GENESIS AND GROWTH OF SHGs

Throughout history, people have formed groups with others who have something in common with them, and oppressed people have joined together to overcome the conditions they face. Self Help groups, as we know them, go back at least to the 1930s, when Alcoholics Anonymous started in USA. While self help groups have distinct characteristics, the philosophies of the self help movement overlap with various other ways of working. Community Development, which became established as a discipline in the late 1980s, shares the concept of empowerment. In the past two decades, the self-help movement has mushroomed. The largest self-help group, reports over one million members in the US. One estimate places the total number of people in self-help support groups at 20 million. There are groups for addictions—Alcoholics Anonymous, Gamblers Anonymous, Debtors Anonymous; for families—Families of the Mentally retarded, Mothers of Twins Clubs; for illness/ disability—National Association of People with AIDS, Tourette Syndrome Association; for mental illness—Emotions Anonymous, Recovery, Inc., GROW; for bereavement—The Compassionate Friends, Survivors of Suicide, Widow to Widow; and for lifestyles—Single Mothers by Choice and Society for the Second Self (cross dressers), etc.

Self Help Group is about people coming together with others who are affected by a particular issue (experience, disadvantage, discrimination, etc) to support each other and to work together to change the disadvantage affecting them. Activities that these groups do include community education, information, mutual support etc.

Self Help group (SHG) is a self-governed, peer-controlled small and informal association of the poor, usually from socio-economically homogeneous families who are organized around savings and credit activities. Funds for credit activities are coming through regular savings deposited by all of its members on a weekly or fortnightly basis. In the meetings they discuss common village problems and plan solution, share information; make efforts to improve their health and literacy skills.
Self Help Groups are not charity or simply community based groups. They are made of and controlled by the people affected. Group members are not volunteers. Although the work is usually unpaid, members work to change their own situation and the support is mutual. The knowledge base of self-help mutual support groups is experiential, indigenous, and rooted in the wisdom that comes from struggling with problems in concrete, shared ways. Self-help groups build on the strengths of their members.

SHGs have another very important role to play particularly in the transfer of technology to user group population. It has been found by the members of SHGs that they offer them organizational base, large resources, and access to modern technology leading to employment and income generation. Thus, SHG movement among the rural poor in different parts of the country is emerging as a very reliable and efficient mode for technology transfer. However, it is strongly felt that the pace of transfer and popularization of technologies must be accelerated so that even the small farmer can benefit from new technologies.

The Effectiveness of Self-help Groups in Global Context

The emergence of self-help groups can be seen as a response to industrialization, the breakdown of the kinship system, and the decline of the community, although alternative views see it as a reflection of an ineffective, inefficient and dehumanizing formal system of care. Currently, the increasing interest in providing services that are family-centered is also considered a factor contributing to the increased number of self-help groups. Despite the variety of explanations for the self-help phenomenon, the consensus is that there is a need for a new model to supplement and complement professional services, and that self-help groups are growing at an unprecedented speed worldwide. For example, about two percent of Canadians belonged to self-help groups in 1987, approximately 10 percent of Israel’s population, was estimated to have some type of involvement in a self-help group and cancer self-help groups were found to be prevalent in major cities in China. In the United States, self-help group participation amounted to 10 million in 1996 and it was recently noted that more Americans try to change their health behaviors through self-help than through all other forms of professional programs combined. The proliferation of self-help groups in various countries can be seen as an initial
indication of self-help group effectiveness, because groups will cease to exist without value.

The self-help movement is becoming a global phenomenon. In some countries, self-help groups already exist for every medical condition listed by the World Health Organization, and they are serving people who encounter almost every physical, behavioral and emotional problem. In spite of the rapid growth of self-help groups in India, the full potential of utilizing self-help groups remains untapped. One of the reasons may be attributed to the lack of systematic research and solid methodological foundations. Little was known about how helpful self-help groups are to members, and what kind of social impact they have brought about. The research component of the self-help phenomenon has clearly been left behind by the self-help movement itself.

Theoretically and empirically, the effectiveness of self-help groups has been widely documented in global context. The "helper-therapy principle" postulated by Riessman (1965) pointed to the process by which helping others has a therapeutic effect on the helper, and the self-help group provides the context for members to gain the unique benefits that may arise from helping someone who has the same problem as the helper. Rappaport (1993) asserted that self-help groups, which offer the venue for, shared experience; emotional support and social learning can help constitute a social identity. Along the same line of thinking, Yalom (1995) contended that self-help groups provide a unique opportunity for growth, social experimentation and change. Past research has also identified several major outcomes of self-help groups. These include: emotional support, acceptance, empathy, affirmation, spirit of hope, and sharing of feelings; provision of factual information and sharing of experiential knowledge; development of a sense of community; and individual and collective empowerment.

Self Help Groups: Path Ways Out of Poverty in India

Self-Help Groups (SHGs) play today a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings (in actual term Thrift) and credit (Saving and Credit), as well as in other activities (income generation, natural resources management, literacy, child care and nutrition, etc.). The Saving and Credit
focus in the SHG is the most prominent element and offers a chance to create some control over capital. The SHG system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation. Almost all major donor agencies support SHGs in India in one way or the other, and many success stories are available, describing how membership in a SHG changed the life of a particular individual or group for the better. Many NGOs are promoting the SHG mechanism and linking it to various other development interventions. Whereas there is ample evidence that the SHG approach is a very effective, efficient and relevant tool for organizing and empowering the poor, do arise with design, development and introduction of programmes to promote income-generating activities (IGAs) that will generate sufficient, sustainable and regular income.

