

# Functioning of Self Help Groups Under SGSY in Mirzapur (U.P.): An Appraisal

Dr. Satya Dev Singh  
Principal, DAV PG College (B. H. U.), Varanasi.

Dr. Rajesh Kumar Singh  
Assistant Professor, PG Dept. of Commerce, DAV PG College(B. H. U.), Varanasi.

---

## ABSTRACT

The SGSY covers all aspects of self employment of the rural poor viz: organization of the poor into Self Help Group and their capacity building, training, selection of key activities, planning of activity clusters, infrastructure built up, technology and market support etc besides financial assistance in the form of subsidy by Government and credit by the banks. The Self Help Promoting Institutions train the members of Self Help Groups in various areas of human development skills, managerial/technical/financial skills, entrepreneurial skills and skills in income generating activities. The present paper appraises the general and financial management practices of Self Help Groups formed under SGSY along with evaluating their financial discipline in saving and lending behavior.

**Keywords:** capacity building, entrepreneurial skill, financial discipline, managerial practices, Self Help Groups

---

## Backdrop:

Programmes for self employment of the poor have been an important component of the anti-poverty programmes implemented through government initiatives in the rural areas in India. The Swarnjayanti Gram Swarozagar Yojana (SGSY) is the major ongoing programme for the self employment of rural poor at present. The programme was started with effect from 01.04.1999 after reviewing and restructuring of erstwhile IRDP and allied programmes, namely, TRYSEM, DWCRA, SITRA and GKY, besides MWS. The scheme is financed on 75:25 cost-sharing basis between the Centre and the State. The SGSY' emphasizes on Cluster Approach, i.e. each block should concentrate on 4-5 selected key activities. Selection of key activities would be made with the approval of the Panchayat Samity at the Block level and the DRDA/ZP at the District level. The major share of the SGSY assistance would be on activity clusters. Women and weaker sections are to be the focus areas of poverty-alleviation effort under SGSY. 50percent of the benefits under the program would accrue to the SC/STs, 40 per cent to women and 3 per cent to handicapped persons. The basic objective of SGSY is to bring the assisted poor families (Swarozagaries) above the poverty line by providing them income generating assets through a mix of bank credit and governmental subsidy. The programmes aims at establishing a large number of micro-enterprises in rural areas based on the ability of the poor and potential of each area. Assistance under SGSY to individual Swarozagaries or Self Help Groups (SHGs) is given in the form of subsidy by government and credit by the banks. Credit is the critical component of the SGSY, subsidy being a minor and enabling element. The SGSY also seeks to promote multiple credits rather than a onetime credit injection. For group of Swarozagaries, the subsidy is

50% of the cost of the scheme, subject to per capita subsidy of ₹ 10,000 or ₹ 1.25 lakh whichever is less. There is no monetary limit on subsidy for irrigation projects. Thus, SGSY is different from earlier Programmes, in terms of the strategy envisaged for its implementation. It covers all aspects of self-employment of the rural poor viz; organization of the poor into Self Help Groups (SHGs) and their capacity building, training, selection of key activities, planning of activity clusters, infrastructure built up, technology and marketing support. The scheme emphasizes on process approach and building the capacity of the rural poor. It is based on the belief that rural poor in India have competencies and given the right support could become successful producers of valuable goods/services. The SGSY guideline requires that the SHG should be drawn out from the BPL list approved by the gram sabha. The SHGs broadly goes through three stages of evolution viz; group formation, capital formation through revolving fund and the skill development and finally taking up of the economic activity *for* income generation.

