ORIGIN AND HISTORY OF SELF HELP GROUPS

Empowerment of women with the help of group activity and microfinance facility has become a major strategy in developing countries. Infact, it has become the buzzword since 1990s. Innumerable books and research papers had been published on the importance of group activity in empowering the disempowered. The argument that individual activity is more beneficial in empowering women (Sono, 1999: 6) became an exception and the champions of this argument are ignored by the main stream researchers. The concept of Self help assumes that an individual is not strong enough to attain his/her objectives. He/she cannot, in isolation, gets the needs fulfilled. At the same time as a member of group he/she will gain extra strength, capacity, force and identity – which are essential to get the wants fulfilled. All group theoreticians subscribe to this view. Many of case studies from Asia and Africa were found their way into literature to substantiate this point. The growing importance of the concept made enthusiastic scholars to dwell into the origin of self help activity. Surprisingly the enquiry revealed that humans have been engaged in group activity aimed at facilitating their economic needs for centuries. These groups were called with different names in different countries and the researchers preferred to label them as Rotating Savings and Credit Associations (hereafter ROSCAs) and Accumulating Savings and Credit Associations (hereafter ASCRAs). Most interestingly, except for the element of credit facility form external financial institutions, these age old institutions are similar to the modern self help groups in structure and operational aspects.
There is one marked difference between ROSCA and ASCRA. In ROSCA the savings or contribution is immediately redistributed among members in rotation, until each had his/her turn and the ROSCA comes to an end. Its lifetime depends on the number of members and the periodicity of contribution. The loan and repayment in the ROSCA is automatic. There is hardly any administration. The ASCRA, on the other hand, resembles the Credit Union. The pooled savings are kept in custody and accumulated for a specified time, at the end of which the savings are redistributed. The common period is generally one year, during which members may save to pay taxes and school fees or to meet the expenses of a recurring festival or religious ceremony. Participants might also build up a fund to pay for emergencies, insurance, community development expenses or for joint investment. ASCRA loans often carry high rates of interest. (Marguerite S. Robinson, 2001:240, and Bouman 1979, 1989, and 1994)

Besley et al., (1993) rightly said that the ROSCA is one of the oldest institutions whose existence had been pervasive in all developing countries. Its simple and intuitive rules and transparent functioning made it pervasive as well as enduring institution. In its pure form, ROSCA comprised of a group of people, who regularly contribute an pre-agreed amount to a saving pot each period. The pot accumulated each period was then allocated to a winner, who is determined randomly. The ROSCA continues with the winner of the pot excluded from receiving the pot in the future. It terminates after each member has received the pot once, and another fresh circle begins. The obvious advantage of ROSCA is that it gives access to each and every member to other member’s saving. For instance, if a members desires to
acquire an indivisible good, by joining the ROSCA, he/she can expect to attain it earlier than if she/he had chosen to save all by herself.

According to Seibel (2005, 1967 and 1989) a number of people, usually under an organizer, join together to regularly contribute equal amounts of money (or kind) allocated to one member at a time; a cycle ends when each participant had his turn. Historically they were relatively small and unregulated. There are two types. The first one is the conventional type. It is found all over the world. In this type, the full amount contributed is allocated to one member at a time, either by lot, demonstrated need or in an agreed-upon sequence. The second type is an advanced type. It is found in a number of Asian countries like China, Vietnam and Nepal. In this type the amount collected is allocated by auction to the lowest bidder and the balance returned to the members.

Writing on traditional groups of West Africa, Seibel (2001:86) said that all over Liberia people forming self-help groups in which each person regularly contribute equal amounts of something valuable: labour, rice, money or other items. In all these groups “participant at a time received the accumulated total which he could use for his own individual benefit: to fell trees with the help of a rotating work group, to feed a wedding party with the rice accumulated by a rice savings group, or as micro enterprise working capital provided by a rotating savings group. A cycle was considered to be complete when each member had received the total once over. A new cycle could then start with the same or a different membership”. This practice of rotating savings was carried to Caribbean islands by Yoruba selves of Africa (Seibel & Damachi, 1982)
According to Bouman (1977:181-220 and 1995: 371-384)) the following are the outstanding Institutional Characteristics of ROSCAs. It is an autonomous institution. It is for and by the common and not-so common man. In ROSCA participation is voluntary. As financial institution, it “exhibits a degree of self-sufficiency, self-regulation and self-control that is exemplary. Assistance and control by official authorities are not appreciated or necessary; because they impede the institution’s flexibility and adaptation to members’ priorities and the environment”.

The short life cycle of ROSCA enables the members to include or exclude whoever they wish, at the beginning of a new cycle. These financial self-help groups have their own particular brand of permanency by re-instituting themselves after each cycle ends. Priority is given to consensus, need, lottery or auction.

The following excerpt from a report of the World Bank gives an overview of the ROSCAs. “Rotating savings and credit associations (ROSCAs) are a popular form of informal finance. They have various aliases: tanda in Mexico, pasanaku in Bolivia, san in Dominican Republic, syndicate in Belize, gamaiyah in Egypt, isusu in Nigeria, susu in Ghana, tontine in Niger, hagbad in Somalia, xitique in Mozambique, nisan in Indonesia, paluwagan in the Philippines, chit fund in India and Sri Lanka, pia huey in Thailand, hui in China, kye in Korea, and ko in Japan.

