

SHGs As An Emerging Co-Operative Organisation

PRADHAN-A NGO (PIONEER OF CO-OPERATIVE ORGANISATION IN PALAMU DISTRICT OF JHARKHAND)

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ABSTRACT

The concept of Self Help Groups had its origin in the co-operative philosophy and the co-operators by and large, 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 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 mutual discussion and To provide collateral free loan with terms decided by the group at the market driven rates.

SHGs as forms of cooperatives have gained lot of importance in the present time. Government has also proposed to table a micro-Finance bill where SHG's have very important role to play. This form of cooperative not only leads to employment generation on the principles of cooperation but also empowers the women for their social and economic upliftment. Public and private sector banks are coming forward to finance these institutions. Formation of SHG enables them to obtain credit from the institutional leaders thereby providing much needed succor to its landless member laborers who in their individual capacity are unable to obtain a credit line for themselves. SHGs have played crucial role in micro finance and for social and economic upliftment of women. Since, the early 1990's, micro finance was being disbursed largely due to linkages between NADARD, Self Help Groups and Banks. As on march 2006, there were 2.2 million SHGs covering 32.98 million poor households.

Key Words:Self Help Group, Micro Finance, Micro Credit, SHG bank linkage, Sustainable Community Organisation, PRADHAN.

INTRODUCTION

SELF HELP GROUP: The Self Help Group is a voluntarily association of people formed to attain a collective goal. People who are homogeneous with respect to social background, heritage, caste or traditional occupations come together for a common cause to raise and manage resources for the benefit of group members. The process by which, the group of people with common objectives are facilitated to come together in order to participate in the development activities i.e. saving, credit, income generation etc. is called Group Formation. Although the SHGs can formed for any development activity for financial institutions to use them as a conduit for banking activities, the SHGs should be practicing thrift and credit and be familiar to money management.

Some of the basic principles governing the SHG Model are:

- Self Help Mutual trust and Co-operation.
- Organizing the Unorganized – giving an opportunity to experience their own positions. Instrument for building people's institutions.
- Enabling the poor to empower them.

Most of the SHGs in India are formed around microfinance. These SHGs fulfill two main objectives. The first, providing saving and credit services to their members and the second playing a role of a local people's institution addressing the various needs of its members and society.

ROLE OF SHGs IN MICRO FINANCE: Credit is one of the most crucial inputs in the process of development. Micro credit for the poor has emerged as an idea that appears to several sections of people. In principle, even the world's poorest can acquire savings and investment if they have access to capital. The strategy is redistributive (appeals to liberals) entrepreneurial (appeals to conservatives) and empowering (appeals to radicals). The emergence of micro credit as an alternative to the existing methods of addressing rural poverty through the provision of credit has questioned the fundamentals of the development paradigm in developing country.

Despite vast expansion of formal credit system in India, dependence of rural poor on informal credit system still continues for meeting emerging credit requirements. Such dependence is pronounced in the case of marginal farmers, landless laborers, petty traders, rural artisans belong to socially and economically backward class and the tribal population particularly in the resource poor areas. Though the technologies of different micro credit programmes may be different, the basic premises on which the work is to extend financial services to the poorer section of the people who had hitherto been neglected by the formal financial system. Among the variants of micro credit programmes in India, linkage banking programme, i.e financing by banks through SHGs has shown high rate of success. The initiative for this programme has been taken by the National Bank for Agriculture and Rural Development (NABARD), which had sponsored an action research project in 1986-87.

MICRO CREDIT & MICRO FINANCE: In simple words, micro credit means provision of small loans to resource poor whereas micro finance deals with mobilization of savings, provision of small loans and other services (input advice and supply, training, marketing etc.) to resource poor with or without collateral. This involves participatory approach and economic empowerment of people. Government of India, Reserve Bank of India (RBI), NABARD and other financial institutions have adopted the policy of massive expansion of rural branches, directed priority sector lending, concessional credit and services area to address some issues related to micro finance.

The poverty reduction and self-employment generation programmes such as IRDP, DRI, SC/ST Welfare Programme, SUME, SFPP, PMRY and Minor Irrigation Programmes were mostly micro credit programme to cater to the credit needs of small and marginal farmer's, SC/ST farmers, agricultural labourers, poor tenant farmers and women.

