

## GROUND REALITIES OF SELF HELP GROUP –BANK LINKAGE PROGRAMME: AN EMPIRICAL ANALYSIS

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### ABSTRACT:

The Self Help Groups (SHGs) under Indian micro finance programme have become a vehicle to pursue diverse developmental agendas and even for the profit motive. Removal regional disparity in the implementation of the programme leads to target oriented approach which again considered as hindrance the qualitative growth of the movement. Several rating systems for micro-finance interventions and Self-Help Groups (SHGs) have been developed in the past which lacks uniformity. The present study differs from earlier studies as it covers twenty eight quality parameters to evaluate the quality of SHGs based on survey of literature. Further, this paper tries to access the grass root issues relating to quality assessment of SHGs and the normal course of functioning of SHGs in the study area. The study is undertaken in three development blocks of Nagaon Districts of Assam during 2010-11. It is observed that due to fast growing of the SHG-bank linkage programme, the quality of SHG has come under stress. Some of the factors affecting the quality of SHGs are the target oriented approach of the government in preparing group, inadequate incentive to NGO's for nurturing their groups etc.

**Keywords:** Micro Finance, Quality Parameter, Quality Issues, Quality Assessment Tools, SHG-Bank Linkage Programme, Self Help Groups.

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## INTRODUCTION:

Self-help Groups (SHGs) are playing a major role in removing poverty in the rural India today. The group-based model of self-help is widely practiced for rural development, poverty alleviation and empowerment of women. Self-help as a strategy for social development places emphasis on self-reliance, human agency and action. It aims to mobilize people, to give them voice and build people's organisations that will overcome barriers to participation and empowerment. Central to the idea of self-help is the formation of groups, concept of a community and the development of egalitarian relationships that will promote people's well being. Self Help Groups serve as a medium of delivering micro credit to the members.

Many public sector banks that were in the forefront of SHG bank linkage are approaching MFI for identifying a suitable agency to nurture their credit linked SHGs. There is an increasing concern among bankers about the quality of SHGs being promoted by themselves or by other promoters. In order to assess the quality of SHGs, banks use grading tools to assess the eligibility of a SHG for credit linkage. Despite having appropriate tool, the quality seems to have declined and the quality deterioration is visible in the form of higher delinquency rates, primarily because these rating tools were never given the sanctity they required.

Rating of SHGs assumes importance as it not only a pre-appraisal tool but as well a self evaluation which is a continuous process. Quality assessment of SHGs has come to be accepted as an important tool to ensure standards in SHGs. In the enthusiasm to ensure monitoring of SHGs every stakeholder had their own innovation in designing a new tool for grading of SHGs. This has resulted in flooding of market with rating tools with slight variation here and there (Devaprakash, 2005).

Only a few quality assessment studies were made in the country in general and Assam in particular. Further, these rating tools speak different languages in assessing the quality of SHGs. Here, an effort is made in this paper to assess the quality of selected SHGs in Assam and to highlight normal practices relating to quality assessment of SHG in Assam.

## **REVIEW OF LITERATURE:**

In this section, an effort is made to review a number of studies that has gone into the various quality, sustainability and socio-economic issues related to SHGs in India. Sa-Dhan (2003) made a comparative study of assessment tools developed by various organisation viz. NABARD, BASIX, MYRADA, CARE, APAMAS etc. and have identified eight broad thematic areas with various indicators and their benchmarks. The study also felt that unless a tool could provide an instant and clear analysis of the state of affairs of SHG, it would not popular in practice. However, the study identifies eight broad major indicators viz. Group Constitution, organisational discipline, organizational systems, financial management, credit policy external linkage etc. to access the quality of SHGs.

Reddy (2005) observes that the state of SHGs identifies key areas of weakness which undermine the sustainability of SHG movement. He identifies the major areas such as financial management, governance and human resource ranges from weak to average quality for a majority of SHGs. APMAS (2006) addressed a wide range of issues including cases of dropouts from SHGs and internal politics, and issues of social harmony and social justice, community actions, book-keepings, equity, defaults and recoveries and sustainability of SHGs. Singh (2006) also studied SHGs programme of Peoples Education and Development Organisation and makes an attempt to evaluate social and economic impact on households of SHGs members. They observed that members involved in SHGs programme have increased involvement in decision making, awareness about various programmes and organisations. Moreover, the members get information about the different sources of credit and also reported that there are the evidences of household income, food security and increased standard of living. EDA Rural Systems and APMAS (2006) observed that 30 per cent of SHGs in the sample were involved in community actions. He accesses the quality of SHGs on different parameters like involvement in social harmony, social justices, community action etc. He further observes that only 15% of SHGs have good quality of records that are maintained by the group members.