ROSCAs intermediate in the most basic way. A small number of individuals, typically six to forty, form a group and select a leader who periodically collects a given amount (a share) from each member. The money collected (the fund) is then given in rotation to each member of the group. In some countries, such as India and Cameroon, ROSCAs have evolved into formal banks.
Three types of ROSCAs are found in many countries. In common ROSCAs, the leader receives no special consideration (other than possibly getting the first fund). ROSCAs pay commission their leaders, who in return may assume liability for defaults. Promotional ROSCAs are used by merchants to sell goods, especially consumer durables.

Loans are interest free in most common and promotional ROSCAs; the amount received is equal to the total paid in by the member. More sophisticated ROSCAs may allocate funds on the basis of discount bids, a practice common in China, India, Thailand, and Some parts of West Africa. The winner is the person willing to accept the largest reduction in share payment from other participants in return for receiving the next fund. All participants in a commission ROSCA, except the leader, pay for the right to participate and receive back less than they contribute.

Recent research in Bolivia showed that one-third to one-half of all adults living in urban areas often participated in ROSCAs and that their ROSCA payments amounted, on average, to about one-sixth of their salaries. These associations were even found among employees of formal financial intermediaries. Despite hyperinflation and poor loan recovery by formal lenders, Bolivians reported few problems in their ROSCAs. Studies show that a relatively high proportion of those with steady incomes in Cameroon, India, and Sri Lanka often participate in ROSCAs. These associations have also been reported among employees of the central banks of Belize, Bolivia, the Dominican Republic, and the Philippines.

The popularity of ROSCAs among low and middle income groups shows that people like to save, even under trying circumstances. The Bolivian research showed
that more than 90 percent of the people interviewed joined ROSCAs primarily because they wanted to save more and felt that membership forced them to do so” (World Bank, 1989:114).

Is it necessary to study these age old micro finance institutions in the context of self help groups? What kind of relevant knowledge is acquired by treading into historical events? These questions acquire much importance in the light of the most recent writings which attribute the emergence and importance of microfinance practices like SHGs and Micro Finance Institutions to either Grammen Bank of Bangladesh or to the efforts of international organizations. This question was well answered by Seibel (2005:1) who wrote: “Every developed country and some developing countries, particularly in Asia, have a long history of microfinance. It is important to recognize this because it presents a view different from that of many in the microfinance community who associate microfinance with credit NGOs and believe that microfinance was invented in Bangladesh some thirty years ago…. There are good reasons for that: i) Attributing the origin of microfinance to recent initiatives misses the historical depth and scale of microfinance. As a consequence, centuries of experience, of learning from trial and error, failure and success in the past are being missed. ii) Conducive policies in several European countries have created an environment in which small microfinance beginnings have evolved into vast networks of local financial institutions which are now part of the formal banking system. iii) This may present a vision to those who may think that microfinance is a poor solution for poor countries to be replaced by large commercial banks once development takes off. and iv) Informal finance and self help have been at the origin of microfinance in Europe”. 

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However it has to be added that informal finance and self help have been at the origin of microfinance not only in Europe but in Asia and Africa, where these activities are more ancient compared to Europe. They predate the European Micro Finance practices. Seibel (2005:1) made one more important observation. He said, “Realizing how informal finance evolved into a major part of the banking system and contributed to poverty alleviation and development may induce policy makers, donors, and researchers to take a fresh look at indigenous and informal finance in the developing world”.

The earliest reference to a ROSCA called *Mujin* was found in the Japanese records. According to Robert Dekle and Koichi Hamada (1996) the *Mujin* is a Japanese form of a rotating saving and credit association. Members of the *Mujin* contribute funds and can win the pot by drawing or by bidding. According to him the *Mujin* originated from Buddhist tradition. If came from India to China and Korea, and finally to Japan. In Japanese historical records, the word "*Mujin*" first appeared in 1255, but at that time referred to pawn financing. Later the word was used synonymously with *Tanomoshi*, which is Japanese for the rotating savings and credit association (RoSCA). Miyanaga (1995) even took back the history of ROSCA to 9th Century. While Light and Deng (1995) argued that the earliest reference about ROSCAs were found in 1663, Tsai (2000) wrote that they existed in China since pre-modern times. Ardener (1964), however, traced their origin to early 19th Century in Africa.

Now Rotating Savings and Credit Associations can be found all over the world and go by different names in different regions and countries. In Africa they are found
in Benin, Botswana, Burkina Faso, Burundi, Cameroon, Egypt, Ethiopia, Gabon, Gambia, Ghana, Ivory Coast, Kenya, Liberia, Madagascar, Mali, Niger, Nigeria, Peoples Republic of Congo, Sierra Leone, Somalia, South Africa, Sudan, Swaziland, Tanzania, Togo, Tunisia, Uganda, Zaire, Zambia, and Zimbabwe. In Asia they are found in Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Korea, Lebanon, Malaysia, Nepal, Pakistan, Papua New Guinea, Philippines, Singapore, Sri Lanka, Taiwan, Thailand, Vietnam, and Yemen. In Latin America, Caribbean and Pacifics they are found in Bahamas, Barbados, Belize, Bolivia, Brazil, Curacao, Dominican Republic, Guatemala, Guyana, Jamaica, Mauritius, Mexico, Panama, Peru, Surinam, Tobago, Trinidad, West Indies, and Western Samoa. (Bouman, F.A.J., 1995:129). This list is also available at http://www.gdrc.org/icm/rosca/rosca-names.html, retrieved on 12.08.2011).