The approach towards poverty alleviation is based on the formation of self-help groups at the grass root level. This brings about the necessity for organizing them in a group by which they set the benefit of collective perception, collective decision-making and collective implementation of programme for common benefits. This organization holds the power and provides strength and acts as an antidote to the helplessness of the poor. The group savings of self helps groups serve a wide range of objectives other than immediate investment. The approach has evolved over the years in India. Before understanding the strength of SHGs as a tool in poverty alleviation, it is imperative to understand the evolution of various Poverty Alleviation programs in India.  

Conceptual evolution of Micro Finance in India

The irrepressible desire and inherent capacity of poor to improve their living for themselves is considered as the foundation for concept of Micro Credit. Propelled by the demonstrative success of Bangladesh Grameen Experiment Micro Credit is acknowledged as an effective channel to take the poor into a new domain of economic empowerment. Micro credit movement assumed global advocacy through Micro Credit Summit held in February 1997 at Washington. The summit representing 1500 institutions and 137 countries is a landmark in the collective crusade against poverty undertaken by the developed and developing countries together. The Micro Credit Summit launched a nine-year campaign to reach 100 million of the world’s poorest
families by the year 2005. Micro credit is referred as providing “Credit for self employment, financial and other business services including savings and technical assistance.

Most of the countries have long-established cooperative movements, including credit cooperatives. In most countries in South Asia and also in Indonesia, credit cooperatives have been largely unsuccessful in extending financial services to poor households. Generally, the cooperative movement includes people of all income levels within a particular village or community, and does not target the poor. Moreover, management of the cooperative movement has been inadequate in most countries.6

In some countries such as India and Pakistan, a large proportion of cooperatives is reported to be non-functional, due to financial mismanagement and inability to recover dues. Even where they are functional, management is often dominated by rural elites, with funds allocated on the basis of patronage rather than needs. Frequently they rely heavily on government funds and are largely owned and controlled by governments. In India and Pakistan, for instance, state and provincial cooperative departments have the right to be represented on the board of directors, and can exert considerable influence on the management of cooperatives. For instance, permission may be needed to hold elections, invest funds, change their area of operations, use funds from their reserves, and similar matters. Particularly in India there are very few highly successful cooperative banks and societies, which are devoted specifically to providing financial services to the poor, such as SEWA (Self Employed Women’s Association) Bank and Working Women’s Forum etc.

Micro - credit is distinctly different from other poverty alleviation schemes. Loans under micro - credit programs are very small, on an average less than $100 by world standards and in hundreds of rupees by Indian standards. Micro - credit continues to target the rural and urban households, with emphasis on women borrowers, provision of finance for creation of assets and their maintenance and bringing in greater quality of services. The beneficiaries are identified by micro - credit providers themselves independently or through NGOs/Self Help Groups/ the
repayment period is generally very short. The amount is increased based on the borrower’s repayment history.

Micro-Credit is a novel approach of banking with poor with the distinct advantages of high repayments of loans and low transaction cost. Various micro-finance initiatives have gathered pace in the recent years. In Micro-Credit NABARD’s role has been twofold, viz., promotional and financial. Promotional efforts assume the form of the SHG - Bank Linkage programme and facilitating training. Financial involvement is in terms of providing refinance, revolving fund assistance and grants.7

Over the last decade micro finance has become an accepted institutional framework for taking financial services to the poor. Micro finance has now evolved into a type of independent financial system of its own and there are a number of variants in micro finance institutions and systems. But broadly they can be classified into two—the individual approach and the group approach. An example of the group approach, where the group itself, not the individual member, is the client, is the self-help group program in India.

In all countries, there are wide variety of small, informal savings and loans groups, such as Rotating Savings and Credit Associations (ROSCAs), which operate informally and are not registered. In at least three countries, these or similar groups have been institutionalized to some extent by involving them in formal micro finance programs. In India self-help groups (SHGs) are an integral part of the National Bank for Agriculture and Rural Development (NABARD) program for linking banks and SHGs. Nevertheless, they are generally not registered. Under Indian law, SHGs are only required to be registered (as a society, trust or cooperative) if they have more than 20 members. For this reason, many SHGs restrict their membership to 20 persons or less. It is also observed in Gujarat and some other parts of the country that some larger SHGs operate informally and are not registered.8

The purpose around which an SHG is initially formed varies depending on the kind of program being implemented and the need for collective working. It varies from managing a collective resource to promoting a social cause. In the context of micro finance, SHGs are formed (and sometimes old SHGs established with another
purpose are converted) to foster savings and credit. A small group of individuals become members and pool their savings on a regular basis to form a collective fund. This fund is then rotated as credit amongst the members through a system of self-generated norms. Hence, the basis of the SHG is the mutuality and trust in depositing individual savings in group funds. Once the initial trust is established, the incentive or motivation for a member is the access provided to financial services through the common pool fund, which is higher than the individual’s own savings. Once such an SHG is formed and stabilized (through repeated rotations of their own savings converted to mutual credit), it is possible for it to become a source of funds to others outside the SHG.

