

## Functioning and Sustainability of Women Self Help Groups of Assam: An Analysis Based On Credit System and Income Generation

Pallabi Bora<sup>1</sup> and R.K. Talukdar<sup>2</sup>

1. Asstt. Prof. 2. Prof. Deptt. of Ext. Edu, Assam Agricultural University, Jorhat, Assam-785013

Corresponding author e-mail: pbora01@yahoo.com

### ABSTRACT

*The concept of Self Help Groups (SHGs) has emerged in as a model to alleviate poverty and improve overall conditions of the rural poor, especially rural women. In India, the increasing number of SHGs every year shows its potential; however, sustainability of it has always been questioned. Therefore, a study was conducted with women SHGs of Sivasagar district of Assam to understand the functioning pattern and sustainability of the groups. A total of 15 different parameters related to functioning of the 25 women SHGs were taken for evaluation of credit translation into income generating activities. The study revealed that initially all the groups were being supported externally besides their own corpus fund for financial stability. SHGs mobilized their resources through various income generating and entrepreneurial activities. The groups involved in diversified activities like weaving and embroidery, tailoring, preparation of sweets and snacks, pickles and juice, handicraft, poultry and piggery. However, all the SHGs more or less adopted the same activities, indicating competitive market and that resulted in marginal profit within a geographically confined locality. Regarding microfinance, groups financed the members as well as non-members at varied interest rates- usually a higher rate ( 10% per month) for non-members with a repayment period of 3-6 months. The highest income generating activity was piggery with an average annual profit over investment of 42.7 per cent followed by Poultry (14.2 %) and Handicraft (13.4 %). The lowest was in tailoring and embroidery. The profit utilisation patterns of groups were mostly for productive purposes indicating group sustainability. All the members opined that there was increase in household income and they could realize the dream of credit for income generating activities. They could also inculcate the savings habit, meet credit needs, gain confidence etc. in more than 90.00 per cent cases. The effects in political process at grass root level and banking practices were less visible (43.00 and 38.00 % respectively).*

**Key words:** Self Help Groups (SHGs); Income generating activities; Entrepreneurial activities;

Persistent poverty is one of the basic problems affecting India's economy, women being the most vulnerable group affected by it. This is more pronounced in poorer families, in which household income is largely depended on family women for survival (World Bank, 1995). Interestingly, nearly half of the human population is women and the rural women in India constitute about 77 per cent of the total female population, which is a leading working force. The economic development of any nation depend largely on the growth of this community in terms of entrepreneurship, employment activities in agriculture and allied sectors, mobilization, utilization and generation of funds or capital.

Against this backdrop, the National Agricultural

Bank for Rural Development (NABARD) has the success story when a scheme, "linking Self Help Groups (SHGs) with banks" was introduced to empower rural population of India in general and rural women in particular. SHGs are informal, voluntary, grass root level institutional arrangement formed to meet the credit requirements of the poor (Mishra, 2005).

The goal of forming SHGs is to promote savings and credit activities and to promote empowerment of women into production units (Choudhary et al, 2009). As credit, security and other conventional instruments for small scale financing are seldom available to the poor due to prohibitive transaction costs, the members of such groups have their own corpus fund and operate

inter lending and take up entrepreneurial activities for capital formation. SHGs have been successful in empowering rural women through entrepreneurial activities which influence increase in income, expenditure and saving habits of rural women (Sharma et al. 2008). Recently, many national and international NGOs have come forward with projects for formulation and strengthening of SHGs in India. This study was conducted with women SHGs of Sivasagar district of Assam to understand the functioning pattern and sustainability of the groups based on credit system and income generation.

## METHODOLOGY

Sivasagar district of Assam was selected purposively for the study because a large number of women SHGs of 5-6 years old were functioning in Sivasagar district. Out of 4 sub-divisions in this particular district, only two were selected purposively, namely, Amguri and Sivasagar sub-divisions based on the same criteria as above. Similarly, two blocks, namely, Gaurisagar and Khelua were selected randomly from the Sivasagar and Amguri subdivision respectively based on the prevalence of active SHGs units. By following proportionate random sampling only 25 SHGs were selected. Four members from each SHG were selected randomly consisting final sample size of 100.