**History of ROSCAs in India**

Siebel (2005) found that ROSCAs are widespread institutions of ancient origin in India, “though their time of origin cannot be determined”. Stuart Rutherford (1996) mentions ‘neota’ system prevalent in northern India, *bishis* of Western India. However, research carried by other persons clearly identified the origins, period, place and modus operandi of these ROSCAS in India. One of the earliest references to a system that comes very close to ROSCA was mentioned by Logan William, a British Collector. In the course his official engagement in preparation of Malabar manual, he came across a peculiar institution of micro finance prevailing in that area. According to him, “Another curious custom has comedown from ancient times and is still flourishing … Any one desirous of raising a considerable sum of money form some
temporary purpose invites his friends to join him in what is called a *kuri* or lottery. The organizer of the *kuri* gets a certain number of his friends to subscribe a certain amount of money or of rice husked or un-husked as the case may be. The friends bring their contributions to his house where they are hospitably entertained, and by lot, the person is selected to whom similar contributions from all present including the organizer of the *kuri*, are to be made at a certain date then and there fixed. This individual in turn hospitably entertains his friends when they come with their contributions. A third person is then selected, and the same thing comes off at his house. And so it goes on until every one of the original members or his heir has in turn reaped the benefits of the contributions of his friends” (Logan William, 2004 (first published in 1887), Vol.I: 173).

In her seminal work Simcox (1894: 568) described the functioning of *kuri* in the following words: “The Dravidian *kuri*, or lottery, is said to have been handed down from very ancient times, and it is still commonly resorted to by any one desiring to raise a sum of money for a special purpose, such as a daughter’s marriage. The organizer of the lottery induces his friends to subscribe a certain amount of money or rice, which they bring to his house. They are there entertained, and draw lots to decide which of the guests shall receive similar contributions next. On this occasion the organizer contributes as well as the rest, and a feast is always given by the recipient of the lump sum. This goes on till all have received their friends’ contributions, the only element of chance being as to the date of repayment”.

The Madras Provincial Banking Enquiry Committee, 1930 throws more light on the place of origin of Chits. The committee noted, "A very old method of raising
money is to be found chiefly in the south and southwest districts and to a large extent throughout the Presidency in the innumerable Chits or Chit Funds or, as they are known in Malabar, Kuries. They are very numerous in Travancore State and in the adjoining districts of Malabar and Tinnevelly (presently Tirunalveli). According to the Report of the Kurí Committee appointed by the erstwhile Government of Cochin in 1939 said, “the institution of Kuries became very popular and took deep root in the state in the erstwhile Princely State of Cochin, now part of the State of Kerala”. It also revealed that the people began to realise more and more the advantages derived from Kuries and as years rolled on, the institution of Kuries served as the best medium of financing the development of trade and agriculture. At a later stage when banks and other joint stock enterprises came into existence, Kuries began to be controlled by such institutions. The Rural Banking Enquiry Committee, 1950 mentions "of the institutions engaged in promoting savings and functioning as mutual loan societies, a reference may also be made to the 'Nidhis' (Mutual Benefit Funds) and Chit Funds. On an organised scale they exist mainly in South India” (all the above reports are quoted by Sallyamma Job, 2003: 40-41).

Besides the above mentioned works a number of scholars worked on microfinance institutions in Malabar brought a number of hitherto unknown characteristics of institutions like kuri in Kerala. Important among them are Padmanabhan Menon(1920), Subrahmanya Aiyar (1925), Thomas (1948) and Sankararaman (2012:42). The Orissa Regional Branch of The National Bank of Agriculture and Rural Development acknowledges that “Self Help Group (SHG) was existing in some form or other since long. Tontines or Hui with 10-15 members involved in financial activities in cash or in kind have been in existence in Vietnam for
generations. *Bishi*, otherwise known as *Bishimandals* or 'Chitftrinds' are old institutions in India in which members make periodic contributions that are pooled into a fund from which money is 'given' to members. Credit unions, fishermen groups, village-based bank like institutions, irrigation groups, etc., were in existence in Indonesia” (NABARD, 2005:1-7).

The development in the evolution of ROSCAs, i.e. the indigenous forms of self help groups, passed through different stages. In India in the first stage of their evolution, they were known as *kuri, bishi, nidhi* etc. The second stage in the evolution was characterized by the emergence of an active organiser, replacing the previous honorary head. The aim of the new organiser was to over see the same procedure, but for some personal benefit, i.e. commission or salary or percentage of the total value. Auction system was introduced to decide the beneficiary. *Chitties* was the new name given to the ROSCA. As Nayar, CPS (1973:5) wrote, the pattern of subscribers also underwent changes and the social tie which was the major foundation for formation and running of a *Kuri or Bishi* was replaced by commercial ties.

The third stage of development in the evolution began with the entry of a new class of institutional organiser in the form of partnership firm, private limited company, co-operative society or Bank and joint stock bank in which large number of members were enrolled, who gradually displaced the individual organiser. A special mention about cooperative credit movement would be appropriate in this context. It dates back to 1892 when the Government of Madras Presidency felt inspired by the German Raiffeisen movement of savings and credit cooperatives and recommended, just three years after the passing of the German Cooperative Act in 1889, to replicate the approach in India.
1901 the Government of India accepted the proposal and in 1904 enacted the Co-operative Credit Societies Act, followed by the more comprehensive Co-operative Societies Act in 1912. This was to serve as a framework for promoting self-help among farmers and artisans (Seibel, Hans Dieter (2005 :9) The Travancore-Cochin Banking Enquiry Commission (1956) stated: "Most of the banks in the erstwhile Travancore-Cochin State has grown out of the womb of Chit and Kuri funds that have been operating in the State from ancient times". (Sallyamma Job, 2003:42). The fourth stage of development in the evolution was State control. The aim was to regulate the Chit Fund business and to protect the interest of the subscribers. Consequently Kerala State Financial Enterprises Ltd. (KSFE) was established in 1969 as a fully Government owned Company to provide an alternative to the private chit.