Indonesia has hundreds and thousands of groups engaged in savings and credit. Some of these are indigenous, based on traditional custom, while others are the result of action by government agencies, community groups and NGOs to form groups in connection with various government-initiated microfinance schemes. These include Bank Indonesia’s micro credit project and program linking banks with self-help groups (PHBK), the income-generating project for marginal farmers and landless of the Ministry of Agriculture, and the newer mass programs (IDT and Prosperous Family program). There is no provision for registration of SHGs, nor are they regulated except in the context of the particular government program from which they arise.

Similarly in Thailand, some of the community organisations involved in the microfinance programs of the Government Savings Bank (GSB) and Urban Community Development Office (UCDO) are registered as cooperatives. However, most are unregistered and operate informally. For instance, figures from UCDO show that of the 385 members with savings activities, only 66 are legally registered as cooperatives while the other 319 are not registered and operate informally.

Moreover, in most countries the cost of subjecting MFIs (Micro Finance Institutions) to full prudential regulation and supervision would be prohibitive. In Bangladesh, for instance, there are around 1,000 NGOs involved in microfinance. And while MFIs in other countries do not have nearly the same outreach as in Bangladesh, the number of MFIs is not necessarily less. In India, there are perhaps as many NGOs engaged in microfinance as in Bangladesh, plus some 90,000 primary
agricultural credit societies and thousands of self-help groups. In the Philippines, there are some 500 MFIs reaching a combined total of only 30,000 borrowers. In Thailand there are more than 1,500 community organisations engaged in microfinance.9

In India, there are at least three official second tier institutions, which lend to specialist MFIs. However, none of them imposes rigorous performance and reporting standards. The second tier institution with the largest lending program is Rashtriya Mahila Koch (RMK). For a partner organization to borrow from RMK, it should have at least three years experience in thrift and credit administration, a 90 per cent recovery performance during the last three years (in practice, RMK generally accepts a recovery rate in the range of 80 to 90 per cent), satisfactory funds management and financial performance, and a good track record of work in the socioeconomic field. These requirements are all quite general in nature. There are also a number of requirements relating to loans by the partner organisations to individual borrowers. Further, partner organisations are supposed to maintain 10 per cent of the loan provided by RMK as reserves, but this is not strictly enforced.

The performance and reporting standards imposed by two other significant second tier institutions, the Small Industries Development Bank of India (SIDBI) and the National Bank for Agriculture and Rural Development (NABARD) are even less specific that those imposed by RMK and do not provide a basis for monitoring the financial performance of the NGO.10

As a part of its mandate, NABARD initiated certain research projects on SHGs as a channel for delivery of micro-finance in the late eighties. Amongst these, the project sponsored by the Mysore Resettlement And Development Agency (MYRADA) on “Savings and Credit Management of SHGs” was partially founded by NABARD in 1986-87. In 1988-89, in collaboration with some of the member institutions of the Asia Pacific Rural and Agricultural Credit Association (APRACA), NABARD undertook a survey of 43 non-governmental organizations (NGOs) in 11 states in India to study the functioning of microfinance SHGs and their collaboration possibilities with the formal banking system (NABARD, 1991). Both these research projects produced encouraging possibilities, and NABARD initiated the pilot project
called the SHG linkage project in 1992. NABARD also held extensive consultations with the Reserve Bank of India. This resulted in issuing a policy circular to all commercial banks to participate and extend finance to SHGs (RBI, 1991). NABARD also issued a broad set of flexible guidelines in February 1992 (NABARD, 1992) to the formal rural banking system, explaining the project’s modalities. The project was extended to the regional rural banks and co-operative banks, in addition to the commercial banks in 1993.

**Origin of SHGs in India**

In 1976, Prof. Mohammed Yunus of Bangladesh started women’s groups in Bangladesh and developed thrift and savings among the poorest. Now it has developed into a bank named Bangladesh Grameena Bank (BGB). Its report in February 1998 states that the bank has 1138 branches and covers 39572 villages. It has 2367503 members of which only 124571 are men. The bank has disbursed a cumulative amount of US $ 2714.61 Million whereas the savings of the members has reached US $ 202.73 Million. With the success of BGB and similar organisations elsewhere, the concept of Micro credit has gained momentum in India. Based on this success many Non-Governmental Organisations (NGOs) in our country are involved in organizing SHGs and they serve as an agent between the bank and the poor.

Self-Help Groups (SHGs) play today a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings and credit, as well as in other activities (income generation, natural resources management, literacy, child care and nutrition, etc.). The saving and credit focus in the SHG is the most prominent element and offers a chance to create some control over capital, albeit in very small amounts. The SHG system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation.11

In our country the pioneer in this field is Self-Employed Women’s Association (SEWA). Without the Grameen model SEWA was started in 1972. Though started as a Trade union for women in the unorganized sector, today SEWA boasts of running the first Women’s Bank in the country. By the year 2000 SEWA has a membership of 209250. The SEWA Bank has 87263 depositors, and 41757 borrowers whose loan
outstanding Rs.887 lakhs 4 as on March 1998. SEWA has also networked many co-operatives and emerged as the largest federation of co-operatives in the country.

In Southern India organisations like PRADAN, MYRADA, ASSEFA, MALAR etc. have entered into this rural credit system. PRADAN has a membership of 7000 women who have availed 40000 loans worth $600000 as on March 1997. MYRADA has 62769 members who have saved RS.48 lakhs and availed loan to the tune of Rs.2.90 crores. MALAR has a membership of 15000 women who have saved RS.86 lakhs and availed loan to the tune of Rs.2.23 crores.

