

A STUDY ABOUT PARADIGM OF SHG

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Abstract

Today, the self-help group movement is progressively accepted as an innovation in the area of rural credit. In many developing countries like India to help the rural poor considered it is a path to reach the disadvantaged and marginalized section, which in the normal course cannot avail of credit facility from the bank. SHGs groups are mainly concentrate on development of women entrepreneur and majorly divided into four pathways for empowerment like Group formation, Capacity building, Building social capital, Empowerment. This paper elicit the different SHG models like direct linkage model, ,modified direct linkage model I, modified direct linkage model II, IFAD model, indirect linkage models in our country.

Keywords: Self-help group, Linkage Model, IFAD, SGSY.

Introduction

SHGs are original and innovative organizational setup in India mainly for the women enhancement and welfare. All women in India has given a chance to join any one of SHGs for training and upliftment, to be a prospective entrepreneur and skilled workers. The SHGs are supported by the Government as if women in India may not be capable enough to be entrepreneurs. When the SHGs arrange training facilities to carry out certain kind of works which are suitable for women in India, bank must setup financial assistance to carry out manufacturing and trading activities, arranging marketing facilities while the Governments would procure the product of SHGs, arrange for enhancing the capacity of women in terms of leadership quality and arranging for the management of SHGs by themselves so as to have administrative capacity. As a social movement with government support. SHGs become more or less a part and parcel of the society.

The Self-help Groups (SHG) initiative was adopted by India several decades ago to alleviate poverty and improve women's ability to achieve rights and well-being. In the beginning, SHG was an initiative undertook by NGOs, but later on, due to its success in improving live standards and delivering public goods and services, Indian State engaged in facilitating access to financial resources.

Evolution of SHG Movement in India

- By the late 1980's, Myrada, an NGO located in South India, formed around 300 self developed SHGs known as the Credit Management Groups.
- Between 1991 and 1992, NABARD was in consultation with RBI, Commercial Banks (CBs) and NGOs launched the pilot project of linking the SHGs with Commercial Banks, based on NABARD guidelines.

- By the late 1990s and early 2000, given its success, the government had become a major promoter of SHGs. Decentralization of power at the Panchayat's level in 2004 gave local bodies more teeth and SHGs came to be recognized as a powerful institution for the poor.
- By March 2005, the programme had provided credit to 1 618 456 SHGs with a membership of over 120 million poor people equal to 24 million families, making it the largest microfinance initiative in the world.

The Concept of Self-Help Group

The concept of Self-help groups had its origin in the co-operative philosophy and the co-operators by and larger, including the National Federations in the credit sector, could not think of any better SHG than a primary co-operative credit society itself. As SHG are small and economically homogenous affinity groups of rural poor, they are voluntarily coming together for achieving the following.

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

Types of Self-Help Promoting Agencies

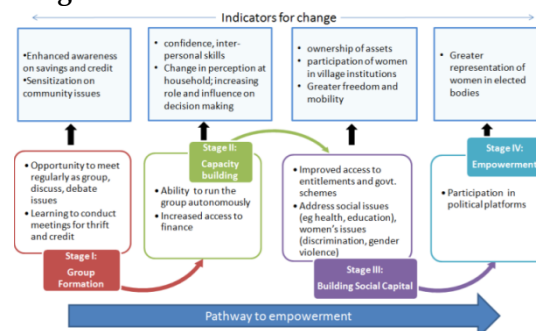
Most SHGs have formed with assistance from a promoting institution – 'Self-help Promoting Agencies or Institutions' (SHPAs; SHPIs), but others are developed by themselves. The main types of Self-help Promotion Institutions (SHPIs) in diagram 1:



Figure 1

Indicator of Change

Diagram 2 Indicators for Change



Sources: Ethiopian Delegation (2014), New Delhi

SHG Models

SHG-Bank Linkage Model

SHG is voluntary, small group structures for mutual aid and the accomplishment of a particular purpose. They are usually formed by peers, who have joined together for mutual assistance in satisfying a common need (Katz and Bender, 1976).

- Banks, themselves, form, and finance the SHGs.
- SHGs are financed by banks but formed by NGOs, Government, and other agencies.
- Banks finance SHGs with NGOs and other agencies as financial intermediaries.

Direct Linkage Model (Model- I)

In case of the direct linkage model, the bank finds the group (or facilitates evaluation of the group) and deals with the SHG directly for both mobilizing savings and for making available credit to as a whole or to individual members. Group members act as collateral security. In this model, the credit is generally made available to the group and members to be financed are identified by the group itself which took the responsibility of loan repayment which is given in chart-1.

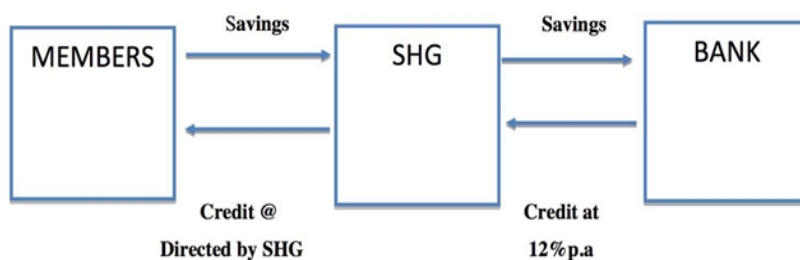


Chart 1 Direct Linkage Model

Modified Direct Linkage Model- I

Here the activity and member to whom a loan is loan was given is identified by the group. The group is morally responsible for repayment, but credit was given as any individual loan which is shown in Chart 2.

