

Evaluating Self-help Groups: A Village Level Analysis

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Abstract

Self-help groups have become very significant in promoting savings and income generating activities in Indian villages. The rural district of Birbhum has numerous such SHGs working successfully. The paper has focused on some such SHGs and tries to analyse their success and factors behind their success. The paper utilizes village level data to evaluate the self-help groups to bring out the situation in the district of Birbhum. The paper also analyses the scope for social work intervention in the process of formation and functioning of the groups.

Keywords: SHGs, microcredit.

Microcredit has become a major tool of development and is fast developing as an international industry with its own trade associations, dedicated finance, training and other support organizations, research and journals. It is possibly a workable solution to the deep-seated challenges of poverty. By delivering financial services at a scale and by mechanisms appropriate to them, microcredit can easily reach out to the poor. By providing poor people with the credit for micro enterprise it can help them work their own way out of poverty. And by providing loans rather than grants the micro credit provider can become sustainable by recycling resources over and over again. In other words, microcredit appears to deliver the 'holy trinity' of outreach, impact and sustainability.

It is the time to put development back into the provision of micro financial services and for this we need to go beyond microcredit. Going beyond microcredit has usually been framed in terms of including micro financial services other than credit for microenterprise: savings, consumption loans and insurance in particular (Rutherford, 2000). In other words, microfinance can embrace a range of financial services that seek to meet the needs of the poor people, both protecting them from fluctuating incomes and other shocks and helping to promote their incomes and livelihoods (Rogaly, 1996).

Micro finance programmes targets the poorer section of the society. Microfinance is recognized and accepted as one of the new development paradigms for empowerment of poor. Providing micro-credit to rural people through an organized

set up will make them enterprising. SHG¹ is a viable organized set up to disburse micro credit to rural people especially women for the purpose of encouraging them to enter into entrepreneurial activities. Savings plus credit can then be a good starting point for group formation called SHGs.

The study will be on SHGs in two villages in the Sriniketan block in Birbhum district, namely Surul and Mohidapur. The village Surul comprises of people from different castes (General, Scheduled Castes (SCs), Scheduled Tribes (STs) and Other Backward Classes(OBCs)) and also people from both Hindu and Muslim religion. But village Mohidapur contains people who are mostly Muslims. In Mohidapur there are 36 SHGs and in Surul there are 33 SHGs. The research analyses 15 SHGs in total, seven from Surul village Surul and 8 from village Mohidapur. The sampling is purposive. The researchers have given emphasis on the older groups to know about their functioning and their problems. Three members were taken randomly from each group, the leader and two other members from each group.

Microfinance is an important tool for empowerment in the village programmes and it should take into consideration all forms of savings, cooperation of individuals at different levels of production activity, resource utilization and ownership which are embedded in the socio- cultural system. The case study by Thanuja (2005) on the Konds Reddis tribal community clearly brings out this fact. Another case study by R.Sunil of SHGs and the bank- linkage programme observes that SHGs are emerging as a potential source of credit for women. Further, participation in the SHGs has enhanced their financial credibility in the local money market and they are therefore able to collect more credit from sources other than SHGs.

Thampi's study on 'Self help groups and the empowerment of women in Alleppey, Kerala' shows that the SHGs, as an effort in the direction of poverty reduction, have had only a very limited impact. The use of a high proportion of the enhanced income for the children and engagement in highly gendered income-generating activities by the women were found to be the empowering factors. But there were various hindering factors too. The empowerment, most of the time, did not get automatically translated into other domains of the women's lives. The impact of SHG activities on the empowerment of women as regards their participation in various domains of the public's spheres has also been negligible or sometimes ornamental.

The coming together of women itself has opened up avenues for their search for space for themselves. Many women have found confidence and self-dependence by being in the group. Further, before formation of these groups, women often borrowed money from moneylenders and the interest payment went to external agents, but now it the money remained in the common pool. In those SHGs, which have been in operation for a long time, women and their families were not at the mercy of moneylenders.

Women have been found to take up challenges and to question all forms of exclusion, deprivation and exploitation. In this regard it needs to be stated that SHGs are a means in the process of empowerment of women. Thus formation of SHGs is not the end in itself, but the means to facilitate the process of bringing positive change in the status of women in particular, and in society in general. Every attempt must be to provide the appropriate place and role to women would enhance the ability of women and this in turn would capacitate the SHGs to function for the betterment and empowerment of women.

