CHAPTER – 2

SELF-HELP GROUP MOVEMENT IN ANDHRA PRADESH
The empowerment-oriented rural development strategy started with the 73rd Constitutional Amendment Act (1992). This act enables people to prepare plans for economic development and social justice. The work provides an effective role to Panchayathi Raj Institutions for involving people in decision-making, implementation, evaluation and sharing of the benefits derived from socio-economic development projects.

It is necessary to initiate the process of change through Panchayati Raj Institutions (PRIs) at the grass root level Grama Sabha (GS) meetings to the people have to be enlightened on various current issues, so that they become more assertive in exercising their powers and privileges. In this context, it is significant to involve academicians, NGOs, social workers and retired people in organizing awareness camps for them. Gram Sabha, which comprises all adult people of the village, has been empowered to approve the plan prepared by its executive (Gram Panchayat). The Gram Panchayat is represented by all sections of the society as seats in it are reserved for women, dalits and other weaker sections. The people at the GS level have to be enlightened so that they become more assertive in exercising their powers. In the empowerment process, the local people themselves have to assert their rights. This empowerment process may be successful by empowering the women, dalits and other weaker sections especially in rural areas. Hence, understanding the people's needs aspirations self-help groups have been introduced to empower them socially, economically, culturally and politically.¹
The two concepts, "Self-realization and Self-initiative are the most powerful weapons to remove poverty out from the world map". This dynamic quotation was drawn from world's greatest economist Chanakya has been translated to one word i.e. SHG. Micro-finance through SHG has become a ladder for the poor to bring them up not only economically but also socially, mentally and attitudinally. The rural poor, with the intermediation of voluntary organizations also join together for self-help to secure better economic growth. This has resulted in the formation of a large number of SHGs in the country, which mobilizes savings and recycles the resources generated among members. The organization of SHGs has been recognized as possible and practical alternatives to provide credit to the weaker sections particularly, the poor women engaged in the informal sector. The success of the concept of the SHGs is particularly based on channelising their efforts constructively through motivation and inspiration to the field workers.

The concept of SHGs has been emerging as a major approach for development and empowerment of weaker sections in the third world. In India since the beginning of the Ninth five year plan, most of the development programmes are channelised through SHGs. In most parts of the country, self-help groups are organized by governmental and non-governmental organization-government. The government,
banks and non-governmental organizations facilitate them by providing revolving fund, organizational base and training, credit etc. It is worthwhile to call SHGs a mass movement on a national scale for development and empowerment of the poor and downtrodden in the country.\textsuperscript{4}

**Need for SHGs**

Most of the micro-finance programmes implemented by voluntary sector in India adopt group approach for lending. Several promotional agencies in the government sector have promoted and inspired to form different types of thrift and credit groups to channelise the various state sponsored poverty alleviation and social development programmes.

In the initial stages, SHGs are brought on a common platform like village, cluster or Mandal Parishad level conventions to facilitate cross sharing of experiences and ideas among them. These conventions gradually get formalized in the form of appropriate associations where the groups will evolve methods for sharing community and group resources. Each SHG operates independently and maintain their respective group saving account at the local bank and also contribute a part of their resources to the village, cluster level organization to access various financial and non-financial services available for the members. This transfer mechanism helps the groups to moderate the surpluses or deficits at the group level.
The formation of SHG necessitates an all-encompassing environment for conscious leadership development, decentralized decision making, transparency in transactions peer pressure for sustainable groups' action and enterprise development among rural poor. Credit and saving cycles in SHGs consolidate group behaviour while enhancing the capacity of individual members to manage scarce financial resources. Though equitable distribution of pecuniary benefits to the members of SHGs are ensured, such benefits are not based on any entitlement mechanism but are determined by the absorption capacity and managerial ability as perceived by the group.  

The basic mandate of SHG is savings. SHG is one of the important media for development of savings habit among the poor. The common needs without being dependent on outside help. Every group generates a common fund where each member contributes his/ her share as saving on a regular basis.  

Self-help groups are necessary to overcome exploitation, create confidence for the economic self-reliance of rural poor, particularly among women who are mostly invisible in the social structure. These groups enable them to come together for common objective and gain strength from each other to deal with exploitation which they are facing in several forms. A group becomes the basis for action and change. It also helps building of relationship for mutual trust between the
promoting organization and the rural poor to constant contact and genuine efforts. The Important roles played by the SHGs are explained below: 1) differentiating between consumers credit and production credit; 2) analyzing the implications of credit system for its implications and changes in the economy, culture and social position of the target group; 3) providing easy access to credit and facilitating group/organization for effective control; 4) ensuring repayment and continuity through group dynamics; 5) fixation of viable norms for interest rates, repayment schedules, extension, writing of debts; and 6) assisting the group members in getting access to formal credit institution.

Origin of the concept of SHGs

Government and many voluntary or Non-governmental organizations thought about the overall development of a nation and this can be achieved by empowering women. Women can be empowered through group activities in the society. Hence, SHGs came into existence and brought good changes in the empowerment of women socio-economically, culturally and politically.

a) At International Level: Mohammed Yunus, popularly known as father micro-credit system, started a research project in Bangladesh in 1979 and came out with ideas of micro-credit that resulted in the establishment of Grameen Bank in 1983 Bangladesh.
In 1984, the participants of the third international symposium on mobilization of personal savings in developing countries, which were organized by the United Nations (UN), alternately in its final resolution considered the following aspects. The internal savings are the basis for credit programmes, state control and rate of interest must be relaxed, more decentralization of financial services and to establish strong linkage system between the formal and informal credit institutions for development.

In 1984, the Federal Ministry of Economic Co-operation and the Agent for Technical Cooperation of the Federal Republic of Germany have undertaken a series of studies and workshops on rural finance in developing countries that resulted in a new policy of SHGs as a financial intermediation between rural poor and financial institutions on one hand and micro enterprises, on the other. In 1986, the Asian and Pacific Regional Agriculturist Credit Association (APRACA) decided to consider it as a coordinated programme for the promotion of linkage between banks and SHGs for rural savings mobilization and credit delivery to the rural poor.

In 1989, the Central Bank of Indonesia with the involvement of Self-help Promotional Institution (SHPI) started a pilot project entitled "Linkage banks and SHGs". Basically, micro-credit system gained the momentum in the mid 1990s after the World Summit for Social
Development, held at Copenhagen in 1995. The Summit emphasized the easy access to credit for small producers, landless farmers and other low income individuals, particularly women, urged governments of various nations to take appropriate actions in order to make easy accessibility of credit to the poor. Subsequently, in 1997, the World Micro-Credit Summit, Washington, announced a global target of ensuring delivery of credit to 100 million of the world’s poorest families, especially the women of those families by 2005. 

b) **Indian Initiative:** The SHG concept was developed by Mysore Resettlement and Development Agency (MYRADA) in the late 1980s and since then over one million SHGs have been created across the country. The focused formation of SHGs under the micro-finance frame work was initiated in the late eighties by a few NGOs. The first effort was initiated by National Bank for Agriculture and Rural Development (NABARD) in 1986-87 when it supported and funded an action research project on "Saving and Credit Management of Self-help Groups" of MYRADA. The NABARD launched a pilot project to provide micro-credit by SHGs with banking system in 1991-92. During the project period, some NGOs like Association of Sarva Seva Farms (ASSEFA), People Rural Education Management (PREM), Professional Assistance for Development Action (PRADAN) and Community Development Society (CDS) have done excellent work in Promotion of SHGs and mobilization of thrift and disbursal of credit.  