The Self Help Promoting Institutions (SHPIs); generally non-Government organizations, social workers, village level workers, informal association of local people, community based organizations, government departments, banks, former clubs etc. facilitate the formation and nurturing of Self Help Groups. They identify and interact with poor families especially rural poor to form the small homogeneous group. The group members are encouraged to meet regularly on a fixed time and date to discuss their common problems, pool the mandatory savings and rotate the same among needy members. Once the group shows mature financial behavior, they are facilitated to receive external funds in certain multiples of their accumulated savings. Small loans, from the corpus thus created, are given to needy members. In its normal course of business the group continues to decide the terms and conditions of the loan to be given to their members and keep rotating the pooled fund among members. Henceforth, in order to enhance group's capacity and reduce their dependency on outside facilitating agencies, the SHPIs train the members of Self Help Groups in various areas of human development skills, entrepreneurial skills, managerial/technical/financial skills and skills in income generating activities. The process helps the SHG members imbibe the essentials of financial discipline including prioritization of needs, setting terms and conditions, frequent and matured transaction behavior and account keeping etc. The present effort is an attempt to appraise the performance of Self Help Groups formed under SGSY in concerned areas of financial and entrepreneurial maturity.

### **Objective of the Study:**

The overall objective of the present study is to evaluate critically the financial and entrepreneurial maturity of SHGs formed under SGSY. This has been initiated with the following sub-objectives:

- To appraise the general and financial management practices adopted by SHGs.
- To assess the saving and lending activities of the SHGs.

## **Sample Design and Methodology of the Study:**

The scope of present study extends over Mirzapur District of Eastern U.P. A total of 30 Self Help Groups consisting of 15 female SHGs and 15 mixed SHGs (with male & female members both) formed under SGSY have been selected randomly from Marihan and Rajgarh blocks of Mirzapur district separately. In total, the general and financial management practices along with financial maturity in saving & lending transactions of a sample of 60 SHGs out of which 30 are all female and rest 30 are mixed, have been analysed and interpreted to appraise their functioning. The present study is based on primary sources of data and information. The primary data and information have been collected by interviewing the various stakeholders involved in Swarn Jayanti Gram Swarojgar Yojana i.e. SHG members, banks, officials of Government agencies, NGOs, Village Panchayat members, rural educated self employed people, individual volunteers at village level etc. A well structured questionnaire was used to collect qualitative data using the Focused Group Discussion Method. The survey work has been done during April to June 2010. In order to maintain consistency of data and assess the validity of the information, cross questions were used to obtain reliable information on various issues. Since, the sample SHGs consist of 30 female SHGs and 30 mixed SHGs, a gender perspective has also been given due attention in the analysis.

## **Findings of the Study:**

- The category wise profile of the sample SHGs shows that the average number of the members per SHG in the sample is 10.3.(Table1).Among the SHG types, the average number of members in all female SHGs is higher than that in all mixed SHGs. The average number of years of bank linkage of SHGs shows that all female SHGs in the sample have been operating for longer time than mixed type of SHGs. This suggests that performance of all female SHGs is good or that they are well organized in terms of adhering to the rules and regulations set by the banks or NGOs. The number of years of bank linkage is also a critical factor to judge the performance of SHGs. The chances of becoming defunct are very high for an SHG in the initial stages of its existence. Out of 60 SHGs, 66.67 percent have been in existence for 1-3 years and 33.33 percent for more than three years. The percentage of SHGs that had been bank linked for more than three years was considerably higher in all female SHGs as compared to all mixed SHGs. The distance of SHGs from banks as well as the nearest town are important considerations from the point of view of the development of the SHGs, as the income generating activities chosen by the SHG or its member depend upon the availability of the market. The average distance from the bank and nearest town for all types of the SHGs was 3.5 kilometers. So, despite the fact that both types of SHGs being at equal distance from bank and nearest town, female SHGs have been in existence for a longer time. The number of years of bank linkage or socio economic performance of SHGs could be important reasons for such an outcome.
- The number of meetings per month held by SHGs, attendance of members and participation of members in group meetings are indicators of the well functioning of the

