

FUNCTIONING PROFILE OF SELF-HELP GROUPS - EVIDENCES AND INSIGHTS

*Neeta Tapan**

ABSTRACT

Micro-credit delivery through the thrift and credit group approach was evolved as a blend of financial and social intermediation where social cohesion and group lending are ensured through joint liability to bridge the gaps created by poverty, illiteracy, gender and remoteness. A Self-Help Group is a voluntary organisation and the functional efficiency of the groups can head start the growth of the SHGs whereas inefficiency on this level can lead to passiveness or disintegration of the groups. The SHGs have no written bylaws for their formation or functioning but some basic norms, ensured through regular interventions of the facilitator, can help the SHGs become vibrant entities as functional efficiency is the foundation stone of the successful edifice of bank linkage and income generation.

This paper, therefore attempts to study the functioning of SHGs in the context of certain parameters and evaluate the functional efficiency to reflect and evolve prescriptions.

Introduction

Until recently, depending upon the constructs available in a particular culture, debt was always seen as bad for the society, individual, religion and the family. But now a new era of credit culture has dawned upon the whole world. It has been realised that lack of access to and control over resources is a critical component of poverty and more so, of vulnerability. In this context, credit means an opportunity for betterment, an access to new resources, and freedom from non-institutional credit channels. The fact that credit plays a crucial role in the modernisation of agriculture had been established long ago, but its role in the fight against rural poverty has been

recognised lately. Credit for empowerment is about meeting daily consumption needs of the poorest. It entails trying to build capacities of a large number of individuals, usually collectives, to increase credit absorption and undertake sustainable livelihoods.

In India, rural credit packages were male-dominated until the late 1980s. These are age-old facts that women are many a time sole breadearners, are concentrated in unorganised sector, more hesitant of formal credit channels, face small and emergent household needs frequently, have micro-credit needs for their micro-enterprises and more certainly contribute their income to household needs. However, it was only after women-oriented

* Assistant Professor of Economics, Govt. Girls' P.G. College, Centre for Excellence, 'A' Grade from NAAC, Ujjain (Madhya Pradesh).

studies highlighted the deprivation and struggle for survival that the concept of designing credit schemes for women emerged. The Development of Women and Children (DWCRA) programme was an important adjunct to the Integrated Rural Development Programme (IRDP) in 1980. The IRDP was a unique programme in view of its vast coverage, but it did not target women specifically. Consequently, the government's poverty alleviation programmes and tools such as Swaranajayanti Gram Swarozgar Yojana (SGSY) and the Rashtriya Mahila Kosh implement their programmes through micro-finance interventions of NABARD's Self-Help Group-Bank linkage programme. In this programme, a novel solution for financial intermediation was sought through group lending with joint liability. It has been well accepted that simple financial intermediation is not sufficient for eliminating poverty and to foster rural development. Government therefore, needed to create mechanisms to bridge the gaps created by poverty, illiteracy, gender and remoteness. Hence, the thrift and credit group approach under SGSY was evolved as a blend of financial and social intermediation. Women have always practised thrift and saving secretly at home or publicly in informal credit structures such as "chit funds," "Bisis" etc. The Self-Help Group approach follows the same approach in saving and lending pattern in a more organised way.

Savings and credit groups provide a base for poor, especially women to organise themselves, expand options for livelihoods and to participate actively in development. More apparently, the capacity of women is built up in spheres that were previously not their domain, such as, opening and operating bank accounts, visiting local offices, accessing loans, etc. This often pre-supposes a number of skills that women must acquire to be able to operate effectively in the SHG. The SHG thus often provides a platform for women to become

functionally literate, sharpen communication and conflict resolution skills, and acquire skills in democratic functioning and institution building. Group formation is, thus, seen as crucial to the empowerment process as women draw strength from numbers. They are able to acquire confidence to renegotiate gender relations, to a very modest degree, both within the household as well as in the larger community.

