



## ENTREPRENEURSHIP AND SELF HELP GROUP: A DESCRIPTIVE ANALYSIS

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### ABSTRACT

The Self Help Groups under Indian micro finance programme have become a vehicle to pursue diverse developmental agendas and even for the profit motive. Removal regional disparity in the implementation of the programme leads to target oriented approach which again considered as hindrance the qualitative growth of the movement. Several rating systems for micro-finance interventions and Self-Help Groups (SHGs) have been developed in the past which lacks uniformity. The present study differs from earlier studies as it covers twenty eight quality parameters to evaluate the quality of SHGs based on survey of literature. Further, this paper tries to access the grass root issues relating to quality assessment of SHGs and the normal course of functioning of SHGs in the study area. It is observed that due to fast growing of the SHG-bank linkage programme, the quality of SHG has come under stress.

**Keywords:** Micro Finance, Quality Parameter, Quality Issues, Quality Assessment Tools.

### INTRODUCTION:

Self-help Groups (SHGs) are playing a major role in removing poverty in the rural India today. The group-based model of self-help is widely practiced for rural development, poverty alleviation and empowerment of women. Self-help as a strategy for social development places emphasis on self-reliance, human agency and action. It aims to mobilize people, to give them voice and build people's organizations that will overcome barriers to participation and empowerment. Central to the idea of self-help is the formation of groups, concept of a community and the development of egalitarian relationships that will promote people's well being. Self Help Groups serve as a medium of delivering micro credit to the members. Many public sector banks that were in the forefront of SHG bank linkage are approaching MFI for identifying a suitable agency to nurture their credit linked SHGs. There is an increasing concern among bankers about the quality of SHGs being promoted by themselves or by other promoters. In order to assess the quality of SHGs, banks use grading tools to assess the eligibility of a SHG for credit linkage. Despite having appropriate tool, the quality seems to have declined and the quality deterioration is visible in the form of higher delinquency rates, primarily because these rating tools were never given the sanctity they required.

### **Entrepreneurs and Economic Development:**

Global development is entering a phase where entrepreneurship will increasingly play a more important role. There are at least three reasons for this, each particular to certain types of countries. Firstly, in the West, the managed economy of the 1970s-2000s, characterized by reliance on big business and mass production, has given way to a so-called entrepreneurial economy. Here knowledge-driven goods and services are now more flexibly provided by smaller firms, and the emergence of a creative class requires a less interfering but more facilitating state.

### **REVIEW OF RELEVANT LITERATURE:**

In this section, an effort is made to review a number of studies that has gone into the various quality, sustainability and socio-economic issues related to SHGs in India. However, the study identifies eight broad major indicators viz. Group Constitution, organizational discipline, organizational systems, financial management, credit policy external linkage etc. to assess the quality of SHGs. Reddy (2005) observes that the state of SHGs identifies key areas of weakness which undermine the sustainability of SHG movement. He identifies the major areas such as financial management, governance and human resource ranges from weak to average quality for a majority of SHGs. APMAS (2006) addressed a wide range of issues including cases of dropouts from SHGs and internal politics, and issues of social harmony and social justice, community actions, book-keepings, equity, defaults and recoveries and sustainability of SHGs. Singh (2006) also studied SHGs programme of Peoples Education and Development Organization and makes an attempt to evaluate social and economic impact on households of SHGs members. They observed that members involved in SHGs programme have increased involvement in decision making, awareness about various programmes and organizations. Moreover, the members get information about the different sources of credit and also reported that there are the evidences of household income, food security and increased standard of living. EDA Rural Systems and APMAS (2006) observed that 30 per cent of SHGs in the sample were involved in community actions. He assesses the quality of SHGs on different parameters like involvement in social harmony, social justices, community action etc. He further observes that only 15% of SHGs have good quality of records that are maintained by the group members. Sharma (2007) shows that the SHG movement has not get success in some north-eastern states for reasons that are peculiar to the region. The study also observes the banking constraints as a factor that hinders the quality of SHG in Northeast India. In another study conducted by Haryana Community Forestry Project, (Govt. of Haryana, 2007) assessed the quality of SHGs in a self style way which comprises nine broad indicators which includes organisational capacity, saving and credit, financial management, micro-enterprises, skill development, awareness & attitudes, empowerment & influence, networks & linkages and plans & visions. APMAS (2009) reported that the SHG program has resulted in social and economic benefits to a significant percentage of the sample groups. Despite of all round support from the Government of Assam, NABARD, NGOs, RRBs and active participation of primary members, the condition of SHGs in the state is far from satisfaction. The study also reveals that the proliferation of SHG has posed a serious challenge to sustain this movement by maintaining quality of SHGs and hence, the quality assessment of SHGs is now being considered as a key concern. The study also articulated some serious challenges like uneven growth of SHGs in different parts and uneven quality of SHGs across the country and issues related to their sustainability. Kumar (2010) while comparing the differences in quality of SHGs between SHGs under the umbrella of federations and other SHGs which are not part of federation observes that federation type SHGs are functioning well. He

assesses the quality of SHGs by using NABARD CRI and also advised all banks to access the quality of SHGs using the CRI before every credit linkage. Roy (2007) undertaken quality assessment of SHGs in West Bengal and this was done by using twenty indicators like group meeting, members' participation, group discipline, savings, micro-credit, financial management, economic and social initiatives and linkages with institutions. Sahu (2010) assessed the quality of SHG in Northwest India based on the 13 indicators Thus, in group formation, homogeneity in economic status should be given weight age. Continuity in the perusal of social causes and issues, group processes, and other social parameters should be considered while fixing determinants of group quality. The present study differs from earlier studies as it covers comparative study on quality of SHGs in three different blocks in the study area. Further, this paper attempts to study the grass root issues relating to quality assessment of SHGs and to access the normal practices of SHGs in the study area.