Surprisingly, all the above forms, i.e., non-profit ROSCAs, ASCRAs, registered and unregistered chit funds, cooperative societies and banks, and formal banking system had coexisted for a long time. However, except ROSCAs, all other forms had their own ups and downs in terms of success and client satisfaction. Some cooperative societies, banks and most of the chit funds had to be closed down or faced legal problems. At the same time non-profitable ROSCAs survived centuries of changes. Even now these ROSCAs with different names are innumerable in all most all localities. Employees, house wives, petty traders and other social groups pool up some money to be distributed among them by rotation.

One reason for this is perhaps their social composition. Writing about the composition of ROSCAs Biggart (2001: 135) said, “Social ties between individuals with similar class (caste) and religious backgrounds, as well as a strong emphasis on
kinship ties, continue to fortify social cohesion and mutual responsibility”. Roberts (1994:21) argued that ROSCAs existence is more enduring in a social atmosphere where the membership is built on strong communal ties. ROSCAs with long history are found in societies which are built around kinship networks, clan membership, and common identification with a native place or place of cohabitation. Besley, Coate, and Loury (1993:805) noted that ROSCAs “use pre-existing social connections between individuals to help circumvent problems of imperfect information and enforceability”. Handa and Kirton (1999:177) pointed out that “crucial to the success of ROSCAs is the social collateral that ensures sustainability”. Biggart (2001:134) wrote that communally based social order, threat of social and economic isolation and similarity among ROSCA members in social status were decisive factors in ensuring the sustainability of ROSCAs and for low default rates.

Ardener (1964:216)) described the impact of social factors in the success of ROSCAs in the following words: “the member who defaults in one association may suffer to such an extent that he may not be accepted as a member of any other. In some communities, the rotating credit institution has become so rooted in the economic and social system that exclusion would be a serious deprivation”.

However, a slightly different version was presented by Siwan Anderson, Baland and Moene (2003). According to them, besides the social factors the economic factors like loosing the opportunity to save and get money in need also makes the members to stick to the informal rules of ROSCAs.

When the Government of India decided to start self help groups it gave utmost importance to the principle of homogeneity. Thus, the DWCRA groups were formed
on the basis of income, caste and neighbourhood and these groups are more homogeneous.

**History of Self Help Groups in Post Independent India**

The source and year of the origin of the first self help groups (hereafter SHGs) in the post independent India had become a contentious issue. Many writers traced the formation of SHGs to the efforts of some non governmental organizations. Even the Ninth Report of Second Administrative Reforms Commission wrote that the first organised initiative in the direction of forming SHGs was initiated in Gujarat in 1954 (Government of India, 2008). According to Ajay Tankha (2002) this Programme was launched in 1992 by National Bank for Agriculture and Rural Development (hereafter NABARD), the apex bank for rural development in India. Fernandez, Aloysius P. (2007 and 2008) argued that SHGs were first organised by a voluntary organisation called Mysore Resettlement and Development Agency (hereafter MYRADA) in 1985 and the SHG-Bank Linkage Programme began in 1992. A report prepared by the Orissa regional office of NABARD wrote that first official interest in informal group lending in India took shape during 1986-87 when NABARD supported and funded an action research project on 'Savings and Credit Management of Self Help Groups' of (MYRADA). The report also added that, “...In 1988-89 NABARD undertook a survey of 43 non-governmental organisations (NGOs) spread over 11 states in India to study the functioning of SHGs and possibilities of collaboration between the banks and SHGs in the mobilisation of rural savings and improving the delivery of credit to the poor” and “SHGs became a regular component of the Indian financial system since 1996” (NABARD, 2005: 1.12).
However, a careful reading of the information available proves that Government of India was the first one to start SHGs. The first groups were started in 1982-83. After a gap of two years MYRADA started forming self help groups. The elaboration on the formation of SFGs by Government of India needs a brief overview of the efforts of the Government of India to meet the financial needs of people working in unorganized sector scattered in lakhs of villages in the length and breadth of this vast country.

The independent India inherited an underdeveloped rural economy. High levels of indebtedness and inefficient public financial services posed a serious challenge to the development of the country. Ever since, the policy makers concentrated their efforts to search for a viable solution to this Problem (Planning Commission, 1951, Vijay Mahajan and Suman Laskar 2012 and Mihir Shah, Rangu Rao and P.S. Vijay Shankar, 2007:6). The whole issue of credit crunch and lack of rural development has been attributed to lack of access to credit from both national and private formal financial institutions. Inaccessibility to finance means stagnation in production, resulting in increasing both individual and national poverty. Public and private banking net work which can provide the finance to small and medium entrepreneurs was not available in rural areas. The informal finance provided by moneylenders, friends, relatives and chit funds was both costly and inadequate. According to Reserve Bank of India findings, this costly informal credit accounted in 1951 for 90 per cent and in 1971 for 70 per cent of rural indebtedness (Seibel, Hans Dieter , 2005: 8, 2005a and Seibel 2010, Malappa Dandgund and Nayakara Honnurswamy 2012:1-4 and V. K. Ramachandran and Madhura Swaminathan ,2001:4-6). Though 80 percent of the population lived in rural areas and 40 per cent
of Gross Domestic Product was contributed by agriculture, only nine per cent of total credit went to agriculture in 1954 and it rose to an ignorable 19 percent (Mihir Shah, Rangu Rao and P.S. Vijay Shankar, 2007: 13 and Planning Commission, 2007).

