



IMPACT OF SHGs ON THE DEVELOPMENT OF BPL SEGMENT OF SOCIETY

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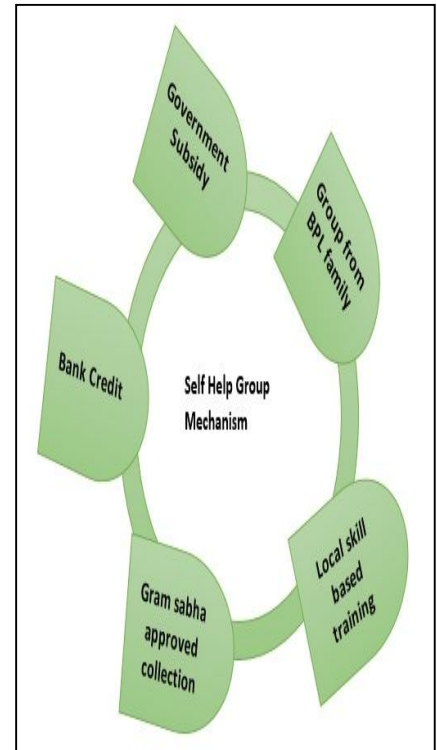
ABSTRACT:

It's all about a movement to make things better for the poor people living in the far-flung areas of Bihar. Mechanism of microfinance has transformed scores of Self Help Groups' (SHGs) into micro-enterprises. The work gathered momentum when the Bihar State Women Development Corporation (BSWDC), Jeevika — the Bihar Rural Livelihood Program (a World Bank initiative) and NABARD came together to give the scheme a modicum of direction. The result is huge. Avanti Devi is a glorious symbol of this success story. This woman from Raghunath Khap village in Gaya district is now an idol for many. A few years ago, she was virtually a pauper, but now is working as an animator for Rupa Self Help Group formed under Swayam-siddha project. She has remarkably improved her economic condition and earned the reputation of a hard working woman. She took a loan of Rs 25,000 from Madhya Bihar rural bank to campaign for herself in panchayati elections. The villagers contributed small amounts to support her. Her victory in rural polls invigorated other members of her SHG. She is a classic example of political empowerment of a successful SHG member. This paper is focuses on SHG's impact on BPL segment of society.

KEYWORDS : Bank Linkages, BPL, Economic Development, SHGs.

INTRODUCTION

The BSWDC created a cadre of community resource persons among the rural women to mobilize others. They formed new SHGs, monitored functioning of older ones and participated at block-level meetings. One of the most remarkable things of these bodies is the inclusion of women in villages. The idea is to empower them socially, economically and culturally, for that empowers an entire society. Through a capacity building exercise, women have developed leadership skills. Now they are lot more confident, can take decisions not only in their own families but in society at large. "The women in SHGs developed leadership qualities by using finance for their sustainable development. The Panchayati Raj institutions were given the political and economic power for



the micro-level economic development." Women pooled in their savings and acquired finance from rural banks, co-operative banks and micro credit institutions.

"Programmes for capacity building of SHGs are intensive. The objective is to attain all-round development of the women working in SHGs. We want them to be economically independent and ensure equality in society. That will help them defend themselves under them Domestic Violence (Prevention) Act as well. BSWDC project coordinator, will guide SHGs to attain economic, social and political goals.

The target is to add 5,000 SHGs every year. The cumulative savings of the 10,764 SHGs were Rs 11.1 crore with the number of group accounts opened in the banks being 9,714 and 600 more group accounts are yet to be opened. The amount sanctioned-disbursed to SHGs was Rs 5.92 crores. The fund was provided to 181 SHGs under 'swarnjayanti grameen rojgar yojana'. Till July 2008, 1,350 SHGs at the village level and 72 SHGs' federations were formed at the block level.

Awareness programmes on health, legal rights, SHG procedures and management, funds management, conflict resolution, leadership development and gender sensitization through couple's training are conducted across the state. Members were asked to get involved in the sensitization process for behavioural changes of SHGs members, their involvement in routine immunization programmes, convergence of service delivery by motivating them to take the patient to primary health centres, to check female drop outs from schools and indulge in HIV/AIDS awareness programme.

BANK LINKAGE WITH BUSINESS-MINDED SHGS

National Bank for Agriculture and Rural development (NABARD) initiated a programme to work with banks in 2001, linking 3,957 SHGs to micro credit through rural and cooperative banks. The SHG movement was delayed in Bihar. It was initiated by NABARD in other states in 1992. By 2007-08, the number of SHGs linked with NABARD's guidance was raised to 92,008 SHGs in Bihar.

When SHGs developed financial strength by increasing the savings of their members, bank accounts of SHGs were opened. The idea is to enable them to get loans to set up business at the grassroots level.

The fundamental aim was to save the rural poor from the system of informal credit introduced by moneylenders and to bring them into the formal banking system. The first installment of micro-finance provided to SHGs were for consumption of its members. Thereafter corpus was created out of their savings on the basis of how much loans they took from banks. The quantum of loans given to SHGs was dependent on savings. The quantum of loans given to them was four times their savings corpus.