SHG LINKAGE TO MICRO FINANCE: The Indian experience shows that non-involvement of people has led to an attitude of total dependence on the government for every development effort leading to lack of effort and accountability of people. There were also instances in the seventies and the eighties in other developing countries like Kenya, Korea, Bangladesh and Nepal where the various credit programmes for agriculture and rural development, when modeled on participatory approach showed better impact and results. Based on these experiences, the international agencies like World Bank, International Labour Organisation (ILO) started emphasizing the need for making development of a people's movement. The focus of attention shifted on developing people's institution accountable to community having linkage with various developmental and financial agencies. Against this backdrop the concept of Self Help Groups appears to be a good alternative strategy to involve people in the development process. The experiences in Kenya on the Co-operative Scheme linked to Co-operative Production Credit Scheme, modification of the traditional key system and integration into the Mutual Credit Programme in Korea, the Small Farmer Development Agency Groups in Nepal and Grameen in Bangladesh, which were basically started owing to resource crunch shows that huge resources can be mobilized from even among the poor people. Another feature was the management of the resources by the people themselves.

The Agricultural Credit Review Committee (1989) had identified a number of weaknesses in the Indian Banking Sector. Some of the identified institutional weaknesses are low-recovery and poor recycling of funds, poor deposit mobilization and ineffective lending vis-à-vis available potential. Apart from the weaknesses, the

banking sector has able to reach only about 36 percent of the rural families in spite of vast expansion. On the other hand, most of the informal finance in the rural money market comes from two main sources i.e. professional money lenders and traders (credit and trade linked finance). Prima facie, it appears that the rate of interest demanded by the informal agency is exorbitant and sometimes usurious which leads to perpetual indebtedness of the rural poor, however, the easy and timely availability, flexibility in delivery to the needy clientele places them better as compared to the formal financial agencies. The SHG linkage to banking sector is expected to combine specific advantages of both the above system and also enable larger and faster coverage of rural poor.

SELF HELP GROUP AS A SUSTAINABLE COMMUNITY ORGANIZATION:

The design of the model itself lends a lot of stability to these institutions. The stake, which is built around financials in the beginning, lays a strong foundation for these groups to mature as community organization, which could be developed to address local issues pertaining to women and society in general. The constant capacity building support that they receive makes them ideal to take leadership positions in the local society and work towards betterment of the local community. They can be the perfect vehicles for social action apart from financial intermediation. The group helps to overcome many social and economic weaknesses as it helps to:

- To mobilize the resources of the individual members for their collective economic development.
- To uplift the living condition of people.
- To create a habit of saving, utilization of local resources.
- To mobilize the individual skills for group's interest.
- To create awareness about right.
- To assist the members financially at the time of need.
- Entrepreneurship Development.
- To identify problems, analyzing and finding solution in the groups.
- To act as a media for social-economic development of village.
- To develop linkage with institution of NGOs.
- To organize training for skill development.
- To help in recovery of loans
- To gain mutual understanding, develop trust and self-confidence.
- To build up teamwork and develop leadership quality.
- To use it as an effective delivery channel for rural credit.

SELF HELP MICRO CREDIT PROGRAMME IN JHARKHAND: In Jharkhand, SHGs have emerged as important local institutions in villages. A group of 10-20 persons of similar economic class, generally poor, mostly women, get together to organize themselves into a cohesive group to improve their social and economic position through collective action. Started on an experimental basis in 1989, under the IFAD assisted women's development project. SHGs now operate in rural district of Jharkhand. External catalysts like NGO help in social mobilization, formation and nurturing of SHGs through Government administrative and financial support. As the movement has gained momentum, some bankers and NGOs are also forming groups on their own. Self Help Groups are developing into strong local institutions, providing a legitimate avenue for members to participate in public life outside their homes as a means to access inputs such as training, banking services, government schemes etc.

LITERATURE REVIEW

During the course of study, the study of several authors was referred:

According to Chawla and Patel (1987), self-help organization is an entity, set up and run by the local people, who are also the beneficiaries of the programmes. It has a close organizational structure, but strong commitment and a sense of purpose.

Rappaport (1987) asserted that SHGs, which offer the venue for shared experience, emotional support and social learning, can help constitute a social identity.

Yalom (1995) contended that SHGs provide unique opportunity for growth, social experimentation and change.