In “Income Generation and Poverty Alleviation through Micro-Finance: A Comparative study of Approaches to Micro-Finance Delivery system in Bangladesh and India”, Naresh Singh analyzes that poverty and unemployment are major problems in South-Asia. In early 1980s, Grameen Bank in Bangladesh started a revolution by proving that micro-finance as an important intervention for poverty alleviation. It was estimated that in each of Bangladesh and India about 3000 institutions or NGOs are involved in microfinance delivery. Microfinance has made an impact on the life of the people by strengthening the capabilities of the poor people to start income generating activities and microenterprises. The recovery rate is very high in the microfinance projects which reflect the scope for the economic and financial sustainability of the projects. Innovations are also being accepted in the microfinance sector. Thus micro insurance has emerged as an important intervention in both the countries.

Evaluations of the effects of microfinance programmes on empowerment of women generate mixed results. While some are supportive of microfinance’s ability to induce a change in the economic, social, and political empowerment, others are more skeptical, and even point to a deterioration of women’s overall well being. Direct bank borrowing credit delivery does not challenge the existing decision making patterns, regardless of whether men or women receive the credit. These findings change when credit is combined with financial and social group intermediation. The membership in women’s groups seriously shifts overall decision-making patterns from norm guided behaviour and male decision making to joint and female decision making. Data from a village in South-India suggest that the way in which direct bank borrower minimal credit enters the household is not very relevant for decision-making. Women gain a higher stake in matters directly related to loan use, but they are not able to translate this into a more substantial involvement in other domains of household decision-making. When loans are channeled through women’s groups and combined with more investment in social intermediation, substantial shifts in decision-making patterns do emerge. There is, overall, a remarkable shift from norm-following and male decision making to more bargaining and sole female decision making. Women also felt that their position in the household had improved as they had secured success to long-term financial resources through their personal savings account and the group fund (Holvoet, 2005)

Rai and Sjostrom believe that a key innovation by the Grameen Bank is to encourage

borrowers to help each other in hard times. To analyze this, this the two authors study a mechanism design problem where borrowers share information about each other, but their limited side contracting ability prevents them from writing complete insurance contracts. It is necessary for borrowers to submit reports about each other to achieve efficiency. Such cross reporting increases the bargaining power of unsuccessful borrowers, and is robust to collusion against the bank.

According to the Grameen Bank's founder, Grameen successfully encourages its members to "provide one another with support in the form of mutual assistance" (Yunus, 1999). But if the borrowers can share risk perfectly, then they will agree to help each other out in hard times even when they have individual loans. In practice, the Grameen Bank does collect cross-reports at all village meetings where loans repayment is made. These reports do appear to influence punishments (Rahman, 1999). In addition, if a borrower wants to make a withdrawal from a joint savings account, Grameen asks for an approval (a message) from each member of the group (Gibbons, 1994).

In their article named "SHGs for Poverty Alleviation in Pondicherry", V.Nirmala et al examine the determinants of earnings of rural women under SHG scheme in Pondicherry. It also surveys the benefits and problems experienced by them under the scheme. The findings showed that majority of the respondents were engaged in non-farm activities, which are largely traditional and less remunerative in nature. The main benefits of SHGs were increased participation in social services and organized action. They received new skills and training and gained better access to credit facilities whereas the major problems encountered by them in conducting the activities were loans not received in time, difficulty in getting raw materials and labour and marketing problems. This study indicates that mere financial assistance does not help the sample women, many of who do not possess any prior experience in the production activity. Therefore, it is recommended that they should also be provided with institutional support like training, marketing and information on available latest technology.

Methodology

The study is undertaken in two villages of Bolpur, namely Surul and Mohidapur. The Surul village is under the Ruppur Gram Panchayat and Mohidapur is under the Raipur-Supur Gram Panchayat. Surul village has a mixed ethnic composition of different castes (SC, ST and general) and also of a mixed religious community, that of the Hindus and Muslim. Mohidapur village is a Muslim dominated village.

A random sampling method was adopted for the selection of the SHGs. The sampling frame was the list of SHGs obtained from the Block Office. The researcher has taken fifteen SHGs for his study from which seven were from the Surul village and eight were from the Mohidapur village. Three respondents from each group were also taken - one was the leader of each group and the rest were two members from each SHG, who were randomly selected. The research had used the interview schedule

as a tool for collecting the primary data needed for the study. Data is analyzed using tabulation, frequency distributions & percentages, index development and Chi-Square Hypothesis Testing.