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c) State Initiative: Self-Help Groups (DWCRA Groups), as a sub-scheme of IRDP, started in Andhra Pradesh in 1982-83 with cooperation of United Nations international Children's Emergency Fund (UNICEF). The primary objective was to focus attention on the women members of rural families living below the poverty line with a view to generate self-employment on a sustained basis. The savings and credit movement gathered momentum in 1993 in Nellore district. The women in this district have been organized into Manila Mandals during Total Literacy campaign (TCL). Subsequently, these groups spearheaded Anti-Arrack (abolition of country liquor) movement. The movement was successful and spread to neighbouring districts, eventually leading to imposition of prohibition in the state. Later, the movement converted into savings and credit groups known as "Podupu Lakshmi". There has been a phased expansion of DWCRA Self-help groups in the districts and by the year 1994-95, these groups were extended to all the villages in the state covering 22 districts and 1100 mandals.

Self-Help Group and Grameena Bank Group Approach

Self-help Groups and Grameena Bank Groups are formed to create saving habits. Both the systems are formed to provide financial assessment especially for women. Hence, these groups are involved in the empowerment process of rural women which in turn help the department of rural areas. The concepts of these two systems are briefly explained below:
a) **The SHG System**: The eligible members form a group of up to 20 members. The process of group formation may be facilitated by an NGO or by the Micro Financial Organizations (MFOs) or bank itself, or it may evolve from a traditional method of Rotating Savings and Credit Associations (ROSCA) or other locally initiated grouping. These groups save small amount every month NGOs, MFOs or Bank given micro-credit to these groups in the form of loans.

The functions performed by the SHG are almost the same as required by the Grameen System, but they perform these functions on their own, since the SHG is effectively a micro-bank, carrying out all the familiar intermediation tasks of savings mobilization and lending.

The members maintain their accounts through the SHG, but not through the MFO or bank and the MFO or bank will not have any direct dealing with the members. The MFO or bank may assist the SHG in record keeping and they may also try to inform the other members of the group and it can also impose certain conditions on the uses of the loan. However, the SHG is an autonomous financial organization in its own right.¹²

The idea of forming SHGs has emerged mainly from three channels they are the Department of Rural Development through its Swarnjayanthi Gram Swarozgar Youjana (SGSY); the department of forests through its various projects, and the NGOs with the support of NABARD with the mandate towards economic empowerment of women.¹³
b) The Grameena System

Potential clients are asked by the MFOs to organize themselves into groups each group consisting of five members, which are in turn organized into centers, ranging from five to seven such groups. The members make regular savings with the MFO, as per the fixed schedule and the members also eligible to take loans regularly. Every member saves some amount and loan accounts with the MFO, the main function of the groups and centers is to facilitate the process of financial intermediation by performing certain tasks which are explained in the following lines: 1) organization of regular and weekly meetings under the overall supervision of a worker of MFO, where savings and repayments are collected and handed over to the MFO worker who maintains the records; 2) organizing contributions to one or a number of group savings funds, which can be used by the groups for a number of purposes usually only with the agreement of the MFO which maintains the group find accounts 3) guaranteeing loans to their individual members by accepting joint and several liability, by raising group emergency funds and by accepting that no member of a group will be able to take a new loan if any members are in arrears; and 4) arising from the above, appraising fellow members loan applications and ensuring their fellow members maintain their regular saving contributions and loan repayments.¹⁴

It aimed to provide micro-credit to the poorest of the poor and move them towards capital accumulation and asset creation. Besides
credit, it encourages people to go in for better housing, education, environmental sanitation, health and nutrition as part of its commitment for overall social development.\textsuperscript{15}

c) The Difference between SHGs and Grameena Bank Groups

Most of the MFOs adopt group system to provide services to their clients. Otherwise, many well-informed observers and even some senior bankers in India and elsewhere appear to believe that the group system pioneered in 1979 by the Grameena Bank in Bangladesh is the predominant or even the only such system.

Group systems for micro financial services evolved in particular in Bangladesh (the Grameena Bank method) and in Latin America (solidarity groups and village banking), as well as in India (Self-Help Groups). While there are thus many variants, there are broadly two very different ways of using groups for financial intermediation. The two systems the Grameena system and the SHG system are familiar within the South Asian context.

Both the systems have their advantages and disadvantages but the practitioners need to be aware of the options that are available. Here an attempt is made to analyze and to explain each system and compare their sustainability, out reach and impact on the poor, including the empowerment impact and also the feasibility within the respective environments. The arguments relating to SHG and Grameena System are briefly summarized in the table-2.1 given below:
### Table 2.1

**Summary of the pros and cons of the SHG and Grameen System**

<table>
<thead>
<tr>
<th>Pros and Cons for clients</th>
<th>Self-help Groups</th>
<th>Grameen System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advantages</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Flexible</td>
<td>No need for literacy</td>
</tr>
<tr>
<td></td>
<td>No need for bank at all</td>
<td>No need for members initiative</td>
</tr>
<tr>
<td></td>
<td>Highly empowering</td>
<td>Protected from internal external exploiters</td>
</tr>
<tr>
<td></td>
<td>Members can save and borrow norms required by them as needed</td>
<td>Poorer people are included</td>
</tr>
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<td></td>
<td>Free to choose suppliers</td>
<td>Belong to and are supper: by the bank</td>
</tr>
<tr>
<td></td>
<td>No enforced loan ladder</td>
<td>Bank can offer a range of additional tailor-made services.</td>
</tr>
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<td></td>
<td>Can evolve from existing groups. ROSCAs, chit funds etc.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can access the full range of bank services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Can evolve into federations and cooperatives.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advantages for clients</td>
<td>Need management skills and time</td>
<td>Must meet frequently</td>
</tr>
<tr>
<td></td>
<td>Depend on good accounts</td>
<td>Little freedom or flexibility</td>
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<td></td>
<td>Can be captured internally or externally</td>
<td>Group composition is not wholly under members control</td>
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<td></td>
<td>Cash may not be secure</td>
<td>Pressure to borrow</td>
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<tr>
<td></td>
<td></td>
<td>Interest rates inflexible</td>
</tr>
<tr>
<td>Advantages for Banks</td>
<td>Lower transaction costs</td>
<td>Can resist subsidized schemes</td>
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<td></td>
<td>Can fit into any branch</td>
<td>Tighter control</td>
</tr>
<tr>
<td></td>
<td>Graduation easier</td>
<td>Standardized MIS</td>
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<td></td>
<td>Can build on existing groups</td>
<td>Standard procedures</td>
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<td></td>
<td>Savings mobilization easier</td>
<td>Easier to forecast need for funds</td>
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<td></td>
<td>Groups can absorb odium of expelling members</td>
<td>Can use lower grade staff</td>
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<tr>
<td></td>
<td>Hard to monitor</td>
<td>Higher transaction costs</td>
</tr>
<tr>
<td></td>
<td>May be tempted by other banks or by politicians</td>
<td>Need continuous guidance and presence</td>
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<td></td>
<td>Slow to develop</td>
<td>Need dedicated system</td>
</tr>
<tr>
<td></td>
<td>May form own federations</td>
<td>Hard to evolve and change</td>
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<tr>
<td></td>
<td>MIS more complex</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Need NGOs or highly committed staff to develop groups</td>
<td></td>
</tr>
</tbody>
</table>
Table – 2.1 (Contd...)

Summary of the pros and cons of the SHG and Grameen System

<table>
<thead>
<tr>
<th>Pros and Cons</th>
<th>Self-help Groups</th>
<th>Grameen System</th>
</tr>
</thead>
</table>
| Suitable conditions | • Existing bank network in rural poor areas  
• Diffused communities castes, wealth levels  
• Tradition of informal financial Services  
• Wide variety of scale and nature of investment opportunities  
• Some local leadership  
• NGOs and/or committed bank staff | • Very poor, homogeneous communities  
• Highly marginalized people with little opportunity and/or initiative  
• Few traditional informal financial mechanisms  
• Lack of financial intermediaries  
• Resource poor, little hope of graduation  
• Large number of small business opportunities  
• Few NGOs |

Source: Beyond Micro-credit; putting development back into Micro-finance; vistar publications.

