropriations of savings
and credit groups as well as imprudent lending from internally generated
deposits threaten the security of saving programme. They have to be shielded
against the financial and non-financial risks. It is, therefore, considered
necessary that high standards are set in the area of fund management which
covers the following:

1. Grant fund generally comprises member thrift, interest earned on interest
loans, fines and penalties levied on defaulting members, loans and grant
received in the name of the group. The groups are not expected to
discriminate between the sources of fund for meeting loaning
requirements. In other words, the savings, loan repayments, interest
payments, fines and penalties paid by the members will be pooled in the
meeting for on-lending to the group members.

2. Efficient cash management in a meeting reflects fund management
capability of the group. Idle funds are the drag on the group

3. Responsibility in cash management at each meeting on rotation basis for
assisting the group leader will not only promote transparency but also
enhance fund management competence among group members.

4. Managing of saving accounts with local branch is another important area
in fund management. All cash collections made at a meeting may be
deposited into the bank and withdrawals made for disbursing the loans.
While members could take turns for depositing the cash into the bank, the person authorized and the borrower concerned could draw the money from bank. However, groups maintaining up to date record could consider extending loans out of pooled fund during the meeting itself. Periodic reconciliation of accounts with bank transactions is considered useful.

5. Preparation of micro credit plans in groups by group improves considerably the credit absorption capacity as it entails acquisition of planning and financial skill among group leaders.

6. In the initial stage only short term loans are extended, usually for period ranging from 3-12 months, to enable large number of members access credit facility from the group. However, insistence on monthly repayments from borrowing member will accelerate the velocity of lending within the group, which also partially reflects equity in loan access to group members.

7. Group must have a policy of interest rates. Most groups charge interest rates that are linked to contemporary market rates. It is also desirable to build in risk factor in the interest rate structure in long term.

8. Generally interest is not paid to the members on compulsory savings. Even in cases where interest is computed on compulsory thrift, contribution the same is merged with the member saving rendering the very process anfractuous.

9. Coming to interest rates on loan, a few groups have been charging interest rates on their borrowers keeping in view the purpose of loan which can be considered good. However, the groups are not expected to soften their rates in the short term with the receipt of grant or loan funds from institutional resources. It must be appreciated that the interest charged on loan is a source for raising additional capital to fund the corpus base. However, the interest may be charged on outstanding loan amounts as against interest rates charged by a few on EMI or flat rate basis.

10. Members must be aware of their cumulative thrift contribution and loan outstanding.
11. Investment of pooled saving in a common asset and blocking internal lending will in fact run counter to the objective of giving sustainable credit access to poor households further, the risk of investing entire corpus in a singular activity is fraught with risks.

12. Groups incurring regular expenditure towards cost of bank transactions, honorarium to bookkeeper etc. could consider collecting additional amount every month from their members to avoid erosion of loaning funds.

13. A few groups have been holding small cash balance, say Rs 200/-, to Rs. 300/- to give hands loan to members for meeting emergent credit requirements.

**Record Keeping**

Record keeping is possibly the most crucial function in a Self Help Group often confined to the periphery. An efficient record keeping assumes significance for promoting transparency in the system considering the need for providing safety of micro deposit pooled in savings and credit programmes. An effective information system that supports their self-management efforts is sine-quo-non-for sustainability of Self help groups. Such system can be considered effective when it is easily understood and appeals to cognitive abilities of ignorant and illiterate community. Besides, it must be credible, verifiable and facilitate quick recall of stored information in the perception of users. Some of the best practices in record keeping area could reflect upon the following issues:

1. Critical self-awareness must be created among groups on issues relating to record keeping.

2. Groups must assume the responsibility for safe keeping of records.

3. Group members must be trained to recognize books of accounts and their structure.

4. Group must be encouraged to hire services of local bookkeeper to upkeep records in case of non-availability of literate members in the group capable of writing the records.
5. Group must be strongly encouraged to compensate for services rendered by book keeper.