The research schedule employed in this study consists of both structured and open ended question and a total of 15 different parameters related to the functioning pattern of the 25 SHGs units were selected to assess how credit translated into income generating activities for its sustainability. Both primary and secondary data were used to explain the results. Primary data were collected from SHG members whereas secondary data were collected from respective blocks (Sivasagar District) of State Department of Agriculture, Panchayats and National Bank for Agriculture and Rural Development (NABARD). The collected data were properly coded, tabulated, analysed and interpreted in accordance with the objectives of the study by using appropriate statistical techniques. As this is purely a descriptive study, the statistical techniques employed were Frequency, percentages, mean score and rank.

## RESULTS AND DISCUSSION

The different aspects of functioning and sustainability of the SHGs are enumerated below along with the Tables.

**Membership Pattern:** This dimension refers to the total number of members in a particular SHG unit. The table revealed that majority of the SHGs consisted of 10-15 members (72%), followed by >15 members (24%) and only (4%) of the total SHGs had <10 members. SHGs were found to be more comfortable with 10-15 members. This size was optimal in order to maintain cohesion and bonding within the groups. Moreover, as the number of the members increases in a group, decision making process is hampered due to difference in ideas and views. If the members size is <10, it became difficult for the groups to manage in all the group activities. Further analysis was done to find out the number of Executive members in the groups, which showed that majority of the SHGs (84%) had three executive members. Generally, office bearers were selected on rotation basis so that each member gets the chance to develop leadership qualities and to boost up self confidence.

**Periodicity of meeting:** It refers to the interval of gathering of members in a particular place and having discussions on group activities. A total of 76 per cent SHGs held meeting every week followed by 16 per cent that meet at an interval of 15 days and a very few (8%) held group meeting monthly (Table 1). Weekly meeting is effective for the groups because the members can frequently meet and have discussions on various problems, finding solution, sharing each member's feelings, planning for future group activities. A minimum fine was to be borne by those who were absent in the meeting. This was basically done to improve the attendance.

**Contribution of Fund:** It means amount to be contributed by individual member per month to its corpus fund i.e., common fund to generate the group resources. Members had to deposit compulsorily a sum of amount according to their economic conditions in the corpus fund to generate group resources and to have access with banks. It is seen from the Table 1 that SHG (48%) fixed an amount of Rs. 20 - 30 pm followed by Rs. <20 (32%) and a very few (8%) fixed an amount > Rs. 40-50 pm. to be deposited by its members. Delay in depositing of corpus fund levy certain penalty to the members. After a substantial amount was gathered, SHGs deposited it in the nearby banks where they had group account.

**Deposit interval:** This is the period of time in which members of a particular SHG unit need to deposit amount in common fund. Regarding the time of

**Table1. Different aspects of functioning and sustainability of the SHGs units.**

S.No.	Dimensions	
i.	Membership pattern	
	Members	No. & %
	<10	1 (4.000)
	10-15	18 (72.00)
	>15	6 (24.00)
ii	Periodicity of Group	
	Meeting (Interval (days))	No. & %
	7	19 (76.00)
	15	4 (16.00)
	30	2 (8.000)
iii	Common fund	
	contribution Amount (Rs.)	No. & %
	<20	8 (32.00)
	20-30	12 (48.00)
	30-40	3 (12.00)
	40-50	2 (8.000)
	>50	-
iv	Deposit interval (days)	No. & %
	7	19 (76.00)
	15	4 (16.00)
	30	2 (8.000)
v	Loan disbursement condition	Members
		No. & %
	Security	2 (8.000)
	No Security	23 (92.00)
		Non Members
		No. & %
	Security	22 (88.00)
	No Security	3 (12.000)
vi	Loan repayment period	
	month	No. & %
	<3	4 (16.00)
	3-6	19 (76.00)
	>6	2 (8.000)
vii	Interest on loan	
	(Non Members)	
	Rate of Interest (% p.m)	No. & %
	<5	-
	5-10	4 (16.00)
	>10	21 (84.00)
viii	Loan repayment pattern	Members
		No. & %
	100% repayment within time	25 (100.00)
	50-99% repayment within time	-
	<50% repayment within time	-
		Non Members
		No. & %
	100% repayment within time	21 (84.00)
	50-99% repayment within time	2 (8.00)
	<50% repayment within time	2 (8.00)