Both systems are dominated by female members, but they differ in many other fundamental aspects, which have considerable impact on their clients and the organizations. Both the systems are also implemented in many ways depending on local circumstances.16 But in India, particularly the SHG model is very popular in terms of mobilization of credit, repayment of loans, organizational aspects etc.

Self-Help Group Model /

Activities for poverty alleviation in most cases adhered to fund-based development approach where there was little space for importing people’s sense of ownership which affected negatively the sustainability of the initiatives. The economic vulnerable groups, therefore, were
forced to remain under-confident and the guarantee for security of their livelihood was found missing in the entire endeavour to eradicate poverty on Indian soil. It is considered that a majority of people are still living below the poverty line, it is true that the resources used for poverty alleviation and provision of subsidies in the name of poor have not been much effective in achieving the objective of poverty alleviation.

SHGs are formed as small functional groups in rural areas to increase the resource base of the members through the act of thrift and credit among themselves. To create quality groups, rural participation plays a pivotal role in identifying its members who are brought in the SHG-fold through the process of social Mobilization.17

a) Meaning of Self-Help Groups

SHGs can be defined as supportive, educational, usually change oriented mutual aid group that, attends to the problems of life and works for betterment of all the members or condition commonly shared by all members. Its purpose may be personal or to change the entire society or both.

SHGs are self managed groups of poor women which primarily came into existence to mobilize financial resources through their own saving and lend the same amongst themselves to meet the credit needs of their members. The present SHGs concept is an alternative strategy
to achieve the objectives of rural development and to mobilize community participation in all rural development programmes, SHGs is a viable organized set up to disburse micro-credit to the rural women for the purpose of making them enterprising women and encouraging them to enter into entrepreneurial activities. Credit needs of the rural women can be fulfilled totally through the SHG.  

SHG means small economically homogenous and affinity group of rural poor, voluntarily formed to save and contribute to a common fund to be lent to its members as per group decision and for working together to improve the social and economic conditions of their families as well as those of community. SHGs are: 1) a simply but effective method for the poor to help each other; 2) a voluntary group of rural poor who face similar situations and problems; 3) encourages small savings to (thrift) among members; 4) provides a forum for the members to solve their problems Indians collectively; and 5) the total number of members in group are usually between fifteen and twenty.

b) Formation of Self-Help Groups

The SHGs generally have members not exceeding twenty and each group selects among its members a leader called animator. The animator conducts two or three meetings every month in the evening hours. The group members save a regularly amount ranging from Rs.20 to 100 per month. The group rotates the money to the needy members.
for various purposes at a specified interest rate. As the repayment is cent per cent and recycling is very fast, the saving amount increases faster owing to the accumulation of income from the interest.

The SHGs are being linked with the banks for the external credit under the projects of rural development. The joint appraisal teams consisting of bank managers, rural development officers and NGOs project implementation units, visit the groups and select the beneficiaries proposed by the women groups for providing financial assistance to the different entrepreneurial activities.

1) Eligibility for Group Members

For the grouping the members there are some eligibility conditions like same sex locality, age limit, should be below poverty line etc., and these are given as follows:

1. The members should be women living within the same locality. Their income does not exceed Rs. 12,000 per annum.
2. Preference is for married women.
3. The member's age group is between 18-60 years.
4. The members should not have any poverty.
5. Schedule Caste women, widows, destitute, handicapped women, landless women and women live in slum area are given preference to join as members of SHGs
2) Rules and Regulations for the information of SHGs

For the information of SHGs there are some regulations. More members from same house are not allowed to form a group procedure for applying loan and repaying the loan amount, schedule and attendance of meetings etc., are explained below: 1) not more than one member from a single household which allows more beneficiaries and cover almost all house holds, 2) criteria and procedure for approving individual members loan applications i.e., loan is given to the members those who are in need and should repay every month, 3) procedure for electing group officers, length of term should be followed in order to elect good and eligible officer and the period of existence is also given to them, 4) attendance at meeting is compulsory to share the ideas and to know the information about loans, skill based training, resource management etc., 5) criteria and procedure for expulsion of the skills from the members of the group through training, meetings etc.21

3) Stages of Group Formation

In the formation of new SHGs, basically four stages are involved viz, pre-group formation, performance and self-sustaining stage. They are explained in following paragraphs.

i) Pre-group Formation Stage

In this stage, the SHG promoter visits the village frequently, gathers information about various facts of the village life, its
environment and people. During this stage the promoter also establishes a close rapport with villagers.

ii) **Formation Stage**: There are three phases in this stage:

1) **Forming**: In this stage, people come together informally and meet. They are encouraged to discuss their problems and solutions. During this stage, based on the felt-need, homogeneous group emerges naturally.

2) **Storming**: During this stage, conflicts between individual interest and group interest surface and are dealt with. The leadership emerges. The procedures, rules and roles are established.

3) **Norming**: In this stage, trust develops among group members leading to cohesiveness in the group as it provides finance, skill based training and improves decision-making power, leadership quality etc.

iii) **Performance Stage**

This is stage when the group becomes operational and starts functioning for the benefits of its members. Internal loaning starts taking place. Linkage with bank in terms of saving and loan account takes place.

iv) **Self-Sustaining Stage**

The mature state of a SHG is when it is sustained with growth in economic activities. SHG clusters and federations may be formed in this
These clusters involve the income generating activities and participate actively in increasing their income, skill development, asset position, capacity building etc, which in turn develop the rural areas.

d) Principles of SHGs

SHGs are built on two principles i.e., 1) Homogeneity and 2) Physical proximity. They are basically small associations of individual members, who come together for a common and collective purpose. These groups are also created to enable the member's purpose and to enable the members to reap economic benefits of mutual help, solidarity and joint responsibility towards self and suitable development.

e) Objectives of the Self-Help Groups:

The objectives of SHGs are: 1) inculcate saving and banking habits among the poor to make them economically standard, 2) secure them with financial technical and moral strengths which enable them to empower themselves, 3) enable availing of loan for productive purposes and repaying the loan through small installments, 4) gain economic prosperity by doing income generating activities and a self employment, 5) gain from collective wisdom in the financial matters in organizing and managing their own finance and distributing the benefits among themselves, 6) provide space and support to each other in doing the activities which increase their skill and economy.
f) SHG Functions

The SHG works according to their aims and objectives. To achieve them, SHGs implement some programmes and follow the work chart those are named as functions and these functions are listed as: 1) group members usually create a common fund by contributing their small savings on a regular basis, 2) groups evolve flexible systems of working (sometimes with the help of NGOs) and manage pooled resources in a democratic way, 3) loan application or requests are considered on the basis of members by the groups in periodic meetings and complete for the limited resources for investing in income generating activities, 4) loans are given mainly on trust with minimum proceedings with and without any security, 5) the loan amounts are small, frequent for short duration and are mainly for conventional purposes, 6) the rates of interest and the purpose of loan vary from group to group and the interest is higher than that of banks but lower than that of money lenders, 7) besides collecting money, social and economic issues are also discussed in periodic meetings, 8) defaults are very rare due to group pressure and intimate knowledge in the use of the credit.26