6. Group must ensure that books are up dated while the meeting is in progress.

7. Group must ensure that book writer reads out the nothing made by him in various books.

8. Group must develop a practice of closing the books of accounts by year end.

9. Cross checking of books across groups (peer audit) could be encouraged for audit purposes.

10. Groups must encouraged its member to learn to read and write their own books in the long run.

11. Members must cultivate habits of confirming entries in member pass book.

**Group Vigilance**

The corpus fund of a group is entirely contributed by its members and hence they alone must ensure that the fund is managed and controlled by them without any outside interference whatsoever. There is no alternative to alertness of members and their participation in-group meetings. Some of the best practices discussed earlier also go in strengthening the group vigilance and control mechanism. These include:

1. Responsibility sharing mechanism where members assist leader in conduct of meeting.

2. Practice of leadership rotation coupled with clearly laid out succession plan.

3. Preventing outsiders from handling cash, even for training purposes.

4. Responsibility fixing for handling cash during meeting and holding imprest cash thereafter.

5. Practice of tallying cash inflows and outflows at the end of each meeting.

6. Practice of clarifying member wise cumulative savings and loans position every month.
7. Responsibility of deposit cash and withdrawal from saving bank account on rotation basis
8. Practice of bank reconciliation on periodic basis
9. Ensuring end-use of credit by helping the borrowing member in purchase of assts, if any.
10. Regular review of deviant behavior of members in attendance, thrift, or loan repayment.
11. Enforcement of group discipline through fines and penalties system in a transparent manner.
12. Practice of rotating members accompanying leader for training and review sessions.

Banking Relationship

Self Helps Groups are primarily savings and credit groups and availing saving and credit services from local banks is a logical extension on their growth strategy to meet increasing credit demands from the members. Moreover, accessing saving services from banks will provide safety to the pooled funds. It is expected that groups will demonstrate desired maturity in terms of group and financial dynamics leading to inculcation of banking habits in the groups. It would also make possible the bringing about of general improvement in the nature and scale of operation that would accelerate economic development.

- Open saving accounts in group's name with the service area branch concerned.
- Regular operation in the group's saving account will help to build healthy relationship with bank.
- Groups to assess their future fund requirements and articulate the credit gap in micro-credit plans
- Group to have clarity on issues relating to eligibility conditions, credit entitlement and legal obligations arising out of credit linkage with banks.
- Groups and bankers must hold discussions at loan appraisal stage for enabling banker to arrive at a credit decision.
• Terms and conditions of credit extended by banks including implications of joint and several liability in the event of credit linkage must be clearly understood by all members of the group.

• Groups must assimilate banks loans with their corpus fund by extending need based loans to those members who could not access loans earlier from out of pooled savings. Here, the group must take care not to deviate from the financing norms (quantum of loan, rate of interest, repayment period) already laid down for giving loans out of their pooled thrift amount merely because outside funds are injected into the group corpus.

• Groups must ensure on-time payment of banks loan by setting aside a portion of total collections made in each meeting for honoring repayment obligations to the bank. In other words, groups will square up the default amount of any borrowing member and pass on the installment amount to the bank as per contracted repayment schedule.

• Continuity of thrift and need base internal lending even after receipt of bank loan will strengthen Self help Group processes any attempt to construct or discontinue it can only be a self-inflicting move.

• Banks must reward for on-time repayment by means of repeat and higher finance.

SHGs also promote democratic culture and provided women with opportunities to imbibe norms of behavior that are based on mutual respect. Hence they were able to foster concern even in internal lending of loans based for dialogue and co-operation in programme with other institutions like Government Department, Co-operatives, financial and Panchayati Raj Institutions.

A most notable milestone in SHG movement was when NABARD launched the pilot phase of the SHG Bank linkage programme in February 2002. This was first instance of mature SHG that were directly financed by commercial bank. The informal thrift and credit groups of poor were recognized as bankable client. Soon after, RBI advised commercial bank to
consider lending to SHGs as a part of their rural credit operation thus creating SHG bank linkage.$^{18}$

The SHGs are engaged not only in productive economic activities but also in social empowerment and capacity building of rural women, health, education, medical facilities, literacy, alternative agriculture practices, leadership qualities and team building. Various studies revealed that SHGs ensured feeling among the members achieving the group cohesiveness and accorded a social identity to the rural women. It also enabled them for collective bargaining while keeping up their dignity. The "non productive and non-asset worthy" naïve village women had become agents of social change and economic development of the community through decentralized means of empowerment.