The self-help group (SHG) is, thus, conceived as a sustainable people's institution, which provides the poor with the space and support necessary for them to take effective steps towards achieving greater control of their lives in society. The focus is on mobilising the poor to pool their own funds, build their capacities and empower them to leverage external credit. Self-Help Groups, being dynamic, evolve and develop over time. The studies that have been conducted to study the groups, suggest that they move through stages, but these stages are not constant across different groups. In addition, these stages are not watertight compartments. Some of the characteristics and requirements of one stage may overlap and spill over to the next. It is possible to delineate the process of group formation broadly into four stages: the first stage, which involves pre-group formation and group formation exercises, is likely to take about six months. This is followed by the stage of group stabilisation (7-12 months), third stage of self-reliance (13-18 months) and the last stage of group institutionalisation (19-24 months). The last stage continues till the group is able to transform and institutionalise itself as a sustainable village institution.

The working stages of SHGs involve saving and lending, bank linkage and income generation. The group members save and engage in internal lending. They voluntarily decide by consensus their own lending and repayment rules. The sustainable groups are

then linked with banks after a minimum period of six months. These groups then become eligible for leveraging external credit or obtaining revolving fund from banks. This may lead to involvement in income generation either on group level or on individual level as *swarozgaris*. SHGs are identified for bank linkage and income generation through grading or monitoring.

SHG-Banking is a programme that helps to promote financial transactions between the formal rural banking system in India comprising public and private sector commercial banks, regional rural banks and cooperative banks with the informal SHGs as clients. SHG-Banking through Self-Help Groups and the existing decentralised formal banking network including several organisations in the formal and non-formal sectors as banking partners allow for large-scale outreach of micro-finance services to the poor in India. These banking services (depositing savings, taking loans) are made available at low cost, are easily accessible and flexible enough to meet poor people's needs. Linking SHGs directly to banks is the basic model in which an SHG, promoted by an NGO or District Rural Development Agency (DRDA), can access a multiple of savings in the form of loan funds or cash credit limit from the local rural bank. The SHG lends the funds it accesses from banks to its members.

A point to be noted here is that an SHG is a voluntary organisation, which decides its own functioning norms and bylaws. Moreover, basically the functioning profile and efficiency of an SHG decide its status of economic activity, bank linkage and involvement in income generation and empowerment profiles. Thus, functional efficiency of the groups can head start the growth of the SHGs and inefficiency on this level can lead to passiveness or disintegration of the groups. This paper, therefore attempts to study the functioning of SHGs in the context of certain

parameters and evaluate the functional efficiency to reflect and evolve prescriptions.

Methodology

The present study is based on a sample of 150 women SHGs drawn from Ujjain district of Madhya Pradesh. These SHGs are being run block-wise in the district under the Swarnajayanti Gram Swarozgar Yojana (SGSY). The saving and lending groups were selected through stratified random sampling from the lists provided by the district agencies and then mapped across the villages in different blocks. Two women were selected from each SHG. Of these two women, one was purposively selected from the office-bearers and the other one was randomly selected from the remaining members. Thus, in all 300 women were selected to get their responses. A structured schedule was administered on the respondents. Besides, a range of methods like observation, interviews, group discussion, and maintenance of field diary were used to collect primary data.

Functioning Profile of SHGs

The basic functioning profile of the SHGs includes the holding of meeting, deposit of saving amount, issuing of receipt or personal passbook of the deposit, safety of deposit, maintenance of records, grading, linkage with banks, issuing of revolving fund, capacity building and training programmes. All these variables are meant for social cohesion, transparency, assessment and monitoring, and capacity building exercises to ensure quality working and sustainability of SHGs. The functioning profile of the SHGs studied is given below in Table 1 and the variables have been discussed further in detail with reference to this Table.

Meetings

Regularity of meetings of a group is the key factor of self-help. The facilitator is

Table 1 : Functioning Profile of SHGs

S.No.	Functioning Profile of SHGs	No. of Groups	Per cent
1	Meeting Held	116	77.33
2	Saving Amount Deposited in Meeting	50	33.33
3	Receipt of Every Deposit Issued	11	7.33
4	Personal Passbook Issued	106	70.67
5	Saving Amount Kept in Bank	147	98
6	Records Maintained	132	88
7	First Grading Complete	38	25.33
8	Training Received	60	40

Source : Primary Data.

expected to explain the concept of and need for Self-Help Group, for which, a meeting with the members is essential. Further, the group members have to frame the rules and regulations of the group and get acquainted with each other. The meetings are very important and should be compulsory in this initial phase. But an SHG has to continue this trend for its successful survival. Collection of saving, acceptance of loan applications, consideration and disbursal of loan, repayments of loans, decisions about external lending, bank transactions, and issues regarding income-generating activity should be necessarily discussed in the group meetings to maintain transparency, accountability, and trust in the group. Besides discussing these economic issues, meeting is also a powerful platform for women to organise themselves to share personal problems and talk about the community and social problems on a later stage. This social exchange is thus an important tool of group cohesion and solidarity, which can help in individual and community development.