SHG provides a scope for collective management of funds and to develop the entrepreneurial activity, which is difficult if undertaken by individual members. The SHGs have been conceived in the form of saving and credit groups, joint farming groups, social forestry groups, trader groups and the like with emphasis on thrift cum-credit.
The registered or unregistered SHGs are allowed to open saving bank accounts with banks and decision has been communicated to all the banks so as to undertake saving activities at least for a period of six months prior to the establishment of credit linkage.27

g) Concept of Self-Help Groups

SHG is an association of people belonging to similar socio-economic characteristic residing in same locality and the SHGs are voluntary associations of people formed to attain some common goals. These groups, which have a similar social identity, heritage, caste or traditional occupations come together for a common cause and manage resources for the benefit of the group members. SHG is group of rural poor who have come voluntarily to organize themselves into a group for eradication of poverty of the members.28

SHG is basically homogeneous in nature. The members of the group came together for addressing their common problem. They are encouraged to save on a regular basis and the amount of saving is within the range of Rs.20-100. They rotate these common pooled resources within the members with less rate of interest. Each group has a leader who is called the president and secretary. They usually maintain records of transaction on daily basis in written format and that has been kept with the president or the secretary. Not only from the internal resources but also the members get loan in bulk amount from
mainstream banks, different governmental and non-governmental organizations, donor agencies through Micro finance Institutions (MFIs).\textsuperscript{29}

SHG is essentially a people oriented credit management system which responds to the specific requirements of emergent production and investment credit needs. These groups have exhibited a definite shift in their loan portfolio from consumption towards income generating activities with increased fund base and maturity.\textsuperscript{30}

To facilitate group process and to ensure transparency of operations, group meetings are regularly convened at a pre-determined place, date and time. The thrift amount is pooled during group meetings and distributes the same to members for the purpose of consumption, production or investment purposes on the basis of priorities fixed by the group members. The loans are need based and provide in time. The group members take collective decision on all matters keeping in view the welfare and prosperity of the members. More often, lending decisions like purpose, size, rate of interest and the duration of the repayment of loans are decided case by case, paramount consideration being given to needs and aspirations of individual borrowing members. The procedure for sanction of loan adopted by the groups is very simple and the loans are provided on the basis of mutual trust among the members.\textsuperscript{31}
The concept of SHG has caught up with the momentum of development. It is considered as the most powerful means to strengthen the socio-economic development of rural poor women through integrated approach. It was considered as a platform to provide opportunity to its members for overall development through group efforts. There is an exhaustive list of goals to be achieved through self-help programmes such as saving habits, credit for consumption and productive purposes, opportunities for entrepreneurship, functional literacy, developing leadership qualities, gender sensitivity and creating awareness about the socio-economic, political and cultural issues to the extent of initiating development programmes.\textsuperscript{32}

Nevertheless, it must be understood that the concept of self-help and mutual help is not alien to other formations but that it has only been relegated to the background. There is a definite scope to synthesize group based thrift and credit programmes with the SHG concept. To achieve this, special efforts are required to harmonize the group dynamics by providing for homogeneity in the membership, rotation of leadership, transparency in decision-making function of saving and credit cycles in the said groups. Here it must also be emphasized that such groups should be given complete autonomy with regard to fund management, credit discipline, prioritization and allocation of resources etc, as a prelude to synthesizing efforts, there is a need to prepare the groups to handle managerial responsibilities besides sensitizing all
functionaries concerned on concepts of SHGs. In essence, strength of
SHG concept lies in its democratic character, decentralized decision-
making, financial discipline coupled with sound systems and
procedures, lending transparency to all its transactions.  

b) Types of SHGs

The SHGs organized in Andhra Pradesh can be broadly classified
into the following three categories: 1) SHGs having a direct bearing on
income generation. 2) SHGs focusing on natural resources
management and development and 3) SHGs effecting reduction in
human poverty.

Role of SHGs in Rural Development

The SHGs are a viable alternative strategy to achieve the
objectives of rural development and to mobilize community participation
in all rural development activities. In this context, it is very important to
note that the concept of SHG in the state enhances 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, the involvement of people becomes
essential. Hence, the concept of SHGs is useful to encourage rural poor
women to take part in the socio-economic progress of our nation.

In the context of rural development the important role played by
the SHGs are explained in the following points:
1. Creating economic self-reliance among rural poor by meeting consumption as well as production needs as and when they arise and this will prevent exploitation of the poorer sections from non institutional credit sources.

2. Development of group dynamics, building leadership qualities to realize their potentialities and self-belief.

3. Assisting the members to complete the formalities and documentation required to obtain credit from banks.

4. Helping banks in recovery of credit by motivating members for prompt repayment of loans.

5. Procurement of high cost inputs can not be bought individually but they should be bought only through groups.

6. Training of members in the use of extension services

7. Building common infrastructure for the benefit of its members

8. Resolving problems of the group members which are very difficult to fight against it as individuals.

9. Strengthening the group members through skill based training programmes and developing socio-economically.

10. Giving effective support and care for each individual through micro-finance.

11. Improving the status and capacity of the members in the form of skill development or training.
12. Providing opportunity to the members of the group for overall development of rural.

13. Providing space for accommodating the evolution of the thinking process of women and thereby empowerment and social change.


15. Peer learning i.e., learning by the members from each other in a group and SHGs, which in turn leads to collective progress.

16. Creating awareness among the members about their present social position in group as well as in society.

17. Motivating all members to participate in rural development.

18. Increasing self-confidence of the group members through awareness programmes, capacity building programmes.

19. Improving the literacy level of the group members by adult education and non-formal education programme.

20. Facilitating group to identify appropriate income generating activities for the members.

21. Helping poor people in the village by motivating them in participatory development of rural areas.

22. Allocating responsibility to every member in order to develop the facilities of each member.

23. Securing government or NGOs help for the purpose of providing common facility for the village like construction of water tank, well, bridges, roads, etc.
24. Organizing common plan of action in the village for the purpose of tree planting, road laying, organization of free medical campaigns, renovation of school buildings etc.\(^{39}\)

4.11. Micro-Finance through Self-Help Groups

There is an effective demand for credit because poor people borrowing money from the lenders for their needs and for the purpose of small investments. The income from small investments is not enough to repay the loan amount because the lenders are charging more interest on the borrowed amount. However, financial intermediation is not only for lending, but also to minimize their poverty by raising their income i.e. the sources of funds should be as sustainable as their use.\(^{40}\)

Micro-finance or provision of financial services for the low income households has been accepted in principle as a policy and considered to implement in developing countries as the most important intervention to alleviate poverty. According to the accepted definition, the purpose of micro-finance institutions is to provide, credit and other financial services particularly to the poor in rural and urban areas for enabling them to raise their income levels to improve their living standards. Even though it includes the initiatives made by both formal and informal sectors there is an increasing tendency to use the term micro-finance only by the institutions.
a) Concept of Micro-Finance

The idea of micro-finance is based on the philosophy of organizing poorest of the poor into SHGs and to make them to realize the very basic "theory of survival". It was initiated by Prof. Muhammad Yunus of Bangladesh and the success achieved by Grameen Bank, Bangladesh has given a new impetus to the concept of micro-credit for socio-economic empowerment of rural poor in the developing countries including India.41

Micro-finance has been considered as a significant contribution for both the saving and borrowing of the poor in the country. The main purpose of micro-credit is for direct investment. While the presence of micro-finance has increased the barrowing capacity as well as options for the poorer people, it seems that, it has not yet significantly affected the terms and conditions of different informal credit providers.42

b) Micro-finance in India

In India, the micro-finance movement was formally launched in 1992 after the intervention of the National Bank for Agriculture and Rural Development (NABARD) which launched various pilot projects, to linking SHGs with banks.43

