



## ORIGINAL RESEARCH PAPER

## Commerce

### SELF- HELP GROUP- AN APPROACH TOWARDS FINANCIAL SUSTAINABILITY

**KEY WORDS:** Micro finance, SHG-Self Help Group, financial Sustainability

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#### ABSTRACT

Micro finance is an effective instrument which promotes economic development, employment & growth with support of micro entrepreneurs & small business. The micro finance industry especially in India become an effective system for financing financially underserved & unserved people in the formal financial structure. This paper examines the development of SHG concept & their role in financial services for indeed people as well as its sustainability. Micro finance institutions, SHG-Self Help Groups, NGOs are the vehicles of micro finance. With the help of NABARD & RBI's initiatives commercial banks, regional rural banks, co-operative societies have also taken part in micro financing with innovative ways. SHG become one of the efficient tool for micro financing. NABARD has initialized SHG-Bank Linkage Programme which is one of the most successful initiatives for financial empowerment, financial sustainability, and sustainable livelihood in rural areas. It is a world's largest micro finance programme. With the help of this paper we have tried to understand the mechanism of SHG & its sustainability for financing to indeed people. The success of SHG-Bank linkage movement is a result of India's success in building rural financial infrastructure & sustainable livelihood.

#### INTRODUCTION:

A micro finance plays an important role generating employment, self-insurance, & self-reliance. Micro finance through Self Help Group (SHG) has been recognized as a modern tool for poverty alleviation & employment generation (NABARD). Although the term self-help group is used in different countries to describe a variety of financial and nonfinancial associations, in India it refers to a group of 10–20 poor women who come together for financial service which requires periodic, compulsory savings and then mainly loans—and sometimes social services as well (Jennifer Isern & others). These SHGs are managed by their members, who have distinct objects. NABARD's innovative programme of SHG-Bank linkage has got tremendous success in all over India. In 2017 it has completed 25 years in Indian economy very successfully. Within India especially southern & western region have received attention of media as well as academic researchers as it works successfully & effectively. The SEWA, MYRADA, SHARE, BASIX, PRADHAN, APMAS etc. have done benchmark work for low income people through small financing. The basic objective of SHG is to promote micro economic activities for upliftment of poor so that the members can be able to get job opportunities, employment generation & sustainable livelihood. The services of micro finance are delivered with different kind of models which are as under: (Vishal Goel)

Model:1	Banks promote SHG & finance them directly
Model:2	NGOs provide facility to SHG & banks finance them accordingly
Model:3	NGOs directly borrow funds from bank & provide to SHG
Model:4	NBFCs & MFIs

#### Concepts & Terms:

**SHG-Self-Help Group:** Self-help group has become a buzz word for the thinkers of developing countries working on development issues. The self-help groups are close to nature, depending directly on the natural resources of their livelihood. This strategy is for environmentally sound development needs awareness, help and active participation of citizens. She has a more focus on Women self-help groups- Malapur, Rashmi. (2008). A SHG is a group of 10-20 people, from similar class & place of living, who come together to form savings & credit organization. In simple words SHGs are group of people who come together to make voluntary thrift on a regular basis. (G.Bhaskar & other).

**Financial Sustainability:** Sustainability refers to maintain any administrative procedure over long period of time. In microfinance, sustainability can be considered at several levels—institutional,

group, and individual—and can relate to organizational, and financial aspects (Sa-Dhan: 2004). Financial sustainability refers to financial services which are provided to indeed person for a long period of time & with appropriate manner. For SHG Sustainability means integrity between members for SHG group aspect. The affordability of interest rate & timely adequate access of finance are the key aspects of financial sustainability of the members. (Srinivasan: 2008)

#### Theoretical Explanation:

##### Theoretical Framework associated with SHG:

**1) SHG-Bank linkage programme:** SHG-bank linkage programme is one of the most efficient innovative of NABARD. It was started in 1992 with the formal banking system. Under this scheme banks are allowed to provide small funds according to savings of the SHG for different kind of activities. They can consider the activities namely as 1) income generation activity, 2) social needs like-marriage, housing, education, & 3) debt swapping. The transaction cost of lending to weaker section of society is a big issue for banks. But lending through SHG has reduced the burden of different cost of banking institutions. The commercial banks, Regional rural banks, co-operative banks are the main players of SHG-BLP programme.

