Chapter 2
Self Help Groups- Evolution and Concept

Kerala’s land reform which intended to place agricultural land in the hands of the tillers and ensure a dwelling place for the hutment dwellers was expected to usher in, a more equitable society and accelerate agricultural production. The bulk of the former tenants who benefited from the land reforms were people who did not have any direct dependence on land for their livelihood. The agricultural laborers who directly worked on land for their livelihood did not benefit much from land redistribution since they got only hutment dwellings and very little cultivable lands. The organizations like the cooperative movement or the self help groups emerged from the rural society in its efforts to institutionalize its mechanisms to respond to the environmental stimuli that challenge the rural agrarian livelihood options.

The evolution of the self help groups has to be viewed in the backdrop of the dynamics of rural innovation, micro-level management and creation of collective bargaining power. The tendency to stay together and act together for common livelihood concerns were innate in human nature. A
common cause often led to the creation of a common platform to stay together.

**Development and public action**

The views for future global growth scenario are divergent. One scenario emphasizes urbanization and industrial growth potentials, following the growth paradigm of the “tigers” of the East and South East Asia (Amsden, 1994). This paradigm presupposes that the macro-economic policies installing liberalization, marketisation and export orientation will produce a take-off in a technology driven trade-dependent trajectory of growth. However, many of the Third World countries, if not all are slipping into a contrasting, despairing situation where growing population leads to environmental collapse and civil disorder (Kaplan, 1994).

The second scenario pictured planning for the future of the rural and urban populations, depending on ways that make rural life more productive and attractive. It is through such initiatives that the rural economies benefit from their perseverance to find solutions to their survival problems. A critical factor in the success of such efforts is creating organizational capabilities at local levels that can mobilize and manage resources more effectively for the benefit of many.
Readings through the instructive examples suggest that some such efforts had external donor assistance while others had none. Some were conceived and nurtured by remarkable individuals while others were the products of team efforts or institutional initiatives. However, success depended on the set of persons who saw acutely both the needs and the solutions and those who innovated as they persevered bringing into being major programs that benefited large number of their fellow human beings.

In Kerala the mass political activism was radical in nature. Several economists have highlighted the fact that the so-called Kerala Experience cannot be elevated to the status of a model worth replicating (Tharamangalam, 1999). The failure was the low growth of the economy itself. With the advent of democratic decentralization and people’s planning, the scope of democratic growth and development has been redefined.

With the people’s planning in place the common man and his needs took the centre stage. People came to be regarded as the sources of development rather than mute recipients. It recognized the development potential of the hitherto ignored groups in the society. This change from
passive recipients to active contributors made the people’s planning an inclusive, equitable and sustainable paradigm for development. The most successful platform thus created was the Co-operative movement. Co-operative movement which has been in existence from pre-historic times, contributing to the cause of development at grass root levels.

**Experiences in co-operative formation**

There are ample evidences to prove that in the period 3100-1150 BC itself artisans of Egypt had formed groups of the same form as that of the co-operative movement. Historians have proved existence of similar co-operatives in Babylonia as well. In China, under the Han dynasty, thrift and finance institutions were formed to help the farmers. These were formed on the principles of democracy, open membership, equality and social justice. Historians have remarked that periodic general body meetings were held to ensure democratic participation. Similar groups existed in the Greek and Roman Empire as well.

The co-operative movement owes its beginnings to the principles of cooperation developed by Robert Owen. In 1843, twenty eight flannel weavers of Rockdale in Britain started Rockdale Equitable Society, with a share contribution of one sovereign each. In 1844, they started a public
distribution division in London. This was the rudimentary institution started upon the Owen principles that spread to different parts of the world.