There is a diversity of approaches to the concept of micro-finance in India, and the involvement of banks, government agencies and NGOs were made compulsory. However, most of these approaches are used as intermediaries for financial transactions, the
models established for the delivery of micro-finance may be broadly classified as the SHG model and the Grameen replication model (Grameen). Mutually Aided Cooperative Societies (MACS) can be included in the SHG category as the primary cooperatives often consist of smaller type of SHGs which are expected to be relatively autonomous.44

The SHGs are the latest breeds of the micro-finance industries in India and proved beyond doubt that they are the fastest growing and most cost-effective micro-financial initiatives in the world. In India there have been many significant state initiatives in the major institutional and policy spheres since the early 1990’s to promote SHGs and their micro-finance activities.45

c) Role of SHGs in Promoting Micro-Credit

The banks being commercial organizations were initially reluctant to reach the large number of poor strewn all over the country requiring access to credit. Hence, the grassroots level initiatives have become a necessary concept through several voluntary organizations/ NGOs to overcome the reliance of the Banks. The banking institutions have come forward to utilize the services of the existing voluntary organizations in a selective manner on the basis of an assessment of capability of each such organization. In several parts of the world, NGOs have demonstrated that promotion of SHGs of persons with some basic traditional skills for undertaking different kind of income generating
activities could foster proper grassroots level initiatives for motivating the banks to extend credit support to such groups at the appropriate juncture.

Micro-credit dispensation by SHGs has evoked serious discussions and deliberations because the micro-credit system has brought a kind of silent revolution relating to the financing of the poor.

It was recognized that significant instrument of promotion in India in the field of rural development in a sustainable manner has been the SHG approach and its linkage with banks. Micro-credit still forms a small proportion of the total bank credit; however, it is observed that, still it can be considered as insignificant at the macro level. But this does highlight an area which needs increasing attention to meet the challenges of development. This view is vindicated by the remarkable success of SHGs formed in the last two decades in different parts of the country. It has been demonstrated that the methodology of participatory poverty alleviation through SHGs is one of the most effective means in line with the present process of economics reforms based on the policy of decentralization. SHGs are cohesive and are characterized by a strong sense of ownership, voluntary participation, diversified management, leadership skills and provision of ongoing support services for meeting emergent credit needs of its members as decided by the group.46
d) Advantages of Micro-Finance through SHGs

Micro-financing has been considered as an effective strategy for formal financing agencies. Moreover, group lending minimizes transaction cost and at the same time the members of a group can avail small loans. The chance of mis-utilization is minimal and there is assured repayment because of peer monitoring by the group. The group concept has enabled the rural poor to develop the savings habit and minimize extravagance.

The system has been found beneficial for the SHG members because of minimal procedural formalities, access to institutional credit without collateral offering full autonomy in the selection of activity and the availability of thrift for meeting urgent needs. The skills needed for filling the application forms and the absence of procedural formalities have made the programme customer friendly. Besides, the flexible repayment schedule enables them to repay as and when it is convenient. The groups look that the repayments is made promptly, as they are likely to get repeat loans. The size of micro-finance, supplementary income generating activities undertaken by the members defy the conventional standards of unit cost as well as unit size as prescribed by banks and government departments. The smaller unit allows women to undertake the activities of their choice particularly during their spare time and contribute for the enhancement of household income.
e) Impact of Micro-Finance through SHGs

The concept of micro-finance in providing financial assistance to SHGs particularly after the intervention of NGOs with the support of the government indicated positive impact on rural poor women. It has become a powerful instrument in extending access with the banking services to the poor and also in mobilizing their small savings. Many studies highlighted that SHGs have inculcated saving habits among the poor, enable the rural households to take up larger productive activities, empower the poor women and decrease the dependence on exploitative local money lenders. A study conducted by NABARD, clearly indicated that there has been perceptible progress in assets, borrowing capacities income generating activities, income levels and increase in savings. The positive impacts of micro financing are analyzed in the following paragraphs:

(i) Increased savings: SHGs helped to generate and collect small savings from rural women who were hither to consider incapable of having any capacity to save. The regular savings, though they were small, provided a fund for rural poor women to use when in need otherwise, they have to depend on lending from others. The SHGs inculcated the habit of regular savings among poor women.

(ii) Access to Credit: The SHGs have extended the credit facilities to the needy women/households who do not have assets to pledge. The system of group guarantee combined with individual responsibility is the
innovation that has enabled the credit extended to millions of poor and asset less women across the country. The SHGs facilitated the rural women to fulfill their credit requirements for both meeting emergent consumption needs as well as small production requirements. This has been achieved without requirements of collateral, complex loan and at a low lot transaction cost.

(iii) Regular Repayment of Loan: The SHGs are in a position to establish social, collateral and peer pressure to ensure that payments are made in time. The concept of SHG has been successful in improving their markets facilities without help of financial intermediaries or money lenders. The ethic of repayment of SHG has radiated beyond that circle in the economy due to the improvement in overall loan recovery Commercial bank branch in areas where SHGs has been functioning.

iv) Choice of Appropriate Avocations: The selection of the productive activities by the borrower is purely of their own choice and hence the rate of success among SHGs members is very high. This is perhaps, the cent per cent repayment of loan and also increase in their living standards.

v) Commercialization of Economic Life: In order to earn money the members of SHGs have to necessarily increase commercial production which was formerly produced for domestic consumption or for gifts now
began to produce for marketing after the information of the SHGs. The system of sanction of loans and repayment invariably encourages production on commercial principle. This has resulted in the growth of market and development of the spirit of capitalism.

vi) Secular Capitalistic Ethic: The SHGs are formed mostly among the women of same religion and inter caste people. The successful SHGs are found among Muslims, Hindu, Christians and Buddhists. Besides, micro-credit system adopts strict discipline as far as of savings and repayments represent a much needed shift from patron client relation to impersonal market relation of capitalization.

vii) Changed Life Style: The longstanding SHGs brought attitudinal change among their members. By making their activities commercial, the SHGs created a sense of productive partners among members. They are trained in discharging group responsibilities. Though majority of them are illiterate they have learnt keeping accounts. The SHGs imbibed in them the sense of democratic spirit and secular approach. These attitudinal change of women have brought perceptible change in social, cultural and political life of the rural folk.47

f) SHGs and Problems of Micro-Finance

Although there is a remarkable success of the functioning of SHGs and micro financing, however, the movement has its own constrainsts. They are discussed briefly in the following paragraphs:
i) **Small scale Operations:** The SHGs collects a meager amount from the members for the purpose of mobilizing savings and loan advance. There is a need to their activities because their performance cannot be measured primarily in terms of the repayment rate and continuity and sustainability. The upscaling of their financial services warrants the consideration of certain vital development issues like efficiencies, productivity and opportunity cost of using the financing resources.

ii) **Winners and Losers:** The success of women SHGs can be judged by her conformity to norms of regular savings to SHGs, timely repayment, work to earn income, the ability of control over the household and particularly the expenditure of their husband. This being the case there are many women who may be called as winners and also some women who are losers. There are instances of women who borrowed at high rates interest from money lenders in order to maintain SHGs repayment commitments relating to their SHGs. This is because when thousands of women start the commercial production of goods and services in the same line. This process has become inevitable because some members are not able to find market for their products in getting profits. Those who fail to get profits will be treated as failures among them and they are labeled as losers. Equality of opportunities does not yet yield equality of well being.
iii) **Lack of Sustainability and self Sufficiency:** Majority of the SHGs are too small in number and since their business is not viable because most of the members are very poor. When the groups attain the self-sufficiency and sustainability in all respects then such groups are usually formed among the poor people, who clustered just above the poverty line. Hence there is trade off between sustainability and to know about the poorest of the poor. A few studies suggested that the financially self-sufficient and sustainable SHGs do not serve the poorest borrowers. Many of the SHGs are still depending on subsidy or grant from the donor agencies or funds from the external agencies.