### **OBJECTIVES OF THE STUDY:**

1. To identify the reasons for the formation SHGs in the study area.
2. To access the problems of SHG members in the study area.
3. To study the quality of some selected SHGs in selected study area.
4. To outline conclusions based on the findings of the study and to put forward some suggestions.

### **RESEARCH DESIGN AND METHODOLOGY:**

The present study is based on descriptive analysis. The research design and methodology devised in this paper is being presented which has been designed keeping in mind the focused objectives and with the aim of acquiring accurate and authentic data.

### **RESULTS AND DISCUSSIONS:**

#### **Problems faced by the SHGs:**

1. Difficulty to Approach the Authorities for Getting Loan
2. Poor Response of Authorities
3. Inadequate Loan Amount
4. Lack of Administrative Experience
5. Lack of Cooperation among Members

### **SOCIO ECONOMIC CHANGES THROUGH SHGs:**

Villages are faced with problems related to poverty illiteracy, lack of skills health care etc. These are problems that cannot be tackled individually but can be better solved through group efforts. Today these groups known as Self help groups have become the vehicle of change for the poor and marginalized.

### **GUIDING PRINCIPLES FOR FORMTION OF SHGs:**

The strong belief by the individual to bring about change through collective efforts

1. Effort is built on mutual trust and mutual support
2. Every individual is equal and responsible
3. Every individual is committed to the cause of the group
4. Decision is based on the principles of consensus
5. The belief and commitment by an individual that through the group their standard of

living will improve

6. Savings is the foundation on which to build the group for collective action.

### **SHG – Bank Linkage:**

The group opens a savings account in a nearby bank branch. The group will keep a minimum balance for meeting any crisis needs and deposit the rest in a bank. The leaders jointly operate the bank account. While the leaders withdraw the cash from the bank, members are expected to deposit the cash by rotation. Such a system will help familiarize the bank to the members. A system will be developed to ensure accountability for cash in hand and to minimize the risk of fraud – usually the cash will be kept in a locked box and in the custody of one leader while the key will be with another leader. The groups will maintain simple records and books of accounts to document the SHG operations and transactions. The documentation related to the operations of the SHG such as resolutions passed, attendance of the members etc., will be recorded in the minutes book and attendance register. The financial transactions related to savings, loans, income and expenditure would be recorded in the books of accounts.

### **SUGGESTIONS:**

1. Encouraging SHGs in Excluded Regions: The spread of SHGs in North, Eastern and North-Eastern Region is poor. One of the reasons for this is the weak banking network and social backwardness and less NGO activity. There is a need to evolve SHG models suited to the local context.
2. Capacity building of Government functionaries: There is a need for sufficient training for Suvida Dhata and local NGOS/bank staff on SHG concept
3. Check on corruption/commission while sanctioning and upgrading the loan: The commission and corruption at grass root level leads to selection of wrong people for loan, higher defaults, misutilisation of loans (like revolving loan for money lending, luxurious consumption).
4. Maintenance of participatory character of SHG movement: SHG movement retains its participatory and self-help character.
5. Identification of poor by the NABARD: NABARD has already identified 16 States with large population of the poor, but exhibiting low performance in implementation of the programme. The ongoing efforts of NABARD to upscale the programme in the identified States need to be given a fresh impetus.
6. Incentive package for NGOs: incentives to be provided to honest and result oriented NGOs and Suvida Dhata
7. Avoid ‘ever-greening’ of loans: A certain element of “ever greening” of loans is reportedly taking place among credit linked SHGs. NABARD may expeditiously study this aspect and come out with suggestions for reversing this unsettling trend.

### **CONCLUSIONS:**

The quality of groups is quite low in the selected Development Blocks compare to other blocks or states. Strict random selection of sample could be one of the reasons. Overall environment in the block/district and popular perceptions about the status of SHG movement in the state appears to be aptly reflected by the grades of the groups. In most other studies, the quality of groups does not follow any definite pattern. Finally, it is observed that due to fast growing of the SHG-bank linkage programme, the quality of SHG has come under stress. Some of the factors affecting the quality of SHGs are (i) the target oriented approach of the government

preparing group, (ii) inadequate incentive to NGO's for nurturing their groups, (iii) lack of proper monitoring, (iv) absence of quality enhancement mechanism etc. It is further observed that quality of SHGs should not be stressed upon more than their numbers (i.e., quantity). Quality parameters would include not just financial and physical performance of the group, but also parameters to assess economic and livelihood goal achievement, social status improvement and entitlement access facilitation. Though in India multi-agency approach has been in existence to supply credit to the rural sector, majority of the marginal groups still have no access to credit from formal sector banking institutions subsidized and targeted credit programmes like priority sector lending have made little impact on rural poor house-holds.

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