ix	Records & Accounts		
	Particulars		No. & %
	Saving Ledger		25 (100.00)
	Loan Ledger		25 (100.00)
	Pass book		25 (100.00)
	Minutes Book		17 (68.00)
	Group activities record		25 (100.00)
	Attendance Register		21 (84.00)
	Membership register		14 (56.00)
	Visitor Register		8 (32.00)
x	Decision making		No. & %
	As per decision of		4 (16.00)
	Executive Committee		
	As per decision of the		21 (84.00)
	General body Meeting		
	As per decision of others		-
xi	Member's involvement pattern		No. & %
	Actively involved		53 (53.00)
	Involved		47 (47.00)
	Not involved		-
xii	Resource mobilisation pattern		
		1st Year	
		Own	External
		(SHGs No)	(SHGs No)
	Upto 25	23	-
	26-50	2	2
	51-75	-	7
	>75	-	16
		6th Year	
		Own	External
		(SHGs No)	(SHGs No)
	Upto 25	-	15
	26-50	4	7
	51-75	19	2
	>75	2	-

depositing fund, usually the members deposited their contribution at the time of group meetings; weekly, fortnightly or monthly. The Table 1 showed that a total of 76 per cent SHGs deposited every week followed by 16 per cent that deposited at an interval of 15 days and a very few (8%) deposited in the corpus fund monthly.

*Conditions of disbursing loan:* It means whether SHGs disburse loan on conditions either to its members or outsiders from accumulated resources. Groups started micro financing to its members as well as non members so that they were able to access to credit individually, which was a dream for them to get directly from banks. For non members they usually lend to those whom they knew better, local and trustworthy. For members, no strict rules were followed to disburse loan; however, only a few (8%) provided loan on condition

(security). In case of non-members, majority of the loans were provided on conditions. It is seen that 88 per cent SHGs disbursed loan to non-members on conditions of security and 12 per cent without security (Table 1). Further investigation showed that members were provided loan on rotation basis except in an emergent need arises.

*Repayment period of loan:* This dimension refers to the duration of the loan period which is to be repaid back to SHG units. Both the members and non members usually had to repay the loan within a fixed period of time. It was observed from the Table 1 that majority of the SHGs (76%) had a schedule of 3-6 months to repay the loan. A total of 16 per cent of the SHGs offered a repayment period of < 3 months whereas only 8 per cent SHGs were found to have repayment period of > 6 months. Members were given the opportunity to repay the loan in instalment.

*Rate of interest:* It refers to the interest rate charged on loan per month to its members and non members. Generally, the rate of interest charged on loan varies for non-members and members. For members, a minimal percent of interest levied as charge, and the charge of interest was higher in case of non-members. For non-members, majority of SHGs (84%) charged > 10 per cent interest pm. and 16 per cent of SHGs charged interest in between 5-10 per cent (Table 1). However, for members, an interest of less than 5 per cent was levied by most of the SHGs (92%) and a very few SHGs (8%) charged 5-10 per cent interest for their members. Moreover, if they could not repay the loan within time, charged was levied to both the members and non members at the same rate.

*Repayment pattern:* The financial sustainability of a SHG depends mainly on the repayment pattern of the loan by the members and non members (Sarma, 2000). The Table 1 showed that all the SHGs received total amount of loan (100%) along with the interest within time from members while in case of non-members, it was found that a total of 21 SHGs received 100 per cent repayment of loan in time. This showed that overall repayment pattern was good which enabled the SHGs to repay previous bank loan and ultimately helped to access more loans from the banks to undertake various group activities.

*Maintenance of records and accounts:* SHGs maintained certain records and accounts such as savings ledger, loan ledger, pass book, minute's book, group activities record, attendance register, membership

register and visitor's register. All the SHGs under study maintained savings ledger, passbook loan register and group activity records. However, minute book, attendance register, membership register and visitor's register were maintained by only 68, 84, 56 and 32 per cent SHGs, respectively (Table 1).

*Decision making of SHG units:* It refers to the process by which an agreement is reached by the SHGs for various group activities from various sources. The Table 1 revealed that majority of the SHGs (84%) made the decisions in general meeting followed by executive committee (16%). But at the infant stage, SHGs required all sort of guidance, support and had to depend more or less on external sources to take a decision as members were ignorant and lack self confidence. This indicates that SHGs involved all the members to express their views and opinions in order to boost up their confidence in decision making process and to maintain transparency. SHGs reached to a final concrete decision after taking all members' consensus and accordingly action plan were prepared.