**2) SHPI- Self-Help promoting Institutions:** Under SHG-Bank linkage programme SHG are promoted by any NGOs then it commonly named as SHPI-Self Help Promoting Institute. SHG federation are also one type of SHPI. NGOs are trusts or societies which promote SHGs for bank linkage. NGOs are trusts or societies which promote SHGs for bank linkage. They are not financial intermediaries but they connect SHG & Bank linkage programme only. According to Malcolm Harper (2002)

- NGOs who have clear object of promoting SHG for bank linkage with some savings & credit facility only they are recommended as SHPI. Banks are themselves SHPIs when branch staff themselves promote SHGs, from scratch, and then mobilize their savings and lend to them.
- VVV-Village Vikas Vahini are also one of the volunteer group who work for promoting SHG activities, without any remuneration or directly paid by NABARD known as SHPI.
- Government agencies are a term which covers a wide range of state and central government entities which have started to promote SHGs under various schemes, usually but not always with an element of subsidy, with bank linkage as part of the scheme. - [According to Malcolm Harper (2002)]

**3) Micro Finance Institutions:** Another approach to provide microfinance has been through the microfinance institutions. MFIs includes different NBFCs, trusts, cooperatives whose main object is to provide financial services & provide financial support from external donors and apex institutions including the SIDBI Foundation for Micro Credit and NABARD and employ a variety of ways for credit delivery to indeed person. MFIs play a vital role for bridging the gap between financiers & investors.

**4) Mechanism of SHGs:** Mechanism of SHG is very easy to convey people for micro credit facility as well as helping each other for overall development. As per the concept of SHG there should be 10-20 people who comes forward for some common objective & mutual concerns- they make a group known as SHG. This group starts to save some money on daily, weekly or monthly basis with any bank account & according to bank's policy they provides some loan for their common objectives. The mechanism includes some regularity in meetings of SHG, saving habits, book keeping, training, mutual interest etc. In simple words SHG mechanism runs with the help of SHG member's mutual trust, regular meeting, naming of group, selection of leader, participation in decision-making, mutual help, & bank a/c in the name of group, local-skill training.

#### Review of Literature:

This section discusses the literature concerning SHG as an approach towards financial sustainability. This review is clearly highlights the study & helps clearly highlights the gap in the different reviews of literatures.

Anuradha Tiwari, Jaskiran Arora – According researcher Self-help groups, the flagship in Indian microfinance sector, have grown by leaps and bounds since 1992. This study suggests that the onus of promoting efficiency of SHGs rests on the NGOs. NGOs should not only facilitate the availability of credit from the financial institution to SHGs but also assist SHGs in identifying suitable products which they can manufacture and sell, further they should impart the necessary skills and training to the members of SHGs.

Bansavaraj Biradar– According to his study done in Bellary district of Karnataka he studied that Self-help Group is not merely to get just credit but it is an empowerment process too. It empowered women economically as well as socially. He felt that after joining SHG members gets more efficient & have increased their saving habits. He has also observed that after joining SHG there is significant reduction in poverty and has also increased the living standard of women in the group.

Dr. Sunil Ujagare, Ashwini Bhagwat – They have discussed about various indices which influence sustainability of self-help groups in their research paper. For research 50 groups are chosen by using convenience random sampling method from rural area. All these groups are from Uruli Kanchan Grampanchayat and are registered with Panchayat Samiti Haweli. They have used different kind of indices like Leadership index, meeting index, record keeping index, decision making index etc. On that basis the researcher has conclude that the sustainability of SHGs dependent on leadership. This study provides a sustainable index which need more emphasis to strengthen group.

Dr. Uma Narang – The researcher has examined the women empowerment through SHGs and also explains the current position of women empowerment in India. The study focused on No. of SHG as well as participation of women in group. It conclude that SHGs have been identified as a way to alleviate poverty and women empowerment.

M. Saravanan – According to researcher's study SHG plays a central role lives of the poor. Microfinance to the rural SHGs is a way to raise the income level and improve the living standards and economic independence of the rural women. Micro finance to rural by SHG not only source of income generation but also gain self-confidence & financial stability of women too. This study has focused on Tamil Nadu self-help group's impact and movement. Research Methodology: The study is exploratory & descriptive in

nature. The secondary data used for better result & analysis. Secondary data collected from different journals, articles, working papers, different reports from NABARD, RBI etc. The study refers to theoretical aspect. The data represented for the 5 years i.e. 2012-13 to 2016-17.

#### Research Objectives:

1. To study the role of SHG.
2. To study whether SHG is reliable & sustainable source of finance or not.
3. To examine the role of financial sector for SHG programme growth.