NABARD refines the banks, which lend to SHGs. As per NABARD’s Annual Report 1998-99, banks have financed 30447 SHGs with a finance of Rs. 53 crores as on 31st March 1999. The repayment is excellent. The Finance Minister in his budget speech has asked NABARD and SIDBI to increase the number of SHGs to 100000. Even this number will be minuscule as it will cover only 200000 people in our country which has nearly 38 crores of people below poverty line.

Revamping of the rural credit system has already started. The banks Regional Rural Banks, Co-operatives and SHGs linked with Non-Governmental Organisations (NGOs) have a role to play. There is need for closer study to support the system so that the country can eradicate poverty at least in the beginning of the next millennium. NABARD introduced a Pilot Programme for starting and lending to SHGs in 1992 based on the experience of BGB and MYRADA. Now seeing the success in repayment many banks are eager to lend to SHGs and because of the pressure from Govt. NABARD has started giving targets to Banks.  

NABARD also provides training support, Grant cum Aid support for micro credit under its different schemes. SIDBI has entered this field late but now SIDBI has formed a Micro-credit foundation, which gives loans to NGOs after rating them by an external agency. The minimum loan is Rs.50 lakhs and it is to be used only for micro enterprises.

Rashtriya Mahila Kosh - an organisation promoted by Govt. Of India also gives direct loans to NGO’s for on lending with incentives for proper repayment. All Banks including co-operative Banks and Private Banks lend to SHGs based on their savings at the ratio of 1:1 initially and this can go up to 1:4. Suddenly World Bank
and IMF have found a way to reach the poor through NGOs and they see this as an opportunity to reduce poverty and also to prevent the poor from agitation because of the ill effects of their economic policies.

The Government of India, which is under IMF and World Bank guidance, has launched schemes scrapping Integrated Rural Development Programme, Scheme for Urban Micro enterprises, Prime Ministers, Urban Poverty alleviation programme and TRYSEM. The Schemes are known as (1). Swarna jayanthi Gram Swarazghar Yojana (SGSY). (2). Swarna jayanthi Sahari RozgherYojana (SJSRY).

The former is for Gram Panchayats and the latter for Town Panchayats, Municipalities and Corporations. According to this scheme, the Panchayats will select the good group with assistance from Block Development Officer (BDO), Bank and NGOs and provide Rs.10000/- as revolving fund - free of Interest and then banks will provide loan to the group - seeing the performance. There is an individual subsidy of 30 per cent for those who do individual enterprises and 50 per cent subsidy for Group enterprises. After the introduction of this scheme NGOs and Panchayat are forming groups or trying to get control of the Groups and funds. The scheme has a trap. If the repayment under this scheme is less than 70 per cent in a Panchayat, nobody will get loan in this panchayat.13

After the Micro Credit summit held at Washington WB, IMF and many foreign funding agencies have directed their projects towards micro-credit. Now Govt. of India has also directed CAPART and other funding agencies to focus on micro credit because of which all NGOs are running after people to for SHGs so that they can get funds.

In developing micro finance in India, especially through the SHGs, a major role is that of the promotional institutions. Several institutional variants of the Self-Help Promotion Institutions (SHPIs) have come to the fore since the beginning of the last decade. In India, the promotional institutions are basically of three types: (1) Government (2) Banks and (3) NGOs. These institutions have over a period of time developed systems and practices, some of which can be emulated as best practices and some others which should be learning points for caution.
Effectiveness of Self-Help Groups in Indian Context

Self-Help Groups (SHGs) are fast emerging as powerful tool of socio-economic empowerment of the poor in our rural areas. The Self-Help Group is a small body formed by the people for meeting their specific objectives, particularly credit. However local literature shows that self-help groups have been developed for a wide range of populations, including the mentally ill and their families, persons with disabilities and their care-givers etc. SHGs are initially formed on the foundation of the accumulated endowment of bonding social capital already existing in the community. The social capital produced by the SHG as it matures through creation of new ties and linkages, strengthens the community’s cooperative capacity to the achievement of group government. When the SHGs grow they begin to articulate the community demands as they become aware of their rights and therefore attitude of the government bureaucratic officials changes and they become more responsive to the needs of the community i.e., with the maturity of SHG the state-society relationship begin to change at the local level towards the better.14

In this way, SHGs which were originally established to produce economic benefits for members eventually became an associational framework for collaborative actions that produce public goods. As a result a range of other community-level organizations emerge where often members of the SHGs are recruited. Role of SHGs in strengthening local governance and political democracy can be described by the fact that a number of SHGs members are being elected in the Panchayat Raj system in India, the lowest tier of local democratic governance. The working group (RBI, 1996) has commented thus on the progress of SHGs in India:15

1. SHGs helped to generate and collect small thrift amounts from a cross section of people hitherto considered incapable of saving. The essential difference between thrift and savings was that while thrift was generated out of deferred consumption, the savings were generated out of surplus.

2. SHGs have facilitated the rural poor in fulfilling their credit requirements, both for emergent consumption needs as well as for small production requirements.
3. SHGs have been able to meet successfully the credit requirements of the rural poor as per their choice, unlike in the case of borrowing under other programs of formal credit institutions.

4. The high recovery rates of the SHGs are in sharp contrast to the poor recovery performance of banks in respect of various activities under rural credit.