Empowerment, therefore, is closely linked to economic independence. Nothing succeeds better than the self-help. And when efforts are supported b Government and private agencies the result could be extremely gratifying. Today, there are women self help groups focused around economic activities like, saving, collective marketing, promotion of individual enterprise and in the process of moving into the main stream of society. In the process, leadership qualities blossom, discipline prevails and true democracy begin to function. This also helps to add value to the work they do, their families and their communities.

Identification of Self Help Groups

It must be understood that the basis for self help affinity group exists prior to an intervention. The members are linked by a common hand like caste, sub-caste, blood community, place of origin or activity. The interventions whether formed by the NGO, Bank or Government must have the experience to identify these natural groups which are commonly called affinity groups which links together the group members therefore is not primarily the need for credit but a capital stock of relationship built on mutual trust Of group members on a degree of social and economic homogeneity, the group offers the best opportunity to realize the latent and often suppressed
aspirations to develop economically and socially. The regular visits to the village meetings with informal groups gathered around tea shops, temples, water spots, market, provision shops, milk collection centers, special care or few of the popular strategies used. Involvement of the entire village in a common action like desilting a pond or building around also helps to identify these groups, provided people organise the action themselves. It is noticed that it is encouraged to plan such projects, people tend to work in affinity groups.

**Promotion of Self Help Groups**

SHGs are organic in terms of their development and pass through various phases before getting stabilized. To begin with SHGs have to stabilize the regularity of meetings, participation of members, maintaining of books, regular transaction of savings and leading among members with little or no outside support. The process of stabilization is influenced by various factors, which include that span of SHG, awareness of members, leadership, and interaction among members, training programme, and common activities undertaken by the group.

According to Dhan Foundation (1998) the performance period of the group may be 1-2 months in which the initial identification of the group is done. During the formation period 3-6 months often self selected 15-20 women form a SHG. Evolving of rules and norms for conducting the meeting takes place. They begin to save and maintain accounts. SHG member training and animator training programme are arranged. Literacy and numeracy classes are also conducted for the members.

In the stabilization period 7-12 months SHGs regularize and increase savings. They start taking and repaying the loans. They begin to interact with other groups, Government and private institutions. Groups are linked to the banks and they begin to avail bank loans. SHGs join the cluster and block level federations in the panchayatas. They begin to involve in common issues too. It includes their conditions, basic amenities, etc. NGOs are expected to
reduce their direct interaction with the SHGs so that the groups would become self-reliant.

During growth period 19-25 months, the linkage with banks is intensified. NGOs enable them to venture into productive activities. Their cluster level activities are improved. The expansion and diversification period (25 months and above) focuses on creating assets for individual members or for the group. Each SHG has to become an individual institution and the federations have to manage to supervise the SHGs. NGOs support in formalizing linkages with other institutions.

Social Movement

A social movement has thus begin where in rural women started saving money by forming themselves into small groups and come together to decide all issues which affect their lives. During the last 5-6 years saving movement caught up the imagination of women as a means of self help group through which they are trying to mould their destiny. It may be rated as the most successful anti-poverty programme and contribution to women's empowerment and the expectation continue to be high, the need for taking a look at the present status has been felt. Thus women empowerment by economic independence can contribute to society and at the same time improve their standard of living and self-esteem can be demonstrated and taken to logical and where an empowerment of women folk will take their rightful place in the path of progress.

Social movement is therefore, a prolonged action of deprived homogeneous group to strengthen the roots of the group in the society to which the group belongs. The collective mobilization for action directed towards transformation of the structure of a system can be understood as a social movement. Social movement, which is an offshoot of social change depending upon certain system conditions. Mukerji P.N. (1997) analysed social movement as a productive of social structure and the consequences for it is an agent of change. Social movement can further be distinguished based on changes and ideology of the movement. Movement can be aimed at
reforms in social life or oriented in bringing about change in super ordinate or subordinate relationship and finally towards a bringing about revolutionary change in every sphere of life and in basic values.

**Women's Movement**

Throughout the changes of history, women have collectively struggled against direct and indirect barriers to their self-development and their full social, economic, and political participation. The women's organizations started struggling for women's right in the early parts of the 20th Century. At present women's movement focuses its attention on equality and influenced policy and planning of the government for development and empowerment.