Data analysis - PART I

Educational Status of the Group*

Village	Educational status of the groups, village wise			
	Illiterate	Literate	Primary	Total
1. Surul	1	4	2	7
2. Mohidapur	0	5	3	8
Total	01	09	05	15

* reported as per status of majority of group members

Nearly all the groups had members who were literate. Among them, five groups had members who had education up to the primary level.

Occupation of the group

Village	Daily Labour	Agricultural labour
1. Surul	5	2
2. Mohidapur	5	3

Most of the group members were daily labourers engaged in non-agricultural activities. The rest worked as agricultural labourers.

In both the villages it was found that the initiation for the formation of the SHGs were given by the following facilitators,

- Bank Officials
- Block
- Social Work Students
- Senior Groups
- Anganwadi workers

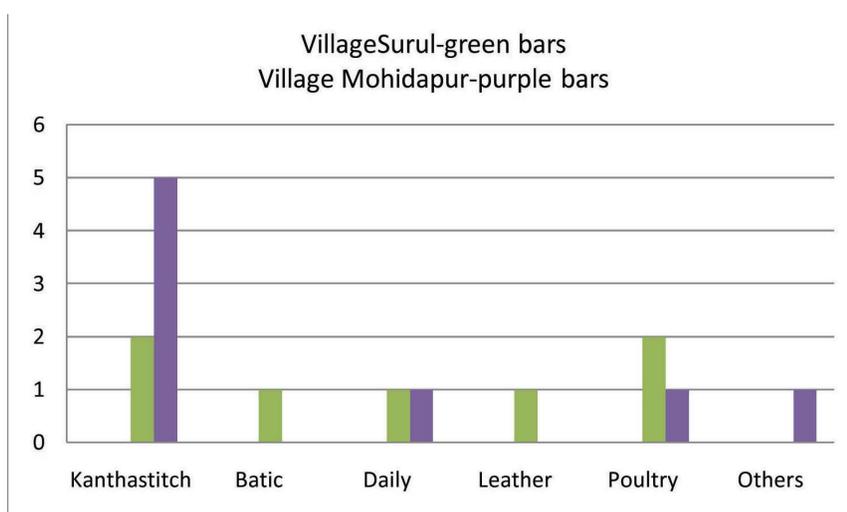
In both of the villages it was found that the interested members of a particular geographical area came together and formed the group. In some cases the leader herself chose the members. But in few cases the facilitators also helped them to choose the members.

Individual details of the leader educational status

Out of fifteen leaders, five leaders were graduates and six of them had education up to the secondary level. However all were literate.

Occupation

Most of the leaders took to Kantha stitch work as their primary occupation. This was followed by poultry keeping. The following diagram shows the occupational disaggregation.



Leader's role

In both the villages the role of the leaders was more or less same, that was to,

- Organize meetings
- Collect money
- Communicate with the bank
- Keep records
- Link with other institutions like the Panchayat.

Individual details (Members)

Educational status of the Members

Almost fifty percent of the members were educated up to the primary level with a slightly fairer share going to Mohidapur village. Only one member from the village Surul studied till graduation. However, only a small percentage of the members were illiterate.

Occupation

The occupation of the group members follows the same pattern as the leaders. Kantha stitch work is primarily practiced followed by poultry keeping and domestication of animals.

Village	Educational Status					Total
	Illiterate	Literate	Primary	Secondary	Graduate	
Surul	2	3	7	1	1	14
Mohidapur	2	5	7	2	0	16
Total	04	08	14	03	01	30

Financial status

Village	Total	Monthly Savings		
		Rs 20-30	Rs 40-50	Rs 60 &above
Surul	07	04	01	02
Mohidapur	08	04	04	00
Total	15	08	05	02

The monthly savings of the groups is mostly between twenty to fifty rupees in both the villages. The total fund of the groups varies around Rs.10, 000.

Village	Total	Total Fund		
		Less thanRs 5000	Less thanRs 10,000	>Rs 10,000
Surul	07	01	03	03
Mohidapur	08	02	03	03
Total	15	03	06	06

Use of loan:

Village	No. ofmembers	Productive purpose	Consumption
Surul	21	19	02
Mohidapur	24	20	04
Total	45	39	06

A very satisfactory observation was that most of the loans were utilized for productive purposes and comparatively far lesser amount of the loan was used for consumption purposes.

