



A CASE STUDY ON SELF HELP GROUPS IN 95TH WARD, CHENNAI

B.SREEYA

Research Scholar, Bharathiar University, Department of Management Studies, St.Peter's College of Engineering and Technology

Dr.S.RADHA

Department of Management studies, S.R.M Valliammai Engineering College

KEYWORDS :

Introduction

The major form of microfinance in India is that based on women's Self Help Groups (SHGs), which are small groups of 10-20 members. These groups collect savings from their members and provide loans to them. However, unlike most Accumulating Savings and Credit Associations (ASCAs) found in several countries, these groups also obtain loans from banks and lend them to their members. Despite considerable achievements, sustainability of the SHGs is still a question mark. Using a case study approach, this paper explores the merits and constraints of three SHGs in Villivakkam, 95th Ward, Chennai. The three

SHGs in Villivakkam, 95th Ward, Chennai are rated on factors like Background, Group Governance and Dynamics, Knowledge and Awareness of the members, Bank-Linkage and Group Norms using five point rating scale. The findings could help SHGs become institutionally and financially sustainable because they provide the economies of scale that reduce transaction costs and make the provision of these services viable. The paper concludes by recommending some actions to address these constraints.

Table 1 –Details of Self Help Group in 95th Ward, Chennai

Particulars / SHGs	SHG-1	SHG-2	SHG-3
Background	The SHG was formed about 8 years ago by Ms.Rajeswari with the help of Swarnammal Trust. It is in Villivakkam, Chennai (95th Ward). There are 15 members in the team. They offer inner loan facilities.	The SHG was formed in 24th April, 2014 by Ms.Datchyani. It is in Villivakkam, Chennai (95th Ward). Initially the group had begun with saving of Rs. 200 per month.	The SHG was formed about 6 years ago by Ms.Manjula. It is in Villivakkam, Chennai (95th Ward). There are 20 members in the team. They operate based on the savings of the team members.
Group Governance and Dynamics	The group as a whole selects the leader who maintains the savings. While selecting the group members, it is ensured that all are on the same level of understanding and then the group is formed. Adopting the above mentioned process, there was no major conflicts. If any minor dispute arises due to lack of understanding, it is sorted by the entire group.	The group as a whole decides and selects the leader. There is system of election every two years to elect the leaders. Leaders understand their roles & responsibilities. It was also found whenever any important decision is to be taken, it will be done so in the presence of at least 70 percent members. Leaders alone can take any ad-hoc decision.	The group selects one leader for every five persons for better coordination. The group is found to meticulously maintain all the records (except trial balance). Regular update of records has been done.
Knowledge and Awareness of the Members	At present, members avail easy credit from SHG & banks and do not depend on informal sources as was the case earlier. Some of them have taken loans for purposes like setting up business or to promote it and have been able to successfully repay their loans. They have all started some sort of livelihood activity or complemented and expanded their previous activities. Thus the income source of households has diversified, assuring further availability of loans.	Emphasis on savings & Interloaning: This group believes in the philosophy of saving more which translates to more interest generation; hence like the few groups in the same locality they emphasize on redistribution of savings for interest within their group. Record Maintenance: The record of this group was updated.	Every member is aware about the financial transactions i.e. how much their savings is, outstanding from banks, etc. Surprisingly, this group prepares accounts book every month which is a rare phenomenon.
Bank Linkage	The current loan is Rs 2.5 lakh with Indian Bank. The amount needed by each member is also put forth and accordingly when the loan is sanctioned the amount is redistributed amongst the women as per the need and plan. It is ensured that the bigger amount from bank should be used for some economic activities only. For consumption purpose, they use group fund in the form of internal loaning.	Since it was started few months back. Loan was not availed till now. Minimum six to eight months, the group should be in existence for sanctioning the loan.	They have received till now two loans from the Indian bank and the present loan cycle is near complete wherein the current loan is of Rs 1 lakh. Loan size is 15000 per head will increase to 18000 per head. As in other best groups, how much amount is required from banks is discussed first at group level and then applied in bank.

Group Norms	The group follows the system of penalty in case of late repayment and not attending the meeting. Amount of fine is 1% for late repayment and only solid reasons for not attending the meetings will be accepted. Members can delay loan repayment only by one installment and that too with the permission of groups. With respect to bank loan there is no option of non-repayment and members have to repay their monthly installment. They do aid members who find it hard to repay their installments informally. In case some member needs money for some emergency, she can call an emergency meeting. Loan installment is decided by the members and approved by the group as a whole.	The group follows the system of penalty - Rs 10 as penalty for late payments and Rs 10 again for not attending the meeting. Bank installments of the loan cannot be delayed and they have to be paid. They can delay internal loan repayment only by one installment, while regular interest payment is insisted upon.	Bank installments of the loan cannot be delayed and they have to be paid. Group members will have to repay the loan in case of default.
-------------	---	--	---

Analysis:

The above mentioned five criteria have been rated on a five-point scale basis for the studied three self help groups. The weightage for each criteria is also confirmed.

Table 2 – Five point (2, 4, 6, 8, 10) rating scale for SHGs

Particulars / SHGs	Background	Group Governance and Dynamics	Knowledge and Awareness of the Members	Bank Linkage	Group Norms
SHG-1	8	6	6	8	6
SHG-2	2	4	4	2	4
SHG-3	6	6	4	4	2

Table 3 – Weighted Average Score for SHGs

Particulars / SHGs	Background (0.1)	Group Governance and Dynamics (0.1)	Knowledge and Awareness of the Members (0.3)	Bank Linkage (0.3)	Group Norms (0.2)	Weighted Average
SHG-1	0.8	0.6	1.8	2.4	1.2	6.8
SHG-2	0.2	0.4	1.2	0.6	0.8	3.2
SHG-3	0.6	0.6	1.2	1.2	0.4	4.0

As observed, the SHG-2 lacks background and needs to improve the Bank Linkage. The SHG-3 needs to update the Group Norms considerably. In general, SHG-2 and SHG-3 can follow the best practices of SHG-1 to improve their performance.

Conclusion:

In the close observation, it was found that proper trial balance was not maintained in all the SHGs. The transactions were documented in a record book. SHG members need to be educated to maintain accounts in a systematic way. The defaults in repayment are found in all SHGs. This could be avoided by developing flexible repayment facilities in SHGs. Internal loan facilities are offered in one the SHG for consumption or emergency purpose to the SHG members. This may be adopted in other SHGs also.