The SHGs have a regular meeting in most of the cases in this study. The data reveal that 77.33 per cent of the SHGs have monthly meetings (Table 1). About 18 per cent of the SHGs have no meetings and 5 per cent SHGs have annual meetings. The SHGs without a culture of meeting have no scope for evolution as empowerment tools and change agents. Of those respondents who reported conducting of meetings in their SHGs, about 24 per cent reported about compulsory attendance in meetings, while about 76 per cent had no such compulsion in their SHGs. About their individual attendance in meetings, 88 per cent of the SHG members responded positively while 12 per cent of the respondents did not attend the meetings regularly. Of these respondents who were not regular in the meetings gave different reasons for their absence. Among these, family responsibilities were reported by 31 per cent of the respondents and about 21 per cent of the respondents complained that they did not get any information about the meeting; while, 17 per cent of the respondents reported

absence of most of the members which in turn dissuaded even them from attending the meetings; and 14 per cent of the respondents blamed the irregular schedule of meetings for their disinterest. On the other hand, engagement in labour was reported by about 10 per cent of the respondents as the reason behind their absence in meetings.

With regard to the safety of the amount of saving, it was a positive thing to note that 98.7 per cent of the SHGs have opened an account in the bank and 98 per cent of the SHGs keep their savings in the bank. The few exceptions keep their savings with the office-bearers. The saving records are maintained in the group-register by 83 per cent of the SHGs. The amount of saving is taken in meeting by 33.33 per cent of the SHGs, while 67 per cent of the SHGs do not take the saving amount in the meeting. Such SHGs either send representatives door to door to collect the contribution or the members send the contribution to the office-bearers. Both these methods should be avoided as saving is only a means and not an end in this approach. This tendency undermines the importance of the meeting and social interaction.

Passbook is issued as a personal record of all individual money transactions in 70.67 per cent of the cases while, 25.3 per cent of the SHGs do not issue any such passbook. On the other hand, 92 per cent of the SHGs do not give any receipt of the deposit. There is no scope for penalty in 77.3 per cent of the SHGs for those who are unable to deposit saving amount whereas, 22.7 per cent of the SHGs have a provision of penalising such members.

Assessment

To ensure the viability of the groups, it is essential that the groups be monitored for their quality from time to time. Regular quality assessments of the group can help in their current status appraisal and in preparation of

strategies for their future development. The groups are assessed on the basis of their size, bylaws, meetings and attendance therein, status of financial transactions like saving, lending, recovery, revolving fund, income generation, maintenance of records, linkages with related institutions, overall participation level of the members and conflict management in the group etc. Various agencies or the concerned Self-Help Promoting Institution (SHPI) conduct the work of grading.

The responses of the groups regarding this issue revealed that only 25.33 per cent of the groups had been graded (Table 1). Of the groups that have undergone the process of grading, 36 per cent of the respondents did not recognise the grading institute, 20 per cent reported that their groups had been graded by Women and Child Development Department, 23 per cent had been graded by *Zilla/Janpad Panchayat*, and the remaining were graded by others like *gram sewak*, *Jan Shiksha Kendra*, and Regional Rural Bank. On the other hand, 26 per cent of the groups reported absence of any such grading exercise while respondents of 49 per cent of the groups showed ignorance in this matter.