No attempt was made to build an indigenous formal financial structure. To find a solution to the problem, the Union Government took three related measures in 1969, viz., nationalization of 14 private banks (followed by another six in 1980), opening two rural branches for every urban branch and a mandatory system of priority sector lending. (Seibel, Hans Dieter, 2005: 8 and 9).

A review made in 1975 revealed that the institutional expansion policy resulted in opening of 10,882 rural and semi-urban branches. Still the expansion did not match the credit requirement of rural poor. It was concluded that rural branches of large commercial banks, be they private or public, are not the right answer. Hence, the government introduced a new network of government-owned Regional Rural Banks (RRBs) in 1975 under the provisions of an Ordinance promulgated on the 26th September, 1975. The Regional Rural Banks Act, 1976 contributed for the expansion of RRBs. The purpose of these RRBs was to develop the rural economy and to create a supplementary channel to the ‘Cooperative Credit Structure’ with a view to enlarge institutional credit for the rural and agricultural sector (NABARD, 2011 and Seibel, Hans Dieter, 2005: 8 and 9). Yet the problem persisted. The RRBs and cooperative banks to a large extent catered the needs of farmers, but not the needs of vast numbers of landless, migrant labourers and illiterate women.

In 1981 RBI carried out the All-India Debt and Investment Survey and published the results in 1983. According to this survey after years of massive
branch expansion, policies of directing credit to the rural areas, massive self employment programmes, and ready availability of donors some 250 million of the rural poor had no access to formal finance, and 39 per cent of rural indebtedness stemmed from informal sources (Seibel, Hans Dieter, 2005: 8 and 9). On the other hand the rural cooperative banks, established to meet the credit needs of the rural population engaged in productive activities, could not meet the social obligation. Their failure to do so created more pressure on credit availability which was the most essential requirement of the time. To quote the impression of the Planning Commission (2007:12), “The Indian cooperative credit structure meant to empower the poor was not very successful as it was captured by a few powerful and because of excessive governmental interference and regulation” (also see, Seibel, Hans Dieter 2005). To solve this problem the Government has decided to start Integrated Rural Development Programme (hereafter IRDP) in 1978-79. The aim of this programme was “to deal with the dimensions of rural poverty in the country. The programme covered small and marginal farmers, agricultural workers and landless labourers and rural craftsmen and artisans and virtually all the families of about five persons with an annual income level below 3500. The main aim of IRDP was to raise the levels of the below poverty line families in the rural areas above the poverty line on a lasting basis by giving them income generating assets and access to credit and other inputs” (Planning Commission, 1985:1, and Planning Commission, 1981, Sixth Five Year Plan). To extend the same benefit to the women, women self help groups with bank linkage facility were started. This programme was called Development of Women and Children in Rural Areas (hereafter DWCRA). The DWCRA programme was started in 1982, as a sub-scheme of IRDP (Planning Commission, 1985a, Vol.II,
and Indira Bishnoi and Vibha Singh, 2007:1). Initially this was started as a pilot project in 50 blocks of the country for those Women who were not in a position to take advantage of schemes under the IRD Programme. The programme has become so popular that with in a short period of two years the number of groups rose to over 1900, benefiting about 30,000 women by 1983-85 (Planning Commission, 1985a Vol.II, Chapter 14, Paragraph 11). By 1997 91,900 DWCRA groups were formed and 22,66,817 lakhs of women were enrolled as members. An amount of 190.72 crores was given as loan to these members (Planning Commission, 1997, Ninth Five Year Plan).

This programme was started, as the name suggests, with the basic motive of focusing attention on the women members of rural families whose income falls in the category of below poverty line. The aim of the programme was to provide them with opportunities of self-employment on a sustained basis. But unlike other programmes, this programme was not confined to economic objectives only. It aimed at empowering women by building self-confidence, participatory planning and decision-making capacity. As stated in the Manual of DWCRA, “DWCRA is not just a scheme for sewing machines and Revolving Fund. It is a development programme for women, to remove the causes of poverty and deprivation. It is a programme to empower women, to bring out the hidden strengths and power of women” (Department of Rural Development, 1991, Manual for the Gramasevika in DWCRA, Ministry of Rural Development, Government of India, Delhi, Page No. 17.)
The following are the main objectives of the programme:

1. This programme is for the “Poor” and “the poor” are officially selected families living below the poverty line, selected by “Gram Sabhas” or village meetings at the Gram Panchayat levels.

2. It is envisaged that the women may understand the plans, laws and schemes drawn up for their benefit, and may develop ability and power to make the fullest use of these resources to raise their standard of living.

3. DWCRA is a flexible programme, based on the needs of the area. The DWCRA Programme emphasises the principle that the planning and implementation should be decentralized with both activities taking place at the village level.

4. DWCRA lays stress on the principle of participation as the root of decentralisation. Therefore, the objective of this DWCRA programme is that people in the group may decide what programme they need, how it is to be implemented in their village and thus really become a part of the programme. ((Department of Rural Development, 1991, Manual for the Gramasevika in DWCRA, Ministry of Rural Development, Government of India, Delhi, Page No. 21)

Formation of Self Help Groups by N.G.O.S: Another attempt to form SHGs was made by Non Governmental Organizations (hereafter NGOs), without governmental interference and without any provision for bank linkage in the initial period. The first SHG by an NGOs was formed on the ruins of a mismanaged cooperative society run
by MYRADA. In the early eighties some of the the cooperative societies organised by MYRADA broke down. Domination of economically, socially, and politically more powerful members, dependency of less powerful on others for jobs and/or for urgent loans, lack of transparency in operations and government control were the reasons for the breakdown of these cooperatives (Fernandez, Aloysius P. 2008).

