



AN OVERVIEW OF SELF-HELP GROUPS – CONCEPTUALITY & RELIABILITY

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ABSTRACT Microfinance is the very popular term in financial sector. The term Micro finance suggests micro credit or micro loan. The main goal of micro finance is to provide borrowings to under & unprivileged people who are unable to get funds from banks & other formal financial intermediaries. Over the time, the scenario of micro finance has been changed. Micro finance has been considered as the largest movement where 'the world for everyone especially for economically & socially backward people can access the qualitative financial services not only borrowings but also insurance, savings, fund transfer, payment services etc. in affordable way. Thus, micro finance is become a one tool to reduce poverty in economy. Self-help Group is the most effective tool of microfinance. It is an informal part of financial system. This paper focuses on what is SHG & the extent of its reliability in current environment.

KEYWORDS : Micro finance, Self-Help Group, Reliability

INTRODUCTION:

The market for financial services for poor today has too much evidence of non-participation & exclusion from formal financial sector. SHG concept is a representative of sustainable banking for unserved area of economy in country. Though there are different models for pursuing micro-finance, the Self-Help Group (SHG)-Bank Linkage Programme has emerged as the major micro-finance programme in the country. It is being implemented by commercial banks, regional rural banks (RRBs), and cooperative banks. This programme was started in 1992 as pilot project but it got tremendous success in Indian economy.

Conceptuality:

- Self-help Group is a small, economical, homogeneous, affinity group of rural poor who are voluntarily ready to contribute to a common fund to be lent to their members as per the group decision.
- SHGs coped with diversity in size and purpose of loans and schedule of payments.-Shri Aloysius P Fernandez Member Secretary, MYRADA
- The concepts of mutual trust/ guarantee and collateral free lending inter alia, are unique to the SHG movement. Smt Jayshree Vyas Managing Director, SEWA Bank
- Self-help group is not a charity but it is a group based activity with which members are able to access finance easily for their business & household purpose.
- A SHG is an informal financial group of people which enhance the member's financial security who have common interest in the area of development, awareness, motivation, leadership, training and associating in other social inter-mediation programs for the benefit of the entire community.

Characteristics of SHGs:

- The SHGs create the common fund by contributing their small savings.
- Every member of the group actively participates in the functioning of SHGs and they meet regularly.
- Loan is sanctioned on 'trust' with minimum documentation and without any security
- Loans are provided for short term period.
- Sources of funds are the contribution of member's savings, entrance fee, interest from loans, proceeds of joint business operation and income from investment. Funds may be used for loans, social services and common investment

Reliability:

Reliability refers to the quality of being trustworthy or of performing consistently well. In Micro finance SHG is the most preferable concept for serving underserved & unserved people for financial services. SHG-Bank linkage programme is the best initiative for the involvement of all people to access financial services easily & quickly. Under this Initiative during 2016-17 SHGs who have savings linkage to 85.76 lakh with 16114.23 crores - Status of Micro finance 2016-

17. After extensive trial and research the pilot programme was launched Twenty Five years ago in 1992. The Self Help Group - Bank Linkage Programme (SHG-BLP) was an innovation harnessing the synergy of flexibility of informal system with the strength and affordability of formal system. – Micro finance status 2016-17. Today, the SHG - Bank Linkage Programme (SHG - BLP) is the largest microfinance programme in the world because of its sheer size and population it touches. What is equally remarkable is that it is also the most widely participated developmental programme in the country and perhaps in the world for the large number of channel partners, their grass root workers, Govt. agencies and banking outlets involved. As the results of participation in SHG increasing constantly in appropriate way with sound position SHG can become reliable & affordable way to provide financial services easily.

Objective of Research paper:

1. To understand the concept of SHGs.
2. To evaluate the performance of SHG in Indian economy.
3. To evaluate SHG as a tool of financial intermediary.

Literature Review:

Anugya Sarap – The researcher has examined about the functioning of group based lending, especially of women in the context of two villages located in the district of Bargarh, Orissa. Kumelsingha and Khuntpali villages are taken for research study. Kumelsingha village has 656 households with 3157 persons & Khuntpali village has 866 households with 4377 persons. Researcher clearly stated that the stability of the majority of the groups has been possible due to their proper functioning in terms of group solidarity, saving mobilization, proper utilization of bank loan and timely repayment of it. This has facilitated the banks to provide them loan continuously over the years. Researcher has also mentioned that the continuity of the linkage of groups with the banks is dependent upon their stability and their sustained growth in terms of income and repayment of loan.

Sonu Gargi, Dr. Parul Agarwal – Researcher has tried to incorporate the financial exclusion with the help of SHG. As a result they conclude that the bank's concerns can be addressed by leveraging ICT, designing innovative products and service models. A structured expansion and appropriate regulatory norms addressing the bank's concern and inclusion of NBFCs, MFI and SHG in the last mile connectivity of people to financial services could resolve the people's concern. Also bank use intensive mobile banking services to deliver banking and financial services to the people.

Dr.M.Aruna & Ms.Rema Jyothirmayi – Study includes 300 sample respondents are comprised of 150 female participants of self-help group who availed microfinance loan and another 150 female participants of self-help group who were not availed any microfinance loan of Micro sate branch of Hyderabad. As per the study microfinance with SHG is capable of graduating struggling poor from their shackles

and helps to upscale them to a better living and playing a significantly positive role in upgrading women empowerment.

Mrs. Mallika A Shetty – Researcher has studied the role of SHGs in financial inclusion with special reference to udupi district. She concluded that if SHGs are working properly the members are able to get self-confidence & self-reliance. SHGs contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programmes.