*Resource mobilization pattern:* Resource mobilization is mostly from own fund generated (i.e. members' contribution in common fund, interest received from disbursing loan, income from various entrepreneurial activities) and from external sources. At the initial stage of formation of SHGs, all the SHGs (100%) were being externally aided besides their own corpus fund. Major portion of the resources (either cash or kind) were obtained from outside for strengthening and stability of the groups. With due course of time, it is evident from Table 1 that the percent of resources received from external sources decreases gradually as SHGs became vibrant and thereby they could mobilize their own resources efficiently. This indicates that SHGs could generate and accumulate their own resource which was a positive trend for its sustainability.

*Involvement pattern:* To determine this dimension in the present study, three categories viz., "actively involved", "involved" and "not involved" were taken into consideration and all the SHGs members were asked individually about their involvement in group activities. It was found that all SHGs members were involved in various group activities, none were found to be in "not involved" category but level of involvement varies. With regard to active involvement of the SHG members, it has been found that more than 50 per cent SHG members were actively involved in various group activities (Table 1). More the member's involvement in group



activities, it creates a sense of belongingness towards their groups. All members were not able to equally involved in various activities due to family obligations, own farm activities and laziness for which they needed some sort of driving force.

**Income Generating Activities undertaken by SHGs:** For the group's sustainability, SHG had to undertake certain entrepreneurial activities to generate income. The SHGs under study were engaged in seven income generating activities (Table 2). These were weaving, tailoring & embroidery, sweets & snacks, pickles & juice, handicraft, poultry, piggery. SHGs apart from farm activities were engaged in a variety of non-farm activities and value added products (Kumaron, 2001; Gurumoorthy, 2000; and Srinivasan, 1995) as has been revealed by these investigations also. However, all the SHGs were using a combination of few activities from amongst the list in Table 2. The total investment, income, profit and profit over investment (%) are shown in Table 2.

It is seen from the table that highest profit over investment (42.7 % per SHG) was in piggery followed by poultry (14.2 %) and handicraft (13.4 %). Profit over investment from other activities (tailoring and embroidery, weaving, pickles and juices, and sweets and snacks) varied between 5.3 per cent and 7.1 per cent. It is clear from the table that all the activities may not be economically viable for the women SHGs. Pork was very much in demands in the study area followed by poultry meat as most of the women were from a community which traditionally rears pig.

Moreover, it is evident from Table 2. that SHGs were involved in more or less the same kind of activities and that too more than a single activity at a time indicating a competitive market that may have resulted in marginal profit (Table 2). Regarding profit and loss from the enterprises, it was observed that although SHGs could manage profit in each activity but the difference was wide amongst the activities. The average investment

**Table 2. Income generating activities**

Activities	TA	TI	TP	AI	AP	PO
Weaving	55612	119456	63844	463.43	532.0	5.7
Tailoring & embroidery	25500	45844	20344	283.33	226.0	5.3\
Sweets & Snacks	20638	42768	22130	229.3	245.8	7.1
Pickles & Juice	13901	25151	11250	165.4	133.9	5.7
Handicraft	20102	49932	29830	304.5	451.9	13.4
Poultry	11873	32191	20318	164.9	282.2	14.2
Piggery	15727	42603	26876	655.2	1119.8	42.7

TA = Total amount invested in 6 years (Rs)

TI = Total income generated in 6 years (Rs)

TP = Total profit earned in 6 years (Rs)

AI = Average investment/ SHG /yr (Rs)

AP = Average profit/ SHG/ yr (Rs)

PO = Profit over investment/ SHG (%)

per SHG per year was highest in Piggery (Rs.655.20) and lowest in Poultry (Rs. 164.90). It may be because piglet cost around Rs. 1000 to Rs.1500 but poultry was locally available. The second highest average investment was in weaving (Rs.463.43) but this was less remunerative as the profit over total investment was only 5.7 per cent.

**Profit/fund utilization:** This dimension referred to the utilization of fund by the SHG units for various productive purposes. It was found that majority of the groups (88%) regularly utilised profit to venture new projects followed by (84%) in micro financing to its group members as well as non members. Only a few (6%) seldom utilised in profit share distribution. The profit utilisation pattern of groups indicated that groups can sustain as because for its existence and survival, capital were circulated and invested for more productive purposes instead of distributing and consuming among its members.

**Effects on SHG members:** To identify the overall effects of SHGs on its members, open ended questions were asked. A remarkable change had been observed in the lives of SHGs members after they joined SHGs.