Sharma (2007) shows that the SHG movement has not get success in some north-eastern states for reasons that are peculiar to the region. The study also observes the banking constraints as a factor that hinders the quality of SHG in Northeast India. In another study conducted by Haryana Community Forestry Project, (Govt. of Haryana, 2007) assessed the quality of SHGs in

a self style way which comprises nine broad indicators which includes organisational capacity, saving and credit, financial management, micro-enterprises, skill development, awareness & attitudes, empowerment & influence, networks & linkages and plans & visions. APMAS (2009) reported that the SHG program has resulted in social and economic benefits to a significant percentage of the sample groups. Despite of all round support from the Government of Assam, NABARD, NGOs, RRBs and active participation of primary members, the condition of SHGs in the state is far from satisfaction. The study also reveals that the proliferation of SHG has posed a serious challenge to sustain this movement by maintaining quality of SHGs and hence, the quality assessment of SHGs is now being considered as a key concern. The study also articulated some serious challenges like uneven growth of SHGs in different parts and uneven quality of SHGs across the country and issues related to their sustainability.

Kumar (2010) while comparing the differences in quality of SHGs between SHGs under the umbrella of federations and other SHGs which are not part of federation observes that federation type SHGs are functioning well. He assesses the quality of SHGs by using NABARD CRI and also advised all banks to access the quality of SHGs using the CRI before every credit linkage. Roy (2007) undertaken quality assessment of SHGs in West Bengal and this was done by using twenty indicators like group meeting, members' participation, group discipline, savings, micro-credit, financial management, economic and social initiatives and linkages with institutions. Sahu (2010) assessed the quality of SHG in Northwest India based on the 13 indicators Thus, in group formation, homogeneity in economic status should be given weightage. Continuity in the perusal of social causes and issues, group processes, and other social parameters should be considered while fixing determinants of group quality.

The present study differs from earlier studies as it covers comparative study on quality of SHGs in three different blocks in the study area. Further, this paper attempts to study the grass root issues relating to quality assessment of SHGs and to access the normal practices of SHGs in the study area.

### **OBJECTIVES:**

The objectives of this paper are-

1. To identify the reasons for the formation SHGs in the study area.
2. To access the problems of SHG members in the study area.
3. To study the quality of some selected SHGs in selected study area.
4. To study the normal practices of SHGs in the study area.
5. To outline conclusions based on the findings of the study and to put forward some suggestions.

### **RESEARCH DESIGN AND METHODOLOGY:**

The research design and methodology devised in this paper is being presented which has been designed keeping in mind the focused objectives and with the aim of acquiring accurate and authentic data. The study was restricted to only three Development Blocks out of eighteen Development Blocks of the Nagaon district of Assam under both judgment and convenience sampling methods viz. Lumding Development Block, Udali Development Block and Dhalpukuri Development Blocks. Some specific revenue villages were selected for the purpose of the study wherein the concentration of SHG is very high. These revenue villages are featured with high proliferation of SHGs. Data has been collected from both primary and secondary sources. Only SHGs under SGSY which are enlisted with Directorate of SHGs under SGSY, Nagaon District for the year 2008-09 & completed one years of existence are covered in the study and primary data are collected during the first half of 2011. Initially, 75 (75 SHGs from each block covering both male and women) SHGs are randomly selected from selected revenue villages out of which researchers could collect 150 (50 SHGs from each block) useful filled questionnaires from the selected Development Blocks, due to time shortage, apathy of group members, defunct SHGs and distance constraints.

A set of questionnaires are being prepared for assessing the quality of the SHGs of the study area. These questionnaires are framed suitably by studying the existing literature of quality assessment. The enlisted quality assessment variables are identified and tabulated as below.

