Chapter - II

SHG : Background Information
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Introduction:

In this chapter I will describe background information of SHGs. This study present in later chapters would be of immense use and help to the planners, policy makers and practitioners and since all future development processor needs to be addressed through SHG approach.

What is SHG? National Bank for Agricultural and Rural Development (NABARD) says,

The Self Help Groups (SHGs) are voluntary association of people formed to attain a collective goal. People who are homogenous with respect to social background, heritage, caste, or traditional occupations come together for a common cause to raise and manage resources for the benefit of group members.

Features of SHG

The following features are laid down for SHGs as norms in India:

1. Members are a set of people who come together voluntarily.

2. Purpose of members is to solve crucial problems, which cannot be solved elsewhere.

3. Members act collectively to bring about positive change in their lives.

4. Members can support each other and strengthen their collective position in dealing with external agencies.

Often self-help groups begin around a small issue, but with increasing confidence and experience, the group is able to tackle issues that are much larger and more complex. Thus the concept of SHGs is quite widely understood among the persons and organizations working in the area of development and most SHGs share these features.
Processes of Group Formation

The processes by which the group of people with a common objective are facilitated to come together in order to participate in the development activities i.e. savings, credit, income generation etc, is called GROUP FORMATION.

In the information of new SHGs basically two stages are involved like (i) pre-group formation stage and (II) promotion stage.

I Pre group formation : In this stage, it is important that the SHG promoter visits the village frequently, gathers information about various facets of the village life, its environment and people. During this stage, promoter also builds up rapport with the villagers.

II Promotion Stages (group Dynamics)

There are four stage in this phase:

(i) Forming: In this stage, people come together informally and meet. They are encouraged to talk about their problem and solutions. During this stage, based on the felt need, homogeneous groups emerge naturally.

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

(iii) Norming: Trust develops among group members leading to cohesiveness in the group.

(iv) Performing: This is the final stage when the group becomes operational and starts functioning for the benefit of its members.
Advantage of Forming of Groups

Togetherness as a group to undertake certain activities has amplified advantages due to the strength of numbers. A few of the important advantages are as follows.

Polling of resources: To undertake an activity, a group’s resources are far greater than that of a single individual.

Easier consensus-building for undertaking new activity: Oneness makes it easier to undertake a new activity if some others around us also share our feelings about it. Being in a group enables discussion and consensus on the issue. New ideas become more acceptable if these are shared by others in the community.

Pooling together of experience: A group represents the thinking, wisdom and experience of a number of people.

Easier communication to and from community: It becomes easier to communicate information between the community and outside sources through a group composed of members from that community.

Although the SHGs can be formed for any development activities for financial institutions to use them as a conduit for banking activities, the SHGs should be practicing thrift and credits and be familiar to money management.

Structure and functions of self-help group.

The group consists of 10 to 20 individual women /men members, belonging to more or less similar social and economic background. Two or three members who have some leadership qualities become office bearers of the group and have well defined roles and responsibilities.
Group Functions:

Formation of a group is only the beginning. The group has to function vigorously with active participation of its members in the development process. For the groups process to be effective, the group has to have some characteristics: as discussed below:

Group Meeting
The periodicity of the meeting could weekly, fortnightly or monthly. The time and place of meeting should be such that it is convenient to majority of the group members.

Evolution of Norms
The group has to decide on a set rules and decision making arrangements for its functioning. The bye-laws could include criteria for membership, savings, loans, fines, sanctions etc.

Saving Mobilization
The group has to decide on the amount has also the periodicity of saving of the members. The members of the group must save accordingly.

Loaning Activity
The group must decide the purposes for which loan will be given, in additional to the rate of interest, repayment period and the loaning process.

Recycling of Funds
The recovery of both principal and interest on loan is essential. The rotation of the capital is also important. The capital is formed by the savings of the group members, as also from contributions from outside.