In Europe, with the onset of large scale commercial ventures in manufacturing, there was an onslaught of commercialization in agriculture also. The farmers found they were relatively weaker compared to the industrial and financial institutions which supplied the inputs for farming. Moreover there was a need for concentration and mechanization of farming as well. But at the same time it was essential to safeguard the family farm which was the most effective framework for protecting the dignity of the farmer and his interests in farming. This was the background on which the farmers’ groups were formed. The formation of groups helped them in lowering the costs of production and thereby increased the income from farming. The lowering of costs was achieved by making efficient use of the inputs and efficient organization of work. It was on the basis of such rationale that farmers formed groups in France as early as 1960’s. It found real momentum of growth when the French Ministry of Agriculture adopted specific measures to promote these groups (OECD, 1980).
In Spain, group farming appeared in 1950’s. With the rural exodus to the industrialized cities, the farmers’ groups were formed to tide over the difficulties in farming especially the decline in availability of farm labor. In a number of cases the partnership among farmers was formed by the establishment of a co-operative for the pooling of agricultural equipments as this was the only means for mechanization of farming operations. The farmers’ groups in Spain took different forms-- large co-operatives with 30-50 members, medium sized groups with no more than 6 to 10 members and relatively smaller groups with 3 to 5 members. There were livestock farming groups of 8 to 10 members which also included veterinarians, dealers in cattle and small scale industrialists. As early as 1970, there were 2700 such groups in Spain (OECD, 1980).

Japan also practised group farming. In 1960, there were about 6760 farming groups in Japan but practically all of them were small and only partially integrated. The average number of members was 8 and often they cultivated less than 1 Ha, area. Japan also had more than 6300 mutual agreement groups which did not have any formal contract. They included mainly rice farmers and part-time farmers who wished to lighten the work load in their farms (OECD, 1980). Malaysia had been experimenting with various forms of group farming systems- from loosely organized farmers co-operatives to well defined and well
structured and centralized land development schemes. Many departments and authorities were set up at the state level to promote these groups (Bhaskaran and Menon, 1990, Paudval, 1990).

**History of modern co-operative movement in India**

In India, the first Co-operative Credit Act was passed in the year 1904. The primary objective of the formation of such co-operatives was to protect the farmers from the money lenders. But this Act had brought only agricultural credit societies under its purview. To overcome the limitations of such an Act, another Act with broader objectives was passed in 1912.

However, before the formulation of these Acts, a number of institutions were functioning in India, all of which were based on the co-operative principles. The most important among them were:

1. Based on the old Companies Act, Dupernix formed credit co-operatives in Northern India. Similar organizations existed in Punjab and Bengal. There were several reports suggesting that they were functioning well.

2. In the 1850s, Nidhis were formed in Uttar Pradesh and Bengal, which spread to other parts of the country later. By 1901, more
than 200 such Nidhis were functioning in the country. This was the rudimentary form of co-operative credit societies in the country.

3. In 1852, in a village, Hoshiarpur in Punjab, the Panjavar Society was formed in the form of a modern co-operative credit society. In this society, all persons who were land holders in the village could be members.

4. The Agricultural Development Bank started by Sir William Bederbern in Pune was unique in several aspects. It offered loans to farmers for land development and cultivation. The Taccavi Loans Act of 1888 was based on his report on the necessity of short-term credit for farmers.

5. In 1894, some landowners of Mysore formed a society to provide loans for land reclamation and development. Similar societies were formed in other states as well. By 1904, in Uttar Pradesh 203 such societies were functioning.

6. In central Kerala even before 1904, Friends Kuries were there. The Chitties of south Kerala can also be called as co-operative ventures in its rudimentary form.

The rural credit transactions in the country can thus claim a history of centuries but it was institutionalized under the British rule. In the 1870s
the farmers were given loans to overcome periods of drought. It was the only source of short term or long term loans for farmers in the country.

But the farming sector was neglected by most of the banks. In 1950-51 only 2 per cent of the total institutional lending went to the rural sector. It was in such a gloomy backdrop that The Rural Credit Enquiry Committee was established. In 1951, the Committee directed the Imperial Bank to open its branches in 114 block head quarters of the country. However, in the next four years only 63 branches were started. The Imperial Bank was nationalized to cater to the needs of the poorer sections of the society.