**Table -1: Selected Quality Assessment Indicators**

Sl. No.	Indicators	Weight
<b>I</b>	<b>Organizational Capacity</b>	
1	Kind of rules and regulation for running the group	Oral = 1 ; Written = 2
2	Practice of update rules	No = 0; Yes = 1
3	Attendance in meeting	< 50% members = 1 50- 75% members = 2 > 75% members = 3
4	Selection of group leaders	Nominated by SHPI/NGO/bank staffs = 1 Nominated by members = 2 By election = 3
5	Practice of rotating leadership	No = 0 ; Yes = 1
6	Decisions take by consensus	No = 0 ; Yes = 1
7	No major disagreement that divides members	No = 0 ; Yes = 1
8	Transparency in operation	No = 0 ; Yes = 1
<b>II</b>	<b>Savings and Credit</b>	
9	Regularity in savings	< 50% members contribute regularly = 1 50-75% members contribute regularly = 2 > 75% members contribute regularly = 3
10	Revision of mandatory savings	No = 0 ;Yes = 1
11	Members deposit savings	House-to-house to get the contribution = 1; Deposit in Accounts/ SHG =2
12	Fixation of rate of interest	By group representative or NGO/Bank/ Promoter = 1; By all group members meeting = 2
13	Rate of Interest	Uniform = 1 ; According to purpose = 2
14	Decision on who is to be given loan	As decided by group representative or NGO/Bank staffs or upper caste member (not

		elected) = 1 Through group meeting = 2
15	Keeping emergency funds	No = 0 Yes = 1
16	Loan recovery	Below 50% =1; 50% - 75% = 2; Above 75% = 3
17	Group loans is only for productive purposes	No= 1 ;Yes = 2
III	<b>Financial Management</b>	
18	Record/Book keeping	Representative of outside SHG = 1; Group representative or a literate member = 2
19	Level of maintenance of records	Not maintained at all = 0; Incomplete & irregular = 1; Regular, accurate & update = 2
IV	<b>Micro Enterprise Development</b>	
20	Acquired vocational skills	≤ 25% = 0 ; 25- 50% = 1 50- 75% = 2 ; > 75% = 3
21	Started new micro-enterprises	No = 1; Yes = 2
V	<b>Awareness and Attitudes</b>	
22	Social and community action by SHG	No = 1; Yes = 2
23	Aware about issues of social harmony and social justice	≤ 25% = 0 ; 25- 50% = 1 50- 75% = 2 ; > 75% = 3
VI	<b>Networks and Linkages</b>	
24	Organised community events	No = 1; Yes = 2
25	Linkage with Banks/ Other agencies	No = 1; Yes = 2
VI	<b>Empowerment and Influence</b>	
27	Self Reliance in managing Social affairs	No = 1; Yes = 2
28	Self Reliance in managing	No = 1; Yes = 2

	economic affairs	
29	Self Reliance in managing group affairs	No = 1; Yes = 2

Further, for suitability of the quantitative study under the selected Assessment Tool, the following scale is used keeping conformity with the above cited weighted scale.

Aggregate Weighted Score	Grade	Analysis Grade
50 & above	A	Good
30-50	B	Average
20-30	C	Poor
Below 20	D	Very Poor

Source: Author.

### REASONS FOR FORMING THE SHGS

The reasons for forming the Self Help Group in the study area are presented in Table 3

Sl. No.	Reasons	No. of SHGs	Percentage
1.	Improve Social Status	13	8.67
2.	Improve Economic Status	21	14.00
3.	Promote Saving Habit	24	16.00
4.	Obtain Financial Support	57	38.00
5.	Initiate Group Activities	11	7.33
6.	Community Development Activities	10	6.67
7.	Influenced by friends and relatives	14	9.33
	Total	150	100.00

Source: Primary Data

It is found from Table 3 that 57 (38 %) groups are formed to obtain the financial support from the government, the NGOs and the financial institutions. Some 21 (14%) groups are formed to improve their economic status. Another 13 (8.67 %) groups are formed to improve social status while 24 (16%) groups are formed to promote saving habit among the members. Yet another 11 (7.33 %) groups are formed to initiate group activities, only 10 (6.67%) groups are formed to take up community development activities and 14 groups (9.33%) are formed by the influence of friends and relatives.

**PROBLEMS FACED BY THE SHGS:**

The problems faced by the Self Help Groups are described in the following Table 4.

**Table 4: Distribution of sample SHGs according to their response towards the problems faced by them**

Sl. No.	Nature of Problem	No. of SHGs	Percentage
1.	Difficulty to Approach the Authorities for Getting Loan	18	12
2.	Poor Response of Authorities	28	18.67
3.	Delay in Sanctioning the Loans	32	21.33
4.	Inadequate Loan Amount	22	14.67
5.	Lack of Administrative Experience	27	18
6.	Lack of Cooperation Among Members	11	7.33
7.	Limited Number of Installments for Repayment of Loan	12	8
	Total	150	100

Source: Primary Data

It is found from Table 4 that the major problem faced by the SHGs is delay in sanctioning the loan (21.33%) followed by poor response of authorities (18.67%), lack of

administrative experience (18%), difficulty to approach the authorities (12%), inadequate loan amount (14.67%) , limited number of installment (8%) and the problem of lack of cooperation among the members (7.33%).