**Table 3. Utilisation of profit /Fund**

Purpose	Frequency (SHGs No. & percentage)				
	Regular	Seldom	Never	MS	Rank
A part of profit is utilised to venture new projects	22 (88.00)	3 (12.00)	0	1.88	I
A part of profit is utilised in micro financing to its members & non members	21 (84.00)	4 (16.00)	0	1.76	II
A part of profit is kept as an emergency fund	0	19 (76.00)	6 (24.00)	0.76	IV
A part of profit is distributed amongst members for consumption purposes	0	10 (40.00)	15 (60.00)	0.40	V
A part of profit is deposited in banks	8 (32.00)	17 (68.00)	0	1.32	III
A part of profit is kept for daily expenditure of SHGs	0	11 (44.00)	14 (56.00)	0.44	VI

**Table 4. Overall effects on SHGs Members**

Effects	No.	%	Rank
Increase in the income level of SHGs members	100	100.00	I
Dream of availing credit from Formal credit Institutions came into reality	100	100.00	I
Inculcate the habit of saving	97	97.00	II
Able to meet emergent and small credit needs	94	94.00	III
Became self dependent, their confidence and courage soared	91	91.00	IV
Able to provide their children with better necessities of life	89	89.00	V
They could run some subsidiary business and cultivate land with improved technology	88	88.00	VI
A better status maintaining a self identity in society	83	83.00	VII
Development of skill and knowledge in various farm and non farm sector	79	79.00	VIII
Learned to read and write	75	75.00	IX
Improvement in decision making ability	72	72.00	X
Able to raise their voice against various social evils and odds	69	69.00	XI
Help to take part in political process at grass root level	43	43.00	XII
Learned about banking practices	38	38.00	XIII

It is seen from Table 4, that all the women members realised that SHGs had raised their income level as well as helped them in availing credit from Formal Credit Institutions (rank I) and also inculcate in them the habit of saving (rank II) which is supported by the findings of (Rajamohan, 2003). The SHGs were also able to meet the emergent and small credit needs (rank III); made them self dependent, boosting their confidence as they could discover their inner strength as in case of findings of (Singh *et al.*, 2007). They felt happy as their children could be better provided with basic necessities of life (Rank V). (Jain, 2003) found that one of the most important positive effects was enhanced equality of status of women which ultimately helped them to have a self identity in the society. Other important effects were observed in relation to running of subsidiary business, better amenities, skill and knowledge development, enhancement in decision making skills, reading-writing skills and social skills. However, effects

on participants in political process at grass root level and banking practices were less visible (43.00 and 38.00 % respectively).

### CONCLUSION

SHGs helped the women to gain economic and social empowerment. It has made the women skilled in taking up income generating activities on their own though the margin of profit was less. The study also forces to conclude the need to become more careful in selection of enterprises for income generation. Therefore, Government, NGOs and various agencies should come forward to give further guidance to SHGs in management of their groups and selection of market driven activities. There is no doubt that the SHGs had brought about remarkable changes in the lives of members directly and to their family and society indirectly.

Paper received on : February 12, 2012

Accepted on : March 07, 2012

### REFERENCES

1. Choudhury, J. and Devi, R. (2009). Women's Participation in Economic Development: Role of SHG; In Konwar, K. and S. Das (Eds). Role of women in the socio-economic upliftment of Assam, *Purbanchal Prakash*, Guwahati, Assam.
2. Gurumoorthy, T.R. (2000). Self help groups empower rural women, *Kurukhetra*, **48**(5): 36-39
3. Jain, Ritu. (2003). Socio-Economic Impact Through Self Help Groups, *Yojana*, **47**(7):11-12
4. Kumaran, K.P. (2001). Self help groups of the rural poor in India: An analysis, *National Bank News Review*, **17**(2): 31-37
5. Misra, C. (2005). SHGs in Unorganised Garment: A Case Study of Madurai. *Kurukhetra*, **53**(9): 43-45.
6. Sharma, P. and Verma, S.K. (2008). Women Empowerment through Entrepreneurial Activities of Self Help Groups. *Indian Res. J. Ext. Edu.*, **8**(1): 46-51.
7. Singh, Y.K., Kaushal, S.K. and Gautam, S.S. (2007). 'Performance of Women's Self Help Groups (SHGs) in District Moradabad, U.P', *International Journal of Rural Studies (IJRS)*, **14** (2): 1-5.
8. Srinivasan, N. (1995). Group approach to empowerment of rural women- IFAD experience in Tamil Nadu state. *BIRD Lucknow*, **5**: 22-23.

\*\*\*\*\*