In 1968, 14 banks were nationalized to ensure security of the money deposited. In the sixties and seventies the banking sector world over was nationalized for the same reason. The major reason cited for the nationalization in India was to make credit facilities available for the priority sectors.

In 1951, as much as 92.8 per cent of the rural credit was dealt with by the usurious money lenders of the villages. By the early 70s it came down to 70.8 per cent and to 38.8 per cent in the year 1980 (Ramesh A. K, 2005). In the year 1951, only 2 per cent of the total credit by the commercial banks went to the rural sector. By 1990 it increased to 17.4 per cent. The
nationalization of banking sector was the single major step that initiated the spread of institutional credit to the rural areas.

Similarly, the formation of Rural Banks revolutionized the rural financial market in the 80s. This was possible with the support of RBI and NABARD. In 1978 the Dantwala Committee remarked that the rural branches of the commercial banks also should be transferred to the control of Rural banks. This was to strengthen the presence of the rural banks in their region of operation. However, successive reforms in the banking sector which were undertaken with the objective of making them more market friendly diluted the stand of the rural banks (Ramesh, A.K 2004).

Presently co-operatives have entered into all types of human activities, from heavy industrial units like fertilizer, sugar and dairying to highly specialized services like software and technical education. Today we have the largest co-operative movement in the world with over 5 lakh co-operatives accounting for a membership of 23 crores and working capital of Rs. 198,543 million. Though the network has a vast reach and covers almost all the villages of the country, the performance in terms of business turnover, economic viability, marketability, economic participation and benefit need a lot of change and improvement.
In an age when it is assumed that structural adjustments and liberalization will solve the problems of underdevelopment, it will be a tall claim to herald the co-operatives as an instrument of rural change. The faster economic growth does not make any significant reduction in rural poverty. Urban jobs are not being created fast enough to absorb more than a small share of the rural poor. Unless the rural poor can produce something essential for the urban market and unless they have some control over the institutions that deal with their produce, economic growth will just pass by them (Hung-Chao, 1974).

The co-operative spirit has often been subverted to serve the narrow political ends of those in power to such an extent that the potential for co-operative-led growth has been stifled by excessive and totally unnecessary bureaucratic controls. Therefore, the co-operatives by definition should become institutions controlled by the people and managed by professionals who are to be accountable to the people and not to some political or bureaucratic authority. They must provide means whereby the poor can act together and obtain for themselves the benefits of modern science and technology and a fair share of the country’s economic growth. A plurality of institutions that can underpin democracy at the grassroots is to be necessarily built in every village, a society that is
at peace with itself and secure in the vision of a better future for its next
generation (Kurien, V.1997).

The financial institutions and SHGs

It is the failure of the formal financial institutions to serve the rural poor
effectively, that led to the emergence of informal financial institutions
and lending groups (World Bank, 1983; Huppi and Fedder, 1990; Hoffe
and Ribe, 1991). Traditionally the informal sector has been exploitative,
usurious and dysfunctional. Therefore the Formal Financial Institutions
aimed at dismantling the informal agents in the sector. Such a
displacement of the informal lenders often left a vacuum without offering
any alternative system that supplements and strengthens the informal
credit sources (World Bank, 1983). It was found that the informal sector
was naturally a legitimate part of the rural financial markets and it was a
better strategy to acknowledge it rather than condemn and banish it
(Bauman, 1989). However, the need was to distinguish the informal
credit system from the informal money lender. While the latter is
exploitative the former tries to minimize the information gap and offers
flexibility which may be appropriate and efficient in the rural sector.
Growth of credit in Kerala

The purpose-wise classification of credit given through commercial banks reveal that shares of agriculture and industry are considerably lower compared to all-India data. Though agriculture accounts for nearly three-fourth of the income of the state, its share in credit is considerably low at 13.3 per cent. This trend has to be understood in concurrence with the low growth and low capital formation which reduces the credit absorption capacity.

