

SHG's as a Media to involve Youth in Grass root Development

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Abstract

The phenomenal transformation of the Indian economy from a begging bowl to a feeding basket can be resorted to the paradigm shift in the institutional and policy changes in the different economic and social parameters in the country. Nevertheless by and large the biggest problem in India has been the acute unemployment and related social indicators. The problem assumes greater significance to the nation which has youth as the major group in the population. The youth are a crucial segment of every society and the basis of future development. Self help Groups are promoted by the NGOs banks and co-operatives. The SHGs are small, economically homogeneous and affinity groups of rural/urban poor, voluntarily formed to save and mutually agree to contribute to a common fund to be lent to its members as per group decision. The SHGs comprise poor to hard-core poor who do not have access to formal financial institutions. They act as the forum for the members to provide space and support to each other. It also enables the members to learn to cooperate and work in a group environment. The SHGs provide savings mechanism, which suits the needs of the members. It also provides a cost effective delivery mechanism for small credit to its members. The SHGs significantly contribute to the empowerment of poor women. The SHGs can be instrumental in providing opportunities for the YOUNG by way of

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generating employment opportunities, providing economic upliftment, creating gender parity, necessitating alternative livelihood and enabling decision making for the development of the country.

Introduction:

India, close to sixty years after independence has indeed become the third fastest growing economy in the world.

The phenomenal transformation of the Indian economy from a begging bowl to a feeding basket can be resorted to the different institutional, educational, structural, political, social and economic reforms encompassing the various segments of the society including ethnic and minority communities. The different countries in the world on account of its scientific know how, technological advancement, self-reliance, varied cultural heritage, communal harmony and unity in diversity envy India. The country has progressed in the entire economic and social front in the last six decades. This has been accounted for four factors namely the development of knowledge based society, integration of financial markets, adept technology and strong foreign exchange position.

Demographically India has become a young country today as more than 70 percent of our population is now under the age of 35. Out of this 33.8 percent come under 15-34 age category. The number of adolescents alone (10-19) has crossed 230 million. Thus, now every second Indian is a young Indian. The Indian nation is on the move. Amidst all these development on a macro perspective there exists a wide range of inequality in the different economic and social parameters in the country.

This has been due to mainly the uneven distribution of resources, inequitable income distribution, lack of opportunities, varied climatic conditions, high level of unemployment, shortage of infrastructure between the length and breadth of the country, etc. It has been a Herculean task for the government and policy planners to bridge the gap between growing disparities in the country. Numerous governmental interventions have been done to rectify the

shortcomings and to create a favorable economic environment in the country.

By and large the biggest problem in India has been the acute unemployment and related social indicators. The problem assumes greater significance to the nation which has youth as the major group in the population. The youth are a crucial segment of every society and the basis of future development. They provide as change agents and serve as a pressure group by maneuvering the government in redefining its priorities, objectives and goals. Bacon's statement that "young men are fitter to invent than to judge, fitter for execution than to counsel, fitter for new projects than for settled business for the experience of the age in things that fall within the compass of it" exemplifies the paramount importance to strive towards the involvement of youth as active citizen. The significance of youth lies not only as leaders of tomorrow, but partners of today: The future of any society depends on the practical and spiritual moulding of youth.

Self Help Groups –the Origin

In India, these Self-Help Groups are promoted by N.G.O.s, banks and co-operatives. The National Bank for Agriculture and Rural Development (NABARD) launched a pilot project for linking SHGs in February, 1992. The Reserve Bank of India advises the Commercial Banks actively to participate in the linkage programme. Normally, after six months of existence of SHGs and after collecting a sufficient thrift fund, the Groups approach the link banks (either commercial or co-operative) with its credit plan. The NABARD gives 100 per cent refinance to the Banks on their lending through the SHGs.

What is Self help groups?

Self-Help Groups (SHG) is a small, economically homogeneous and affinity group of rural/urban poor, voluntarily formed to save and mutually agree to contribute to a common fund to be lent to its members as per group decision. Financial discipline inculcated through internal rotation of savings and introduction of best practices, like double-entry book-keeping, helped in building capacity of the SHG members. The SHG promotes small savings among its members.

The savings are kept with a bank. This common fund is in the name of the SHG. Usually, the number of members in one SHG does not exceed twenty.

Training in SHG management, skill development, etc., also played a very important role in empowering poor women. An interim evaluation report by ORG clearly points out how the standing of SHG members in their families and neighbourhood and participation of women members in decision-making in their families and community have improved significantly, pointing to successful achievement of social empowerment of women.