The members who took loans from those cooperative societies not only refused to clear the loans, but also made a request for another loan. Then the officials of MYRADA reminded them of the loans they had taken out from the cooperative. The people came to MYRADA were ready to return the amount to MYRADA, but not to the cooperative, which was dominated by a few individuals. MYRADA staff suggested that they return the money to themselves – in other words to the members who had come in a group to present their case to MYRADA. To take a decision on the suggestion of MYRADA and to explore ways to obtain loans, the members met in smaller groups and had a number of meetings.

While observing them closely the MYRADA staff realized that they do not know how to conduct a meeting purposefully and decided to train them in matters like, organizing a meeting, setting an agenda, keeping minutes, etc. Sincere efforts were made to train the members systematically. After prolonged interaction it was realized that the members were linked together by a degree of affinity based on relationships of trust and support; they were also often homogeneous in terms of income or of occupation or social homogeneity (for example, agricultural labourers or caste (Fernandez, Aloysius P. 2007:8). The importance of homogeneity for the group is explained by MYRADA in the following words: “... where credit is the resource, a
A homogenous group of the poor is more appropriate. Experience in the Self Help Affinity Groups showed that the group must not only be homogeneous but also membership group (where all participate); the members are linked by affinity which is based on relations of trust and mutual support. Such membership groups must have the space to decide on all matters” (MYRADA, 2010 and Fernandez, Aloysius P. 1995). Thus the element of homogeneity which ensured the survival of ROSCAs for centuries again became a major element in formation of SHGs.

MYRADA decided to formalize these relations by forming them into groups and training them in group behaviour and thrift. Thus, the first ever self help groups in non-governmental sector came into existence in 1984-5. However, initially these groups were called Self Help Affinity Groups (SAGs). These groups were created to generate empowerment of the poor and marginalised and promote a livelihood strategy for each family (MYRADA, 2010:1). In 1986-87 Myrada went to NABARD with a proposal requesting Rs. 3 million to (a) match the savings of the groups, and (b) provide training in institutional capacity building to the groups (Fernandez, Aloysius P. 2008).

Meanwhile during 1986-87 NABARD) decided to support and fund an action research project on 'Savings and Credit Management of Self Help Groups' of MYRADA. In 1988-89 NABARD also decided to undertake a survey of 43 non-governmental organisations (NGOs) spread over 11 states in India to study the functioning of SHGs and possibilities of collaboration between the banks and SHGs in the mobilisation of rural savings and improving the delivery of credit to the poor. Encouraged by the survey results, NABARD impressed upon Reserve Bank of India
(RBI) to come out with a circular on July 24, 1991 advising the commercial banks and Co-operatives to extend credit to the SHGs under the pilot project of NABARD. During the project period, the Association of Sarva Seva Farms (ASSEFA), Madras, promoted 214 groups, People's Rural Education Movement (PREM), Berhampur promoted 829 groups, Professional Assistance for Development Action (PRADAN), Madurai, promoted 313 groups, and Community Development Society (CDS), Alappuza promoted 350 groups. The results were thus quite encouraging (NABARD: 2005:3).

By February, 2000 an expenditure of Rs.804.23 crore was incurred under the scheme as against the total allocation of Rs.1467.73 crore. During this period, more than 3.40 lakh self help groups were assisted. A central outlay of Rs.1000.00 crore has been provided for the scheme in 2000-01 (Planning Commission, Annual Plan 2000-01, chapter 4.1).

However, the spread of SHGs in terms of number did not satisfy the policy makers. They thought that the growth was below the projected estimates. They have also felt that the state governments were not able to spend the allotted money. When the failure of state governments inability to utilize the allocated budget came for discussion, many state governments have reported that formation of SHGs took considerable time and has been one of the prime reasons for less than expected performance under the scheme in 1999-2000. However, they ensured that the establishment of SHGs would gather momentum in the coming years and significantly contribute to the success of micro enterprises as vehicles for economic empowerment.
of below poverty line families (Planning Commission, Annual Plan 2000-01, chapter 4.1). Still, the Planning Commission did not satisfy with the progress.

To quote Planning Commission, “While, in principle, this scheme is a sound one, in operationalising it, the impact has been inadequate. This is perhaps due to a lack of cohesion among women groups formed under DWCRA and their inability to identify activities that could generate sustained incomes. In this sphere, the role of voluntary organisations would be crucial in organising women to take up group-based economic activities which are viable within the context of an area development plan. Experiments in some States to form women's thrift and credit societies first, and then start them on economic work have been successful” (Planning Commission, 1992, 8th Five Year Plan, Vol-2, Chapter II, Paragraph 4.2).

The Planning Commission took a drastic decision to merge IRDP and allied programmes into a single programme. In the opinion of the Commission, “The Integrated Rural Development Programme (IRDP), introduced in selected blocks in 1978-79 and universalised from 2 October 1980 has provided assistance to rural poor in the form of subsidy and bank credit for productive employment opportunities through successive plan periods. Subsequently, Training of Rural Youth for Self Employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA), Supply of Improved Tool Kits to Rural Artisans (SITRA) and Ganga Kalyan Yojana (GKY) were introduced as sub-programmes of IRDP to take care of the specific needs of the rural population. These schemes were, however, implemented as ‘stand alone programmes’, an approach which substantially detracted from their effectiveness. The Mid-Term Appraisal of the Ninth Plan had indicated that
these sub-programmes ‘presented a matrix of multiple programmes without desired linkages’”. It also felt that the programmes suffered from sub critical investments, lack of bank credit, over-crowding in certain projects, and lack of market linkages. “The programmes were basically subsidy driven and ignored the processes of social intermediation necessary for the success of self-employment programmes. A one-time provision of credit without follow-up action and lack of a continuing relationship between borrowers and lenders also undermined the programme’s objectives” (Planning Commission, 2002, 10th Five Year Plan).

