A Study Of Norms And Functioning Of Self Help Groups (SHGs) In Punjab

Gurveen K Sandhu, Assistant professor, Dept. of IT, BFCET, Bathinda

ABSTRACT
Self help groups are voluntary, small group structures for mutual aid and the accomplishment of a special purpose. Today Self help groups (SHGs) plays a major role in poverty alleviation in rural India. The present study was undertaken with the objectives to understand the purpose, norms and functioning of SHGs in Punjab and also to study the problems being faced by them. For meeting the objectives primary data were collected through a structured, non disguised questionnaire on random sampling basis from various self help groups in the district of Ludhiana and Amritsar. The study found that these groups consisted of mostly 15- 20 members, mostly belonging to lower castes and poorer sections are the members of SHGs. Group leaders are selected by consensus method and groups resolve conflicts through collective leadership and mutual discussion. Every group has code of conduct for effective administration and management of group. Group leader was the immediate source of information for the group. SHGs also face various problems such as limited credit, non loan repayment by members, difficulty in formulation, high turnover of members and also the information regarding the new schemes and incentives by the government reaches these groups slowly. Further it was concluded that the self help groups provided loan at fixed rates and these groups resulted in the poverty alleviation of the poor and are a major source of microfinance.

Keywords: Self Help Groups, Norms, Functioning, Purpose, Members, Group Meetings.

Introduction
Poor people continue to face the problem of banking and financial services. It is estimated that 120 million households are facing financial exclusion. In this direction microfinance has played an important role in filling this gap by providing financial services with the help of various lending models among which SHGs are one of them. Experiments in various developing countries proved that poor can be helped by organising them into small self help groups and to touch the core of poverty, women could be the best agents. The group concept provides necessary mental courage to withstand crisis and carry on the activity without break. Moreover, the concept of group formation is the best strategy to enlighten women on certain important issues like small family norm, health, environment, education etc.

The concept of self help groups gained significance, especially after 1976 when professor Mohammed Yunus of Bangladesh began experimenting with micro-credit and women SHGs. The strategy made a quiet revolution in Bangladesh in poverty eradication ‘by empowering the poor women’ (UNDP 1994). In India the concept of self help groups can be traced back to the Gandhian Grama Swaraj movement. It was mainly concerned with the poor and it was for the people and of the people.

The existence of traditional saving groups has a long and successful history in India. There is a revival of traditional SHGs with new structure and content to support the changing needs of people.

This new concept of SHGs was introduced in India in 1985 by NABARD.

NABARD defines SHGs as “small, economically homogenous affinity groups of rural poor, voluntarily formed to save and mutually contribute to a common fund to be lent to its members as per the group members’ decision”. They are usually formed by peers who have come together for mutual assistance in satisfying a common need, overcoming a common handicap or life-disrupting problem and bringing about desired social or personal change.

SHGs are formed by rural people with the objective of improving their livelihoods through collective savings and investments in income-generating activities. The rules and regulations of SHGs vary according to the preferences of the members and those facilitating their formation. These are important for the society especially women to improve employment and income earning opportunities. Almost all major donor agencies support SHGs in India in one way or another and many success stories are available, describing how membership in a SHG changed the life of a particular individual or group for the better. Many NGOs in India are promoting the SHG mechanism and linking it to various other development interventions.
SHGs play today a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings and credit (S/C), as well as in other activities (income generation, natural resources management, literacy, child care and nutrition, etc.). The savings and credit focus in the SHG is the most prominent element and offers a chance to create some control over capital, albeit in very small amounts. The SHG system has proven to be very relevant and effective in offering women the possibility to break poverty.

**Components Of SHG**

SHGs are formed for a variety of purposes and by a variety of people. Most SHGs start without any external financial capital by saving regular contributions by the members. These contributions can be very small (e.g. 10 Rs per week). After a period of consistent savings (e.g. 6 months to one year) the SHGs start to give loans from savings in the form of small internal loans for micro enterprise activities and consumption. Only those SHGs that have utilised their own funds well are assisted with external funds through linkages with banks and other financial intermediaries.

**Structure of SHGs:** Structural aspects include parameters such as size of a group, socio-economic profile of group leaders and profile of group members.

a) **Size of the group:** A SHG normally consist of 12-20 members. SHGs with a membership of 10-20 women belonging to under privileged sections are also prevalent.

b) **SHG leaders:** Each SHG constituted three office bearers i.e. president, secretary and treasurer. These office bearers are generally known as group leaders. Group leaders are defined as persons who keep the records of the group and attend the training programs/meetings with the promoting institutions.

c) **SHG members:** Apart from the office bearers, other women who were members of SHG were defined as SHG members. The members mostly contribute to the savings of the group.

d) **Functions of SHGs:** The performances of groups need to be understood from functional point of view. The functioning of these groups can be discussed in the form various parameters such as:

e) **Meetings:** Gathering of group members to discuss about saving, interloaning social problems etc. at a specified place and time.

f) **Saving:** Process of regularly pooling small amount of money to the group fund as decided by group members.

g) **Interloaning:** Process of lending money to needy group members from their own group savings with pre-decided interest and term by the group.