Table: 2.1

Purpose-wise classification of outstanding credit of commercial banks (percentage)

<table>
<thead>
<tr>
<th>Sector</th>
<th>All-India</th>
<th>Kerala</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2001</td>
</tr>
<tr>
<td>Agriculture</td>
<td>10.0</td>
<td>9.6</td>
</tr>
<tr>
<td>Industry</td>
<td>46.5</td>
<td>43.9</td>
</tr>
<tr>
<td>Transport operators</td>
<td>1.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Professional &amp; other services</td>
<td>3.2</td>
<td>3.6</td>
</tr>
<tr>
<td>Personal loans</td>
<td>11.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Trade</td>
<td>15.6</td>
<td>16.6</td>
</tr>
<tr>
<td>Finance</td>
<td>4.8</td>
<td>4.9</td>
</tr>
<tr>
<td>All others</td>
<td>6.9</td>
<td>7.5</td>
</tr>
<tr>
<td>Total Bank Credit</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Basic Statistics Returns of Scheduled Commercial Banks in India, various Issues, RBI.
While the macro-level scenario in the state is dominated by low growth of agriculture and low capital formation, there exist strong social, economic and psychological barriers at the micro-level limiting the development of banking habits among the rural poor (Madheswaran and Dharmadhikary, 2001). Rural people with low income and lack of knowledge of available banking facilities can do little on their own with regard to the development of banking habits. The Self Help Group provides a mechanism for the banker and the government to reach out to the rural people with regard to banking habits (Citron and Draine, 1999).

Several constraints have been highlighted by banks themselves in the inculcation of banking habits among the poor people. Some of them are high transaction cost, inability to provide adequate collateral security, the viability of the loan proposal, the urban orientation of the banks, the lack of flexibility in the terms and conditions and ignorance and the lack of exposure (Madheswaran and Dharkadhikari, 2001).

**International efforts in linking the formal and informal credit systems**

The pioneer effort to establish a viable and flexible link between the formal and informal credit system is the Grameen Bank established in
In 1983 in Bangla Desh (Khandker and Khan, 1995). In 1984, the International Symposium on Mobilization of personal savings in developing countries organized by UN validated the emergent necessity of need-based linkages between the formal and informal sectors rather than alienating each other (United Nations, 1986).

In 1984, the Federal Ministry of Economic Co-operation and the Agency for Technical Co-operation of the Federal Republic of Germany undertook a series of studies and workshops on rural finance in developing countries resulting in a policy for promoting self help groups different from Grameen Bank model and Self Help Promotion Institution (SHPI) was created as a financial intermediary between the rural poor and the micro enterprises on the one hand and formal financial institutions on the other (Kropp et al.,1989).

At the Asia Pacific Regional Agricultural Credit Association (APRACA) regional workshop of May, 1986, the participants decided to encourage “Coordinated programme for the promotion of linkages between banks and SHGs in rural savings mobilization and credit delivery to the rural poor.” The project ‘Linking banks with SHGs ’in Indonesia started in 1988 through the Central Bank of Indonesia in providing training and consultancy services to SHGs (Koch and Soetjipto, 1993).
Self Help Group (SHG) is a homogeneous group of rural poor voluntarily formed to save small amounts out of their earnings which forms all the members and agreed upon by all to form a common fund corpus to lend to its members to meet the emerging credit needs. The concept of SHG comes from the Grameen Bank of Bangladesh founded by noted economist Mohammad Younus. It provides large scale micro finance compared to all other banks in Bangladesh.