To set the things right and to improve the marginal impact of self-employment programmes a committee was constituted by the Planning Commission in 1997 to review self employment and wage-employment programmes. The committee recommended the merger of all self employment programmes for the rural poor and a shift from the individual beneficiary approach to a group-based approach. It emphasised the identification of activity clusters in specific areas and strong training and marketing linkages. The committee’s recommendations were accepted by the Government (Planning Commission, 2002, 10th Five Year Plan, Vol.II, Chapter III, 3.2.8). As a result of that, “on 1 April 1999, the IRDP and allied programmes, including the Million Wells Scheme (MWS), were merged into a single programme known as Swarnajayanti Gram Swarojgar Yojana (hereafter SGSY). The SGSY is conceived as a holistic programme of micro enterprise development in rural areas, with emphasis on organising the rural poor into self-help groups, capacity-building, planning of activity clusters, infrastructure support, technology, credit and marketing linkages.” Thus DWCRA programme was wound up and new scheme called Self
Help Groups was initiated as a sub scheme of SGSY. (Planning Commission, 2002, 10th Five Year Plan, Vol.II, 3.2.9).

The self help groups programme is indigenous. Though the Grameen Bank of Bangladesh became very successful and popular, the Government of India did not want to copy or duplicate the Grameen Bank model. It created a different type of self help group model. The major differences between these two models, according to Malcolm Harper (2002) are:

In Grameen Bank model the clients are asked by the MFI to organise themselves into ‘Groups’ of five members which are then organised into ‘Centres’ of around five to seven such Groups. The members make regular savings with the MFI, according to a compulsory schedule. They also take regular loans. They each have individual savings and loan accounts with the MFI. The main functions of the Groups and Centres are to facilitate the financial intermediation process, through performing the following tasks:

1. hold weekly meetings under the supervision of a MFI worker who maintains the records,

2. organise contributions to various group savings funds, which can be used by the group for various purposes, usually only with the agreement of the MFI which maintains the group accounts, and

3. Stand as guarantee to the loans taken by individual members, by accepting joint and several liability.
In SHG model the members form a group of around twenty members. The group may be formed by an NGO or an MFI or bank or it may evolve from a traditional rotating savings and credit group (ROSCA) or from a local group of people. The process of formal ‘linkage’ to an MFI or bank takes place. It usually goes through the following stages:

1. The SHG members decide to make regular savings contributions. These may be kept by their elected head, in cash, or in kind, or they may be banked.

2. The members borrow individually from the SHG, for purposes, on terms and at interest rates decided by the group themselves.

3. The SHG opens a savings account, in the group’s name, with the bank or MFI, and

4. The bank or MFI makes a loan to the SHG, in the name of the Group, which is then used by the Group to supplement its own funds for on-lending to its members.

The SHG carries out all the same functions as required by the Grameen system, but they do this on their own behalf, since the SHG is a micro-bank, carrying out all the intermediation tasks of savings mobilisation and lending. The MFI or bank may assist the SHG in record keeping, and they may also demand to know who are the members and impose conditions as to the uses of the loan which they make to the SHG, but the SHG is an autonomous financial institution in its own right. The members have their accounts with the SHG, not with the MFI.
or bank, and the MFI or bank does not have any direct dealings with the members (Malcolm Harper (2002).

According to the NABARD’s (2000:7-8) self help groups are formed with members of poor or very poor families. To know who are poor the following eleven questions shall be taken into consideration:

1. Does the family have only one earning member?

2. Does the family bring drinking water from far away place?

3. Are the women compelled to go far in the open in the absence of latrine?

4. Are there old illiterate members in the family?

5. Are there permanently ill members in the family?

6. Are there children in the family who do not go to school?

7. Is there a drug addict or a drunkard in the family?

8. Is their house made of kuccha material?

9. Do they regularly borrow from the moneylender?

10. Do they eat less than two meals a day?

11. Do they belong to scheduled castes or scheduled tribes?
If yes is the answer to three or four questions, the family can be considered as poor. However NABARD did not provide any guidelines to identify the very poor or poor of the poor.

**Homogeneity:** homogeneity is considered as vital aspect in forming the groups, i.e., self help groups are formed with people who share mutual liking or affinities or same background. The following are identified as yard sticks to decide whether a group is homogenous or not.

- Similar experience of poverty
- Similar living conditions
- Same kind of livelihood
- Same community or caste
- Same place of origin

**NABARD prescribes that the following books shall be maintained by SHGs:**

1. Minutes Book,
2. Savings and Loan Register,
3. Weekly Register,
4. Members’ Pass books,
**Training:** According to NABARD Training of the members is important for proper functioning of SHGs. The members shall be trained in Basic mathematics, writing of books, scheduling of meetings, social aspects like women empowerment, and basics of lending money, borrowing and repayment. Most effective method of training of SHG members is to take them to a good working SHG and allowing free interaction with its members.

