

Role of SHGs: A Case Study in Bardhaman District, West Bengal

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Abstract

The study reveals that initially most of the members of SHGs were very poor and they had no alternative sources for generating some additional income but after involvement in SHGs they have been able to increase their income as well as savings from their additional economic activities. Again it has been found that the SHGs have become instrumental in empowering the normal housewives in terms of their capacity building and household decision making along with other social and economic activity. To strengthening the SHG movement, the most profitable and cost saving activities should be encouraged along with development of efficient marketing channels for the products produced through the pursued economic activities. With a view to increase standard of living, economic activities taken up by members need to be diversified.

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Introduction

Credit has long been considered as an effective tool to fight against rural poverty of most underdeveloped countries including India. This has prompted the Government of India to nationalize commercial banks, introduction of direct lending programme, implementation of credit based poverty alleviation programme e.g. Integrated Rural Development Programme (IRDP), establishment of special banks for providing rural credit such as Regional Rural Banks (RRBs) etc. All these policy measures have resulted in widening the 'geographical spread and functional reach' of commercial banks in rural areas in the period that followed the nationalization of banks (Shetty, 1997), but the bank credit largely remained concentrated in the hands of the landed population (Nagraj, 1981). The failure of the state-led formal credit system directed forwards poverty eradication has induced the countries to adopt new mechanism of lending such as micro-credit. It is claimed to be the solution to most of the problems that originated out of the state efforts to alleviate poverty using the instrument of credit (Yunnus, 1999). Considering the overwhelming success of this new innovative approach of delivering financial services to poor as envisaged in micro-credit concept government of many developing countries have introduced this instrument in various forms. In India one such

innovative approach is reckoned as the development of Self-Help-Groups (SHGs) and linking it with Formal Financial Institutes (FFIs) with the sole objective of reaching the rural poor in cost effective and sustainable manner. These innovative practices have risen to its fame for its programme in targeting the poor repayment rates (Chavan *et al.*, 2002). Now it is claimed that this innovative practices have successfully overcome the difficulties associated with implementation of any formal credit based poverty alleviation schemes i.e. the problems of exact targeting, the screening problem of distinguishing the good and bad borrowers, monitoring and repayment problems. Under this background, the present study has been under taken with the following specific objectives:

1. To examine the present status of SHGs in West Bengal in general and Bardhaman district in particular,
2. To study the socio-economic characteristics of selected SHGs of the district,
3. To assess the achievement in overcoming the problem exact targeting, screening etc. of the selected SHGs in the study area, and
4. To suggest some policy options for strengthening for SHG movement in the study area.

Material and Methods

The study has been conducted based on primary data collected from randomly selected 34 SHGs belonging to purposively selected cluster of 7 villages of Raina block of Bardhaman district, West Bengal. These SHGs are formed, nurtured and linked with the Cooperative societies of the respective villages. The data pertains to the period 2009-10. The necessary socio-economic information regarding concerned SHG members are collected through specially prepared pre-tested schedule following personal interview method. Basically, percentages and tabular method are employed to fulfil the various objectives of the study.

Results and Discussion

West Bengal provides habitats of 12.44 million households and poor households constitute 24.59 per cent of the total as against 1691.13 and 903.67 million at the all India level. The percentage share of West Bengal in the total SHGs of India is 8.67. Ranking of states based on Microfinance Penetration Index (MPI) and Intensity of Penetration of Microfinance among Poor (MPPI) measuring whether the client acquisition in different states is proportional to the population and population of poor households and the ratio of share of the state in microfinance clients and share of the state in population of poor respectively indicates that West Bengal is the new entrants in most of the top five states along with Andhra Pradesh, Tamil Nadu, Karnataka, Odisha (MPI)/Kerala(MPPI) (Srinivasan, 2009). The performance of SHGs linked with scheduled commercial banks, RRB, and cooperative banks reveals that in case of total savings, loan disbursed and outstanding per SHG, West Bengal

lies below the all India average whereas the state is better placed in terms of non-performing assets as a percentage of loans outstanding against SHGs (NABARD, 2011).

Table 1. Salient features of SHGs of Bardhaman district and West Bengal for the period 2008-09

Particulars	West Bengal	Bardhaman District
Total no. of SHGs	158336	14838
Total members of SHGs	1280514	112818
Total female members	1152168	86188
Scheduled Caste (%)	28.44	29.3
Scheduled Tribes (%)	9.15	8.9
Minority community	21.80	18.3
Total deposit (Rs. l8 in lakhs)	11664.51	814.22
Total loan disbursed (Rs. In lakhs)	26597.21	1003.45
No.SHG obtaining credit	112054	7381
No. of SHG started economic activities	27707	8056
Recovery rate (%)	-	94.03

*Source: District Statistical Handbook, Burdwan, (2009) and NABARD (2010-11).