Women's movement in general are directed by objectives like to promote better understanding of the process of social, technological and environmental changes to contribute to the pursuit of human rights and to develop alternative concept, approach and strategies to bring out necessary changes for bettering the life of women with autonomy, freedom and full rights of the citizens.

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**SHGs – A New Women’s Movement for Empowerment**

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<thead>
<tr>
<th>Institutional Collective action</th>
<th>Ideology</th>
<th>Organizational structure</th>
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In order to understand the activity of SHGs in the framework of movement it is found that SHGs are organized to manage their economic activities better and are gaining empowerment in directions which are
appropriate to their needs, interests, and constraints. The SHGs help to gain confidence from an increase in their relative financial independence and security. The increase in the literacy skill of SHG member is another indicator of social change and development. The animators, representatives, and SHG members get training for this work from NGOs in order to develop leadership qualities such as organizing meetings, liaison with NGOs, and government officials, coordinating and motivating the members.

Decision making is the ultimate level of development and empowerment of women. It signifies that women have started taking control over their lives and situation through attending group meetings, public function, involving in income generating activities and joining other women in social causes. The collective and integrated activities of SHGs will help them in sustaining their family economically giving better education to their children, meeting any crisis independently. The SHG members are sensitized against various abuses, knowledge about their rights and other social issues. Better communication is another indicator of development. This develops their ability to interact and communicate with each other, thus bringing about integrated development of women.

Programme route of SHGs in India

There is a very strong role for civic society organizations in this process. The state cannot, and should not empower women. What the state can do is to create enabling conditions which legitimize a change in women's position (Srilatha, 1997): In promoting SHG movement both governmental and non-governmental agencies are involved. SHG movement had been designed to benefit women especially in rural belt, towards providing them social status and identify. Hence, Central Government had invited the state government to involve in SHG movement. A two day conference of Ministers of Rural development of different states was held at Hyderabad on 23-24 June, 2001 to launch at least one SHG or self employment activity in each state to cover 14 lacs inhabitation in the country by 2004. In India, Andhra Pradesh and Tamil Nadu had been successful in SHG movement. Therefore, the Central Government has asked the State Governments of Orissa, Bihar, Jharkhand,
Chhattisgarh, Madhya Pradesh and Uttar Pradesh to provide the same movement for their development. The model given on the following page is followed in all over India.

Programme Route of SHGs in India

Programmes are streamlined through SHGs. Central Government uses SHGs as a medium to disburse funds under SGSY and state renders assistance through SHGs. Other National & International Agencies streamline the credit programme via SHGs.
Self Help Groups in Madhya Pradesh

The state of Madhya Pradesh has been the focus of attention on the world map primarily due to significant strides made by its SHGs. The SHGs are playing an important role on optimization of natural and human resources through people's participation and achieving the goals of vision 2020. The Government of Madhya Pradesh has taken up women empowerment as one of the main strategies to tackle socio-economic poverty. Women have taken up SHG movement through savings as mass movement, a path chosen by them to shape their destiny for the better. Development agenda of the state in the last few years of placing the people especially the women in the forefront has enabled the formation of self help groups (SHGs) throughout the state where women are saving even one rupee per day. The State Government is making efforts to assist SHGs by providing revolving fund under various programme.

Socio-economic survey of Self Help Groups conducted by District Rural Development Agency (DRDA) in different districts has indicated that the scheme has helped women earn additional monthly incomes ranging from Rs. 1500/- to Rs 1800/- depending on the economic activities taken up. In addition women have taken up initiatives in improving their socio-economic status by participating in governmental programme such as family planning, pulse polio, AIDS awareness, small family norms, promoting their nutritional and educational status, awareness on environment, public health through sanitation and clean drinking water etc. A large number of women from Self Help Groups participate in village day function as active partner for the development of their villages.

Due to massive self help movement; there is a perceptible improvement in the socio-economic status of the rural women. Due to constant efforts of the government, women have become active, assertive, and are concerned with the issues relating to them and their surroundings.