5. Since credit/finance was seen as management of the participants’ own funds and enterprises, a feeling of ownership and responsibility was generated.

6. The entire cycle of assessing need, disbursement, recovery, monitoring, and supervision shifted closer to the scene of action under SHGs, and therefore the transaction cost of the loans was relatively less.

In Self Help Groups it is assumed that all poor households need to save and have the inherent capacity to save small amount regularly; easy access to credit is more important than cheap subsidized credit which involves intricate bureaucratic procedures, the poor are the best judge of their credit needs and are good users and repayers of credit when formed in group. A notable feature of SHG is that before its linkage with any financial institution, credit discipline is imbibed among the member by way of SHG with banks has improved the socio-economic condition of its member by way of positive impact on income, saving, and self-confidence. The impact is more pronounced in the case of SHGS linked through NGOs. This and many other aspects of rural credit delivery system need to be studied in a greater depth. SHGs have proved to be successful in addressing the interests of women in a sustained manner. They are extremely useful in generating savings, ensuring successful delivery of credit to individual women and effecting recovery. In addition, they serve as an ideal mechanism for bringing omen out of their homes, making them more articulate and honing their leadership qualities and their skills as motivators. Women led SHGs in Andhra Pradesh have won laurels for their exemplary performance.

**SHG Linkage - the Indian Experience**

The SHG movement in India is basically aimed at utilizing the SHG's as an intermediary between the banks and the rural poor to help drastically reduce transaction costs for both the banks and the rural clients NABARD with its head quarters at Mumbai, is an Apex Development Bank in India for financing and promoting agriculture, small scale industries, cottage and village industries,
handicrafts and other rural crafts so as to promote integrated rural development. In wake of banking sector reforms invoked in early 1990's the role of commercial banks in providing credit to rural poor came under intensive debate vis-a-vis the sustainability of entire banking operation for providing banking services - both in terms of savings and credit to the rural poor. Sheokand has indicated that as the rural poor's share in availing formal sector credit got further marginalized, NABARD, in 1992 launched the SHG - Bank linkage programme with the policy backup of the Reserve Bank of India. According to Shanmugam the SHG - Bank linkage programme initiated by NABARD, in active collaboration with Non-Governmental Organisations (NGOs), aimed at enhancing the coverage of rural poor under institutional credit thereby focusing on poverty alleviation and empowerment. Prior to this, NABARD's initiative in promoting active partnership between banks and SHGs was encouraged by the findings of a study conducted in 1988-89 by NABARD in collaboration with member institutions of Asia Pacific Rural and Agricultural Credit Association (APRACA), Manila. The study covered 43 NGOs involved in promoting savings and credit SHGs in 11 states of the country.16

As per a NABARD report (1995) the scheme on SHGs was made applicable to RRBs and co-operative banks of the country in 1993 and in April'96, RBI advised the banks that lending to SHGs should be considered as an additional segment under priority sector advances and it be integrated with mainstream normal credit operation. Rao & Dasgupta have commented that the SHG-bank linkage programme has gained considerable movement in southern region of the country, though the northern states too are also now catching up fast and an overwhelming (78 per cent) of the listed SHGs are Women Self Help Groups (WSHG's), that is the SHGs which constitute of only women members (Rao and Dasgupta, 1999). Since the inceptions of NABARD promoted SHG linkage programme there has been an appreciable increase both in formation of SHG and their linkage with the banks.

The concept and importance of SHGs has been accepted and adopted by policy makers and they will form the backbone of rural poverty alleviation strategies, implemented by Government of India.

The Indian Experience of SHG Linkage Programme is unique in some respects. RBI and NABARD have tried to promote 'relationship banking' i.e.
improving the existing relationship between the poor and bankers with the social intermediation by NGOs. The Indian model is predominantly "linkage model", which draws upon the strengths of various partners - NGOs (who are the best in mobilizing and capacity building of poor) and bankers (whose strength is financing). Thus, as compared to other countries, where ‘parallel’ model of lending to poor (i.e. NGOs acting as financial intermediaries) is predominant, the Indian linkage banking tries to use the existing formal financial network to increase the outreach to the poor while ensuring necessary flexibility of operations for both the bankers and the poor. Thus a nutshell, the SHG Linkage programme offers a win-win situation for the credit delivery system comprising banks of all types.

**Emerging SHG Linkage Models**

Broadly, three different models have emerged under the SHG linkage programme in the country. The chart 2.1 shows the SHG Bank Linkage model

*Chart 2.1*

*Source: Nanda, Y.C. (1995)*
Each of the three models can be qualitatively assessed to arrive at the strategic significance and scope for widespread adoption. Criteria for evaluation may include factors like:\(^{17}\)

- transaction cost of lending for the banks
- transaction cost of borrowing for SHGs and poor
- risk of funds and guarantee of repayment
- load (costs) of co-ordination and management
- ease of adoption by all stakeholders
- smoothness and ease of providing credit to the poor and its repayment
- quick replicability
- social and economic impact on SHG movement
- extent of social investment required

Model wise advantages and limitations of SHG's are shown in the table 2.1.
### Table- 2.1
Advantages and Limitations of three SGH- Bank Linkage Models