As the present study is mainly focused on the socio-economic assessment of SHGs of Bardhaman district of West Bengal, at the outset, a comparative evaluation of SHGs of Bardhaman district and the state as a whole has been made in terms of number of SHGs, memberships including SC, ST, and backward community memberships, deposit mobilisation, loan disbursement etc. Bardhaman district constitutes 9.37 and 8.81 per cent in term of total number of SHGs and total members of SHGs in West Bengal (Table-1). The SHGs obtaining credit facilities are accounted to be 70.77 and 53.79 per cent of the total in the state and the district respectively. Again, the share of Bardhaman district in the groups enjoying credit facility accounts only 7.12 per cent of the state SHGs with same status. The district is little ahead of the state in case of scheduled caste membership, but lagging behind the state in case of scheduled tribe and other backward community membership during 2008-09. The SHGs have mobilized a total deposit to the tune of about Rs. 8.14 crores and Rs. 10.03 crores has been disbursed to SHG member during 2008-09 whereas the respective state figures are 116.65 and 265.97crores i.e. 6.98 and 3.77 per cent of the state. Although the loan recovery rate in the state varies from as low as 40 per cent (North 24-parganas) to as high as 98.28 per cent (Howrah), the district under study records 94.03 per cent repayment rate which may be considered as remarkable achievement compared to scheduled commercial bank. So far we have examined the present status of SHGs of Bardhaman district and West Bengal as a whole; we will now concentrate the socio-economic features of some purposively selected SHGs of Bardhaman district. Age wise classification of 34 randomly selected SHGs depicted in Table-2 reveals that the formation of SHG during initial years is very slow i.e. only 2 SHGs constituting 5.88% of the total sample have

come into existence. The success of previous groups have induced the poor to form more SHGs in order to get financial benefit resulting the emergence of another 17 SHGs (50%) in the next 10 years period. But the rate of growth of SHGs has become slower in the subsequent period i.e. only 44.12 per cent of sample SHGs have been formed during the last 5 years period.

Table 2. Classification of selected SHGs according to their age of establishment

Sl. No.	Age of establishment	Number of SHGs	Percentage (%)
1.	8	2	5.88
2.	5	17	50.00
3.	2	15	44.12
4.	Total	34	100

Table 3. Classification of selected SHGs according to the number of members

Sl.No.	Number of members	Numbers of SHGs	Percentage (%)
1.	≤10	24	70.59
2.	11	8	23.53
3.	12	1	2.94
4.	15	1	2.94
5.	Total	34	100

Classification of SHGs based on the number of members per group presents that SHGs with less than equal to 10 members constitutes 70.59 per cent of the total SHGs followed by group having 10-15 members (26.47%) (Table -3). Although there is specification as regard to the numbers of the member comprising groups, but it should be restricted to less than 30 members divided into 5-6 sub groups for better access to information, better cohesion and interaction and also to minimize the chances of power concentration in a single person (Karmakar,1999). Greater understanding, cohesion and solidarity among members of a group depend upon the homogeneity in the organizational structure. So it is expected that groups will be formed by members having same socio-economic background e.g. they belong same caste or sub caste, same occupation.

Classification based on common caste category portrays that mixed group with members belonging to all caste categories dominate the sample size constituting 47.06 per cent of the total SHGs. SHGs with only OBC members constitute 38.24 per cent of the total sample of SHGs followed by groups comprising of solely general and scheduled caste and scheduled tribe members arranged in descending order of magnitude (Table-4).

Table 4: Classification of selected SHGs according to caste

Sl.No.	Caste	Numbers of SHGs	Percentage
1.	Only General	2	5.88
2.	Only SC	2	5.88
3.	Only ST	1	2.94
4.	Only OBC	13	38.24
5.	Mixed	16	47.06
6.	Total	34	100

Table 5: Classification of selected SHGs according to their monthly saving amount (Rs/Month)

Sl.No.	Total saving amount (in Rs. /month)	Number of SHGs	Percentage
1.	0 -100	4	11.76
2.	101 – 200	12	35.29
3.	201 – 300	12	35.29
4.	301 – 400	1	2.94
5.	401 – 500	3	8.82
6.	501 – 600	2	5.88
7.	Total	34	100

Sample SHGs have also been grouped depending on monthly saving amount and total loan size. Table-5 depicts that majority of the SHGs comprising 70.58 per cent of total fall into monthly saving ranging from Rs. 101-300 and only 5.88 per cent has been able to mobilize saving above Rs. 500/- per month. So it is evident that monthly per SHG savings are very small but the group formation and its linkage with financial institutions have provided an opportunity to tap rural resources which is so far remained unutilized whatever small may be. Although saving has become an integral component of SHG concept, increase in credit worthiness of poor helpless people is primary objective of group formation. At the initial phase, the saving amounts being very small, SHGs have to depend on external sources, particularly on SHG promoting institutions for seed capital resulting very low loan amount. Linking SHG with financial institutions will help them to avail credit using saving as collateral.