**QUALITY OF SHGS:**

Under selected assessment tools, the selected SHGs of Selected Development Blocks are assessed by using the rating scale found that there is no sample SHG in Lumding Development Block and Udali Development Block which are found ‘Good’ except five SHGs in Dhalpukuri Development Block, only 28% of the selected SHGs of Lumding Development Block, 32% in Udali Development block and 26% in Dhalpukuri Development Block are found ‘Average’ and 52% of the selected SHGs of Lumding Development Block, 44% in Udali Development Block and 48% in Dhalpukuri Development Block are found ‘Poor’. Further, 20% of the selected SHGs of Lumding Development Block, 24% in Udali Development Blocks and 16% Dhalpukuri Development Block are earmarked as ‘very poor’ (Table 5). This above categorization is made by using ‘rating marks’ fixed by NABARD and numerical score is fixed as was stated in the research methodology. (Table 2)

<b>Table 5. Quality of SHGS in Selected Development Block</b>			
<b>GRADE</b>	<b>Lumding Development Block</b>	<b>Udali Development Block</b>	<b>Dhalpukuri Development Block</b>
Good- ‘A’	Nil	Nil	03 (06%)
Average-‘B’	11 (22%)	13 (26%)	11 (22%)
Poor –‘C’	9 (18%)	14 (28%)	17 (34%)
Very Poor- ‘D’	30 (60%)	23 (46%)	09 (18%)
Total	50	50	50

Source: Field Study

**NORMAL PRACTICES OF SHGS:**

The variations in practices at SHG level have been spurring innovations in terms of products, systems and methodologies and encouraging new standards in SHG promotion and practices; nevertheless it has brought lot of incongruity in the established practices. However, from the present study in selected Development Blocks in Nagaon districts, it is observed that each and every SHG are performing some common practices which are depicted in as below (Table 6).

**Table 6: Analysis of some existing practices**

<b>Sl. Nos</b>	<b>Details of Quality Assessment Parameters</b>	<b>Normal Practices</b>
1	Group Meetings	SHGs take it as a rigor to meet frequently.
2	Subsidy dependence	SHGs deriving more subsidies and more and more are moving on towards subsidy regime.
3	New financial services	SHGs are comfortable only with credit and savings and consider other services as not falling within the mandate for which they etc., and need not directly deal with such are established.
4	Affiliation to federation	SHGs remain, as stand-alone piece without any affiliation to SHG-upstream like clusters/federations and more often feel their role will be limited in a federal set up.
5	Inter group lending	SHGs do not lend to other groups as a matter of policy though more of idle funds are locked an up within SHG, as the scope of lending within the group is limited beyond certain extent.
6	Rotation of leadership	Rotation of leadership is seriously taken, with the result clients with poor leadership qualities come to manage the SHGs very often on turn basis.
7	Multiple membership within	Sometimes, promoters find it easy to include members from the same family for easy

	the family	management of groups.
8	Common economic activity	Common economic activity is preferred in some cases like SGSY groups due to project compulsions.
Source: Self compiled		

**KEY OBSERVATIONS:**

The following observations are found out by studying the different quality assessment parameters of SHGs in the study area.

1. The actual number of SHGs on the ground is not available. It is observed from the study that a good number of SHGs in selected Development Block are defunct in nature and they are just in records only. This feature is found more at Lumding and Udali Development Blocks in good number.
2. Most of the SHGs which are formed in the block are organized mainly to get financial benefits and subsidies. The attraction to avail short term gains is another major hurdle in the progress of the SHG movement in the study area.
3. It is observed from the comparative study that all of the SHGs under SGSY in selected Development Block are found homogeneous in respect to gender. Again, most of them are composed of same economic status but having varied social status. However, the size of the SHGs in Lumding Development Block are to some extent similar in nature (10 to 12 members).
4. It is also reported that some groups break down immediately after getting either revolving funds or start new group with new set of leaders to get another dose of fund and /or subsidy, which lacks constant effort for quality enhancement of SHGs.
5. It is also observed from the study that most of the SHGs in selected Development Block are organized with pre-determined objectives and visions either in written or in verbal form.

