

## 10. SHGs in India: Current Status

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#### **Abstract:**

*Self- Help Groups are small groups consists of 10 to 25 members, which are the main objective of forming an SHG is to promote an financial inclusion and a better living for the weaker sections of the society. It is important for alleviate poverty and to increase employment opportunity. The impact of SHGs in India are saving and financial decision making , Access to credit, Employment ,Participation in local government, Change in family violence .SHGs playing a important role in training of Swarozgaris, infrastructure development, marketing and technology support, communication level of members, it creates self confidence among sample members, change in family violence , frequency of interaction with outsiders , women were also participate in society programme, involvement in politics. It has a positive impact in political, economic, social and educational level. Self Help Group is an current strategy for the empowerment of woman in rural as well as urban areas to bring woman together from all scope.*

#### **10.1 Introduction:**

Self-Help Groups (SHGs) are small groups of informal and self-governed people who get together to identify solutions to improve their living conditions. An SHG consists of 10 to 25 members between an age limit of 18-40yrs mostly and is primarily women belonging to the same socioeconomic background. The main objective of forming an SHG is to promote financial inclusion and a better living for the economically weaker section of the society. Most such groups are backed up by NGOs that help improve their financial and social problems. The Self-help group model was developed by an association named SEWA (Self-Employed Women's Association), formed by Ela Bhatt. She was responsible for shaping

an organised sector for women coming from backward in sowing, pottery, hand-made toys etc. NABARD established SHG bank Linkage Project in 1992, which became NABARD was backed by the Reserve Bank of India to help SHGs open savings account in banks. The government of open savings accounts in banks. The government of India, in 1999, came up with Swarn Jayanti Gram Swarozgar Yojana (SGSY) to encourage SHGs formation in rural India by upskilling them by conducting capacity building programs. Later in 2011, GOI came with National Rural Livelihoods Mission (NRLM) to alleviate poverty in rural India. NRLMs gave SHGs access to easy finance (insurance, savings, pension, etc.) and conducted various training & upskilling programs. Self-Help Groups (SHG) became an excellent opportunity for Rural Women to become financially independent and resolve various socioeconomic problems like education, health, collective bargaining power, building awareness, basic livelihood requirements . Its further gave them an alternative out of the traditional lending pattern followed in the rural region where the lender exploited the poor and women.

### **Why Self-Help Group Is So Important in India?**

- To alleviate poverty
- To increase employment opportunity
- To accelerate economic growth
- To raise status in society is the prime reason for respondents joining the SHG.
- To promote income generating activities

### **Status of Self-Help Groups (SHGs) in Uttar Pradesh:**

Self -help Groups (SHGs) came into existence in 1976 from Grameen Bank of Bangladesh founded by Mohammad Yunus. As an emerging economy, India adopted this model to alleviate poverty and empower the nation's women. NABARD started promoting SHG models in the early '90 to empower the rural sector of India. Uttar Pradesh constitutes 4,65,664 (or 6.69%) of the total SHGs in India (Ministry of Rural Development,n.d.). A study conducted in Uttar Pradesh revealed that SHGs and the microcredit system are promising tools to elevate women's status and standard of living and help women to solve common problems like health, education, and other house holds issues. A survey conducted in Uttar Pradesh stated that an SHG has better saving rate that helped them increase their value of assets. A study reported a 54.22% increase in the annual income level of an SHG member It further improved the social status of women in terms of education, enhanced borrowing patterns and economic status in Rural Uttar Pradesh (Maurya,2014).

### **What Is the Present Status of Self-Help Group in India?**

Even after more than 62 years of planning, various poverty alleviation programmes, official estimates shows that around 26.1 percent of total population still lives below the poverty line in India the financial requirement is one of the basic needs of the poor rural people of the society for their socio-economic upliftment. Amongst the poor the most disadvantageous group are the women and they constitute almost half of the population in India. The proportion of the self-employed (vulnerable workers) has declined significantly in the development process.