iv) **No Security:** The SHGs work on mutual trust and confidence of the members because there is no security and safety for their deposits. More ever, the SHGs are not allowed to accept deposits from non-members because there is no statutory redressed mechanism to resolve disputes.

v) **Poor Impact on Income and Employment:** The SHGs are successful in imbibing banking habits among their members. But the impact of micro-financing on the income, employment and levels of living of the members is marginal. Most of them are not able to cross the poverty line because it requires an additional injection of investments.⁴⁸
SHG-Bank Linkage

One of the most notable milestones achieved in the SHG movement was when NABARD launched a pilot phase of the SHG bank linkage programme in February 1992. This has been considered as the first stage for the SHGs in establishing bank linkage and since then, these groups were directly financed by the commercial banks. Further, the informal thrift and credit groups of poor were recognized as bankable clients. Soon after, Reserve Bank of India (RBI) advised commercial banks to consider lending to SHGs as part of their rural credit operations for creating SHG bank linkage. The linking of SHGs with the financial sector was good for both sides.49

The micro-finance scene in India is dominated by SHGs bank linkage programme for over a decade now. As the formal banking system already has a vast branch network in rural areas, it was perhaps wise to find ways and means to improve the access of rural poor to the existing banking network. This was tried by routing financial services through SHGs formed as grassroot level institutions developed for socio-economic and financial intermediation for focusing on the poor. Over the years, SHG bank linkage model has emerged in India as a core strategy for the banking system to extend their outreach to the poorest among poor.50 (A clear picture of the SHG-bank linkage model is given in chart-3).
Fig. 4.1: A Model of SHG – Bank Linkage. Source: Sabyasachi Das, Kurukshetra, August 2003.
a) Objectives of SHG - Bank Linkage

With a view to evolving supplementary credit strategies for reaching the rural poor in the rural areas such as, the landless agricultural labourers, rural poor women etc., in a transparent and a cost effective way NABARD has introduced in 1992-93 a pilot project for linking SHGs with banks. The concept of SHG has further helped to develop an alternative credit system administered by the clientele themselves, who have organized themselves into self-help groups. Thus an informal credit system was evolved with assistance from formal financial institutions. The agencies involved in this process include NABARD, Banks, NGOs and SHG members. The main objectives of the SHG bank linkage are explained below: 1) to provide supplementary credit to SHGs in the form of loans, 2) to reduce the transaction cost for both banks as well as SHGs by limiting paper work, 3) to build natural trust and confidence between banks, NGOs and rural poor, 4) to mobilize small savings among poor rural poor women, 5) to create healthy relations between SHG members and with the linking agencies, 6) constant supervision and monitoring by banks through NGOs. 52

b) Principles of SHG - Bank Linkage Scheme

The broad principles followed under the SHG Bank Linkage Scheme are as follows; 1) savings has been considered as the first priority to the SHG members and the will be given on the basis of savings, 2) savings are involved as partial collateral to the credit
c) Different Models of SHG Linkages

There are three models of credit linkage for SHGs with banks. They follows:

(i) **Model-I**: In this model the SHGs are formed and financed by banks. Further, the banks themselves take the responsibility of forming and nurturing the groups opening of savings accounts and to provide bank loans. Since the bank loans increases, this reflects increased role of banks in promoting and nurturing of SHGs.

(ii) **Model-II**: SHGs formed by formal agencies other than banks, NGOs and others, but directly financed by banks. However, NGOs and formal agencies Act only as facilitators in the field of micro-finance. They facilitate organizing, forming and nurturing of groups, and train them in thrift and credit management. Banks also provides loans directly to these SHGs.
(iii) **Model-III:** In the third model all the SHGs are financed by banks through NGOs and other agencies as financial intermediaries, where in the NGO taken an additional 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. In areas where a very large number of SHGs have been financed by bank branches, intermediate agencies like federations of SHGs are coming up as links between bank branch and member SHGs. These federations are financed by banks that, in turn, finance their member SHGs.\textsuperscript{54}

d) **Cumulative Progress of SHG-Bank Linkage**

The performance of bank linking with SHG system has been increasing year by year. About 620,109 new SHGs were financed during 2005-06 where as 539,365 SHGs were financed by banks during the year 2004-05. The cumulative number of SHGs credit linked with banks was increased to 2,238,565 during the year 2005-06. This shows that there is considerable progress in the SHG-Bank. The number of SHGs linked with banks was continuously increasing from 2001-02. The cumulative progress of SHGs and bank finance to SHGs are indicated in the Table-2.2 and shows that the number of SHGs as well as bank finances are increasing every year.\textsuperscript{55}
Table-2.2

Cumulative Progress of SHG - Bank Linkage (2001-2006)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHGs</th>
<th>Percentage of increase of SHGs</th>
<th>Bank Finance to SHGs (Rs.million)</th>
<th>Percentage of Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>461,478</td>
<td>-</td>
<td>10,263</td>
<td>-</td>
</tr>
<tr>
<td>2002-03</td>
<td>717,360</td>
<td>55.45</td>
<td>20,487</td>
<td>99.62</td>
</tr>
<tr>
<td>2003-04</td>
<td>1,079,09</td>
<td>133.84</td>
<td>39,042</td>
<td>280.42</td>
</tr>
<tr>
<td>2004-05</td>
<td>1,618,45</td>
<td>250.71</td>
<td>68,985</td>
<td>572.17</td>
</tr>
<tr>
<td>2005-06</td>
<td>2,238,56</td>
<td>385.09</td>
<td>113,975</td>
<td>1010.54</td>
</tr>
</tbody>
</table>

Source: NABARD Annual Report, 2005-06.

4.13. Advantages of SHG

There are many advantages from the SHGs to the members, banks and NGOs. The SHGs provides many benefits to the members for their overall development as well as empowerment. For the banks, the SHGs reduces the transaction cost as well as the full refinance facility from NABARD for better management of funds by the NGOs in performing as financial intermediaries as well as gaining recognition as agents of socio-economic change. More particularly the important advantages from the concept of SHG are explained in the following three ways.

a) Advantages for Members

The SHGs provided various advantages to the members. They are indicated below. 1) the members of SHG discuss with one another
and help to solve their ion problems, 2) the SHG members collect and use own savings and lend interest bearing small loans to each other, 3) the SHG members are trained to learn basics of financial intermediation, 4) the SHG members are given training to learn to appreciate the needs of others and prioritize their own needs, 5) they are educated in handling resources of a size much beyond their individual capacities, 6) they are make to realize that resources are scarce and that they have a cost, 7) if they adopt regular saving habits, repayment is not difficult, 8) the SHG use peer pressure on the members as an effective substitute for collateral security, 9) the members of SHG win the confidence of the formal banking system through mature financial behaviour, leading to further access to need based funds, 10) the SHG concept maintains the regular interaction with the external environment in a meaningful way, which in turn increases self esteem and confidence among the members 56, 11) the SHG concept inculcates the spirits of self-effort and self-reliance, 12) it raises the level of consciousness on the burning issues like socio-economic status, health, education, sanitation etc. 13) SHG fosters the spirit of co-operation; and 14) provides insurance coverage to its members. 57

b) Advantages of Banks

Given below are the advantages for the banks from the SHGs are: 1) banks are spared from the transaction costs by giving loans to SHGs, 2) banks learn how to externalize credit supervision and services
to the NGOs or to the SHGs, 3) banks can get benefit from mobilizing the amount of small savings through SHGs and gaining access to low cost funds, 4) SHGs give an excellent substitute for collateral security through peer pressure and this leads to get more than 95 per cent of repayments from the beneficiaries, 5) banks get timely repayments through small investments every month from the members of SHG. This helps banks to speedup the recycling of funds, 6) banks recognize that SHGs are the appropriate medium for expansion of business of rural branches for wider coverage of clientele, 7) banks can build up goodwill among the rural people by improving the quality of their service in the field of rural development, 8) benefit from full refinance facility from NABARD for better fund management.