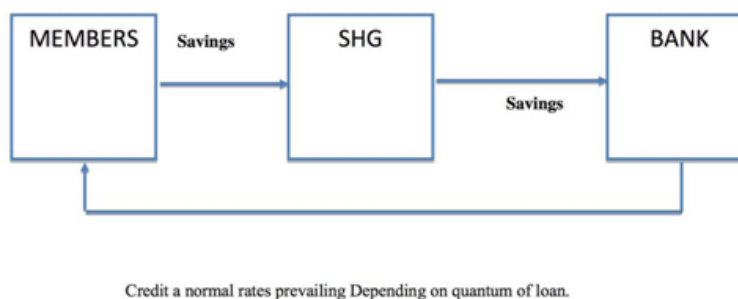


Chart 2 Modified Direct Linkage Model- I

Modified Direct Linkage Model II

In this model NGO is not the financial intermediary. The NGO's role is only in group evolution and stabilization, where the financial linkage is direct with the group which is explained in chart 3.

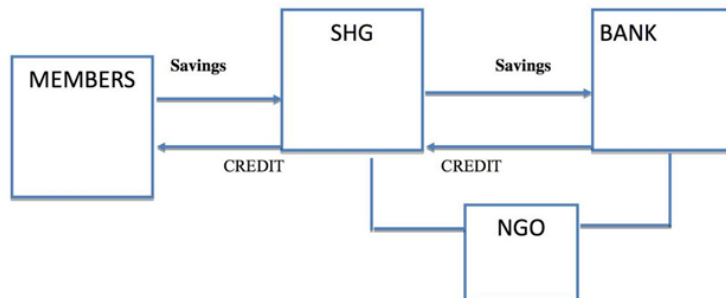
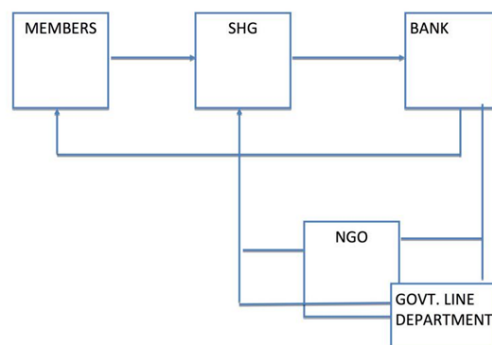


Chart 3 Modified Direct Linkage Model II

IFAD Model

In this model, the NGO is involved as in (iii) above but the line departments of Government like Women Development Corporations, Sericulture, Rural Development are involved in the identification of activity, beneficiary ,etc. The model is in existence in areas where IFAD projects are implemented like Tamil Nadu, Maharashtra and Uttar Pradesh which was highlighted in chart 4.



Chat 4 IFAD Model

Indirect Linkage Models

In this model basically the funds flow through the NGO, i.e., the NGO is the financial intermediary. In case of this linkage model various types exist which have been given in Chart-5.