#### Need & Importance of study:

Self-Help Group is a simple concept which provides some financial facility to unserved or underserved sector of economy. It develops confidence among the members & push them towards saving habits. It provides financial sustainability for longer period of time. SHG concept helps to people for taking some initiative steps towards the economic & social development. They initiates following tasks:

- To create the habit of saving amongst the members.
- Reduction of informal borrowing sector & converting it into formal financial sector which become beneficial for getting financial inclusion in a long run in economy/
- It empowered women by contributing in SHG which leads them increasing confidence, saving, self-reliance & better control over decision which affects their lives.
- This approach helps to provide a cost efficient strategy to formal institutions for expanding & reaching out to people who deprived from formal financial system.
- To provide local based training programme which converts local resources in efficient way & gear up self-employment generation.
- With the help of SHG approach the members are able to build a qualitative team work by developing skills, mutual understanding & trust.

Because of these all important aspects of SHG the concept become more popular in Indian economy.

Discussion & Analysis: India has obtained SHG concept of micro finance in innovative ways. The SHG bank linkage programme is the best example of this. In this segment we will discuss SHG linked with bank, loan disbursement by different banks, & other scenario related with SHG.

**Table: 1: Status of SHG under SHG-Bank linkage programme during past Five years**

Year	No. of SHG (Lakhs.)	Amount of SHG saving (In crores.)
2012-13	73.18	8217.25
2013-14	74.30	9897.42
2014-15	76.97	11059.84
2015-16	79.03	13691.39
2016-17	85.77	16114.23

Status of Micro-finance – NABARD reports

**Interpretation:** According to provided data there is a significant rise in No. of SHG as well as saving amount of SHG. There was a net addition of 6.73 lakh SHGs during the year increasing the number of SHGs having savings linkage to 85.76 lakh as on 31 March 2017. There is a tremendous success got by NABARD in the year of 2016-17. There is 6.74% hike in No. of SHG & more than 17% increase in saving a/c. In other years there is a significant increase in

both the condition. Taking a big leap from a pilot in 1992, SHG Bank Linkage Programme has now become the largest community based microfinance initiative with 85.77 lakh SHGs as on 31 March 2017 covering more than a hundred million rural households.

**Table: 2: Status of Disbursement under SHG-Bank linkage programme during past Five years**

Year	No. of SHG disbursed with the loan ( in Lakhs)	Amount of SHG disbursed with the loan ( in crores)
2012-13	12.20	20585.36
2013-14	13.66	24017.36
2014-15	16.26	27582.31
2015-16	18.32	37286.90
2016-17	18.98	38781.16

Status of Micro-finance – NABARD reports

**Interpretation:** During 2016-17, banks have disbursed loan of Rs.38781.16 crore, recording 4% increase over the last year despite the impact of demonetization which slowed down loan disbursement post October 2017. Institutional credit flow to SHGs was reported to be adversely hit by the demonetization of specified bank notes declared on 8 November 2016 and the resultant disruption in the loaning operations by financing institutions. Despite this, the rise in number of SHGs credit linked and quantum of loan disbursed during the year is very positive for SHG-BLP. From 2012-13 to 2016-17 there amount of loan & no. of SHG which disbursed by bank also significantly increases.

**Table: 3 Savings of SHGs with Banks - Agency-wise position as on 31 March 2017 (Amt. Rs. Lakhs)**

Sr. No.	Name of Agency	No. of SHGs	Saving Amount [Rs.]
1	Commercial banks	4444428	1017002.46
2	Regional Rural Banks	2586318	363176.15
3	Cooperative Banks	1546129	231244.03
	Total	8576875	1611422.64

#### Interpretation:

As we can see all commercial banks, regional rural banks, & cooperative banks are playing an important role in SHG programme. Formal financial sector is also taking innovative steps for promoting SHG for progressive path.

#### CONCLUSION:

This paper has tried to focus on how SHG concept is effective for financial sustainability & at some extent it proves that the formal financial sector captured rural areas for financing in sustainable way. With the help of this approach the people who are deprived from financial facilities are now able to access in a sustainable as well as reliable way. The SHG has increased the efficiency of the people & provide some confidence amongst group member. All over the economic development has also increased. At last because of vital role of commercial banks, regional rural banks, NGOs & other models of micro finance SHG concept has achieved great attention of world towards India. SHG are the best way to connect people in formal financial system.

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