Classification of SHGs based on the magnitude of loan size reveals that 18 out of 34 sample SHGs constituting 52.95 per cent have borrowed fund less than equal to Rs. 50000/- and groups with loaned amount beyond Rs. 150000/- accounts 38.23 per cent. Only 8.82 per cent of sample SHGs has the capacity to borrow more than Rs 150000/.

After analyzing the organizational structure of SHGs, attempt has been made to examine the socio-economic characteristics of 355 members comprising the sample SHGs. As the primary objective of organizing people to group is the eradication of poverty using credit as powerful instrument and one of the most important reasons

for failure of state-led credit based poverty alleviation programmes in achieving expected outcome is their ability to target exactly the poor, we will first examine the economic status of 355 members belonging to total sample SHGs. Table-7 discerns that 93.24 and 6.26 per cent of total members are living below and above poverty line respectively i.e. the success rate in targeting the poor is 93.24 per cent which is marginally below the rate achieved by Grameen Bank of Bangladesh. About 95 per cent the loans from Grameen Bank of Bangladesh, the premier microfinance institution has reached to the target group and only 5 per cent has gone to the non targeted group (Osmani, 1991).

Table 6. Classification of selected SHGs according to their loan size

(Rs/month)			
Sl. No.	Loan size class (Rs)	Number of SHGs	Percentage
1.	≤50000	18	52.95
2.	50000-100000	12	35.29
3.	100000-150000	1	2.94
4.	Above-150000	3	8.82
5.	Total	34	100

Table 7. Classification of members of selected SHGs according to their economic status

Sl.No.	Economic Status	Number of members	Percentage (%)
1.	Above poverty level (APL)	24	6.76
2.	Below poverty level (BPL)	331	93.24
3.	Total	355	100

Table 8. Classification of members of selected SHGs according to their caste

Sl.No.	Caste	Number of members	Percentage
1.	General	61	17.18
2.	Schedule caste	112	31.55
3.	Schedule Tribe	23	6.48
4.	Other backward caste	159	44.79
5.	Total	355	100

Caste wise distribution of members also reveals that almost four-fifth of members belongs to socio-economically disadvantaged section of the society i.e. schedule caste (31.55%), schedule tribe (6.48%) and other backward caste (44.75%) (Table - 8). So, Self-Help-Group promoting Institution (SHPI) have achieved great success in exact targeting as it is perceived that poverty is more prevalent among weaker sections of the society. Again, inclusion of large number of members in the group from poor families for empowerment of their status is also considered as an important criterion of group success.

Table 9. Classification of members of selected SHGs according to their occupational status

Sl.No.	Occupation	Number of members	Percentage
1.	Farmers	3	0.85
2.	Landless labour	60	16.96
3.	House wives	185	52.11
4.	Others	107	30.14
5.	Total	355	100

In the sample SHGs, 52.11 per cent of the total members are housewives that signify the domination of women in the groups. Other category, most of which are engaged mainly in farm activities constitute 30.14 per cent of total members and the participation of landless agricultural labour is 16.96 per cent. The marginal involvement of purely farmers in groups can be attributed to their easy accessibility to formal financial institution for credit. To take up economic activity for maintaining livelihood with small amount of credit, some sort of maturity is required in decision making, performing hard work and providing financial services etc. generally it is considered that persons with age limit ranging from 18-50 can perform any job effectively and also have more risk bearing ability.

Table 10. Classification of members of selected SHGs according to their age

Sl. No.	Age (in years)	Number of members	Percentage
1.	18-30	114	32.11
2.	30-40	154	43.88
3.	Above-40	87	25.51
4.	Total	355	100

Table-10 discerns that the share of members having age limit vary between 18-30 years and 30-40 years are accounted to be 32.11 and 43.88 per cent of the total i.e. 75.99 per cent of the total members fall within age limit 18-40 years.

Along with physical ability, level of education has also an important bearing on choice of economic activity. From this point of view distribution of members according to years of schooling presented in Table -11 reveals that illiterate and just literate constitute 36.90 cent of total members whereas only 5.92 per cent members have obtained formal education certificate i.e. beyond 10 years of schooling. It also reflects that rate of participation in SHG declines with the increase in years of schooling i.e. decreasing trend in participation rate in groups with increase in years of schooling.