SHGs. These are generally looked into by banks before deciding on extending credit facilities to the SHGs. Ideally, the meetings should be held weekly or at least monthly, so that members get together frequently, establish bonds and understand each other's difficulties. Attending meetings & participating in the discussions, and having knowledge about rules and regulations of the SHG also imply that the members are empowered to take part in the decision making processes. Table 2 observes the general management practices of the sample SHGs. The average number of the meetings conducted per SHG has been worked out to 1.45 per month, indicating that at least the SHGs meet once every month. This also indicates that some SHGs (e.g. 16 female and 12 mixed SHGs) were conducting meeting fortnightly also. From the perspective of gender analysis, it has been observed that about 97% of female SHG members and 87% of mixed SHG members attended meetings regularly. The percentage of members participating in group discussions was fairly high at 83%. The participation rate in group discussions was quite high among female SHG members. All the female and mixed SHGs have written down rules and regulations and as high as 94% of them have reported accessibility of the same to all the members. However, these rules and regulations have rarely (about 67%) or never (13%) been updated in mixed SHGs, the figure accounts for 63% in female SHGs. Thirty six percent of the sample SHGs have reported awareness about objectives of the SHG movement among their members. There are wide variations in the level of awareness across two types of SHGs. While nearly 25% of the mixed SHGs reported high level of awareness about why they were in the group, more than 47% of the members of female SHGs reported high level of awareness. The percentage of SHGs reporting very little or no awareness about their objectives among the members is 10%. In two third of the cases the minutes register was maintained by NGO representatives /facilitators. The percentage of female SHGs in which maintenance of minutes register was done by a literate member of the SHG was fairly high at 33% across the two types of SHGs, in female SHGs the minutes register is maintained by the literate member in 43% of the cases. The regularity in updating the books was reported by 62 percent of the SHGs in total. An overwhelming majority of 70% of the female SHGs updated their books regularly, against 53% of the Mixed SHGs.

- In order to carry out monetary transactions, the SHGs have to maintain and update a number of account books and other documents. This is an integral part of the successful running of a SHG. Apart from maintaining books and documents, SHGs also maintain passbook showing SHG's transactions as well as the separate passbooks for all the members. Table 3 analyses the financial management practices adopted by the SHGs in the sample. A majority of 65 percent of the SHGs got their books of accounts maintained by a literate member in the group. This percentage was higher by around 17 percent in female groups in comparison to mixed groups. The same is also true with regard to maintenance of SHG passbooks, as well as the passbooks of individual members of the SHGs. An overwhelming proportion of SHGs (i.e. 82%, 70% and 75% respectively) have been found regularly updating the books of accounts, SHG passbooks and the passbooks of members. Further, the frequency of updating books of accounts, SHG passbooks and

passbooks of the members was quite high in female SHGs as compared to mixed SHGs in the sample. However, none of the SHGs have been found taking annual membership /admission fees.

- One of the basic principles of SHGs is that even very poor may save small amounts, and that the additional incentives of getting bank loans at lower rate of interest, particularly among those who are otherwise ineligible for getting bank loans, would inculcate and strengthen the habit of saving. The members of SHGs save a fixed amount periodically, depending upon the convenience of the members of SHG, and the savings of all the members is kept together in a bank in the name of the SHG and forms SHG fund. Table 4 assesses the saving activities of both type of SHGs. The table depicts that savings on monthly basis seems most popular, as more than two third of mixed as well as female SHGs preferred monthly savings to other kind of periodicity. Based on the financial strength of members, each SHG fixes a certain amount as mandatory savings. In the present sample, the average mandatory saving amounted to around Rs 58. There was, however, a variation among the two types of SHGs; it was comparatively greater in female SHGs. Further, since the SHGs are generally formed by members of the weaker sections of the society, a number of SHGs have also reported that some of the members were sometimes unable to make the mandatory savings. Around 57% and 37% mixed and female SHGs respectively reported inability of members in making the mandatory payment at some point or other. Moreover, only about one-third of the SHGs in sample were found paying interest on mandatory savings. Revision of mandatory savings was also executed by only about one-third SHGs. However, female SHGs have performed better in terms of interest payment, revision of mandatory savings and average amount of savings per year.
- The lending activities of the sample SHGs are described in table 5. It has been observed that on an average sample SHGs have started providing loans to members from accumulated savings within about seven months after their formation. Around three-fourth of the both type of SHGs provide loan services to members once a month. A small percentage of SHGs also offer credit services on a weekly and two monthly basis. It appears that whenever the SHGs meet, they tend to conduct all their transactions together, be it savings, disbursement of loan, or any other matter connected with the SHGs, as most of the SHGs find it convenient to operate on a monthly basis. Further, the performance of the sample SHGs, measured in terms of their lending activities shows that the SHGs were able to approve on an average nine loans per year. However, the average number of days required for the approval of loan was about 16 days in mixed SHGs and 12 days in female SHGs. Moreover, for an SHG to run successfully, it is important that members repay loans in a timely manner so that the SHGs could, intern, repay their loans in time and become eligible for bigger loans. But unfortunately no SHG in the sample was found charging penal interest from defaulting members in order to enforce timely payment.

