

## **Role of Self-Help Group in Rural Development— A Case Study of Lakhimpur District, Assam**

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### **Abstract**

*Today in developing countries the Self Help Groups plays an important role in the field of socio-economic development. The Government and the civil society of these countries have been considered it as a way of group development of the people. Like rural area, the Self Help Group are also most popular in the urban area and hence, it is considered as a tool of development mechanism. The Self Help Group is a group generally comprising of local homogeneous people for their socio-economic development. The SHGs are democratic institutions that collect and deposit a certain number of amounts from their members monthly in the bank and lend some amount to the needy members for production purposes and also for continuation and utilization needs. The SHGs also take a loan from banks, voluntary organization and self-promoting institution to meet the needs of the members. It also creates awareness among the people regarding their socio-economic development of the society. In this paper, an attempt has been made to study the role and performance of Self Help Group in Lakhimpur District, Assam.*

**Key words:** *Self Help Groups, Homogeneous, Socio-economic Development, Government, Bank*

### **Introduction**

In recent years, the developed and developing society has been emphasized upon some organizations like Non-Government Organizations (NGOs), Self Help Groups (SHGs), Mutual Organizations (MOs) and such other Voluntary Organizations (VOs) for socio-economic development. The Governmental organizations of the state are not enough to implement all the developmental activities which are essential for society. Hence, some non-governmental organizations have come to occupy a decent role in social development. Today, more particularly in developing states, for combating poverty and socio-economic empowerment of the poor in rural areas, the SHGs are recognized as a sturdy tool of the society.

SHGs are also a little body formed by the people for meeting their credit. The foremost attraction of any SHGs is that before its linkage with any financial institutions credit discipline embodied among the members by loaning their savings within the group. In India, these SHGs are promoted by N.G.O.s, Banks and Co-operatives. The depository financial institution for Agriculture and Rural Development (NABARD)

launched a shot for linkage SHGs in February 1992. The bank of India advises the commercial banks actively to participate within the linkage programme. Normally after six months of the existence of SHGs and after collecting a sufficient thrift fund, the Groups approach the link banks (either commercial or co-operative) with its credit plan. The NABARD gives 100 per cent refinance to the Banks on their lending through the SHGs. Thus, the linkage of SHG with banks has improved the socio-economic conditions of its members by way of a positive impact on income, saving and self-worth. NGOs and SHGs have proved to attain success in addressing the interest of women in generating savings and bringing the women out of the four pillars of the wall, making them more articulate and building their leadership qualities and their skills as motivators. SHGs offer an organizational base, large resources and access to modern technology leading to employment and income generation. Therefore, the SHG movement among the agricultural poor within the varied parts of the country is emerging as a reliable and efficient mode for technology transfer.

But, it would not be possible if people feel that they are to be told by participating. If the programmes aren't conceived in keeping with the necessities of the people which hamper their motivation to participate empowerment of ladies and creating awareness within the grass-root level is very important for successful implementation of any programme. In rural areas, neither governmental process nor anti-poverty programmes can improve the quality of the lifetime of the people. Their economic condition could also be improved by providing sufficient scope and versatile funding for any income-generating activities. These include health care, safe potable, education, housing, sanitation etc. which is crucial for realizing the potential of a person.

SHGs in India: An Overview: The Self-help Group is often used to describe a good range of monetary and non-financial associations. In India, it is come to confer with a kind of Accumulating Saving and Credit Association (ASCA) promoted by government agencies, NGOs or Banks. These groups manage and lend their accumulated savings and outwardly leveraged funds to their members.

The SHGs have diverse origins; mostly as a part of integrated development programmes surpass NGOs with donor support. The main programme involving financial intermediation by SHGs is that the SHG-bank Linkage Programme. This Programme was launched in 1992 by National Bank for Agriculture and Rural Development (NABARD), the apex bank for rural development in India. By March 2002, the programme covered 7.8 million families with 90 per cent women members. The report stated that on-time repayment of loans was over 95% for banks participating in the programme. It also involved 2,155 non-government organizations (NGOs) and other self-help promoting institutions. NABARD's corporate mission is to form available microfinance services to twenty million poor households, or one-third of the poor within the country, by 2008.