**Functioning Of The SHG**

a. The group functions democratically with 2-3 office bearers elected by a consensus of the group. Two office bearers viz. the President and Secretary are essential, while a third office bearer i.e. a Treasurer is optional.

b. Office bearers should rotate at least once in two years. Ideal rotation would be once every year, depending on availability of educated members to act as Secretary.

c. Group meets periodically at fixed intervals to discuss, reflect on and find solutions to socio-economic issues / problems of members, the group and of the community to transact business.

d. All members’ attendance and active participation at meetings is essential.

e. Decisions are taken at meetings by a consensus of the group and not by the President and Secretary alone. The President and Secretary manage the administration of group as per the bye-laws and group consensus.

f. All business is transacted at meetings and not privately with the President or Secretary at their residence. The business that is transacted at meetings is related to:

i. Collecting savings, fines, interest on loans, installments of refund of loans, and ii. Contribution for nominal administrative expenses.

iii. Decision on loan applications, and the amount to be sanctioned.

iv. Decision to take up any social or common activity in the village.

v. Decision to take up a common economic activity to build up the group’s corpus.

vi. Deliberation and decision on disciplinary action against any member.

vii. Deliberation and decision on disciplinary action against the President or Secretary in case of mismanagement of the affairs of the group or the funds of the group.

viii. Decision on application for admission as a member or for resignation from membership.

ix. Decision to participate in any SHG meeting or training program organised by the government or by any NGO.
h) All savings, interest, any group profit from a common activity and fines and refunds of loans are deposited in the group’s bank account, preferably by the 10th of every month or as soon as the collection is made. However, if loans are sanctioned, the refunds received could be utilised for further loaning instead of depositing the amount refunded in the bank. But in case of savings, interest on loans, group profit and fines, it is always advisable to first deposit the amounts in the Bank and later withdraw the amount required for loaning, either on the same day or later. This practice would give the bankers a good picture of the regularity of the group’s savings and corpus.

i) A regular monthly contribution (fixed by the bye-laws) is collected from each member for the group’s nominal administrative expenses like stationery, travel, refreshments for meetings, any training fees etc. The contribution is entered in a separate contribution register and is transferred to a separate ledger account after recording in the cash book. Under no circumstances can the corpus of the group (savings, fines, interest or any group profit) be utilised for nominal expenses.

j) Until the Cash is deposited in the Bank, or for that matter, all floating cash is kept in a cash box. The cash box is kept in the custody of the President while the key to the box is kept with the Secretary or vice-versa (as decided by the group).

Most development initiatives working through SHGs are specifically targeting the poorest people. However, it is generally accepted that SHGs often do not include the poorest of the poor. The reasons are:

i. **Social factors:** The poorest are often those who are socially marginalized because of caste affiliation and those who are most skeptical of the potential benefits of collective action.

ii. **Economic factors:** The poorest often do not have the financial resources to contribute to the savings and pay membership fees. They are often the ones who migrate during the lean season, thus making group membership difficult.

iii. **Intrinsic biases of the implementing organisations:** The poorest of the poor are the most difficult to reach and motivate, implementing agencies tend to leave them out, preferring to focus on the next wealth category.

Thus, from a social empowerment point of view, the SHG mechanism seems to be very effective for the very poor and disadvantaged. Once SHGs are established and start saving, they generally attempt after some time to gain access to larger amounts of capital in order to broaden the range of micro-enterprises available to them.

**Basis Of Formulating SHGs**

a. **Self-Help is based on and built upon Self-respect and Self Determination**

b. **Self-Help is not only Economic Independence, but also has a strong social aspect for bringing about social transformation.**

**Characteristics of SHG**

a. Small-homogenous group for face to face interaction and relationship. The membership of a group may range from 10-20. Ideal number of members would be between 15 -20. Membership should not be more than 20 because the group will then have to be legally registered. Economic homogeneity is very essential. (i.e. all belonging to the marginalized or poorer section of the community).

b. Every group has a code of conduct —bye-laws / rules and regulations for effective administration and management of the group.

c. **Participatory decision making process. Groups resolve conflicts through collective leadership and mutual discussion.**

d. **Mobilises local resources through regular savings. Members of the group mutually agree to contribute to the common fund to meet their emergency needs.**

e. **Plans own programme with own resources. Sometimes these groups also provide collateral free loans on terms decided by the groups at market driven rates.**

**Principles of SHG (Ingredients that make a SHG)**

a. **Interaction / Meetings / Reflection / Analysis and Action:** Interaction among the group members in the form of group meeting is one of the fundamental principles if self help groups. Meetings are held at fixed intervals of time.

b. **Regular Savings:** All group members contribute regularly to the group savings account.

c. **Trust in one’s Self and among members in the group:** All the group members have trust on the group leader and have sense of belongingness for the group.
d. Consensus: Since the members have trust in one’s self so the group leader is selected mostly by consensus method.

e. Records: All the groups have proper records regarding the number of members, amount deposited by each member, time of holding meetings etc.

f. Access to Funds: All group members have easy and free access to funds of group which helps in ruling out any fraudulent activity.

g. Team management of Resources: All the resources of these groups are managed with equal participation of all the members. Whole of the group function as one team with common goals.