Village	Total	Occupation							
		Kantha stitch	Batic	Leather	Daily Lab	Poultry and Domestic animal rearing	Matmaking	Muditem Making	Others
Surul	14	3	1	2	3	3	0	1	1
Mohidapur	16	6	0	0	1	5	2	0	2
Total	30	9	1	2	4	8	2	1	3

When members fail to deposit the savings:

According to the leaders and the members in both the villages, there was no such situation created because people were responsible enough to give back their monthly deposits. In times of crisis of a single or some members, the other members cooperated.

VIII) Follow up System:

There was no formal follow up system in both the villages. It was the responsibility of the members to know what they should do with the loan. But the leaders informed the members in the meetings about their loan repayment matters.

IX) Mode of Loan Repayment:

Within a period of six months the members had to repay their loan to their respective leaders and the leaders deposited it to the Bank.

PART II

Group performance Index (GPI)

The Concept

A composite index to measure the performance of each of the fifteen SHGs, in accordance with the Human Development Index (UNDP), was developed.

The index comprised of three indicators of SHG formation,

- Size of the group, i.e. the number of members (M)
- Duration of the group, i.e. the time period of existence (D)
- Fund of the group i.e. the circulating capital (F)

Each of the variables were individually normalized using the lowest and the highest possible values of the variables as following,

$$M = (M (\text{actual}) - M (\text{lowest})) / (M (\text{highest}) - M (\text{lowest})),$$

Where,

M (actual) = the number of members in the particular group

M (lowest) = the lowest number of members in any group, i.e. the smallest group

M (highest) = the highest number of members in any group, i.e. the biggest group

$$D = (D (\text{actual}) - D (\text{lowest})) / (D (\text{highest}) - D (\text{lowest})),$$

Where,

D (actual) = the duration of the particular group

D (lowest) = the shortest duration in any group

D (highest) = the highest duration of any group

$$F = (F \text{ (actual)} - F \text{ (lowest)}) / (F \text{ (highest)} - F \text{ (lowest)})$$

Where,

F (actual) = the fund of the particular group

F (lowest) = the lowest fund of any group, i.e. the poorest group

F (highest) = the highest fund of any group, i.e. the richest group.

The duration of the group, D, and the total fund of the group, F, is given a 40% weightage each whereas the number of members of the group, M, is given a 20% weightage. The logic is that the continuity of the group and the total money that could be collected is to be given more importance than the number of members of the group.

The three variables were then combined additively to obtain the total index in the following way,

$$GPI = ((20\% * M) + (40\% * D) + (40\% * F)) / 3$$

The lowest number of members in any group was nine, that is, M (lowest) = 9,

The highest number of members in any group was fourteen, that is, M (highest) = 14.

The shortest duration of any group was one and a half years, that is, D (lowest) = 1.5

The longest duration of any group was fourteen years, that is, D (highest) = 14

The lowest fund of any group was Rs.3000 that is F (lowest) = 3000

The highest fund of any group was Rs.80,000, that is, F (highest) = 80,000

From the data collected the Group Performance Index, GPIs, of each of the fifteen groups was then calculated.

Groups	No.of members, M	Duration, D	Fund, F	Group Performance Index, GPI
1.	11	3	8000	0.05
2.	12	3	8000	0.065
3.	11	14	45,000	0.23
4.	09	3	15,000	0.18
5.	10	2	5000	0.07
6.	10	1.5	4000	0.015
7.	10	3.5	35,000	0.09
8.	14	2.5	13,000	0.095
9.	11	2.5	5000	0.04
10.	10	2.5	3000	0.024
11.	14	4.5	80,000	0.232
12.	10	2	5000	0.023
13.	13	2	8000	0.067
14.	10	2	4000	0.02
15.	12	2	16,000	0.068

The maximum value of GPI, that is a 100% successful group in having maximum no. of members, the maximum duration and the maximum funds was 0.33 for M=1, D=1, F=1.

The minimum value of GPI that is an unsuccessful group in having a lowest membership, lowest duration and lowest funds had a GPI value almost zero.