Record Keeping

It is important that all transactions of the group should be recorded. This would ensure transparency, participation, and continuity of the group. There are several kinds of records like those pertaining to membership, proceedings of the meetings, financial transactions, stocks, etc. The number and format of records varies in different SHPIs. A few indicative records to be maintained by the groups are minutes book, membership records, attendance register, savings records, lending records, individual saving and lending ledger, general ledger, and cashbook. It is important to keep the records simple and easy to maintain. The need to maintain records and

accounts has to be emphasised with the group members. One advantage of the requirement of record keeping is that it creates demand for literacy among the members. The records, help in grading and auditing, if done. In addition, banks inspect the records and books of accounts for the purpose of linkages. In the initial period, the facilitator may maintain the records, but ultimately the responsibility has to be taken over by the group. One of the indicators of the maturity of the group is its ability to maintain systematic records.

The groups in the sample show a good sign in this respect as 88 per cent of the respondents reported that records were maintained systematically in their groups (Table 1).

Management Training

Although Self-Help Group is a voluntary and informal group, the goals, objectives, and activities of the group need to be explained to the members. After this conceptual explanation, the next step of training includes the functional and management modules, which acquaint the group leaders and/or the members with the operational skills of the group from organisation and conducting of meetings to record keeping, team management, fund management. On-site and off-site training programmes may be conducted for all these objectives by the facilitator, SHPI and/or by the specialised persons/institutions.

With regard to the training for management of group activities at the operational level, 40 per cent of the respondents stated that their groups had been given such training (Table 1). Out of these, about 57 per cent of the groups had received this training by Mahila Baal Vikaas Vibhaag and Janpad/Zilla Panchayat had imparted training to the rest of such groups. On the other hand, about 58 per cent of the total respondents

reported that they did not receive any such training from any person/institute.

Functional Efficiency Index

The functional profile of the SHGs involves several parameters. Moreover, there are no fixed operational rules laid down for the management or functioning of SHGs. Thus, to get an overall picture of the functional efficiency of the SHGs, it was essential to construct an index. The size of SHG, BPL membership, method of appointment of office-bearers, frequency of meeting, issuing of personal passbook, basis of bank linkage, grading, record-keeping, training for management, and participation in community development are the parameters selected to construct the Functional Efficiency Index (FEI). A dummy variable 1 was assigned for (1) a size of more than 9 members in SHG, (2) more than 50 per cent of BPL membership, (3) adoption of democratic measures for appointment of office-bearers, (4) holding of meeting within a month, (5) issuing of personal passbooks, (6) bank linked after attaining sound status of saving and lending, (7) groups which have undergone grading exercise, (8) keeping records (9) received training for management (10) which participate in community development. To get a clearer picture of the position of the SHGs on the 10-point-scale these SHGs were classified into functioning levels of low, moderate and high efficiency. The Functional Efficiency Level of the groups is as shown in Table 2.

Table 2 shows that 28 per cent of the total groups have a low level of functional efficiency, while 42 per cent of the groups have attained moderate level of functional efficiency and 30 per cent of the groups have managed to reach a high level of functional efficiency.

Table 2 : Functional Efficiency Level

S.No.	Functional EfficiencyLevel	No. of Groups	Per cent
1	Low	42	28
2	Moderate	63	42
3	High	45	30
	Total	150	100

Source : Primary Data.

Reflections

The study reveals that about three-fourths of the total groups hold meeting but this is not enough as it is one aspect, which no single group can afford to ignore. Very few members reported compulsory attendance in meetings, which is not a positive sign for the group norms. Nevertheless, individual profile of attendance is quite good. On the other hand, only one-fourth of the total groups have a record of collection of saving amount in the meeting. This again is not a very encouraging sign as it implies disinterest of the members and lack of transparency. These can soon lead to disintegration of the groups. Training has also been received by just forty per cent of the groups and this factor also needs to be taken care of. Performance of the groups on the remaining indicators of the functioning profile is satisfactory. The following recommendations emerge from the above analysis :

The formation of a group is a tedious process and involves caution from the stage of selection of real poor from similar demographic background. The purpose of group formation should be crystal clear to the SHPI and should be spelt out as clearly and honestly to the associating members. Moreover, training for management and record keeping should be imparted to more and more members so that leadership can rotate to

ensure that power does not get centralised in few hands.