6. It is further observed from the study that though most of the SHGs in selected Development Block have some guidelines regarding holding of fortnightly meeting of members but it is found that most of them can not hold such fortnightly meetings of members. However, at an average one meeting in a month is held but there is no regularity in holding such meetings. However, the SHGs in Dhalpukuri Development Block wherein most of the SHGs holds regular meeting among their members.
7. Regarding attendance of members in the meetings, it is observed that in most of the SHGs in selected Development Block where approximately 50% of the members attended the meetings regularly. This feature is very common in SHGs in Dhalpukuri Development Block wherein 75% percent attendance is recorded in majority of the SHGs.
8. Regarding participation of members in decision making process, it is observed that in most of the SHGs in selected Development Block where a few members of the SHGs are actively engaged in decision making process. These a few active members who influences decisions but majority of them aware about the issues for organizing and managing the SHGs.
9. Though in most of the SHGs in selected Development Block are guided by well established rules and regulations for organizing and managing the same, but these are in many cases not known to majority of members.
10. 'One time saving in a month' is the maxim in most of the SHGs in selected Development Blocks but majority of the SHGs members does not follow the principle. In fact, most of the members are aware that they have to save but no minimum amount for monthly savings is fixed. Regarding savings and its frequency, minimum amount and mode of collection are often discussed in the member's meetings. It is further observed that most of savings collections are done on door to door system.
11. It is further observed from the study that in most of the SHGs in selected Development Block where selection of borrowers is made in group meetings. It is further observed that utilization of SHG Funds and recovery of member's loans are reviewed in group meetings. But most of the members are indifferent to loan purposes of borrowers. Finally,

it is further observed that the recovery rate is not upto the mark i.e. below 60%. The recovery rate in Dhalpukuri Development Block is found much higher (95%) in comparison to other two development blocks.

12. Regarding maintenance of records and accounts, it is observed that in most of the SHGs in selected Development Block are not properly maintained. After due observation of books and accounts, it is found that in most of the SHGs in selected Development Blocks where accounts books like Cash Book, loan register, minute books etc are maintained but these books are not found updated. SHGs in Dhalpukuri Development Block wherein it is found that most of the SHGs are adopting regular recording of accounts and found serious in maintaining books of accounts in a proper manner.
13. It is also observed that most of the SHGs in the selected Development Blocks promoted to economic units. However, it is aptly observed that the rate of conversion to Grade I is very high while the said conversion of grade I to Grade II is very low in all the selected Development Blocks. Further, it is observed that only a few SHGs in Lumding Development Blocks and Udali Development Blocks converted there units into economic units, but a large percentage of SHGs in Dhalpukuri Development Blocks converted into viable economic units. Dairy farming, Piggery, weaving, goatary & poultry are the major economic units that are promoted by SHGs in Dhalpukuri Development Blocks. However, dairy farming appears to be the most lucrative project of the SHGs. Two milk production associations namely *Bhimmarali-Kapili Dogdha Utpadan Sanstha & Milik Basti Laxmi Dogdha Utpadan Sanstha* in the Dhalpukuri Development Block are the major dairy project in the block formed by SHGs members.

## **CONCLUSIONS:**

The quality of groups is quite low in the selected Development Blocks compare to other blocks or states. Strict random selection of sample could be one of the reasons. Overall environment in the block/district and popular perceptions about the status of SHG movement in the state appears to be aptly reflected by the grades of the groups. In most other studies, the quality of groups does not follow any definite pattern.

Finally, it is observed that due to fast growing of the SHG-bank linkage programme, the quality of SHG has come under stress. Some of the factors affecting the quality of SHGs are (i) the target oriented approach of the government preparing group, (ii) inadequate incentive to NGO's for nurturing their groups, (iii) lack of proper monitoring, (iv) absence of quality enhancement mechanism etc. It is further observed that quality of SHGs should not be stressed upon more than their numbers (i.e., quantity). Quality parameters would include not just financial and physical performance of the group, but also parameters to assess economic and livelihood goal achievement, social status improvement and entitlement access facilitation. In fact, rating of SHGs assumes importance as it is not only a pre-appraisal tool but as well a self monitoring yardstick for the SHGs themselves for self evaluation which is a continuous process. Quality assessment of SHGs has come to be accepted as an important tool to ensure standards in SHGs.

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