The proportion of self-employment in the total employment is as low as 8% and 10% for women and men respectively in developed regions and as high as 64% and 57% for women and men in developing regions. In India the overwhelming proportion of workers is in the self employment category. About 64% of the rural and 46% of the urban workforce is engaged in self-employment. In India 20.51% of the workforce are living below the poverty level. The proportion is highest (31.9%) among casual labour and second highest (17.17%) among the self employed. However in terms of absolute number, the self employment category has the highest number of poor \_45.28 million, followed by casual labour \_ 41.45 million Microfinance to Self Help Groups (SHGs) may be considered as a vital tool for meeting the Women constitute around fifty percent of the total human resources in our economy. As per the Socio Economic and Caste Census out of more than 1794 lakh households in rural area, about 1337 lakh households are having a monthly income of the highest earning member of the households below Rs.5,000. Which is about 75% of the total households. All these households seem to be in the economically backward and underprivileged category. These households constitute the potential segment of the SHG Bank Linkage Programme.

## **10.2 Impact of Self-Help Group in India:**

### **Saving and Financial Decision Making:**

One of the primary benefits of participation in a SHG is the opportunity to save regularly, access formal savings institutions and participate in the management of these savings. They save regularly, have their own bank accounts and make deposits into these accounts. SHG is having a good impact on members, in their ability to save their hard earned money.

### **Access to credit:**

A corollary of participation in SHGs is an improvement in a women's access to credit. Since the project is perhaps too early in its implementation to, directly improve women's access to credit. The financial mobility due to participation in the SHG has led to an improvement in the quality of life, according to some of the successful groups. Overall, many families were able to address their basic needs better than before than that of men, and that women were also more likely to spend the income earned, on their families, leading to improved health and nutrition of the poor population and for improving the quality of their lives.

### **Employment:**

The implementation of SHG has generated Self-employment opportunities for the rural poor. The progress of the program since inception assisted in formation of 35.7 lakh SHGs: assisted 1.24 cr. Swarozgaris in establishing their own micro-enterprises. The Government of India released Rs.11,486 Crore under the program; bank credit mobilization is Rs.19,017; Total subsidy provided is Rs9,318 Cr. The program helped many participants in improving their economic conditions. Another good accomplishment of the program is that it has adopted the SHG strategy. The National Bank for Agriculture & Rural Development (NABARD) will create a Rs.15 billion fund to cater to women's Self-Help Groups in economically weaker districts in the country, After joining the self help group the women

are economically and socially empowered. This empowerment cannot be transformed or delivered it must be self generated such that it enables those who are empowered to take control over their lives.

**Decision-making within the household:**

The social impact of the SHG program increased involvement in Decision-making , awareness about various programs and organisations, increased access to such organisations, increased expenditure on Health and Marriage events, there is a change in the attitude of male members of the family, now they are convinced about the concept of SHG and encourage women to participate in the meetings and women reported that they have savings in their name and it gives them confidence and increased selfrespect. Within family the respect and status of women has increased. Members are now confident enough to raise social status.

**Participation in local government:**

Because of SHG, women know about their local political institutions such as the Gram Panchayats and have their knowledge of where to report certain types of grievances. As part of the political empowerment process, it is a pertinent fact that many women have not only been elected to the Grama Panchayats but have become the role holders too.

**Communication Level of Members:**

Microfinance movement is having a good impact on members, in their ability to express their feelings and has made people more confident to express themselves.

**Change in Family Violence:**

Involvement with SHG has reduced this violence in 25 percent cases especially due to reduction in economic difficulties. In most of cases the members revealed that their husbands should also be involved in SHGs.

**Status of Access to Amenities:**

Since SHG programme has economic as well social implications. It can be seen that there has been an increase of 40 percent in SHG members in terms of their status of access to amenities factors. Therefore, it can be concluded that after joining the SHG the members have improved in getting access to amenities like medical, sanitation, education, market, water supply, transport.

**Increased Nutrition status:**

They find positive impacts on empowerment and nutritional intake. Female social and economic empowerment in program areas increased irrespective of participation status. Evidence of higher consumption is not income or asset formation.