Table 11. Classification of members of selected SHGs according to their years of Schooling

Sl. No	Years of Schooling	Number of members	Percentage
1.	Illiterate	10	2.82
2.	Literate	121	34.08
3.	Up to 8	156	43.95
4.	8-10	47	13.24
5.	10-12	12	3.38
6.	Above -12	9	2.54
7.	Total	355	100

Table-12 depicts that a total of 246 members out of 355 accounting 69.3 per cent belong to the category of landless labourers and members having land holding size less than equal to 1 acre and between 1-2 acres forms 26.76 and 3.10 per cent of total sample. Land holding size of these two groups of members being too small to meet consumption requirement, they have taken up off-farm activity as primary source of livelihood and hence, they have not been treated as farmers in the present study. Only 0.83 per cent of members primarily depend on farming for maintaining livelihood. On those counts, average monthly family income may be considered as important indicator for understanding the economic status of sample SHG members.

Table 12. Classification of members of selected SHGs according to their land holding size

Sl. No.	Holding size(Acre)	Number of SHGs	Percentage
1.	Landless	246	69.3
2.	≥ 1	95	26.76
3.	1-2	11	3.10
4.	Above 2	3	0.84
5.	Total	355	100

Table 13. Classification of members of selected SHGs according to their monthly family income (Rs/ month)

Sl.No.	Income size groups	Number of members	Percentage of total
1.	≥2500	161	45.38
2.	2500-5000	116	32.67
3.	5000-7500	55	15.48
4.	Above-7500	23	6.47
5.	Total	355	100

Monthly income per family wise distribution of members represented in Table-13 shows that majority of the members accounting 45.38 per cent of the total has earned an income less than equal to Rs. 2500/- and members earning an income within the range of Rs. 2500-5000 per month comprise 32.67 per cent i.e. 78.5 per cent of the total members have an average monthly income less than equal to Rs.

5000/. Average monthly income more than Rs. 7500/- is received by only 6.47 percent of the total members. Small income of a large section of the population forces them to borrow money from external sources, especially from private money lenders for expanding their economic base in order to meet the basic needs. To make the poor credit worthy, they have been organized into groups, known as SHG, based on the concept of linking credit with mandatory savings and it is perceived as the only way to get access into formal financial institutions for the poor having no collateral. As formal sector loans are collateralized, compulsory regular savings of members will form the basis of getting formal credit. So, saving is an important component of SHG concept.

Table 14. Classification of members of selected members according to the amount of savings

Sr.No.	Saving size class	Number of respondents	Percentage to total
1.	≥100	42	11.7
2.	100-200	125	35.29
3.	200-300	125	35.29
4.	Above-300	63	17.65
5.	Total	355	100

Table-14 represents the distribution of members into various groups depending on the amount of mandatory deposit made by individual members on monthly basis. It discerns that saving amount less than equal to Rs. 100/- and above Rs. 300/- is made by 11.7 and 17.65 per cent of total respondents and equal percentage of members (35.29%) has deposited an amount lying within the range of Rs. 100-200/- and Rs. 200-300/-. Although the members will lose interest for their deposit but the pooled resources are generally lent to members at substantial rate of interest but less than informal sector credit, and returns to the members after recovery that outweighs the previous loss.

The promotion of agriculture and other allied economic activities through credit intervention for ensuring equitable and sustainable development of rural areas is failed due to the rigid lending policies and programmes of the formal financing agencies. The rural poor are left to depend on the private money lenders for meeting their consumption and production needs in the absence of institutional system. Therefore, there is a need for promotion of self help groups which has emerged as an innovative policy option for the rural poor for financial inclusion. The SHGs as a system have adopted the positive views of co-operatives and business principles of commercial banks. The SHG-bank linkage for providing group finance has started with the issuance of the circular by the Reserve Bank of India dated July 24, 1991 to commercial banks advising them to participate actively in the pilot project for linking SHGs with them. Linking of SHGs with banks has enabled the rural poor to get access into public sector banks who are still remained outside the purview of formal financial institutions.

Conclusion and suggestions

SHGs have emerged as an important tool to fight against poverty in developing countries. The present study reveals that SHG movement in the area is in nascent stage except few groups and yet to take any economic activity. But the groups have been successful in targeting exactly the poor overcome the screening problem and organizational structure is expected to be cohesive and integrated as members have same socio-economic background. One of the main drawbacks is the poor participation of small and marginal farmers in the groups. Since SHGs play a major role in empowering women in terms of social, economic and capacity building and decision making, active participation of more and more women members of the poor household should be ensured. The most profitable or additional income generating and cost saving activities should be introduced and they should be encouraged to take such activities and at the same time, marketing condition of products arising out of pursued economic activities should be enhanced to improve the socio-economic conditions of the beneficiaries. With a view to increase standard of living economic activities taken up by members need to be diversified.

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