NABARD (1995) opined, "A self-help organization denotes an institutional frame work for individual or households who have agreed to co-operate on a continuing basis to pursue one or more objectives. It is further observed that self-help organization is a membership organization, which implies that its risks, costs and benefits are shared among its members on an inevitable basis and that its leadership for their deed".

Srinivasan (1996) found that SHGs offer means by which the poor could have access to resources in their own right, without waiting for anyone and not by another person's mercy. This makes the people confident that by saving small amount over a period of time, they could master resources to hold each other in a big way. This gives a feeling of being in charge of their own lives. They feel emboldened to conduct themselves and take a share of resources as a matter of right.

Das Gupta (2001) in his paper on informal journey through SHGs observed that micro-financing through informal group approach has effected quite a few benefits i.e., (i) saving mobilized by the poor ; (ii) access to the required amount of appropriate credit by the poor ; (iii) matching the demand and supply of credit structure and opening new market for financial institutions ; (iv) reduction in transaction cost for both lenders and borrowers ; (v) tremendous improvement in recovery ; (vi) heralding a new realization of subsidy-less and corruption-less credit ; and (vii) remarkable empowerment of poor women. He stressed that SHGs should be considered as one of the best means to counter social and financial citizenship not as an end in itself.

Gurumoorthy (2000) maintained that SHG is a viable alternative to achieve the objective of rural development and to get community participation in all rural development programmes. SHG is a viable organizational set up to disburse micro credit to the rural women for the purpose of making them entrepreneurs and encouraging them to enter into entrepreneurial activities.

Mr. B. vijayachandra pillai, V. Hari kumar (2006) "The very existence of SHGs is highly relevant to make the people of below poverty line hopeful and self-reliant. SHGs enable to increase their income, improve their standard of living and status in society to the main stream ultimately; the nation reaps the advantages of socialism.

A STUDY OF PRADHAN (A SHG LINKED PIONEER NGO IN PALAMU DISTRICT OF JHARKHAND)

Objectives of the study:

- ❖ To study the role played by 'PRADHAN' in helping and promoting SHGs of palamu district.
- ❖ To analyse the functioning of SHG linked NGOs.
- ❖ To project the problem areas that hinders the growth of self-help groups in palamu district.
- ❖ To offer suggestions for betterment of SHGs through NGOs.

Nature of the study:

The study is descriptive in nature as it attempts to describe the role played by "PRADHAN"(A SHG Linked Non-Government Organisation in Palamu District of Jharkhand) in helping and promoting the SHGs of Palamu District of Jharkhand.

Collection of Data:

The sources of collection of information is both through primary and secondary sources. The primary data is collected from the members of PRADHAN (A NGO operating in palamu district of Jharkhand) and secondary datas are collected from published and unpublished sources.

Importance of the Study:

The study will help to analyse the functioning of NGOs in respect to SHGs and, how it can help in promotion and development of SHGs. It will also through a light on the technical and financial assistance provided by NGOs to the SHGs

Findings of the study:

"PRADAN" IN PALAMAU DISTRICT OF JHARKHAND

Palamau is one of the twenty-four districts of Jharkhand state, India. It was formed in 1928. The district lies between 23⁰50' and 24⁰8' north latitude and between 83⁰55' and 84⁰30' at longitude. It is bordered on the north by Son and Bihar rivers, on the east by the Chatra and Hazaribagh districts, on the south by Latehar District and on the west by Garhwa Districts. The district covers an area of 5043.8 km² and has a population of 1,533,176. Daltonganj, situated on the North Koel River is the district headquarters. In 2006 the Ministry of Panchayati Raj named Palamau one of the country's 250 most backward districts (out of a total of 640). It is one of the 24 districts in Jharkhand currently receiving funds from the Backward Regions Grant Fund Programme (BRGF). The Palamau district has 551565 BPL persons as per the census 2011. At the end of March 2011, about 22000 poor families (04% of the total) could be covered under formal credit delivery system. Thus a large chunk (96%) of poor families is yet to be covered under informal credit systems. With a view to meet the challenge, NABARD in coordination with bank, NGOs and Government Officials has made significant efforts to promote Self Help Groups as a strategy for providing financial services to the poor and link them with formal credit institutions. In order to give further impetus to the SHG movement, the active involvement of Banks and Government Departments is required. State Bank of India, Bank of India, Central Bank of India. Punjab National Bank. Jharkhand Gramin Bank and Union Bank of India are the main banks participating in the SHG programme, Further Extension Officers of DRDA and Anganwadi workers of ICDS projects are involved in SHG formation.