<table>
<thead>
<tr>
<th>Model</th>
<th>Advantages</th>
<th>Limitations</th>
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<tbody>
<tr>
<td>A</td>
<td>Each partner institutions play a role best suited for it. Banks lend, NGOs organize poor into SHGs and SHGs manage small group finance in their own interest. The whole system is localized. SHGs and local NGO learn to deal with an accessible bank branch and vice-versa.</td>
<td>In spite of wider acceptability of the model, majority of field level bankers are yet to be sensitized and do not view it as banking mandate. In many places, it is still difficult to open a savings account. Absence of NGOs in many parts of India.</td>
</tr>
<tr>
<td>B</td>
<td>It further reduces the transaction cost and risk cost of the bank as the banks lend a larger sum to an NGO, which guarantees repayment. Easier for the poor to deal with an institution which they know and trust. Easy to be adopted by stakeholders.</td>
<td>NGOs are not traditionally equipped to work as financial intermediaries. Calls for substantial investment in capacity building of NGO. Adds one more intermediary structure. Wide scale adoption not possible.</td>
</tr>
<tr>
<td>C</td>
<td>Exposes bankers to social realities first hand. Possible solution where NGOs are not present.</td>
<td>Wide scale application may not be feasible because of other priorities of bankers.</td>
</tr>
</tbody>
</table>

*Source: NABARD, (1999).*

The linkage between the Self Help Groups and the Formal Financial Agencies (FFAs) has to be on a symbiotic relationship. In most of the developing countries, the savings and credit schemes of FFAs are separate, each with its own set of clientele. For the purpose of linking the SHGs to FFAs two basic models with number of modifications are at present working in India. In each model there exists a two way flow of funds as shown below. 18

17
In case of the direct linkage model the bank identifies the group (or facilitates evolution of the group) and deals with the SHG directly for both mobilizing the savings and for making available credit facilities to the group as a whole or to individual members. Group members act as collateral security. In this model the credit is generally made available to the group and members to be financed are identified by the group itself, which takes the responsibility of loan repayment.

**Cumulative Progress of SHG-Bank Linkage**

The table 2.2 gives the details of overall progress under SHG micro finance programme. The growth performance of SBLP during the last two years has reached a stage of a plateau, and it is time for giving it new direction for future expansion.
### Table – 2.2
*Growth trends in SHG-Bank Linkage in India*

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<tbody>
<tr>
<td>No. of SHGs provided with bank loans</td>
<td>1197653</td>
<td>1255882</td>
<td>1361731</td>
<td>1539365</td>
<td>2,238,565</td>
<td>2,924,973</td>
<td>3,625,941</td>
<td>4,224,338</td>
<td>4,587,178</td>
<td>4,813,684</td>
<td>4,354,567</td>
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<tr>
<td>Of which in southern region</td>
<td>461478</td>
<td>717360</td>
<td>1089091</td>
<td>1618456</td>
<td>1,214,431</td>
<td>1,522,144</td>
<td>1,861,373</td>
<td>2,283,992</td>
<td>2,421,440</td>
<td>2,663,569</td>
<td>2,355,732</td>
</tr>
<tr>
<td>Share of southern region (percentage)</td>
<td>33</td>
<td>29</td>
<td>41</td>
<td>49</td>
<td>54</td>
<td>52</td>
<td>51</td>
<td>54</td>
<td>53</td>
<td>55</td>
<td>54</td>
</tr>
<tr>
<td>Average disbursed loan per group</td>
<td>3982</td>
<td>5487</td>
<td>9856</td>
<td>15450</td>
<td>37,574</td>
<td>44,343</td>
<td>46,800</td>
<td>74,000</td>
<td>115,820</td>
<td>122,744</td>
<td>144,086</td>
</tr>
<tr>
<td>Outstanding loans (’ billion)</td>
<td>24.88</td>
<td>35.21</td>
<td>55.41</td>
<td>85.66</td>
<td>123.66</td>
<td>169.99</td>
<td>226.76</td>
<td>272.66</td>
<td>306.19</td>
<td>363.41</td>
<td></td>
</tr>
<tr>
<td>Incremental groups (million)</td>
<td>0.11</td>
<td>0.22</td>
<td>0.26</td>
<td>0.32</td>
<td>0.69</td>
<td>0.70</td>
<td>0.60</td>
<td>0.36</td>
<td>0.22</td>
<td>(-) 0.05</td>
<td></td>
</tr>
<tr>
<td>Incremental loans O/S ( billion)</td>
<td>35.66</td>
<td>55.21</td>
<td>65.44</td>
<td>99.25</td>
<td>123.66</td>
<td>46.33</td>
<td>56.77</td>
<td>45.9</td>
<td>33.53</td>
<td>57.22</td>
<td></td>
</tr>
</tbody>
</table>

*Source: NABARD -2013*
It can be concluded from the above table that in 2012 the number of SHGs provided bank loans was the highest (4,354,567). Out of it, the number of SHGs that took loans from the bank in the south Indian region is (2,355,732). The number of SHGs provided bank loans was the lowest in 2002 which is 1197653. Out of it, the number of SHGs that took loans from the bank in the south Indian region is 461478. The average distributed loan per group was highest in 2012 which is 144,086 and the lowest is in 2002 which is 3982. With regard to outstanding loans was highest in 2012 which is 363.41 and the lowest is in 2003 24.88. Similarly incremental loans were recorded in 2012 i.e 57.22 and lowest in 2003 i.e., 35.66 billions.