"The SHGs attained financial maturity and had reached the 'micro-enterprise mode' to enter into the production process with small businesses and cottage industries of papad, sattu, besan and tilori making besides other small production activities.

A large number of NGOs, farmer's clubs, local bodies, field level workers of government agencies, bank staff and social workers interact with members. Out of 19,669 SHGs credit linked in 2007-08, almost 10,490 got it under swarna jayanti gram rojgar yojana. They disbursed loans worth Rs 154.28 crore. The state level bankers committee targeted to link 40,000 SHGs during the financial year 2008-09. The NABARD provided Rs 19.85 crore as refinance to the banks providing funds to SHGs during 2007-08.

The NABARD sanctioned 56 new self group promoting institutions (SHPIs) projects in 28 districts of Bihar for promotion and credit linkage of 3,875 SHGs in 2007-08. By March 31, 2008, 196 NGOs had acted as SHPI partners in the state to nurture the SHGs. During 2008-09, seven new SHPI projects for linkage of 550 SHGs with grant assistance of Rs 16.50 lakhs were sanctioned. Besides, 16 new farmers' clubs as SHPI projects were

sanctioned to different banks for promotion and credit linkage of 170 SHGs. Earlier, by March 31, 2008, 49 Farmers' clubs had partnered as SHPIs.

During 2007-08, the NABARD had released a total grant support of Rs 44.68 lakh for promotion and upscaling of SHG-BLP related activities in Bihar with 99.29 per cent utilization of the money. In its capacities by building support in 2007-08, the NABARD supported 82 training programs/ workshops/ sensitization meets and other capacity building programs for the SHGs in which 3,000 SHG members and leaders, IRVs and NGO facilitators participated.

Under its micro enterprise development program (MEDP) during 2007-08 for transforming the micro credit fed SHGs into micro enterprises, the NABARD sanctioned Rs 3.15 lakh for 16 MEDPs to six NGOs in five districts in the state.

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND CHALLENGES OF SHGS

Endeavours are warranted to remove weaknesses and combat challenges. Simultaneously, riding on the crest of strengths utmost efforts should be made to exploit the opportunities for maximum advantage. What is true at the national level, holds good for Bihar also. To be fair to the pragmatic situation, Bihar's weaknesses and challenges pertaining to SHGs are more worrisome. On the other hand, strengths and opportunities are not remarkable. Anupam Hazra in an article in Kurukshetra has aptly described the strengths, weaknesses, opportunities and challenges of SHGs which would decide its impact on the BPL segment of society.

STRENGTHS

- "Through socio-economic empowerment of women, SHGs often create hope for gender equality within societies.
- Low financial investment through SHGs can ensure large economic benefits in return.
- SHGs build integrity among its members or people from more or less same socio-economic background, which often lead towards social integrity across rural villages.
- SHGs expand the horizons of livelihood opportunities for rural poor.
- SHGs are prone towards effective and optimum utilisation of existing community-resources for creation of new livelihood opportunities.
- Strong integrity and cohesion among SHG members sometimes lead to social movement against ill practices of the society.
- The ideology of SHGs encourages involvement and participation of people from lowest economic strata or from most vulnerable section of the society - for their socio-economic empowerment - which ultimately becomes instrumental in establishing social justice in society.

WEAKNESSES

- Reluctance among SHG- members to return loan taken from banks.
- Apathy of rural banks to provide fund to SHGs keeping in view their failures to return bank loan in time.
- Lack of knowledge and proper orientation among SHG-members to take up suitable and profitable livelihood options.
- Lack of regular supervision and monitoring on SHG- activities by the loan-providing banks.
- Lack of awareness among SHG-members regarding their own community resources, often leaves them with limited options for income-generating activities which only produces marginal profits.

- There is growing need to organise suitable capacity-building or orientation programs for the SHG- members who have been provided loan so that they can go for a cost-benefit analysis before making financial investment.

OPPORTUNITIES

- SHGs often appear to be instrumental in rural poverty alleviation.
- Economic empowerment through SHGs, provides women the confidence for participation in decision making affairs at the household-level as well as at the community-level.
- Un-utilised and under-utilised resources of the community can be mobilised effectively under different SHG-initiatives.
- Leaders and members of successful SHGs bear the potentiality to act as resource persons for different community-development initiatives.
- Active involvement in different SHG-initiatives helps members to grow leadership-skills. Evidences also show that often women SHG-leaders are chosen as potential candidates for Panchayat Pradhans or representatives to Panchayati Raj Institution (PRI).

CHALLENGES

- Dominance of patriarchal mentality across rural societies, often creates obstacles for women to join SHG or to take up income-generating assignments/projects outside home.
- Inability of the SHG-members to explore innovative options for livelihood opportunities or economically beneficial projects.
- Because of proper communication, very often rural banks cannot reach the geographically isolated or remote villages or our nation which discourages formation of SHGs in such villages due to lack of funding-sources or financial assistances.
- Incidences of misappropriation of funds by SHG-members very often reported which maligns the spirit and ideology of SHG-formation.
- Sometimes Govt. fail to provide equal attention towards the agenda of spreading the spirit of SHG-formation along with other income-generating schemes or flagship programs like MGNREGA, Bharat Nirman, NRHM etc."