Right from the beginning, NGOs in the state of Madhya Pradesh are working for the cause of women and more that 120-committed NGOs have
been involved in facilitating the formation of self-help groups and efforts for their sustenance. NGOs are working in close co-ordination of DRDA in training and capacity building, skill development training programme building self help group centered organizations.

There are more than 30 lakhs women from weaker sections of the society who have become members of these groups and 22 lakhs women are saving one rupee a day and rotate the money through a group interaction which starts as a process of empowerment. The state government is consciously making efforts to assist these self-help groups by providing revolving funds under DRDA Programme. The women of Madhya Pradesh have saved more than Rs.105 crore and the Government has given Rs. 115 crore as working capital grant.

**Self Help Groups in Mandla District**

In Mandla district formation of SHG started from 1/4/1999 after starting of Swarnajayanti Gram Swarozgar Yojana (SGSY). The District Administration after ascertaining the facts of illiteracy, poverty, indebtedness, occurrence of violence, poor health and sanitation and lack of awareness for livelihood prevailing among tribal community and particularly in women launched "SWAYAM PRABHA MOVEMENT" in each block of the district with an objective to create awareness among the tribal women about the need of organizing themselves to participate in the development process for sustainable development and livelihood.

In the initial stage, the field functionaries of various development departments, banks & financial institutions, NGO's were in formation of SHG through a series of training programme and workshop at district and local level with the support of NABARD and State Institute of Rural Development. When the SHG movement started picking up the SHG members were also given training on various sectors of SHG for sustainable functioning. Exposure visit and interaction with officials of concerning department were organized with a view to impart practicle training and hasselfree working. The government, NGOs and other development/ voluntary organization mobilized
the tribal women folk in blocks, created awareness to form SHG, illustrated
the functioning of SHG and the movement a successful mission in the district.

There are total 14019 self help groups in the district as on 31/03/2008.
Under SGSY scheme 12608 self help group were formed, 690 were formed
under Madhya Pradesh Rural Livelihood Project and 721 self help groups
were formed by other agencies- Non Governmental Organization. Total
women self help group in Mandla district are 5994. Out of 5289 are formed
under SGSY, 360 are formed under MPRLP and 345 are formed by non
government organizations. Total percentage of women self help group in the
district accounts for 42.76% out of which 32.28% are in SGSY, 50% in
MPRLP and 50% NGOs.²⁰

The past five year performance of formation of new SHG reveals that
SHG movement has become a powerful tool to solve the problem of tribal
women by involving their own local resources. Table 3.1 shows the trend of
SHGs in Mandla district under SWAYAM PRABHA MOVEMENT.

Table – 3.1.

Trend of SHGs in Mandla District under Swayam Prabha Movement

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Source: Annual Report CEO Zila Panchayat Mandla

The above table shows increasing trend of self help group in five years under SWAYAM PRABHA MOVEMENT. From the table it is clear that highest number of self help group (2939) is formed in Mandala district. This may be due to its proximity to urban area and better literacy rate in comparison to other blocks. The lowest self help group (710) is formed is Ghughri block. Highest number of women self help group has been formed in Mandla block (2249) in the year April 2007- March 2008 and in the same period lowest is formed in Ghughri block (159). In the same period highest number of male self help group is formed in Narayanganj (1293) and lowest in Ghughri block (551).
### Table – 3.2
Newly Formed Self Help Group

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Source: Annual Report CEO Zila Panchayat Mandla

An analysis of the performance of SHG indicates that 7987 numbers of SHGs have been formed in Mandla District in the period of five years. Out of which 1894 has been formed in the Mandla block, followed by 1189 in Narayanganj block and 955 in Nainpur Block and 850 in Niwas block. It is found that during the period of five years 2738 SHGs are women run SHGs. 234 SHGs have been linked with the bank for seeking financial assistance for economic activity. The analysis of the programme on SHG further reveals that
during the year 2006-07 4053 SHGs which accounts for 28.19% of total SHG in the district were opened in one year probable because of special visit of Chief Minister. During the year 2006-07 total 978 women SHG were opened which accounts for 31.80% of the year. Figures in the table reveals that in the year April 2005- March 2006 formation of self help group in the Mawai block of the district was nil.

The SHG movement has generated awareness among the tribal women on various issues of developmental process, government welfare and development programmes and functioning of rural institutions.
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