The data on global outreach of microfinance suggest their rapid growth among the rural poor. The number of reporting institutions has increased by more than 37 per cent in the period 1997-2003. Yet the percentage of poorest clients is increasing.
Table: 2.2

Global Outreach of Micro credit

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of reporting institutions</th>
<th>Number of clients reached(million)</th>
<th>Poorest clients reached (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>628</td>
<td>13.5</td>
<td>56.3</td>
</tr>
<tr>
<td>1998</td>
<td>925</td>
<td>20.9</td>
<td>58.4</td>
</tr>
<tr>
<td>1999</td>
<td>1065</td>
<td>23.6</td>
<td>58.5</td>
</tr>
<tr>
<td>2000</td>
<td>1567</td>
<td>30.7</td>
<td>62.9</td>
</tr>
<tr>
<td>2002</td>
<td>2572</td>
<td>67.6</td>
<td>61.5</td>
</tr>
<tr>
<td>2003</td>
<td>2931</td>
<td>80.9</td>
<td>67.7</td>
</tr>
<tr>
<td>2004</td>
<td>3211</td>
<td>82.3</td>
<td>68.4</td>
</tr>
<tr>
<td>2005</td>
<td>3328</td>
<td>84.6</td>
<td>72.3</td>
</tr>
<tr>
<td>2006</td>
<td>3498</td>
<td>86.2</td>
<td>73.8</td>
</tr>
</tbody>
</table>


**Indian Initiatives**

First official interest in informal group lending in India took shape in 1986-87, when NABARD supported an action–research project “Savings and Credit Management Of Self Help Groups of Mysore Resettlement and Development Agency (MYRADA). NABARD undertook a survey of 43 NGOs spread over 11 states in India to study the possibilities of collaboration between the banks and SHGs in the mobilization of rural savings and improve credit delivery (NABARD, 1995).
Graph 2.2 Global Outreach of Micro credit
Micro financing by non-formal financial institutions was already started in 1974 by SEWA owned by the women of petty trade groups established on co-operative principles in Gujarat. Working Women’s Forum (WWF) started promoting women’s co-operatives in Tamil Nadu from 1980. Shreyas of Kerala got involved in micro finance in 1988 with the objective of promoting co-operative habits of thrift and self management of People’s Bank (HDFC, 1997).

In 1991, encouraged by the survey results, NABARD advised commercial banks to extend credit to SHGs under a pilot project of NABARD. Later the scheme was extended to Cooperatives and Regional Rural Banks also. To formalize the system further the RBI constituted a Working Group in 1994, (NABARD, 1995).

Since 1996, the SHGs have become a regular feature of the Indian financial system. They are small, informal, homogenous groups with less than twenty members. The group size is maintained small to keep them away from the bureaucracy and unnecessary administrative expenditure. It also helps them to stay away from corruption by and large. The lesser number promotes direct democracy within the group (Stiglitz, 1990). Repayment of credit also tends to fall in larger groups as the magnitude of free rider problem is high. (Dahal, 1985) Joint liability provides
incentives for prompt repayment and helps in selection, monitoring and enforcement functions of credit delivery system.

The SHG was seen as a link between the financial institutions and the cultivator in the initial years. Later the SHG metamorphosed into an alternate support institution for the farmer with differently shaded roles ranging from disseminator of new technology to a social institution to build up the leadership qualities in the individual member.

Presently even the most conservative development practitioner cannot ignore the rapid pace of progress achieved by the SHGs, especially in creating credit linkages for people outside the formal channels of credit. NABARD estimated that by the end of 2003, about 80 million clients across the globe will be serviced by approximately 2900 such institutions and reported that 13 per cent of all the clients and 16 percent of the poorest clients would be from India under the SHG Linkage programme of the National Bank for Agriculture and Rural Development (NABARD).

Table: 2.3 provide data on the growth of SHG Linkage programme of the NABARD. In the initial period, only 255 SHGs were linked to the bank with only Rs. 2.89 million as refinance from NABARD. Within a couple
of years, it expanded to more than 2 lakhs SHGs and refinancing over Rs. 4000 million. The cumulative amount of loan grew at a rate of 3.28 per cent for the period 1992-93 to 2000-01 while the number of SHGs grew at a rate of more than 300 per cent.