Leadership
Generally there are 2 to 3 leaders with different designations, such as president, Secretary and Treasurer. The election process also varies from weekly rotation to as long as 5-year period.
For assessing a self help group, the important aspects that a banker should look into includes:

**Norms for functioning:** SHG should have developed some kind of norms for its functioning. The norms should be covering major areas of its functioning as well as the decision making processes, leadership etc, Norms generally relate to:-

i. membership  
ii. Meetings-time, periodicity  
iii. savings-amount, periodicity, rate of interest  
iv. Credit - procedure for sanction, ceiling amount, purposes, rate of interest to be charged, repayment period etc.  
v. fines - incase of default in attending meetings, savings and credit repayment. Group may also levy fines for pan chewing, smoking, drinking liquor etc.  
vi. Leadership-election or no nomination of of leaders, rotation of leaders etc.  
vii. Personal / social improvement- minimum literacy level to be achieved, Social work to be done etc.

The above norms may be written or oral. They may be decided in the initial meetings or they may be evolved over a period of time depending upon the need of the need of the group. The important aspects to be looked into are:-

How norms are evolved, whether by the consensus of the whole group

Whether the members are aware of the norms (even if they are oral) and understand them.

Whether the norms are implemented
Thus it is seen that there are manifold functions prescribed as normative behavior. This functions can be summarized in the following diagram:

**Maintenance of Books**

The books of maintained by SHGs are saving Register, loan Register, Meeting proceedings and attendance books. Individual passbooks in some cases are also maintained.

The books are to be maintained by Group members themselves.

**Management of funds and operation of bank account**

The group is to manage its own funds as also the fund it receives from outside. Normally the sources of fund for the group are membership fees, savings, fines, donation and interest of loans, bank loan, bank interest, and contribution from outside. The fund is used for normal loaning as decided in the meeting as also for meeting emergencies faced by the group members. The cash is handled at three stages.
1. Secretary/ treasurer holding cash to meet emergencies

2. Secretary/ treasurer holding the saving before depositing in the bank

3. The office bearers who are authorized to withdraw cash/ loan from bank for disbursement among members.

4. All the members of the group must be gradually exposed to operating the bank account

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Meeting

The group decides the periodicity of the meeting i.e., weekly, fortnightly or monthly. They also decide on the time of the meeting. Decision on time and periodicity helps in regular conduct of meetings. The regularity in the holding of the meetings and the attendance during meetings give an indication about groups functioning. Therefore a banker should see whether,

The meetings have been held regularly.

The attendance in the meetings.

The members are punctual and stay till the end of the meeting.

Are there any punishments for errant members?

The banker can use his observations during the meetings and from the meeting register to get data on his aspect.

Maintenance of Pass books

Whether group is maintaining the basic books, which will give details of functioning, and accountability of the group is an important criteria. The books should give the details of number of meetings held, decisions taken in the meetings, amount of savings of the members and credit availed, the total savings of the group & repayments. Who maintains these books are another important criteria for judging the group. Is it maintained by members, if not are they making efforts to learn numeric or literacy so that they can start doing it themselves.

Banker has to verify :

Whether details of meetings, proceedings and attendance are maintained.
Whether member wise record of saving and credit are maintained.

Whether the record are upto date

Whether all members are kept informed of their savings and credit balance from time to time.

Incase of illiterate groups whether what is the system followed, does the group verify the books maintained by NGO / outsider.

Whether system have been develop to ensure safe custody of cash.

**Leadership**

Two or three group members are elected as the leaders. Initially the opinion leaders may be selected as the leaders and over a period of time they are expected to be rotated. The group leaders are expected to

(a) Regularly convene and conduct the meetings

(b) Help the group members in taking decisions

(c) Resolve conflicts

(d) Maintain books of account and

(e) Approach bank branch for operation of accounts.

**The aspects that are to be seen are:**

- Whether the leaders have been elected and rotated.
- Whether they help in democratic functioning of the group.
- Whether there is a conscious attempt to groom other members to take up leadership
- Are they marginalizing the benefits (especially loans)

**Participation and Awareness of Group Members**

Are the Members aware of the purpose of formation, the operations and activities of the group viz.
The savings and the credit of the group as the individual member’s saving and credit details?