Map – 2.1

Andhra Pradesh

Self-Help Groups (SHGs) in Andhra Pradesh

The Government of Andhra Pradesh has taken up the theme of women’s empowerment as one of the main agenda items to tackle rural poverty and social-economic problems. Self Help
movement through thrift and savings has been taken up as a mass movement by women - a path chosen by the women to shape their future destiny. Development agenda of the State, in the last few years has been to place the poor an especially woman in the forefront, has facilitated formation of a large number of Self Help Groups throughout the length and breadth of the State. There are more than 20 lakh women from poor families who have become members of these groups, majority of them are saving one rupee a day.

Andhra Pradesh is in the forefront of the SHG movement in India and has drawn worldwide attention due to the introduction of the Andhra Pradesh Micro Finance Institutions (Regulation of Money Lending) Act, 2010, and subsequent developments. The situation in AP during 2011-12 is quite different from earlier as the MFI lending has almost stopped, and it is expected that the SBLP has to progress much faster to compensate the sluggish growth caused by fledgling MFI during the last year. The analysis of SBLP in AP reveals that the progress of SBLP has increased in terms of bank loans, whereas there was a reduction in the coverage of groups (Table 2.3). During the financial year ending March 2012, Rs.78.66 billion worth of bank loans were disbursed to 346,682 groups and under Pavala Vaddi Incentive Rs.8.79 billion was given to 1,948,384 SHG groups during the reference year with the cumulative loan of Rs.19.67 billion since inception of the scheme.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of groups covered</th>
<th>Loan amount (Rs.in billions)</th>
<th>Number of branches</th>
<th>Loan amount per group (in Rs)</th>
<th>Groups per branch</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001-02</td>
<td>145624</td>
<td>4.25</td>
<td>2156</td>
<td>12543</td>
<td>41</td>
</tr>
<tr>
<td>2002-03</td>
<td>199254</td>
<td>5.32</td>
<td>2896</td>
<td>20875</td>
<td>47</td>
</tr>
<tr>
<td>2003-04</td>
<td>230124</td>
<td>6.89</td>
<td>3268</td>
<td>25650</td>
<td>55</td>
</tr>
<tr>
<td>2004-05</td>
<td>261,254</td>
<td>10.18</td>
<td>3,853</td>
<td>38,954</td>
<td>68</td>
</tr>
<tr>
<td>2005-06</td>
<td>288,711</td>
<td>20.01</td>
<td>3,853</td>
<td>69,322</td>
<td>75</td>
</tr>
<tr>
<td>2006-07</td>
<td>366,489</td>
<td>30.64</td>
<td>3,950</td>
<td>83,601</td>
<td>93</td>
</tr>
<tr>
<td>2007-08</td>
<td>431,515</td>
<td>58.83</td>
<td>4,000</td>
<td>136,329</td>
<td>108</td>
</tr>
<tr>
<td>2008-09</td>
<td>483,601</td>
<td>66.84</td>
<td>4,150</td>
<td>137,498</td>
<td>118</td>
</tr>
<tr>
<td>2009-10</td>
<td>413,625</td>
<td>65.01</td>
<td>4,274</td>
<td>157,180</td>
<td>97</td>
</tr>
<tr>
<td>2010-11</td>
<td>389,444</td>
<td>70.93</td>
<td>4,286</td>
<td>182,123</td>
<td>91</td>
</tr>
<tr>
<td>2011-12</td>
<td>346,682</td>
<td>78.66</td>
<td>4,324</td>
<td>226,901</td>
<td>81</td>
</tr>
</tbody>
</table>
The reduced coverage of groups during the year 2011-12 when compared to the previous year is a matter of concern issues in the situation where MFI lending has almost stopped. This might have led to a liquidity problem among the poor in AP, which needs to be analyzed in depth for developing future strategies. Indira Kranthi Patham (IKP) being implemented by the Society for Elimination of Rural Poverty (SERP) in all the 22 rural districts in the state is the major institutional arrangement for SHG movement in the State. The project has made significant progress over a period of time; however, its role in the present day context assumes greater significance in the absence of MFI lending.¹⁹

With a view to encourage the poor, including disadvantaged groups and communities to access the credit-related services seamlessly, Community Investment Fund (CIF) from project side, and linkages from bank side are provided to the poor women SHG members to improve their livelihoods. CIF supports the poor in prioritizing livelihood needs by investments in sub-projects proposed and implemented by the Community-Based Organizations (CBOs). The cumulative CIF expenditure up to March 2012 is Rs.10.88 billion, and the total number of beneficiaries stood at around 3 million. The Government provides incentives in the form of reimbursement of interest above 3 per cent per annum on the loans taken by the self help groups under this scheme. During the year 2011-12, Rs.8.79 million were reimbursed to 1,948,384 SHGs, with the cumulative disbursement of Rs.19.67 billion since the inception of the scheme. The Government of AP has announced an improved incentive scheme for the SHGs repaying installment promptly from the present Pavala vaddi to 0 per cent interest (Vaddi Leni Runalu) effective from January 2012 for all the SHGs whose borrowings do not exceed Rs.0.50 million.

Mandal Mahila Samakhyas (MMS) of SHGs in association with Government of Andhra Pradesh have promoted ‘Sthree Nidhi’ Credit Cooperative Federation Ltd. to address the issues relating to inadequate finance and to ensure timely availability of credit. Till March 2012, Rs.862.6 million was disbursed to 74,187 members of 24,087 SHGs in 7,600 Village officers in 824 mandals. Of the above, an amount of Rs.278.5 million was disbursed to 20141 groups under a special program to finance the poorest of the poor to take up livelihood activities identified for this purpose under the ‘Sthree Nidhi’ livelihood programme.