The SHG-bank linkage could appear impressive, but within the context of the extent of poverty in India and therefore the flow of funds for poverty alleviation, it represents an awfully small intervention. Only about one-third of the SHG members can access loans out of external funds within the initial years. The available data also stated that 4.5 million families covered by March 2001, only 1.5 million would have received a loan of a median of Rs. 3,000 at the present. Disbursements under the poverty-focused self-employment programme Swarna Jayanti Swarozgar Yojana (SGSY), meant for families below the poverty level, were Rs. 642.34 crores during 2000-2001, as against Rs. 250.62 crores under bank linkage.

Not only NABARD but also about half a dozen other apex bodies or wholesalers provide loans to financial intermediaries for on-lending to SHGs. These include the Small Industries Development Bank of India (SIDBI), Rashtriya Mahila Kosh (RMK), Housing and Urban Development Corporation (HUDCO), Housing Development Finance Corporation (HDFC) and Friends of Women's World Banking (FWB). Donors and banks also provide grants and loans to Micro Finance Institutions (MFIs) for on-lending to SHGs and federations of SHGs.

The leading SHG-promoting NGOs constitute a mixed group that features both pure SHGs promoters yet as NGOs operating as MFIs. They need to develop a range of institutional arrangements, including cooperatives, to produce access to financial services to the poor, particularly women.

Different organisations have promoted or supported SHGs from a distinct perspective and agenda. The outlook of SHGs largely depends on how the promoters see them within the future, whether or not they are intended to be temporary or permanent organisations. Looking across the prevalent perspectives on SHGs, it may well be said that they're loaded with a wide selection of expectations on the part of different stakeholders. However, various micro-studies reveal that SHGs haven't lived up to those levels of expectations. The explanations for this include lack of adequate support, lack of vision, absence of enabling factors etc. on the one hand and attempting to create the SHG as a bandwagon for too many interventions, irrespective of the capacity or the interest of its members, on the opposite.

In a situation where there's various set of expectations from SHGs, the understanding and parameters of quality of SHGs of various stakeholders also varies. Yet there exists a standard ground when it involves the essential characteristics required of an SHGs. It is necessary to spot this ground and set appropriate benchmarks for SHG operations. Generally, a 'Self Help Group' is made when members of a community, who have an identical or similar problem, close, meet, share experiences, have discussions, and thereby attain solutions. Internationally, such groups are formed around medical problems and addictions. Self-help is seen

as an affordable way of providing vital community services. As an ethos, SHGs symbolizes community initiatives to tide an issue over and achieve the level of self-sufficiency. It is an idea that has evolved and has more experienced several and substantial modifications. The SHGs has evolved everywhere the globe and also the journey has been at several levels – from labour/kind/premonitory currency to cash; from non-financial to financial groups; from rotating to non-rotating patterns; from short-lived to semi-permanent or supposedly permanent groups; and from savings-only to savings have driven credit groups.

Grain Banks are existing for a few years in India, wherein in areas of frequent drought, the community pools grain when it is available, so it is often accessed as a loan, in times of scarcity. These have also been actively promoted by non-government organizations (NGOs), community-based organizations (CBOs) and funding agencies (national and international), as systems that build food security. The monetary component enters into the system of rotating loans with the appearance of markets that function on the idea of cash. In India, an initiative in self-help has been the ‘chit funds’. Such associations consisted of 10 to fifteen persons who gathered to pool their saving together then chose one member (either by lottery or the other method) to receive the pool of cash. These associations were formed for various reasons, like access to credit in emergencies, or for ladies to avoid wasting for the possible future crisis in secrecy from their families. While chit funds are prevalent among households and tiny businesses everywhere in India, chit funds also are organized by Chit Fund Firms, especially in South India, and are regulated by the Chit Fund Act. CHITS used a system called ROSCA (Rotating Savings and Credit Associations) to disburse the pool of cash.