Do they participate in group discussions and decision-making?

Do they help solve the problems that are raised in the meetings.

Do they work cohesively and have transparent dealings.

Attending one or two meetings and taking to individual members may judge the democratic Character of the group. The awareness level of member helps in healthy functioning of the group and resolution of conflicts within the group.

**Saving:**

The decides on the amount of savings as also its periodicity. It has to be seen whether the saving.

As decide upon, is regularly made, how the defaults are dealt with and whether the system is Modified as per the requirement of members

**Credit**

The following aspects to be looked into while assessing the credit function of the group

The decision making process of selecting loaners

The system followed in assessing credit requirement of individual members and the amount to be sanctioned.

The system of monitoring the credit.

The repayment performance of members and incidence of defaults besides the effectiveness to deal with such defaults, whether the concept of ‘peer pressure’ is working.

**Self Reliance of the Group**

Can the group function on its own without the support of the NGO is an important criterion for assessment? The level of dependency on the NGO / promoter of the group and impact of withdrawal of NGO / promoter on the group is to be assessed.
In Indian Context

The Indian experience shows that noninvolvement of people has led to an attitude of total dependence on the government for every development effort leading to lack of effort and accountability of people. There were also instances in the seventies and the eighties in the other developing countries like Kenya, Korea, Bangladesh, and Nepal where the various credits programmers agriculture and rural development, when modeled on participatory approach showed better impacts and results.

The focus of attention shifted on developing people’s institutions accountable to community having linkage with various developmental and financial agencies. Against this backdrop the concepts of Self Help Groups appears to be good alternative strategy to involve people in the development process.

The experience in Kenya on the Cooperative Scheme Linked to Cooperative Production Credit Scheme, modification of the traditional Key system and integration into the Mutual Credit Programme in Korea, The small Farmer Development Agency resource crunch shows that huge resources can be mobilized from even among the poor people. Another feature was the management of the resources by the people themselves.

The SHG linkage to banking sector is expected to combine specific advantages of both the above system and also enable larger and faster coverage of rural poor

Self-Help Groups in India

Over the years, SHG formation in India is showing down considerable, so also the allocation, credit target and credit subsidy. The table 1.1 shows the rank of different states in India during 2004-2005 according to the SHG formation, 12.49 % of women SHG.
The Programme of micro finance has been taking rapid strides. By March 2004, 10.8 lakh SHGs were linked with banks. Around 90 percent of these SHGs are exclusively formed by women. Cumulative assistance extended by over 30,000 branches of 504 banks that participated in the programme amounted of Rs. 3,904 crore by March 31, 2004. During the year 2003-2004, 3.62 lakh new SHGs were extended loans by banks up from 2.56 lakh new SHGs that got such loans in 2002-2003. Lone disbursed in 2003-2004 amounted to Rs. 1,855 crore as compared with 1,022 crore disbursed in 2002-2003.

Let us examine the various aspects of SHGs in the Districts of W.B. It is observed from table-1.2 that number of SHGs formed in the State as a whole upto December, 2004 is 10,3,738. 75.65% of these groups. It is observed that in W.B. as a whole the total number of SHGs was 52884 upto month of December 2002 and increased to 10,37,38 upto December, 2004. Side by side, the number of women SHGs formed in all W.B. increased from 34,247 to 78,508. The number of *Swarozagaris* increased from 15480 to 19230 during March,2001 to December, 2002. Again the per capital investment went up from 19528.84 to 21.428.81 during the same period. The number of SHGs taken up activities in all W.B. increased from 196 to 721 during the same period.

**Summary**

In this chapter I described background information of SHGs ,the results of this study presented in later chapters would be of immense use and help to the planners, policy makers and practitioners, since all future development processor needs to be addressed through SHG approach.