Table: 2.3

Growth of SHG- Bank Linkage Programme

<table>
<thead>
<tr>
<th>Year</th>
<th>Cumulative Number</th>
<th>Credit advanced</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>255</td>
<td>2.89</td>
</tr>
<tr>
<td>1993-94</td>
<td>620</td>
<td>6.53</td>
</tr>
<tr>
<td>1994-95</td>
<td>2122</td>
<td>24.45</td>
</tr>
<tr>
<td>1995-96</td>
<td>4757</td>
<td>60.58</td>
</tr>
<tr>
<td>1996-97</td>
<td>8598</td>
<td>118.36</td>
</tr>
<tr>
<td>1997-98</td>
<td>14317</td>
<td>237.95</td>
</tr>
<tr>
<td>1998-99</td>
<td>32995</td>
<td>520.60</td>
</tr>
<tr>
<td>1999-00</td>
<td>114775</td>
<td>1501.26</td>
</tr>
<tr>
<td>2000-01</td>
<td>234843</td>
<td>4007.46</td>
</tr>
</tbody>
</table>

*Source: NABARD*

**Approaches to microfinance**

Two different approaches have been identified in the evolution of microfinance industry. The Latin American model which is the
commercial model is allied to the formal financial system. The focus on social and community development or on the poor and marginalized is absent in this system. This system focuses on enterprise creation and growth. The South Asian model, drawing on the strategic and operational features of the Grameen Bank focuses clearly on women and poverty (Kerkvliet, 2005).

In India, two systems of patronage are existent. The SHG Linkage Program in Karnataka, started in 1986-87 anchored by NABARD, works with the patronage of state. There exists a parallel system dependant on the external grants from other countries to finance both social mobilization and lending. Working without proper monitoring, the latter always devises ways to circumvent the supervision by the state. This may jeopardize the future growth of this sector.

**SHGs in Kerala**

The traditional role of the SHGs in majority of the Indian states has been in the field of credit delivery. In Kerala SHGs have so far played only minimal role in the arrangement of credit. This could be because of the higher literacy rate in the state (Cheriyan, Omana, 2003; Kudumbasree, 2004). Shedding the traditional role, the SHGs have started emerging as an alternative institutional structure for productive economic
endeavors. A majority of the SHGs in the state have started becoming productive by engaging themselves in micro enterprises (Unnikrishnan, 2004).

The spread of the formal sector micro-credit is presented in Table: 2.4. This shows that there is a flurry of activities in this sector in Southern India, mobilizing 84 percent of the total accounts through the SHGs. The greater spread of the micro-credit sector is reflected in the performance of formal banking sector in southern region as well. The non SHG Microfinance Intermediaries also are concentrated in South India.

Table: 2.4

Formal sector micro-credit, regional spread, 2002

<table>
<thead>
<tr>
<th>Region</th>
<th>Of all Banks</th>
<th>commercial</th>
<th>Total priority</th>
<th>Advances to SHGs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share in deposits</td>
<td>Share in credit</td>
<td>C/D Ratio</td>
<td>No. of accounts</td>
</tr>
<tr>
<td>South</td>
<td>23.4</td>
<td>23.9</td>
<td>63.7</td>
<td>42.4</td>
</tr>
<tr>
<td>West</td>
<td>24.5</td>
<td>35.2</td>
<td>89.6</td>
<td>11.4</td>
</tr>
<tr>
<td>North</td>
<td>23.2</td>
<td>24.6</td>
<td>66.3</td>
<td>12.6</td>
</tr>
<tr>
<td>Central</td>
<td>14.0</td>
<td>7.5</td>
<td>33.6</td>
<td>16.1</td>
</tr>
<tr>
<td>East</td>
<td>13.3</td>
<td>8.0</td>
<td>37.4</td>
<td>15.7</td>
</tr>
<tr>
<td>North-East</td>
<td>1.7</td>
<td>0.7</td>
<td>26.9</td>
<td>1.9</td>
</tr>
</tbody>
</table>

*Source: RBI Bulletin, 2002*
Studies on SHG

Verhagen (1987) defined a self help group as an institutional framework for various individuals or households who have agreed to co-operate on a continuous basis to pursue one or more objectives.