Objectives of Self-help groups

The usually cited objectives of SHG are:

- To save small amounts regularly
- To mutually agree to contribute to a common fund
- To meet their emergency needs
- To have collective decision making
- To solve conflicts through collective leadership and mutual discussion
- To provide collateral free loans with terms decided by the group at market driven rates

The SHGs comprise poor to hard-core poor who do not have access to formal financial institutions. They act as the forum for the members to provide space and support to each other. It also enables the members to learn to cooperate and work in a group environment. The SHGs provide savings mechanism, which suits the needs of the members. It also provides a cost effective delivery mechanism for small credit to its members. The SHGs significantly contribute to the empowerment of poor women.

Formation of SHG's

Non Governmental Organisations (NGOs) Social Workers, health workers, village level workers, etc. are behind the formation of SHGs.

Informal Associations of local people Development oriented government departments, Banks, Bank personnel and other individuals (in their personal capacities), Farmers' Clubs under the Vikas Volunteer Vahini (VVV) Programme of NABARD Other development institutions, etc. Facilitate the process.

The SHG-bank linkage programme is targeted to reach the poorest sections, which are bypassed by the formal banking system. Therefore, it is essential that only the very poor be considered as the target group for the SHG -bank linkage programme. An SHG can be all-women group, all-men group, or even a mixed Group. However, it has been the experience that women's groups perform better in all the important activities of SHGs. Mixed group is not preferred in many of the places, due to the presence of conflicting interests.

What did this bank network do?

- Interest rates of 10% to 15% p.a. on reducing balance method
- Proposals appraised for their technical and financial feasibility
- Expected incremental incomes formed the basis of most credit decisions
- No collateral for small loans
- Larger loans collateralized through mortgages of land, assets, sureties, hypothecation of even standing crops
- Poverty alleviation programs through banks
- A variety of credit programs for creating self-employment
- IRDP and other client-group programs covered nearly 100 million.
- Families with credit worth \$ 10 billion over 20 yrs. with average per family outlays of about \$ 800

Drawbacks

- Fixed margins and high transaction costs,
- Banks cut down on appraisal and monitoring costs
- High defaults
- Leakages of subsidised resources
- Tremendous outreach was achieved, but
- Almost one third of population continued to be "poor"
- A common view that the poor are not bankable!!!!

Sustainability of groups is measured by the following parameters:

- Formulation of Long-term Mission/Goals/Objectives by SHG;
- High Group Grading ('A' grade);
- Non-dependence on NGOs and TNCDW;
- Repayment of loans at more than 90%;
- Ability to manage their own affairs;
- Adoption of best and healthy practices in family and SHG;
- Perceptible improvement in income of members;
- Networking - SHG participation in federations;
- Contribution to local social development;
- High degree of cohesion between group members.

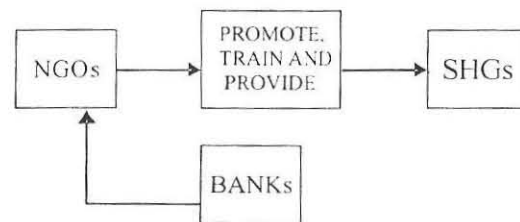
Essential features of SHG's include among others:

- Groups to have members not exceeding 20.
- Groups should have been in existence for at least 6 months.
- Groups to have democratic functioning
- Groups to be largely homogenous in character so as to ensure cohesion in working.

In this model, groups are formed by NGOs (in most of the cases) or by government agencies. The groups are nurtured and trained by these agencies. The bank then provides credit directly to the SHGs after observing their operations and maturity to absorb credit. While the bank provides loans to the groups directly, the facilitating agencies continue their interactions with the SHGs. Most linkage experiences begin with this model with NGOs playing a major role. This model has also been popular and more acceptable to banks, as some of the difficult functions of social dynamics are externalised.

SHG Bank Linkage Model -III

NGOs as Financial Intermediaries



Model - III : Bank - NGO-MFI -SHG - Members

Due to various reasons, banks in some areas are not in a position to even finance SHGs promoted and nurtured by other agencies. In such cases, the NGOs act as both facilitators and micro-finance intermediaries. First, they promote the groups, nurture and train them and then approach banks for bulk loans for on-lending to the SHGs.