In India, one also finds SHGs around watershed management, forest management etc. However, largely, the SHG is that the conduit through which microfinance is routed to the poor within the assumption that it will prove catalytic in helping them to tug out of poverty. These are small groups of 10-20 persons, who close to save and rotate loans amongst the members. Once these groups stabilize, they're accorded formal support from the industry so on widen their lending capacities. An important dimension of SHGs is that the peer pressure that members of a bunch exert amongst themselves, which acts as a substitute for formal collateral. The rationale of microfinance relies on findings, which have shown that the poor can save, and may be relied upon to return on time the cash that they borrow. Microfinance supposedly circumvents the drawbacks of both the formal and informal systems of credit delivery and also fits within the larger Principles of market liberalization since credit-to-the-poor and profits don't seem to be antithetical to each other. Among the 000 and potential clients of micro-finance, women are seen because of the foremost reliability in terms of repayment and utilization of loans. The instrumentalist vision of microfinance relies on the understanding that the entire household benefits when loans are given to women. Further, it's argued that micro-finance can empower women since it instils a perception of strength and confidence through augmentation of incomes and

their participation in group activities. Hence, most of the groups formed are women-only SHGs.

### Performance of SHGs in Lakhimpur

To understand the performance of the SHGs in Lakhimpur District of Assam, altogether 86 SHGs has been selected randomly to test the objectives of the problem. Most of the SHGs were selected from the North Lakhimpur Sub Division. These SHGs were composed of both man and female categories of people. It is worth mentioning that the entire village of Lakhimpur District has represented a similar character from the viewpoint of their socio-economic condition and geographical location. Hence, a selective group of SHGs were taken for the discussion to draw a settable conclusion. Composition of the SHGs: To know about the importance of SHGs in the process of socio-economic development of society, it is essential to know about the composition of the SHGs. In the study area, it was found that altogether 21 SHGs are composed of male members and 55 SHGs are composed of female members. Only 10 SHGs are formed by both male and female members of the society as stated in the Table No.1.

**Table No. 1**

Compositions of the SHGs

Members of the SHGs	Total Number of SHGs
Male	21
Female	55
Mixed (Male and Female)	10

Field study of the researcher

Total numbers of members of SHGs: In our study, it is found that altogether 905 persons are directly related to the SHGs. Among them, 359 members belong to male and 546 members belong to female categories. It is also found that women are more interested to form SHGs than the male. Hence, the numbers of the female are more than the male as mention in the Table No. 2.

**Table No. 2**

Members of the SHGs

Members of the SHGs	Total member of SHGs
Male	359
Female	546

Field study of the researcher

Activities of the SHGs: The SHGs of the study area are involved in different activities. From our study, it is found that male, female and mixed composite SHGs are involved in different sectors of production activities and engagement. In the sample survey, it was found that the male SHGs are related to firming, fishing, agro-production and other types of small trading. Total 7 numbers of SHGs are related with firming, 5 are with fishing, 8 are with agro-product and only 1 SHGs related with small trading sectors.

Similarly, the female SHGs are also related to different sectors. In our study it is found that a total of 41 numbers of v are related with firming, only 1 in fishing, 11 Nos. with agro-product and 2 numbers are related with small trading. The mixed SHGs are also involved in similar types of activities. It is noted that 3 SHGs are related with firming, 2 with fishing, 4 with agro-product and only 1 with the small trading as mention in Table No. 3.

**Table No. 3**

Activities of the SHGs

Types of the SHGs	Firming	Fishing	Agri-production	Small Trading
Male	7	5	8	1
Female	41	1	11	2
Mixed (Male and Female)	3	2	4	1

Field study of the researcher

Type of Firming: The SHGs of the survey area has been related to the different types of production activities. As stated in Table No. 4 it was found that 8 per cent of male SHGs are related with Piggery firming whereas 26 female SHGs per cent are related with the same. On the other hand, 3 per cent of male and 4 per cent female SHGs are involved in Diary, 7 per cent male and 23 per cent female are related with Poultry firming.