The culture of meeting has to be inculcated among the SHG members by the facilitator, who should conduct a simple participatory analysis of poverty, structural analysis of society and the importance of the collective action. In this process husbands or the female members from the households of the aspiring SHG members, along with the whole community, should be taken into confidence by the facilitator. This can help to sensitise the women members to their social and economic condition and the constraints they face in society. In these introductory meetings, the facilitator should simultaneously attempt an analysis of the indebtedness and local credit delivery system to make the women appreciate the importance of savings and credit activities through mutual action. After the formation of the group, the facilitator should arrange meetings for the group and initiate discussions on various issues. Otherwise, the meeting will be a ten-minute affair with all savings collected and loans disbursed. Soon these formal gatherings will also culminate into door-to-door collection or proxy collection. Therefore, the facilitator needs to discuss with women, matters concerning their lives, starting from issues like nutrition, health, care of children, literacy and moving on to gender awareness. Only such inputs can help the group evolve into "credit

plus" groups. A conceptual clarity about the revolving fund and bank linkage can be created in these meetings and the members can be pulled out of their old subsidy hangover. Moreover, meeting is the platform, which can build peer group monitoring and pressure for the proper use and repayment of loans.

The facilitator should see to it that in the process of helping the group to take off, she/he does not cripple the group and develop a perpetual dependence among the group members on her/him for meetings, record maintenance, conflict resolution and other activities. The entry and exit points of the facilitator should be decided very thoughtfully.

Grading or monitoring is the formula for success of the SHGs. The earlier government programmes suffered from lack of any self-monitoring or follow-up techniques. But grading exercise is an in-built feature of SHG mechanism of SGSY and the Self-Help Promoting Institute is supposed to monitor and fill the grading schedules, which then decide the status of the SHGs for required interventions. Therefore, regular grading will not just prevent disintegration of the SHGs but it can actually keep the SHGs on the right track

and vibrant. The Functional Efficiency Index revealed that the highest number of SHGs was found concentrated in the moderate level of functional efficiency level, followed by those found in the high level and low levels, respectively.

Finally, since the sample included women SHGs, therefore the variables studied can show weaker results owing to factors like the immobility of women, illiteracy, social and family constraints, over-burdened status of women, disinterest and hesitation on the part of the members etc. However, a gendered context increases the significance of the role of SHPI or facilitator all the more, because more rigorous, systematic and well-planned efforts are essential for helping these SHGs to improve their functioning profile.

Thus, it is evident that the SHGs have no written bylaws for their formation or functioning but some basic norms, ensured through regular interventions of the facilitator, can help the SHGs become vibrant entities as functional efficiency is the foundation stone of the successful edifice of bank linkage and income generation.

References

1. Gupta, Anju et al. (2003), 'Self Help Group - A Friend of Poor', *Political Economy Journal of India*, Vol. 12, No. 1, January-June, Chandigarh.
2. Karmakar K.G. (1999), *Rural Credit and Self-Help Groups (Micro Finance Needs and Concepts in India)*, Sage Publications, New Delhi.
3. Krishnaiah P. (2004), *Poverty Reduction : Self Help Group Strategy*, B.R. World of Books, New Delhi.
4. Lalitha, N. and B.S. Nagarajan (2002), *Self-help Groups in Rural Development*, New Delhi, Dominant Publishers and Distributors.
5. Narsimhan Shakuntala (1999), *Empowering Women (An Alternative Strategy for Rural India)*, Sage Publications, New Delhi.
6. Poogary, Vanitha (2004), 'Helping Them Help Themselves', *Grassroots*, Vol. 5, No. 8, August 2004.

7. Rajagopalan, Shashi (2005), 'Self-Help Groups: A Critique', *Mainstream*, Vol. XLIII, No. 16, April 9.
8. Sunder Raj, D. (2004), 'SHGs and Women Empowerment', *Social Welfare*, Vol. 50, No. 10, January, New Delhi.
9. *Swa Sahayata Samooh Gathan - Prakriya evam Margdarshan* (2000), SEDMAP, Bhopal.
10. *Swarnjayanti Gram Swarozgar Yojana : Margdarshika Swa Sahayata Samooh* (2000), District Panchayat Office, Ujjain.
11. Verma Sawali Bihari (2004), *Role of Self Help Groups, NGOs and Panchayati Raj Institutions in Promoting Rural India*, B.R. World of Books, New Delhi.