The program's main economic impact had been through consumption smoothing and diversification of income sources rather than exploitation of new income sources.

### **SHGs and Environmental Management:**

Research and policy has tended to focus on the relationship between poverty and environmental degradation in terms of pointing out that the poor are both victims and agents of environmental degradation.

### **10.3 Shortcomings' of The Self-Help Group in India:**

Though it was considered as a wonderful program by many stakeholders, the program failed on many counts is provided as follows:

#### **Challenge of take-off:**

The program supported promotion of 292 thousand SHGs in the first year. i.e 1999-2000. The number remains around this level in all subsequent years with wide fluctuations from year to year. Similarly ,214 thousand groups passed Grade -I, in the second year of the program, i.e., 2000-01. It remains around this level in all subsequent years.

Though there is significant growth in the number of groups that passed Grade-II, groups which have taken up economic activities are less. In total only 685 thousand groups have taken up economic activities. It is a little over one-fifth of groups promoted in the scheme.

#### **Credit mobilization:**

Mobilizing bank credit is a major challenge of the program, due to which the governments at centre and states could not increase the allocation over the years. In total, the target of credit mobilization is Rs.29,831 cr. But little over half of that amount was mobilized during the last 10 year. However, the proportion of actual mobilization to target is increasing over the years. It is a healthy sign because of lower than targeted mobilization of bank credit and allocation of a relatively higher proportion of funds for subsidy, the ratio of credit to subsidy was about two during the period and did not vary much from year to year. Thus, the credit-subsidy ratio remained much below the target ratio 3:1 (GOI,2009). It also resulted in less than planned investment Swarozgar.

#### **Low survival rate of prompted micro-enterprises:**

Many assisted Swarozgaris are either reluctant to create or acquire the planned assets or were disposing them immediately after acquiring .According to BIRD'S study "in northern states , the success rate in terms of whether units exists or not in case of units financed to group Swarozgaris turned out to be even worse than that in case of individual Swarozgaris as only 17.7% units were found to be existing in case of group Swarozgaris as against the 31.11% units intact in case of individual Swarozgaris . The results indicate just opposite pattern to what most of us believe / perceive that group approach of financing is better than

the individual financing. However, in case of southern states, 76.6% units were found to be existing at the time of field visits which shows the better care by the government department as far as monitoring of units is concerned”

### **Low realized incremental income from Income generating act.**

The program envisaged that Swarozgaris would realize about Rs2,000 per month from the investment of about Rs.25000. Except a few case studies, no major evaluation study reported additional income anywhere close to Rs2000 per month. In 2002-2003, only 43% of the assisted Swarozgaris reported an increase in their income.(as quoted in GOI,2009) .

## **10.4 Suggestions to Improve Self-Help Group in India:**

### **Suggestions for designing the NRLM:**

As three-fourths of households in the country are either poor or vulnerable, NRLM may cover all willing rural households, irrespective their BPL or APL status, in the SHG program for effective financial inclusion.

It may be divided into two sub-programs, viz. Financial Inclusion and Livelihood promotion. Two programs may be implemented sequentially. The first five years may be totally focusing on promotion and strengthening of SHG institutions and later focus may be on setting up of small and medium enterprises under SHG federations.

### **Suggestions to promote Financial Inclusion:**

- SHG banking may be allowed to function as core banking activity without any outside interference like target fixing, interest cap, loan size, etc.
- The Government may promote quality SHGs through village /cluster level; sub-district /block level and district level federations.
- Wherever banks are not accessible or not responsive, federations may be prepared to take up financial intermediation.
- Promoting agencies should have a clear role transformation strategy and should implement the same in letter and spirit.
- NRLM may work on sensitization and orientation to bankers about the commercial value of SHG banking.
- NRLM may understand the banks concerns such as quality of groups, political interference in functioning of federations, wrong signals like loan waivers, etc and address them.

### **Suggestions for promotion of small and medium enterprises:**

To obtain desirable employment transformation and to take full advantage of booming secondary and tertiary sectors, NRLM may focus on manufacturing and service sectors. The small and medium enterprises may be promoted to village/ cluster; sub-district /block and district level SHG federations.