c) Advantages for NGOs

The main advantages derived by the NGOs with concept of SHGs are indicated below: 1) NGOs can find SHGs as complimentary to their core functions through giving assistance to the members for all round development, 2) NGOs use the impact of socio-economic development programmes for better development of rural areas, 3) NGOs can be deep and wide through the outreach of credit approach to the rural poor, 4) NGOs gain as agents of socio-economic change in the development process of rural areas, 5) NGOs play an important role for the financial intermediation between the government and rural people in implementing rural development programmes, 6) NGOs play an active
role as meaningful agents between banks and the poor through motivating the people and mobilization of funds.\footnote{NGOs can perform the role as propagators of innovative financial services delivery approaches.}

**Women Empowerment through SHGs**

Women in India still perform only their traditional roles in their houses and in agriculture. They do not engage themselves in any of the economic activities without assistance from their men folk due to socio-cultural, traditional practices and conventional taboos. The development of women entrepreneurship is very low in our country. This is absolutely true in the case of rural women. However, the Women in urban areas are slightly enjoying better status in the society.\footnote{Empowerment is a multi-dimensional social process that helps people to gain control over their own lives and communities as well as the society over on issues that they consider as important. Empowerment occurs within sociological, psychological, economic spheres and at various levels, such as individual, group and community. Empowerment of women involves many things like economic opportunity, property rights, political representation, social equality, personal rights and so on. Empowerment by means of education, literacy or modest income generating projects in clearly insufficient to ameliorate the prospects for a higher quality of life for women.}

Empowerment is a multi-dimensional social process that helps people to gain control over their own lives and communities as well as the society over on issues that they consider as important. Empowerment occurs within sociological, psychological, economic spheres and at various levels, such as individual, group and community. Empowerment of women involves many things like economic opportunity, property rights, political representation, social equality, personal rights and so on. Empowerment by means of education, literacy or modest income generating projects in clearly insufficient to ameliorate the prospects for a higher quality of life for women. The
process of empowerment is taking place at so many levels that is quite
difficult to gauge the actual nature and extent of empowerment in
improving the status of women particularly in rural areas.

The ground realities relating to women in rural India are difficult to
comprehend. The fundamental rights of women, most often are
deprived by men and this denial is justified often in the name of
tradition. In rural areas, women are generally relegated mainly to
household duties and cheap labour. They are not perceived as
substantial income generating source. Without the power to work and
earn a good income, their voices are silenced, as they are economically
dependent and have no capacity to work and earn to live
independently.60

Economic Development plays an important role in the
developmental and growth of any society. The importance of promoting
women to engage themselves in economic activities is being
increasingly realized in all developing countries. The need is two fold:
1) to empower women by bringing them into the mainstream of
development and improving their economic status; and 2) to provide
new employment opportunities by way of income generation, self
employment and entrepreneurship for women from different socio-
economic sectors.
The World Bank Report (1999) has observed that "Women are central to success of poverty alleviation efforts in the short and medium ways of development process. The goals of poverty reduction and empowerment of women can be effectively achieved if poor women could organize themselves into groups for community participation as well as for assertion of their rights in various services related to their economic and social well being."  

4.14. a) Role of SHGs in Women Development  

The roles of SHGs in the field of women development are explained in the following points:

1. SHGs enhance the equality of status of women as participants decision makers and beneficiaries in the democratic, economic, social and cultural spheres of life.

2. Involvement of women in all stages of socio-economic activities has become essential and the SHGs encourage women to take active part in all round development of our nation.

3. The SHGs encourage all the possible energies of women in moulding the community in right perspective and explore the initiatives of women to take up entrepreneurial ventures.

4. The SHGs also made sincere efforts by providing training opportunities and empower women to take active part in the all-round development of the rural areas and make them sensitized, self made and self disciplined.
5. It is possible under SHGs concept to remove the social limitations of women by superstitions and its contribute to enhance for their dormant role in decision-making at all levels; and

6. These groups have inculcated a sense of confidence in the minds of rural women to succeed in their day-to-day life.\textsuperscript{62}

\textbf{Role of SHGs in Social Development}

According to 'Gore' Social development is a "plea for the integrated view of the scope of development which should embrace development in all aspects". It is something more than merely economic plus environmental development. It should mean growth and development in all aspects which ensure equality, status, security and complete physical, mental and social well being of the target group. The social status of women is a reliable indicator of the social development of a society.\textsuperscript{63}

1. The roles played by the SHGs in social development of rural women in a country like India are explained in the following points:
   Imbibing concept of "We for Ourselves" among women.
2. It brings unity among women and reduces the differences of caste, religion and other discriminations faced by them.
3. The concept of SHGs will improve the social awareness among women as well as awareness in family and health.
4. It involves women constantly to fulfill the basic needs of people living in rural areas.
5. The SHGs encourage women to participate in democratic activities through the Panchayati Raj system particularly after 73rd constitutional Amendment Act.

6. It can also encourage women to participate in eradication of social problems like dowry, violence against women, child marriage, child labour etc.

7. Providing basic education to the female child and encouraging women to educate them.

8. Creates awareness to women on legal rights and access to legal aid, and

9. Liberating the rural women from exploitation and empowering them through capacity building activities.

Promoting Self-help Groups

The innovation of SHGs was in forming groups exclusively of the poor, having small group size and convincing formal banks to lend to them. It has been realized that group approach is relatively more effective and sustainable to initiate and implement development efforts. However, the poor may not be able to form the groups by themselves to command sufficient strength. Therefore, different kinds of promotional agencies have come into existence which functions as catalyst and facilitators for these groups. This includes not only government, NGOs, but several professional and development agencies.
Thus both governmental and non-governmental sectors have been instrumental in promotion and nurturing of SHGs. The institutions' promoting such groups is called Self-Help Promoting Institutions (SHPI). SHPI is play a vital role in mobilizing the poor in groups, nurturing them a building their capabilities in group processes, functional areas of management, skill development, technology, upgradation, market support etc., The groups have guided to improve the standard of living conditions of the members of SHG through involving them literacy, health and nutrition, housing and sanitation, ecological conservation and restoration programmes. The following table-2.3 explains the increasing role of SHPI in various stages for the development of SHG and the main activities undertaken to improve the performance of the at each stage.
### Table-2.3

**Stages of SHG Development and Role of SHPI**

<table>
<thead>
<tr>
<th>Stage of Development</th>
<th>Role of SHPI</th>
<th>Focus of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-formation</td>
<td>Initiator/Promoter</td>
<td>Identifying the poor through participatory rural appraisal methods in small hamlets/ villages/ towns.</td>
</tr>
<tr>
<td>Formation</td>
<td>Facilitator</td>
<td>Motivation to form groups, select group leaders, develop rules and norms, conduct meeting, pooling of savings, issue and collection of small loans, group cohesion, adjustment system and accounts.</td>
</tr>
<tr>
<td>Stabilization Phase – I</td>
<td>Advisory/Managerial</td>
<td>Leadership stabilization, training of leaders, members, regularize and increase savings handling of groups level transactions, informal interactions with other groups/clusters, addressing community interests. Stabilizing the process of issuing and repaying loans, handling/helping defaulters to repay, sourcing loans for groups through formal credit system, etc.</td>
</tr>
<tr>
<td>Phase – II</td>
<td>Advisory/Managerial</td>
<td>In addition to above activities, initiation of income generating programmes, linkages with banks, support for new groups, demonstrative effect on others to form groups.</td>
</tr>
<tr>
<td>Growth and Expansion</td>
<td>Advisory/Managerial/Consultative/Institution buildings</td>
<td>Strengthen linkages with banks, creation of assets for the groups and members, spreading concept, building and promotion and federation of SHGs.</td>
</tr>
</tbody>
</table>