Pathak (1992) observed that through the SHGs the small farmers get empowered to solve most of their problems related to raw materials and input supply, marketing better adoption of technology, education and training for realizing their human potential development.

Rajasekhar (1993) stressed the need for homogeneity within the group to attain efficiency. He outlined the factors on which homogeneity is required- caste, economic and social factors.

According to Thundiyil (1995) women SHGs require special attention and are promoted actively as they form major part of the rural poor.

According to Dwaraki et. al (1996) the goal of SHG is to pool together the strength of the weaker sections and develop them as a self- reliant community. The periodic attendance in the meetings is made mandatory to become eligible for financial assistance.
Panda and Misra (1996) identified that regular meetings create strong social relationship among the members which ensures democratic functioning of the group. It also helps in planning, proper using funds properly and resolving conflicts within the group etc.

Uphoff (1993) points out that the unique aspect of the activity of the SHGs is that they are based on voluntary association.

Rao (1994) defines SHGs as a means of raising the claim-making ability of rural poor for reaching out to such agency as they are willing to work with and as ones which can provide them with additional production sources.

According to Kerala Horticulture Development Programme (1995) self help group means a group of about 20 farmers who are cultivating fruits and vegetables and whose farms are in the neighborhood and not scattered in the wards of different panchayats. They come together and join to form a group on voluntary basis with the purpose of improving their income level by carrying out the cultivation of fruits and vegetables.

NABARD (1995) defines SHG as a homogeneous group of rural poor voluntarily formed to save whatever amount they can conveniently save
out of their earnings and mutually agree to contribute to common fund from which to lend to members for productive and emergent credit needs.

Singh (1995) conceptualizes an SHG as an informal association of individuals, who come together voluntarily for the promotion of economic and social objectives.

Dwarakanathan *et al.* (1996) describes a SH Credit group as an unregistered body of people, preferably the disadvantaged, who willingly contribute an agreed sum of money which would be lent at a price for short periods as fixed by the group itself.

Indian Bank (1996) identifies 2 phases for SHG activities. Phase 1 is the Study phase while the second is the Action phase. Action phase has four stages- preparatory stage, settling down stage, stabilization stage and completion stage.

Krishnamurthy (1990) defines SHG as an organization formed by the people for pooling their resources to help each other.

Roul (1996) defines SHG as an institutional framework for individuals or households who have agreed to co-operate on a regular basis to pursue
one or more objectives. He observes that women are the dominant gender in the SHGs where they are functioning well. He opines that while it may take a long time in rural India to practice gender equality, it is necessary to allow gender based distinction to promote SHGs.

NABARD (1997) expresses the view that SHG is complete if it has a constant membership of twenty or more, common understanding of members on the objectives of the group, initiative for regular meetings, high participation rate in group meetings, free and open communication among members, common decision-making, action on decisions made and shared leadership within the group.

Sreedharan (1997) links sustainability of the SHG activities to the following factors: saving linked access to credit, development of functional discipline within the group, regular meetings, simple record maintenance, saving mobilization, rotation of leadership, transparency of operations, training and guidance to the members, autonomy of the SHG, peer pressure and group liability replacing collateral security in credit access.
Karmakar (1998) defines SHG as an informal group of people in which members pool their savings and re-lend it within the group on rotational basis.

According to Nehru and Jayachithra (2000) an SHG consists of 15 to 20 farmers who voluntarily join together on neighborhood principles. Around 10 to 15 such SHGs join to form a field center catering to the needs of 200 to 300 farmers.

Leaving the traditional line of assistance to the weaker sections of the society by bank linkage programs, the SHGs have taken up activities like agro processing, tissue culture and hardening units, cultivation of ornamental plants and bee keeping. By providing training to farmers in emerging fields of crop science, the SHGs also help in capacity building of the weaker sections.