- The potential units could be agro-processing units; milk processing units; common service providing units; cold storages; rural warehouses; market yards to organize weekly markets; etc
- Appropriate institutions like ‘commodity cooperatives’ and ‘producer companies’ may be promoted under SHG federations to take up small and medium enterprises as per the pattern of the borrowing from the SHGs.
- The federations could be assisted to have state of the art units by hiring professional consultancy firms, who can provide these units on turn key basis.
- NRLM may provide investment and working capital to the federations to set up these units.
- If banks are non-responsive, the apex financial institutions like state finance corporations / SIDBI/ NABARD could be accessed.
- Acquired units could be pledged as security to the banks and financial institutions.
- These units would result in development of entrepreneurship in federations, provide a large number of regular employment opportunities to the members and boost the rural economics.
- SHG concept should target the holistic development of women members. The ministry may bring out publications pertaining to different aspects of SHG and its development/ empowerment.
- It is felt that efficiency and effectiveness of SHG should be regularly monitored by a qualified and designated body to give corrective input wherever necessary as well as encourage the deserving ones.
- Timely release of adequate loans and the eligible subsidy is important. SHG member education and awareness on the high poverty regions should be viewed as long term investment in human capital development. All stakeholders should invest their time for capacity building, handholding and development support.

### **Suggestion for better Implementation of machinery:**

Implementation mechanism may follow the design of the program. It may be kept in mind that a proper role transformation strategy and implementation of the same in letter and spirit is essential for the development of people’s institutions. After joining SHG the income levels of the respondents have increased and with the help of increased income level they could overcome the poverty. Loan facility is available for all the members without any restrictions. Thus, SHGs are formed with the idea of mobilizing small savings from the members. SHGs are not treated as financial system but they are formed with a view to social and economic change of the rural people especially for the rural women. Women should be properly educated so that they will enhance the capability to manage communities and community projects. The NGOs and the State government must also monitor at a regular interval the overall performance of SHGs and the members included in it. There is a need for establishing computerized MIS for SHGs and SHG federations to monitor their performance on a regular basis.

### **10.5 Conclusion:**

SHG programme clearly plays a central role in the lives of the poor. The programme in various blocks all seem to be very successful in reaching poor clients. Importantly; there is

evidence of increased household income. This is a very significant indicator of impact. Standard of living for the program participants have increased and also the food security is much more for the program clients. Programme loans are one of the main ways clients overcome food insecurity with sickness, disease, emergencies and crises , where programme participants seem to transfer the loan source from friends and moneylenders to SHG loans to meet these expenses.

At the individual level, there is evidence that the programme attracts already relatively empowered people and that empowerment occurs among some clients through programme participation. The process of empowerment manifests itself in increased self-esteem. Programme participation are far more aware about the various programs and organisations and have an access to these organisations.

Microfinance is playing a significant role in alleviate poverty and rural development. Since women are the sole family caretaker, proper emphasis should be given to the rural women and for empowering the rural women finance is required. Microfinance to the rural SHGs is a way to raise the income level and improve the living standards of the rural women. The Self Help Groups have proved the way for economic independence of rural women.

Thus , it can be concluded that the self help groups contribute substantially in pushing the conditions of the female population up and through that chip in poverty eradication as well. From the above analysis we can conclude that inspite of the concerted efforts taken by SGSY, it is clear that the failure of the programme is seen. But of course there are lot of advantages as well as disadvantages. Now MoRd has been taking a lot of initiatives to revamp the programme. Let us hope that better solutions coming up to implement the programme in effective and efficient ways and means in the near future.

Self-help Groups have been playing considerable role in training of Swarozgaris, infrastructure development, marketing and technology support, communication level of members, self confidence among sample members, change in family violence , frequency of interaction with outsiders , change in the saving pattern of SHG members, change in the cumulative saving pattern of SHG members per month, involvement in politics, achieving social harmony, achieving social justice, involvement in community action, sustainable quality and accountability, equity within SHGs , defaults and recoveries, and sustainability-financial value.

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