### Self-Help Groups (SHGs) in Andhra Pradesh

In Andhra Pradesh, self help movement through savings has been taken up as a mass movement by women. There are about 9.83 lakh women SHGs in Andhra Pradesh covering nearly 101.89 lakh rural poor women. The SHGs are not only resorting but are also taking small
loans out of the corpus available with the group. An amount of Rs. 4025.55 crores is mobilized as corpus among these groups and the savings of these SHGs have an accumulated Savings Rs. 1962.50 as on March, 2009. The state government has taken several initiatives to extend financial support to these groups. During the financial year 2008-09 Rs.11037 crores has been targeted as loan mobilization under SHG Bank linkage program and an amount of Rs.7203.53 crores has been mobilized up to March 09.

Self sustaining movement

The members of SHGs are poor with low or nil saving capacity, and who depend on moneylenders or private sources to meet their expenditure and other obligations. During the group meetings, the thrift amount is pooled and given as loans to members for utilization, production or investment purposes based on the priorities determined by the group. The group members keeping in view the interests and prosperity of the member take a collective decision regarding all matters. These groups play the role of a mid-wife or money lender.

The table 2.4 gives district wise SHG details in Andhra Pradesh.
<table>
<thead>
<tr>
<th>S. No</th>
<th>District</th>
<th>No. of Mandals</th>
<th>No. of VO's</th>
<th>No. of SHG Groups</th>
<th>No. of SHG Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adilabad</td>
<td>59</td>
<td>2,022</td>
<td>31,994</td>
<td>367,616</td>
</tr>
<tr>
<td>2</td>
<td>Anantapur</td>
<td>70</td>
<td>3,894</td>
<td>48,433</td>
<td>473,771</td>
</tr>
<tr>
<td>3</td>
<td>Chittoor</td>
<td>74</td>
<td>10,742</td>
<td>57,358</td>
<td>589,174</td>
</tr>
<tr>
<td>4</td>
<td>East Godavari</td>
<td>67</td>
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<td><strong>62857</strong></td>
<td><strong>983650</strong></td>
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Source: Society for Elimination of Rural Poverty
As on June, 2010
SHG Bank Linkage in Andhra Pradesh

The SHG Banking Linkage pilot Programme was initiated in the year 1992 which tried to facilitate the flow of bank credits to SHGs. The pilot phase was followed by the setting up a working group on NGOs and SHGs by the Reserve Bank of India in 1994 which came out with wide ranging recommendations on SHG and bank linkage as a potential innovation in the area of banking with the poor.

The progress of the Self Help Group movement in India so far has been promising. It has reached out to nearly 40.95 million households over the last decade. It has shown that the poor can organize themselves and do things to promote their well-being.

NABARD-SHG Bank Linkage

NABARD has played a notable role not only in promoting SHGs but also instrumental in making bank linkage as a part of commercial banks in their mainstream banking function since banks as formal credit agencies have the necessary resources, there is also the willingness on their part to provide credit to people with limited means as the viability is not in doubt. The linking of SHGs with the financial sector was good for both sides.

The performance of the SHGs has been extremely encouraging and has a tremendous social impact. SHG as a model
for raising socio-economic standards, level of empowerment of the rural poor women has now reached a stage of irreversibility with increasing involvement of Government and non-government machineries and agencies experimenting various initiatives directed at fighting impoverishment.

The rural poor may not be able to form groups by themselves to command a sufficient strength to approach and negotiate with external agencies like banks for funds. With a view to make thrift and credit activities meaningful for economic empowerment, the groups are gradually encouraged to deploy their funds in investment or income generating activities. With all these benefits, as of now the total disbursement of credit is very limited and the per-household credit made available is very small. If a serious impact on the economic conditions of the rural poor has to be made, a much larger flow of credit to support a much broader production base is required. It is towards this objective the SHG-Bank Linkage Programme need to be taken forward. These groups have to graduate into promoting micro enterprises. Though micro enterprises are not a panacea for the complex problems of chronic unemployment and poverty, yet promotion of micro enterprises is a viable and effective strategy for achieving significant gains in income and assets for poor and marginalized people. The Table 2.5 gives the district wise details of the SHG-Bank linkage in Andhra Pradesh.
Table 2.5

District Wise Potential of SHG-Bank Linkage in Andhra Pradesh

<table>
<thead>
<tr>
<th>S. No</th>
<th>District Name</th>
<th>Total No. of SHGs</th>
<th>Eligible No. of SHGs</th>
<th>Eligible Loan Amount (Rs Crores)</th>
<th>1st Linkage</th>
<th>2nd Linkage</th>
<th>3rd Linkage &amp; above</th>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>No. of SHGs</td>
<td>Loan Amount (Rs Crores)</td>
<td>No. of SHGs</td>
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<td>2,237,500.00</td>
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<td>2,660,500.00</td>
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<td>6,160</td>
<td>3,080,000.00</td>
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<td>Guntur</td>
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<td>5,986</td>
<td>2,993,000.00</td>
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<td>Kadapa</td>
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<td>3,511</td>
<td>1,755,500.00</td>
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<td>1,897,500.00</td>
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<td>1,804,000.00</td>
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Source: Society for Elimination of Rural Poverty
As on June, 2010

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The government of Andhra Pradesh is committed to social and economic empowerment of women. It has adopted micro credit as a tool to attain the same and had taken the SHG-Bank Linkage program as a mass movement since 1998-99 onwards in the State to achieve the goal. Various training and capacity building programs have been conducted on production, packing, marketing, micro credit and utilization of loans etc., to women SHGs. In addition to the above regular skill development training programs are being organized for giving value addition to SHG products, to develop skills among women on marketing, packaging, etc. Due to the efforts of the government more than 3.50 lakh women SHGs have availed loans from banks and other financial institutions and improved their economic status. Some of the groups have availed the loans 2 to 5 times.

The SHGs have taken up various income generating activities by availing themselves of the facility under SHG – Bank Linkage program and increased their production to the extent that it supplies to the entire country. Recently the women SHGs have got orders for their products from other countries such as Srilanka, Malaysia etc.,

The SHG women have actively participated in fairs, melas or exhibitions organized at state, national and international level and are able to market their products though Internet. Well-known
companies viz., Hindustan Lever Limited, Food World & Apna Bazaar have come forward to tie-up with the SHGs and market their products. The government (vide G.O.Ms.No:398, Dated:03-07-2002 Revenue Department) waived the Stamp Duty on all the loan documents executed by SHGs for accessing loans from the banks and other financial institutions under SHG Bank Linkage Program in the State. Sales tax is exempted in case the SHGs conducting the sales of SHG products.

The income generating activities taken up by the SHGs and access to the banks and financial institutions attracted the attention of not only other States but at international level also. Many dignitaries from other states and other countries visited Andhra Pradesh and praised the SHG movement and implementation of SHG-Bank Linkage program in Andhra Pradesh. The other State governments are also taking the practice as a model and are sending teams to study the implementation of the program with an aim to implement in the same way in their states.
References


58. Leelamma Devasia, and Jancy Antony, 'Social Development Issues


76. Ibid, p.8.