Bank Linkages For Micro- Financing

Self-realization and self-initiative are the two most powerful weapons to wash poverty out of the world map this dynamic quotation of world’s greatest chanakya has been translated to one word that is SHG. Since the 1950s, development strategies have aimed at enhancing agricultural productivity and profitability for rural people. In India, helping the rural poor by meeting their basic needs have been additional goals. The low economic growth of this country was perceived to be due to lack of capital resources, especially in rural areas. A vicious cycle of low capital, low productivity, low incomes, low savings and weak capital base was perceived to be operating perpetuating a permanent poverty syndrome. Therefore, cheap rural credit policies like micro financing SHGs were designed to provide rural poor with access to adequate capital. Microfinance through SHG has become a ladder for the poor to bring them up not only economically but also socially, mentally and attitudinally and above all help them break through the stronghold of exploitative money lenders. The SHG system uses existing marketing channels, the banks, to bring formal financial services to a new market segment, the poor and particularly women. It does however involve a new sub-retailer to reach this market, namely the SHG itself, and these new intermediaries have to be developed. In an ideal world, the banks are expected to take on this marketing channel development task, without any assistance.

NABARD is presently operating three models of linkage of bank with SHGs and Self Help Promotion Institutions (SHPIs). These institutions (SHPIs) promote Self Help Groups (SHGs) with an aim of enhancing the efficiency and quality of the SHG promotion process and thus improving the extent and level of financial service provision to rural people now without access to formal financial services. It also provides data for future design and implementation of programmes promoting SHGs.

These models have been propagated by NABARD in 1989 as a partnership model between three agencies viz. SHGs, banks and NGOs.

MODEL1: Bank-SHG linkage with active support of SHPI

The most common linkage model in India is where the banks deal directly with individual SHGs, the SHPI provides the initial training, guidance to rural poor in organising themselves into thrift and credit groups. In many cases, the SHPI had also provided some initial support to these SHGs to segment their resources. The SHPI also keeps a watch and ensures satisfactory functioning of the SHGs even after the linkage. While linkage of the banks is direct with the SHGs, the SHPI has an important role in pre- as well as post-linkage stages

MODEL 2: Bank – SHG linkage

In this type of linkage banks provided financial support to SHGs which had grown almost spontaneously without any intervention of any SHPI. The SHGs were initially on the basis of a common activity, problem and took up thrift and credit activities. The case of such linkages is not very common.

MODEL 3: Bank – SHG – SHPI linkage

In this model, the SHPI have taken the role of a financial intermediary between the banks and a number of SHGs. Again, the SHPIs take up such responsibilities only in respect of the groups promoted/nurtured by them and not for other groups. The SHPI accepts the contractual responsibility for repayment of loan to the bank.
this respect it is indirect linkage support to the SHGs.

Fig.3: BANK – SHG – SHPI

Training And Capacity Building Through SHGs
Not only microfinance but training is also an important component of SHGs. Constant inputs of training and capacity building are required to sustain SHGs. There are basically two types of training provided to the SHGs.

a. Training on SHG orientation which includes SHG formation and strengthening, book keeping, financial management and help members and leaders to develop linkages with banks.

b. Entrepreneurial training include different types of training provided by SHPI to SHGs for initiating different home/ farm based microenterprises.

These are important for the society especially women to improve employment and income earning opportunities.

In India SHGs have been formulated in many states and they have been successful in poverty alleviation, appraising credit needs and improving the socio-economic background of poor people. These groups have been great success in the states of Andhra Pradesh, Kerala and Assam. In Punjab SHGs are formed for a variety of purposes and by a variety of people. This research focuses on SHGs formed by rural people with the objective of improving their livelihoods through collective savings and investments in income-generating activities. The rules and regulations of SHGs vary according to the preferences of the members and those facilitating their formation. Punjab has 25718 SHGs as on 31st March 2008. These are important for the society especially women to improve employment and income earning opportunities.

So, it became very important to study the objectives, functioning, problems and practices being followed by these SHGs. Hence the research was conducted with following specific objectives:

a. To understand the purpose, norms and functioning of SHGs in Punjab.
b. To study the problems being faced by SHGs in Punjab.

Conclusion
This report gives the following conclusions:

a) Interaction or meetings and group savings are the main objectives of SHGs.
b) Mostly poor and people belonging to lower castes are the members of SHGs.
c) SHGs help in alleviating poverty and serve as a major source of microfinance for its members.
d) Group leaders are selected by consensus method and groups resolve conflicts through collective leadership and mutual discussion.
e) Every group has code of conduct for effective administration and management of group.
f) Group leader is the immediate source of information for the group.
g) Treasurer operates the account of the group.
h) SHGs also face various problems such as limited credit, loan repayment by members, difficulty in formulation, members leave rapidly and also the information regarding the new schemes and incentives by the government reaches these groups slowly.

References