## Conclusion:

The efficient general and managerial practices reflected in matured financial discipline in saving and lending behaviour is an integral part of successful running of a Self Help Group. The present effort explored that most of the sampled SHGs find it convenient to operate on monthly basis with written down rules and regulations. The member's participation and discussions in meetings etc was fairly high. However, the rules and regulations have rarely been updated in most of the SHGs. Further, only 36% of the sampled SHGs have reported awareness about objective of the SHG movement among their members. In two third of the cases the minutes register was maintained by NGO representatives/facilitators. Moreover, in spite of healthy savings and lending practices and proper arrangement of records, around 47% SHGs reported inability of members in making the mandatory payment at some point or other. A considerable proportion of sample SHGs also reported delaying in repayment of loans due to absence of penal interest from defaulting members. Therefore, the study offers following suggestions for enhancing financial and entrepreneurial maturity of Self Help Groups.

- The provision of more time in training and discussion on book keeping, financial, managerial and entrepreneurial activities, especially by private consultancy firms, along with live discussion of success stories of the SHG movement will help promote healthy entrepreneurial engagements.
- An intensive awareness camp, workshop and entrepreneurship development programme on potential income generating activities in the locality will open new avenues of income which in turn, smooth promptness as well as punctuality in saving and lending practices of the members.
- A frequent interaction of various groups operating in the locality will ensure efficiency of the group members in solving day- to- day problems.

## References:

- Armendariz de Aghion, B., and Morduch, J. 2000. "Microfinance Beyond Group Lending." *Economics of Transition* 8(2):401–420.
- Hannover, W. 2005. Impact of Microfinance Linkage Banking in India on the Millennium Development Goals (MDG): Summary of Major Results from Existing Studies. Deutsche Gesellschaft für Technische Zusammenarbeit, New Delhi and National Bank for Agriculture and Rural Development, Mumbai.
- Harper, M. 2002. Promotion of Self Help Groups under the SHG Bank Linkage Programme in India. Paper presented at seminar on the SHG-Bank Linkage Programme in New Delhi, 25–26 November. National Bank for Agriculture and Rural Development, Mumbai.
- Kropp, E. W., and B. S. Suran. 2002. Linking Banks and (Financial) Self Help Groups in India: An Assessment. Paper presented at the seminar on the SHG-Bank Linkage Programme in New Delhi, 25–26 November. National Bank for Agriculture and Rural Development, Mumbai.
- Moyle, T., M. Dollard, and S. N. Biswas. 2006. "Personal and Economic Empowerment in Rural Indian Women: A Self-Help Group Approach." *International Journal of Rural Management* 2(2):245–66.
- MYRADA. 2002. Impact of Self Help Groups (Group Process) on the Social/Empowerment Status of Women Members in Southern India. Paper presented at the seminar on the SHG-Bank Linkage Programme in New Delhi, 25–26 November. National Bank for Agriculture and Rural Development, Mumbai.
- Nair, A. 2005. Sustainability of Microfinance Self Help Groups in India: Would Federating Help? World Bank Policy Research Working Paper 3516, February. National Bank for

Agriculture and Rural Development (NABARD). 2008. Status of Micro Finance in India, 2007–2008. NABARD, Mumbai.