**Characteristics of SHGs:**

1. The ideal size of an SHG is 10 to 20 members.

2. The group need not be registered.

3. Only one person from a family shall be allowed to become a member of Group.

4. The group consists of either only men or of only women.

5. Members have the same social and financial background and

6. The group should meet regularly and attendance is compulsory.

**Functions of SHGs:**

1. Savings and the thrift amount may be small, but savings have to be a regular and continuous. ‘Savings first — Credit later’ should be the motto of every group member. Group members learn how to handle large amounts of cash through savings. This is useful when they use bank loans.
2. **Internal lending**: The savings to be used as loans for members. The purpose, amount, rate of interest, etc., shall be decided by the group itself. The Group shall keep proper accounts for all financial transactions.

2. **Opening savings bank account with bank**: This enables the SHG members to obtain loans from banks, and repaying the same (NABARD, 2000: 11).

**Self Help Groups in Andhra Pradesh**: Though the general pattern of formation of self help groups is the same in the all states of the country, Andhra Pradesh created new structures to oversee and help the self help groups. Andhra Pradesh was one of the few states where the formation of self groups were taken seriously by both government and voluntary organizations. The DWCRA groups were formed in 1982, the very first year of the initiation of the programme. A number of voluntary organizations formed self help groups. The whole programme was so successful in the state that by 1999, there were 1.15 lakh DWCRA groups and 2.19 lakh SHG groups with a membership of 46 lakh women. The savings reached a staggering figure of Rs.300 crores. Government has given assistance to the tune of Rs.383 crores, thus bringing the corpus fund to Rs.683 crores (C.S.Ramalakshmi, 2001 and Johnson Doug and Susmita Meka, 2010).

When the DWCRA along with all allied programmes of IRDP was merged with SGSY, Government of Andhra Pradesh launched a new programme called Andhra Pradesh District Poverty Initiative Project (APDPIP). This programme was called *Velugu* in Telugu and it was how this programme has become famous. All self help groups existing in the state, except groups formed by voluntary organisations, were brought into the fold of *Velugu*. The name was rechristened as Indira Kranti...
Patham (IKP) in 2006. A new society called Society for Elimination of Rural Poverty (SERP) was created to implement the programme through the District Rural Development Agency at the district level. The SERP was registered under the Societies Act. ([http://www.aponline.gov.in/apportal/HomePageLinks/IndiraKantiPadham.htm](http://www.aponline.gov.in/apportal/HomePageLinks/IndiraKantiPadham.htm)). In 2007 a new organisation called Mission for the Elimination of Poverty in Municipal Areas (MEPMA) was created. All the self help groups located in municipal areas were separated form IKP and brought into the control of MEPMA. However, the structure, rules, guidelines and the financial pattern is same for IKP groups and MEPMA groups.

The following guidelines were provided to identify the poor and very poor. The very poor people are those,

1. who work in fields, brick fields as labour,

2. who migrate for three or four months in pursuit of work,

3. who live on hand to mouth subsistence,

4. who do not have any property,

5. who depend on the income of one family member,

6. who live in huts, and

7. who go to government hospitals for treatment.
The poor people are those,

1. who starve if there is not work,

2. who have no permanent property,

3. who do not get even two or three hundred loan,

4. who are engaged in traditional occupation and labour,

5. who send their children to government schools, and

6. who or suffering from long standing deceases.


According to a report submitted to World Bank Mission by District Rural Development Agency of Guntur District the following were the objectives, rules and regulations followed by the IKP and SERP in forming and sustaining the self help groups:

1. All White Card holders to be enrolled in to SHGs.

2. All SHGs to be enrolled in to Village Organisations.

3. All Village Organisations to be federated into Mandal Samakhyas.

4. Leadership to be rotated in respective SHGs who are acting as leaders since long time.
5. Office bearers should be changed in all Village Organisations and Mandal Samakhyas in the District and office bearers of Zilla Samakhyas also to be changed in every year.

6. All SHGs has to be put in practice “Panch Sutras” which are:

   i. Weekly meetings

   ii. Weekly savings

   iii. Weekly lending

   iv. Weekly repayments and weekly book keeping, and

   v. Good qualities and best practice methods.

7. All SHGs in the District has to be maintained Sangha Book Keepers (SBKs) through their own funds.

**Strategy of IKP:** Expansion of Groups network through Social Mobilization. In the IKP project, Social mobilization process is envisioned as a cornerstone of the strategy for the development of the Poor and the Poorest of the poor.

**Duties of SHGs:** Group savings and access loans to meet consumption needs and other productive activities.

**Duties of Village Organisations:** Village Organizations promote more SHGs with left over poor, monitoring and strengthening of existing SHGs, providing higher order loans to SHGs and taking up village development activities.
Duties of Mandal Samakhyas: Mandal Samakhyas take up various social development issues, marketing activities, Rice Credit line, Commodities marketing and strengthening of Village Organizations.

Duties of Mandal Training Center: Mandal Training Center (MTC) envisaged as resource and knowledge centers are being set up in all the project mandals to meet the capacity building requirements of SHGs, V.Os and MSs, provide information and access to various facilities including Govt. programmes and market information.

Community-to-community approach: The purpose of this approach is to build capacities of three Community Based Organisations viz., homogeneous self help groups, village organisations, and mandal samakhyas, sby attaching three external women Community Resource Persons (CRPs) from mature SHGs, facilitate regular SHGs meetings, savings, trainings, identify and train bookkeepers, prepare Micro Credit Plans and Terms of Partnership (DRDA, Guntur, 2008:1-3).

References:


42. Planning commission, annual plan 2000-01, chapter 4.1, Poverty Alleviation Programmes: Poverty Alleviation in Rural India – Programmes and Strategies,