At present there are about 1700 SHGs (approximately) of which 1350 SHGs (approx.) have opened bank accounts. Capacity building activities of NGOs members are promoting micro enterprises. At present there are a number of NGOs actively involved in promotion of SHGs. PRADAN is working in five blocks i.e. Bishrampur, Chainpur, Chatarpur, Daltanganj and Panki blocks in Palamau district.

In these five blocks PRADAN team is working in 112 villages in Palamau district. Of these 28 are in Bishrampur block. 34 in Chainpur block. 17 in Chatarpur block. 20 in Daltanganj block. 3 in Hariharganj block and 10 in Panki Block of Palamau district. The team is now associated with 10,209 families which is an increase of 1,817 families over the last reporting year. The number of groups increased from 623 to 756 and also

supported formation of additional 80 SHGs. The caste composition of SC, ST, OBC of team's associated families are 10%, 44% and 44% respectively.

The developmental challenges in team's operation area are:

- Food insufficiency for the whole year,
- Poor resources husbandry,
- Vulnerable farming systems, monsoon dependent, low productivity and monocropped area.
- Low investments on private resources.
- Poor infrastructure support.
- Poor linkage with mainstream institutions,
- Exclusion of women in development process.

The overview of outreach of PRADAN (at the end of March 2011)

Particulars	2009-10	Planned (2010-11)	Achievement (2010-11)
Villages	102	115	105
Block	05	05	05
District	02	02	02
Families	8,392	10,342	10,209
ST	3,782 (45%)	4,459 (43%)	4,464 (44%)
SC	797 (09%)	993 (09%)	1075 (10%)
OBC & Others	3,813 (46%)	4,890 (48%)	4,670 (46%)
LH - Net Families	3,781	4,581	4,813

Source: PRADAN

The outreach is more among the ST and OBC families and it depicts the demographic profile of the district. As part of its social mobilization PRADAN has presently 756 SHGs formed and nurtured by the team with 10119 families. Total groups formed in the financial year 2010-11 are 151 against plan of forming 150 groups. However in the same time 18 groups were wound-up as well.

The main reason for those wound-up groups is less professional input due to allocation process by the way of professional joining and leaving. The prime target of the team was to saturate some areas where there was lesser number of groups and the existing clusters succeeded in adding the left out families to form new groups. In many occasions some SHG got formed and they approached PRADAN office to support them. Then the professionals of PRADAN went to them and attended some meetings to orient them about proper functioning of SHG before including them as PRADAN's SHG. Apart from forming new groups, this efforts went into nurturing the weak groups with the support of CSPs (Gram Vikas Sahayogies - GVS) and regular cluster meetings.

In the financial year Rs. 28.83 lakhs additional net own fund have been generated to pull up the cumulative amount of Rs. 153 lakhs. This was the source of Rs. 77.75 lakhs additional internal credit mobilization among the SHGs which increased the total internal credit up to Rs. 217.36 lakhs mobilization till the period. Further 136 SHGs leveraged bank loans of Rs. 90.51 lakhs, mainly under SGSY in forms of both revolving fund and

project finance. All the respective banks have good experience giving credit to our SHG. However, linkage of non-BPL groups is still a challenge and the team is planning to have some strategies for that in the coming year.

Outreach of PRADAN SHGs (Block Wise)

Sl. No.	Name of the Block	No. of SHG (March'09)	New SHG (2010-11)	Wound up SHG (2010-11)	Total SHG (March'11)	No. of Cluster
1	Bishrampur	278	36	04	310	34
2	Chainpur	195	43	14	224	19
3	Chatarpur	52	26	--	78	08
4	Daltanganj	53	31	--	84	08
5	Panki	45	15	--	60	05
	TOTAL	623	151	18	756	74

Source: PRADAN

The ratios in the table above show an improvement in health parameters over the last year. This has been possible due to direct professional investment in the groups in second half of the year after review meeting held in September and use of loan applications forms in few groups. The groups have become more regular in terms of meeting, attendance and repaying principal and interest. The principle repayment of older groups is more concern than younger groups. The other ratios like loan repayment, credit to saving, meeting regularity, saving regularity have also increased considerably. These parameters are regularly being discussed in various cluster meetings and groups to improve their statistics every meeting and are paying attention to these.