That is, $0 < GPI \leq 0.33$

Converting the Indices to Percentages, the following was obtained,

Group	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Success %	15%	20%	70%	55%	21%	5%	27%	29%	12%	7%	70%	7%	20%	6%	21%

From the above table it was seen that groups 3 and 11 were the most successful groups. Group 3 was unprecedentedly stable in its duration (14yrs.) and also had a moderate fund. Group 11 was comparatively new but with a huge capital fund, that of Rs.80, 000. Likewise groups having funds of a few thousands and of a couple of years old had a low performance index. Most of the groups however fell in the medium scoring range.

GPIs were categorized in the following way.

Low GPI - $GPI \leq 15\%$

Medium GPI - $15\% < GPI \leq 50\%$

High GPI - $GPI > 50\%$

GPI	No.of groups
Low	4
Medium	8
High	3
Total	15

PART III

Section I

To analyze whether success of a group depended on the education level of the members

Thus the two attributes GPI and education level of the members were tested for association using the chi-square test.

Edu GPI	Low	Medium	High	Total
Illiterate/Just literate	4	2	4	10
Primary Schooling	1	3	1	5
Total	5	5	5	15

The expected frequencies were calculated using the following formula (Row Total * Column Total)/ Total frequency

Chi-square = $\sum ((\text{Frequency original} - \text{Frequency expected})^2 / \text{Frequency expected}) = 1.3888$

Degrees of Freedom = 2

Chi-square at 5% level = 5.99

Thus the Null Hypothesis was accepted, that is, the basic formal education level and the performance of an SHG was independent of each other.

Section II

To analyze whether success of a group depended on the education level of the group leader

Thus the two attributes GPI and education level of the leader were tested for association using the chi-square test.

Edu GPI	Low	Medium	High	Total
Literate/Primary	5	2	1	8
Secondary	1	2	0	3
Graduate	0	2	2	4
Total	6	6	3	15

The expected frequencies were calculated using the following formula (Row Total *Column Total)/ Total frequency

Chi-square = $\sum ((\text{Frequency original} - \text{Frequency expected})^2 / \text{Frequency expected}) = 6.4$

Degrees of Freedom = 4

Chi-square at 5% level = 9.49

Thus the Null Hypothesis was accepted, that is, the formal education level of the group leader and the performance of an SHG was independent of each other.

Conclusion

The research concluded as follows:

1. According to the devised index more than 50% of the groups had been moderately successful in formation and functioning of the self-help groups. This by itself was no mean achievement, for the groups consisted of members who came from families having agricultural labour and daily labour as primary occupation.
2. It was found that the role of the external stakeholders outside the group were much more important in the process of group formation than in the process of functioning. Rural Bank officials, Block Officers, Anganwadi workers, Social Work students and other groups acted as facilitators.
3. The leadership was mostly voluntary and self-selected. Leaders' role was confined to management, account-keeping and communicating. Motivational and promotional factors were almost not noticeable.
4. The loan was mostly used up in minor asset building and consumption purposes. Organized entrepreneurial activities on a long-term perspective were very rarely noticed. Managerial and technical guidance on a serious basis was absent.
5. All the SHG members benefited from the group loans but the question of effective economic empowerment remained doubtful.
6. Formal education was found to have no influence on the groups' overall performance. This held true for both education level of the whole group and the education level of the leader.

The findings had serious and important implications for future perspectives of policy making and practice.

1. Support systems needed to be strengthened. Trained and sincere facilitators and efficient financial institutional delivery systems were required for initiation of and continuation of SHGs.
2. Formal education was not significant. Vocational skill development and entrepreneurial training held a lot of scope for the total success of the groups. Developing a market for economic activities was also needed.
3. The power structures within and outside the groups needed to be considered for enhancing economic empowerment of the women. Superficial rotational savings and credit groups should be transformed into long-term productive groups by taking care of the power equations.

Notes

1. SHGs are informal associations of up to 20 people (their average size is 14) who meet regularly, usually once a month, to save small amounts (typically Rs.10 to Rs. 50 a month). They are formed with the encouragement of NGOs or government agencies such as banks. After saving regularly for a minimum of six months – and using the funds to lend small amounts to each other for interest which is ploughed back into group funds – and satisfactorily maintaining prescribed records and accounts, they become eligible to be ‘linked’ to a local bank under the NABARD-SHG linkage programme (Ghate, 2007).

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