FUTURE POTENTIAL

The population of Bihar was approximately 9.29 crore in 2008. The total number of household under below poverty line is 76.7 lakh. There are about 1.859 crore households of which 1.665 crore are rural households (89.54% of total population) and 19.4 lakh urban households (10.46% of total population). Further, the number of rural BPL households is estimated to be 70 lakh (42.1% of rural population) and 6.73 lakh urban BPL households (34.6% of urban population). The outreach of micro credit in Bihar is as low as 18.7 per cent. Approximately 81.3 per cent of the rural population has no access to credit.

The number of credit linked SHGs in Bihar are 92008 (NABARD data) and given the BPL number of households in Bihar as 76.7 lakh in 2008 we can say that 15.61 per cent BPL households are members of SHG (assuming all SHG members and MFI clients are BPL). Overall 1196104 households have been covered (13 members/household per SHG). Further, Sa-Dhan provides an estimate of number of clients/households covered by MFIs in Bihar to be 236343 (assuming one client per household). This means that percentage of BPL households as MFI Clients constitute around 3.1 per cent and percentage of poor households covered by Micro

finance in Bihar is 18.7 per cent. As per the calculation, the total demand of micro credit in Bihar is Rs 4867.5 crore while the current supply is Rs 212.8 crore. Thus, the demand supply gap is around 96 per cent.

At present, as per NABARD, Bihar has 250000 SHGs of which 92008 SHGs are bank linked. They have been provided with bank loans worth Rs 240.99 crore. However, if the desired target of 10 lakh SHGs is to be met, then the micro loans worth Rs 10000 crore and productive loans of Rs 1000 crore have to be made available to them for income enhancement of women and BPL families involved.

SHGs suffer teething problems initially, so much so that banks are unwilling to open accounts even. Bihar has a huge potential, but scaling up of bank linkages and increased SHG activities would require a large force of trainers. Besides, there has to be common training approach, common book keeping approach, and common rating system. There are many problems with SHGs in Bihar. For instance, discontinuity of projects/programs and target driven and subsidy- oriented approach of government are some of the challenges NGOs are facing in the field of SHG/federation promotion. Also the shift of NGOs into MFIs is leading to a shift in SHG model to JLG model. Many NGOs too are not able to mobilize funds from external agencies for their institutional and capacity building costs. This is making them look towards MFI approach as revenue generator, and JLG model as a convenient model for the recoveries. There is need for process- orientation, costs involved in education and capacity building of SHGs, time to be invested for follow up and monitoring are also becoming severe constraints in the promotion of SHGs. Irrespective of the measures taken by NABARD and SLBC, the attitude of bankers towards SHGs is not very encouraging. Lack of technical expertise in the sector and poor presence of technical support agencies is a great barrier for Bihar SHG movement to take a proper direction. There is of course, some strength in SHGs in Bihar. The environment in the state shows some positive indicators for the SHG movement and its growth. The number of agencies involved in the promotion of SHGs is also growing. Government, banks and NGOs are pro-active in this. NGOs, having good rapport and direct interaction with communities, always took a pro-active role in the promotion of SHGs. Remoteness of the areas has not become a constraint for NGOs to establish and to form SHGs. SHGs are not limited to financial intermediation, but social agenda is also being dealt with. Because of the positive environment in the state, many successful organizations working in other parts of the country are showing interest to work in the state. Major promoters are taking steps to increase the base of SHPIs and change the attitudes of bankers towards SHG-Bank linkage. The need for NGOs to take up the work with the provisioning of promotional and operational costs is recognized by major promoters. Importance of technical agencies for institutional strengthening and capacity building is recognized all over the state. However, natural calamities, Migration due to unemployment, etc. are leading to discontinuity in groups. Social and political situation at the local levels are discouraging.

CONCLUSION

Bihar is the most backward State after Odisha. Rural and Urban unemployment compel the BPL segment of the State to move to other States for livelihood. Human development indicators are at the bottom of States' list. Most of the areas are drought prone or flood prone. Perennial employment in agriculture is a distant dream. The industrial sector of the State is deadlocked. Sick units are not being rejuvenated. New factories are not coming up. Bihar is not a lucrative destination for domestic as well as foreign investors. After bifurcation of the State Bihar is facing serious resource Crunch. Under the circumstances, if SHGs emerge in large number with adequate bank linkage and efficient functioning, micro-finance can play stupendous role in ameliorating the living conditions of BPL segment through self-employment and generation of income. It will be a great respite to the poorest of the poor.

Though Bihar is sincerely struggling to become a developed state, its achievements so far are not praiseworthy. The state of financial inclusion is in a shambles. Inclusive growth is a much trumpeted slogan of the state government but it will remain a hollow slogan till financial support, skill development and entrepreneurship opportunities are not ensured to the poor. SHGs and their linkage with banks are below national average. Credit-deposit ratio in Bihar is also very low. SHG founders and sponsors in Bihar are slack. They are not enterprising. Banks and MFIs are reluctant to cooperate. Naturally the impact of microfinance on BPL segment in Bihar is insignificant.

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