Group Status of SHGs of PRADAN

Parameters	2009-10	2010-11
Meeting Regularity %	90	92
Attendance %	93	95
Saving Regularity %	81	85
Credit to Savings Ratio	1.13	1.4
Principle Repayment Ratio	0.60	0.54
Interest Payment Ratio	0.93	0.94

Source: PRADAN

Community Resource persons have done enough effort in lifting the financial status of SHG. They have trained various SHG on Micro finance parameters and how those affect their group performance. Currently there are 38 CRPs (locally called Gram Vikas Sahayogies - GVS) who are regularly trained on group monitoring and various livelihood activities mainly agriculture.

Cluster meeting is an important aspect of PRADAN's approach and they have experienced that the groups which are dispersed and their numbers are not significant to form clusters have become dormant or irregular in meeting, because of less support available to them. The team took up those areas, formed new

groups in the vicinity and formed new clusters. Presently there are 74 clusters out of which 12 are newly formed. 52 clusters are now regularly doing their cluster meetings and are supported by the CSPs and professionals. These clusters are taking broader well-being issues and supporting the peer groups for improving the health of group. The cluster is taking bigger roles like supporting weaker groups and repayment of pending group internal loan and external bank loans. The cluster representatives are now creating peer pressure to the default groups and default members and taking initiative to orient the members on the importance of SHGS. As most of the members are taking up agriculture as livelihood options throughout the year, clusters are discussing and setting system against grazing. Further it take on various issues like liquor consumption by the male members of the families, job card, MNAREGA, Indira Awas Yojana, SGSY linkage, etc. government programmes. Team engaged directly with the clusters and weaker groups and it build confidence and excitement to engage with the community especially at the 2nd half of the year. It also helped team to keep this strategy live in the next years. Formation of Federations is encouraged by PRADAN and 'Kalyani Mahila Sangh' constitutes of more than 300 SHGs spreading over 34 clusters in 38 villages of Gola Block in Ramgarh district. On 20th February 2008 it observed its first mahadhibesan and on the same day it took its birth. Last year they have met regularly conducting one meeting every month. In the first half of the year the agenda from the village were coming for livelihood promotion for the SHG families and their basic understanding was as a forum to put their problems before PRADAN. But gradually they got involved in various activities and took up their responsibilities.

It is obvious that PRADAN's SHG-Bank Linkage model has had significant and positive impact in improving their livelihood base, savings and debt position and living and consumptions standards of participants. PRADAN participants have been able to secure their primary livelihood source through own agriculture supplemented by labour, livestock and non-farm enterprise activities. There seems to be less onerous debt and less crises-related borrowing and more investment in productive activities and fewer months of seasonal migration. It is also associated with significant household welfare gains especially shelter, food security and education.

The key issues and challenges are:

- Bringing all groups in good shape in respect to parameters related to physical and financial health;
- Making strong system around microfinance for SHG data maintenance;
- Proper credit management and repayment discipline;
- SHG members and cluster leaders training and capacity building;
- Utilization of idle cash is an issue in the SHGs;
- Increasing the role of clusters for the members/groups;
- Payment for the services of the CSPs from the groups.

Suggestions for improvements are:

- To facilitate members of poor families especially women to be organized in community based organizations.
- Building capacity of the community.

- Grooming community service providers and resource persons to be engaged in development processes.
- Integrated natural resource management for enhancing the carrying capacity of resources,
- Diversifying livelihood portfolio (farm and off-farm based) of a family.
- Institution development for aggregation of products of small producers to link with market.
- Mobilizing resources from Government, Bank, etc.
- Facilitating the SHG and cluster in activity planning, implementation and management of that by itself, and
- Identifying the potential members from SHG, cluster and community and grooming them to take responsibility of SHG promotion, trainings to the community, handholding support in livelihood activities.

With all its efforts and various programmes it is needless to say that PRADAN will equip each of the member with immense knowledge and build their confidence to meet the challenges of tomorrow.

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