Similarly, 2 per cent of each category of SHGs and only 1 per cent of male SHGs are related to Goutary and Mulberry firming. On the other hand, it was also found that 5 per cent of mixed SHGs are related to Piggery, 4 per cent with Poultry and 1 per cent with Goutary firming.

**Table No. 4**

Type of Firming of the SHGs

Types of the SHGs	Piggery	Diary	Poultry	Goatary	Mulberry
Male	8	3	7	2	1
Female	26	4	23	2	-
Mixed (Male and Female)	5	-	4	1	-

Field study of the researcher

Linkage with Bank: As stated in Table No. 5, it was found that all the male and female SHGs are associated i.e. established their relationship with the local bank. In our study, it was found that most of the SHGs are associated with Gramin Bikash Bank, Bank of Boroda and State Bank of India and United Bank of India. Some v is also related to private sector Bank such as HDFC Bank in the study area.

**Table No. 5**

Linkage with Bank in percentage

Members of the SHGs	Total percentage
Male	100%
Female	100%
Mixed (Male and Female)	60%

Field study of the researcher

As stated in Table No. 5, it was found that all the male and female SHGs are associated i.e. established their relation with the local bank. In our study it was found that most of the SHGs are associated with Gramin Bikash Bank, Bank of Boroda, State Bank of India and United Bank of India. Some v are also related with private sector Bank such HDFC Bank in the study area. The amount of loan taken by SHGs is varying from one another and it between Rs 10000 to 3 lakh. It is seen that 52.3 per cent SHGs have taken loan from banks for almost Rs 25,000. Only general caste SHGs is found to receive loan Rs 3 lakh and 1.5 lakh. Although the SHGs has taken loan from the bank for farm activities after receiving the loan, most of them used it for

lending to needy members and nonmembers at the rate of Rs 5 and Rs10 respectively and they said that loan given out is more profitable than invest on-farm activities.

**Table No.6**

Dependent on SHGs

Members of the SHGs	Total Number of SHGs
Male	40 %
Female	10%
Mixed (Male and Female)	10%

Field study of the researcher

As stated in Table No. 6 above it was also found that only 40 per cent of male SHGs and 10 per cent of female SHGs are directly dependent on their group activities. The members who belong to these groups believe that they can have a good life with help of SHGs. On the other hand, only 10 per cent of mixed SHGs members are directly dependent upon SHGs activities. From this statement, it was proved that the SHGs are still not a sweetable way or depending way for the members of the SHGs of the study area.

### **Conclusion**

The present study has attempted to review the performance of SHGs of Lakhimpur District of Assam. In our study, it was found that almost all the SHGs of the District are involved in farming activities. It is observed that the highest number of SHGs engaged in Piggery cultivation and only one per cent is related to the Mulberry production. Members of the SHGs of the study are gradually believed that they can have a good life with the help of SHGs activities. The established linkage with bank and SHGs has also proved that the SHGs of the concerned study area are officially matured and well recorded. The SHGs of all categories have received a subsidy from the bank under governmental development programmes. It is also observed that some SHGs of the same also received a grant from DRDA, Lakhimpur.

In the study, it is found that the repayment of a loan of the SHGs is excellent. They recovered their loan in time because of the group pressure, the good relationship of trust and confidence between bankers and SGHs. The management system of SHGs is democratic and they select their office bearers such as the President, Secretary and the Treasurer annually from them. They also organised their meeting every month and keep written proceedings of their meeting. They have deposited their thrift collection in their account regularly, for



which the bank has easily granted a direct loan to the group.

From the above discussion, it is found that the SHGs plays a significant role in the field of socio-economic development of the state. To develop the poor community of the state the government should assist these SHGs. Simultaneously, it is also essential to providing skill-based training to the members of the said SHGs. In this regard, the government or the district authority should accommodate the local NGOs and academic institutions with it so that the said SHGs can facilitate. If the Government able to established a good relation between SHGs and other organisation then the socio-economic condition of the people as like the members of the SHGs will certainly develop.

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