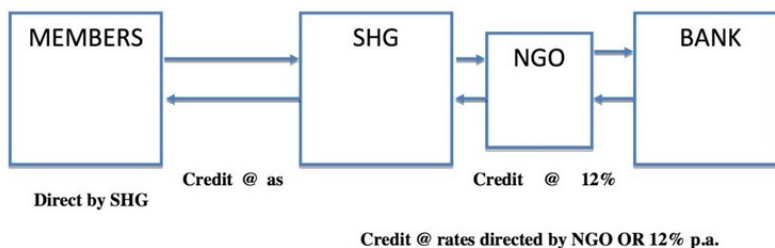


Chart 5 Indirect Linkage Models

Overall Progress Under Shg-Bank Linkage Programme During Past Three Years

Table 1 The Progress Of SHG-BLP During Past Three Years

Particulars		2014-15		2015-16		2016-17	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
SHG Savings with Banks as on 31st March	Total No. of SHGs	76.97 (3.59%)	11059.84 (11.74%)	79.03 (2.68%)	13691.39 (23.79%)	85.77 (8.53%)	16114.23 (17.69%)
	Of Total, All Women SHGs	66.51 (6.38%)	9264.33 (15.61%)	67.63 (1.68%)	12035.78 (29.92%)	73.22 (8.26%)	14283.42 (18.67%)
	% of Women Groups to Total	86.41	83.77	85.58	87.91	85.36	88.64
	Of Total, NRLM/SGSY Groups	30.52 (34.92%)	4424.03 (78.56%)	34.57 (13.27%)	6244.97 (41.16%)	37.44 (8.30%)	7552.70 (20.94%)
	% of NRLM/SGSY Groups to Total	39.65	40.00	43.74	45.61	43.65	46.87
	Of Total, NULM/SJSRY Groups	4.33	1071.81	4.46 (3.00%)	1006.22 (6.12%)	5.45 (22.42%)	1126.86 (11.99%)
	% of NULM/SJSRY Groups to Total	5.63	9.69	5.64	7.35	6.36	6.99
Loans Disbursed to SHGs during the year	Total No. of SHGs	16.26 (19.03%)	27582.31 (14.84%)	18.32 (12.67%)	37286.90 (35.18%)	18.98 (3.60%)	38781.16 (4.01%)
	Of Total, All Women SHGs	14.48 (25.69%)	24419.75 (16.07%)	16.29 (12.50%)	34411.42 (40.92%)	17.16 (5.34%)	36103.13 (4.92%)
	% of Women Groups to Total	89.05	83.53	88.92	92.29	90.42	93.09
	Of Total, NRLM/SGSY Groups	6.43 (28.45%)	9487.69 (27.26%)	8.16 (26.91%)	16785.78 (76.92%)	8.86 (8.58%)	17336.26 (3.28%)
	% of NRLM/SGSY Groups to Total	39.54	34.40	44.54	45.02	46.69	44.70
	Of Total, NULM/SJSRY Groups	1.05	1871.55	1.11 (5.71%)	2620.22 (40.00%)	1.06 (-4.5%)	2675.77 (2.12%)
	% of NULM/SJSRY Groups to Total	6.46	6.79	6.06	7.03	5.60	6.90
Loans Outstanding against SHGs as on 31st March	Total No. of SHGs	44.68 (6.46%)	51545.46 (20.06%)	46.73 (4.59%)	57119.23 (10.81%)	48.48 (3.74%)	61581.30 (7.81%)
	Of Total, All Women SHGs	38.58 (13.27%)	45901.95 (26.97%)	40.36 (4.61%)	51428.91 (12.04%)	42.84 (6.14%)	56444.24 (9.75%)
	% of Women Groups to Total	86.35	89.05	86.37	90.04	88.36	91.66
	Of Total, NRLM/SGSY Groups	18.46 (41.24%)	19752.74 (94.08%)	21.91 (18.69%)	26610.16 (34.72%)	24.91 (13.69%)	29994.43 (12.72%)
	% of NRLM/SGSY Groups to Total	41.32	38.32	46.89	46.59	51.37	48.71
	Of Total, NULM/SJSRY Groups	3.18	3462.62	3.13 (-1.57%)	3979.75 (14.93%)	3.18 (1.60%)	4133.29 (3.86%)
	% of NULM/SJSRY Groups to Total	7.12	6.72	7.00	6.97	6.55	6.71

Sources: Status of Micro-Finance in India (No. of SHGs in Lakh, Amount in r'000 crores)

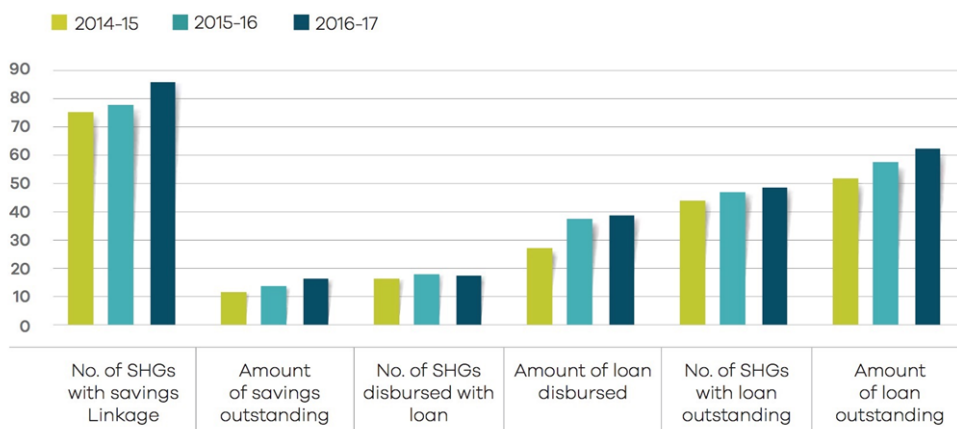


Chart 6

2014-15	76.97	11.06	16.26	27.58	44.68	51.55
2015-16	79.03	13.69	18.32	37.29	46.73	57.12
2016-17	85.77	16.11	18.98	38.78	48.48	61.58

Conclusion

The Self-Help Group (SHGs) is a viable alternative to attain the objectives of rural development and to get community participation in all rural development programmes. The SHGs comprise very poor people who do not have right 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 co-operate and work in a group surroundings. The SHGs provide savings mechanism, which suits the needs of the members. It also provides a cost effective delivery execution for a small credit to its members. The SHGs significantly contribute to the empowerment of poor women by involving them in some productive activity which in turn will yield something to overcome their poverty. Thus, as compared to other countries, where "parallel" model of lending to poor (i.e., NGOs acting as financial intermediaries) is predominant, the Indian linking banking tries to use the current formal financial network to increase the outreach to the poor while ensuring necessary flexibility of operations for both the bankers and the poor.

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