Table 2.4
### Districtwise SHGs in Andhra Pradesh

<table>
<thead>
<tr>
<th>S. No</th>
<th>District</th>
<th>No. of SHG Groups 2002</th>
<th>No. of SHG Groups 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adilabad</td>
<td>5,832</td>
<td>31,994</td>
</tr>
<tr>
<td>2</td>
<td>Anantapur</td>
<td>6,265</td>
<td>48,433</td>
</tr>
<tr>
<td>3</td>
<td>Chittoor</td>
<td>19,071</td>
<td>57,358</td>
</tr>
<tr>
<td>4</td>
<td>East Godavari</td>
<td>46,754</td>
<td>79,312</td>
</tr>
<tr>
<td>5</td>
<td>Guntur</td>
<td>11,760</td>
<td>51,584</td>
</tr>
<tr>
<td>6</td>
<td>Kadapa</td>
<td>13,096</td>
<td>33,633</td>
</tr>
<tr>
<td>7</td>
<td>Karimnagar</td>
<td>21,602</td>
<td>50,679</td>
</tr>
<tr>
<td>8</td>
<td>Khammam</td>
<td>4,689</td>
<td>46,889</td>
</tr>
<tr>
<td>9</td>
<td>Krishna</td>
<td>25,032</td>
<td>54,204</td>
</tr>
<tr>
<td>10</td>
<td>Kurnool</td>
<td>7,144</td>
<td>38,632</td>
</tr>
<tr>
<td>11</td>
<td>Mahabubnagar</td>
<td>18,785</td>
<td>42,093</td>
</tr>
<tr>
<td>12</td>
<td>Medak</td>
<td>15,951</td>
<td>37,286</td>
</tr>
<tr>
<td>13</td>
<td>Nalgonda</td>
<td>17,306</td>
<td>50,006</td>
</tr>
<tr>
<td>14</td>
<td>Nellore</td>
<td>17,616</td>
<td>34,334</td>
</tr>
<tr>
<td>15</td>
<td>Nizamabad</td>
<td>13,990</td>
<td>34,998</td>
</tr>
<tr>
<td>16</td>
<td>Prakasam</td>
<td>10,161</td>
<td>41,563</td>
</tr>
<tr>
<td>17</td>
<td>Ranga Reddy</td>
<td>12,322</td>
<td>28,571</td>
</tr>
<tr>
<td>18</td>
<td>Srikakulam</td>
<td>16,586</td>
<td>38,656</td>
</tr>
<tr>
<td>19</td>
<td>Visakhapatnam</td>
<td>15,534</td>
<td>47,151</td>
</tr>
<tr>
<td>20</td>
<td>Vizianagaram</td>
<td>15,706</td>
<td>31,413</td>
</tr>
<tr>
<td>21</td>
<td>Warangal</td>
<td>13,168</td>
<td>47,692</td>
</tr>
<tr>
<td>22</td>
<td>West Godavari</td>
<td>10,875</td>
<td>57,169</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>339,245</strong></td>
<td><strong>983,650</strong></td>
</tr>
</tbody>
</table>

*Source: SERP-2013*

The number of SHGs in Andhra Pradesh in 2002 is 339,245 and the number of SHGs in 2012 is 983,650. The highest number of SHGs in 2002 is found in West Godavari which is 46,754 while the lowest number of SHGs in Andhra Pradesh in 2002 is found is 4689. In 2012 the number of SHGs is found in East Godavari which is 79,312 and the number of SHGs is found in Ranga Reddy which is 28,571. In Anantapuramu district which is our study area, the SHGs have grown from 6265 in 2002 to 48,433 in 2012.

Despite the positive initiatives undertaken by the state government, the issue of meeting the financial needs of the poor is not fully addressed yet. A recent study conducted on micro saving brought out a striking finding that with MFIs in Andhra Pradesh drastically reducing new
lending, borrowers have been forced to seek alternative sources for lending. This situation calls for an urgent need to revisit the SHG movements’ vision and mission, in addition to utilizing the successful elements of different models for further up-scaling.

**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.

**Impact of SHG movement**
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 9.50 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 Sri Lanka, 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 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 programme 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 programme with an aim to implement in the same way in their states.

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.\textsuperscript{22}

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.\textsuperscript{23}

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". 24

**Role of SHGs in Women Development**

The role of SHGs in the field of women development are explained in the following points: 25

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 molding 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.

According to 'Gore', Social development is "a plea for the integrated view of the scope of development which should embrace development in all aspects". 26 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.

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.

We have clear picture that the government of the Andhra Pradesh having taken up the theme of women’s empowerment has one of the main agenda items to tackle rural poverty impoverishment has lend support to SHG movement has mass movement to improve the lot of the rural populace – especially women, both socially and economically. There are more than 20 lakh women from poor families who have become member of these groups, majority of them saving one rupee a day.

The disadvantage groups who members of SHG groups are provided access to credit related services both from community investment fund and the linkages from bank side. The members of the SHGs can utilize these funds for various profitable economic ventures and benefits themselves both financially otherwise.

The performance of the SHGs has been extremely encouraging and has a tremendous social impact. SHG has 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 machinery and agencies experimenting various initiatives directed for fighting impoverishment.

REFERENCES


15. Ibid, p.4417.