Constraints in the functioning of the SHG's: Various studies have been made from time to time by NABARD besides other institutions. These studies have brought to fore the problems being faced by all the concerned institutions. These are discussed below:

1. Multiplicity of the concept: In the last decade, the concept of SHGs has become quite popular and every institution has come out with its own format of these groups. While regular savings are insisted by NABRAD others have not insisted upon this. In others, even seed capital is given to facilitate the loaning operations. NGOs have also modified

the concept according to their needs and objectives. This has created confusion in the minds of the practitioners of the movement. DWACRA groups, NABARD groups, Govt dept groups are some of the examples.

2. Lack of NGOs : This movement being rural in character, needs to ensure mutual trust and faith in the minds of the poor people Unless this is ensured, the likelihood of success is rather limited. As the number of dedicated NGOs are not available or NGOs are not willing to include credit as part of their activities the movement has suffered. Involvement of other agencies for the purpose is an essential requirement.
3. Lack of interest in borrowings by NGOs : In many Groups, their borrowing capacity is limited or the financing banks have reservations. In such cases, if the concerned NGOs borrow funds, they can facilitate expansion of the movement. However, NGOs while willing to introduce financial element are not willing to take borrowings on behalf of the Groups.
4. Lack of conviction in the financing banks: The movement has not been able to make substantial progress as many of the commercial banks did not have necessary conviction in the efficacy of the movement and have traditional hesitation in providing loans without security. They are also doubtful of recoveries as also the transaction cost involved.
5. Need for external assistance: The movement being nascent in nature needs a lot of effort to motivate members, banks, NGOs govt, and others. There is a need for consistent efforts to persuade them to join Groups and take benefits.
6. Need for financial assistance for extension: In the present context, all the NGOs are not guided by service motive. Many of them are professional Ngos and are effectively able to discharge function for payment. They definitely need financial assistance. Even the genuine NGOs also need money to supplement their efforts. Fortunately, NABARD

has contemplated financial assistance to such organizations subject to certain conditions.

7. Need for infrastructural support: With growing number of groups and need for effective monitoring, there is a need felt for infrastructural support particularly to the NGOs which could be in the form of computers, vehicles etc. which will enable them to extend their guidance more effectively and in time.
8. Need for periodical evaluation and dissemination of information: Wherever the movement has stabilized, there is a need for its evaluation so as to ascertain the efficacy of the strategy adopted and initiate corrective measures. This could also result in multiplying impact as successful examples are the best advertisement amongst members. Further, documentation of the efforts encourages the participating agencies as also others.
9. Impact of influential people: In many Groups, they are dominated influential people who are either well to do or who have an axe to grind. This sets up a very bad example for others. This has also happened where the groups were not homogeneous in character.
10. Non-participation by other types of banks: Although in the beginning, only commercial banks were expected to participate, later on, other banks were also allowed to participate. Some how co-operative banks have not shown the desired interest in the movement.
11. Non maintenance of books of accounts: In large number of groups, the maintenance of various books of account of the members, proceeding books, etc were not maintained properly due to inadequate literacy in the Group or for want of effective guidance.
12. Distortions in the implementation: There are numerous distortions observed in the implementation, such as

blocking of the amounts in savings bank account of the group by banks, disbursal of loans much in excess of the prescribed proportions prescribed by NABARD, financing of Groups much before the minimum period of existence, formation of Groups having total membership exceeding 20, financing of Groups in defaults, non-compliance in respect of regular meetings of members, insistence on uniform amount of loans to all members for identical purposes, collection of certain charges from groups by banks, prescription issued by banks or NGOs towards charging of interest rates, proportion in which loans are to be given to members, determination of loan amount for individual members by banks before releasing money to groups, etc.

Progress and impact of the Programme

NABARD conceptualised and implemented the idea of SHGs through the pilot project on linking SHGs with the banks. In 1992, the project was operationalised throughout the country by way of a set of well defined guidelines with special reference to objectives, criteria for selection of SHGs, size of group, assessment of credit needs, rate of interest, repayment period, security, etc. NABARD's initiatives to strengthen the access of rural poor to formal banking service through SHGs gathered momentum over the years. The programme exhibited a significant growth in terms of coverage and outreach of credit to the rural poor. Beginning with a modest number of 255 SHGs in 1992-93, a total of 4,58,871 were credit linked with banks in 2001-02. This has brought around 9.1 million poor families within the fold of the formal banking sector. The cumulative disbursement of bank loan was Rs.1005.81 crore and refinance assistance was Rs.796.47 crore.

Conclusion:

The various evaluation studies conducted by the monitoring and evaluation agencies have concluded that there has been substantial growth of the SHG's in India and people have found this institution more feasible and amenable to meet their credit needs, the group