Jun Goto - study aims to provide empirical evidence of the economic and social impacts of access to microloans disbursed through self-help group (SHG) programs. For this research researcher has collected data from households in Kerala, South India, and combined with detailed financial transactions of SHG members and information collected through laboratory experiments. The study concluded that reciprocal cooperation and trust among group members are developed by repeated social interactions, which are facilitated by weekly meetings of SHGs.

Discussion & Interpretation of study:

1) Formation of SHGs:

- **Forming stage:** In this stage the members are ready to form a group. In this stage the officials explain concept towards the members.
- **Storming stage:** It is kind of query stage. Any queries or conflicts are solved in appropriate manner.
- **Norming stage:** In this stage, members begin to internalize the concept of “self – help”. The members try to understand the concept of experience of meeting, interacting, contributing, saving and lending if a particular group by other group members
- **Performance Stage:** Both the task and maintenance functions of the group are clearly realized by the members of the group at this stage.

2) Capitalization of a SHG under NRLM: [Handbook on SHG-Bank linkage – NRLM]

- 1) From 1st Meeting – Internal lending
- 2) 2 months – SBA/C opening
- 3) 3-4 Months – Revolving Fund
- 4) 6-8 Months – CIF [Community Investment Fund]
- 5) 8-12 Months – Bank credit

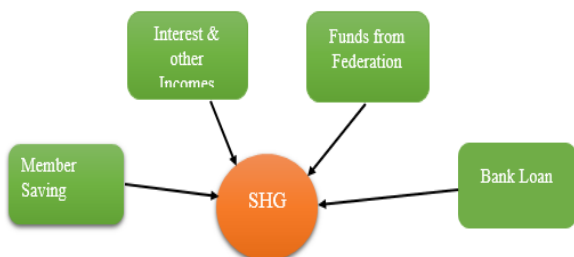
3) Principles of SHGs:

- Mutual consent
- Regular savings
- Regular meetings
- Trust amongst the members
- Books of records
- Access to funds
- Team management of resource

4) Functions of SHGs:

1. The SHG are functioned democratically. President & secretary are elected by mutual consent of the members. Treasurer is optional. The rotation of this officers done at least once in two year.
2. The group gathered once in a week.
3. The savings to be used as loans to members
4. Every meeting, the group will discuss and try to find solutions to the problem faced by the members of the group & according to member's requirement the internal loan should be passed in meeting.

Sources of the funds for SHGs: [Handbook on SHG-Bank linkage – NRLM]



6) Grading of SHGs: Grading is undertaken primarily for assessing the institutional and financial discipline of the SHGs. Grading enables external financials and other institutions to understand the quality of SHGs. Grading includes some parameters declared by regulatory bodies. [Handbook on SHG-Bank linkage – NRLM]

7) SHG linkage with Bank: [SHG-bank linkage programme]

This programme has been started in 1992 by NABARD to link an unorganized sector with formal banking sector. Linking with the bank is an essential pre-requisite for promoting qualitative financial services & financial inclusion. Under this programme lot of people were able to get financial facilities for their self-reliance & have started saving habit amongst the group.

Table: 1 SHG Savings with Banks as on 31st March, 2018

Sr. No.	Particulars	Physical (No. in lakh)	Financial (₹. In crore)
1.	Out of total SHGs - exclusive Women SHGs	73.90	17497.86
2.	Out of total SHGs- under NRLM/SGSY	41.84	10434.03
3.	Out of total SHGs -under NULM/SJSRY	4.25	1350.80
Total	Total number of SHGs saving linked with banks	87.44	19592.12

Source: STATUS OF MICROFINANCE IN INDIA 2017 – 18

During the year 2017-18 the number of SHGs increased by 1.67 lakh with a corresponding increase in the savings by ₹3477.89 crore. The other channel for growth of microfinance in India is through Microfinance Institutions (MFIs) lending through individual and group approach. NABARD has been supporting institutes for such studies for identifying impediments in the progress of the movement and making policy refinements to give a fillip to the programme.

Table: 2 Agency-wise Status - Loans disbursed to SHGs by Banks during 2017-18 (Amount in ₹ lakh)

Category of Agency	No. of SHGs	Loans disbursed
Commercial Banks	1272886	2870762
% Share	56.29	60.84
Regional Rural Banks	782563	1511934
% Share	34.61	32.04
Cooperative Banks	205683	335892
% Share	9.10	7.12
Total	2261132	4718588

Source: STATUS OF MICROFINANCE IN INDIA 2017 – 18

Commercial Banks have a robust share in the credit flow to SHGs as well, with disbursement of ₹ 28707 crore (61% of total disbursement during the year) to 12.73 lakh SHGs. During the year, Commercial Banks disbursed 18 per cent more amount of loan to 14 percent more number of SHGs as compared to 2016-17. RRBs have registered a big jump of 40 per cent in number of SHGs and 30 per cent in quantum of loan disbursement during the year. The Cooperative banks could extend credit of ₹ 3359 crore to 2 lakh SHGs. The average loan disbursement per SHG by Commercial banks remains the highest during 2017-18. This implies that SHG concept is going to capture new height with realistic results.

CONCLUSION:

SHG is very effective & realistic concept. If it is managed properly & appropriately it will definitely get good results. With the help of this concept the unprivileged & underprivileged people who are neglected by formal financial sector can get sound financial securities. SHG-bank linkage programme is the best example of best innovation in financial sector by NABARD. Though there are some problems & constrains for SHG implementation but it would be tackled by some restrictive & managerial steps. With the help of SHG initiative,s members are able to get self-confidence, self-reliance, trust worthiness & able to get self-esteem.

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