● Puhazhendi, V., and K. C. Badatya. 2002. SHG-Bank Linkage Programme for Rural Poor: An Impact Assessment. Paper presented at the seminar on the SHG-Bank Linkage Programme in New Delhi, 25–26 November. NABARD, Mumbai.

● Singh, S D, & Singh R K, “Promotion and Nurturing of Rural Enterprises under SGSY in Mirzapur vis a vis U.P.” Journal of Economics and Commerce, DAV PG College, Varanasi, Vol. 02, No.01, January 2022, p.45-58.

● Singh S D, Singh R K & Pandey S L D “Sustainability of SHGs-Bank Linkage Programme: The Indian Experience”, Management Insight, School of Management Sciences, Varanasi, Vol V, No. 01, June 2009, p. 38-46.

● Singh R K & Singh Kumar R “SHGs-Bank Linkage Programme in India: Accomplishments and Challenges”, Journal of IPM, Institute of Productivity and management, Meerut, Vol. 09, No.01, January-June 2008, p. 01-09.

### Appendix:

**Table: 1 : Profile of the Sample SHGs by Gender**

Items	Mixed SHGs	Female SHGs	Total SHGs
Average Number of Members	10.2	10.5	10.3
Average Number of years of Bank Linkage	2.8	3.4	3.1
<b>Distribution of SHGs by number of years of bank linkage (%)</b>			
• 1-3 years	70.00	63.33	66.67
• >3 years	30.00	36.67	33.33
Total	100.00	100.00	100.00
Average Distance from bank (km)	3.5	3.5	3.5
Average Distance from Nearest Town (km)	3.5	3.5	3.5
Networking with other SHGs into a federation (%)	0.0	0.0	0.0

Source Primary Data

**Table: 2 : General Management Practices of the SHGs**

Items	Mixed SHGs	Female SHGs	Total SHGs
No. of Meetings conducted per month	1.40	1.53	1.45
Members attending Meetings (%)	87.3	97.3	92.3
Members participating in the Discussion (%)	74.7	92.0	83.3
SHGs Having rules & Regulations in Written form (%)	100.0	100.0	100.0
<b>Frequency of updation of Rules &amp; Regulations</b>			
Frequently	20.0	36.7	28.3
Rarely	66.7	53.3	60.0
Never	13.3	10	11.7
Accessibility of Rules and Regulations to all members	90.7	97.3	94.0
<b>Level of Awareness about objectives of the group among members (%)</b>			
High	24.7	47.3	36.0
Moderate	62.3	45.7	54.0
Very little/Not to all	13.0	7.0	10
<b>Maintenance of minutes Register by</b>			
A literate member of SHGs	23.3	43.3	33.3
NGO Representative/ Facilitators	76.7	56.7	66.7
Any person employed by SHG	0.0	0.0	0.0
Any Other	0.0	0.0	0.0
<b>Frequency of updating Minutes</b>			

Regularly	53.3	70.0	61.7
Occasionally	30.0	16.7	23.3
Rarely	16.7	13.3	15.0

Source Primary Data

**Table: 3 : Financial Management Practices of the SHGs**

Items	Mixed SHGs	Female SHGs	Total SHGs
<b>Maintenance Of Books Of Accounts Of SHG By</b>			
A Literate Member Of SHG	56.7	73.3	65.0
Representative of NGO/ Facilitator	10.0	10.0	10.0
Any person employed by SHG	16.7	6.7	11.7
Any other	16.6	10.0	13.3
<b>Maintenance of SHG passbook By</b>			
A Literate Member Of SHG	56.7	73.3	65.0
Representative of NGO/ Facilitator	10.0	10.0	10.0
Any person employed by SHG	16.6	6.7	11.7
Any other	16.7	10.0	13.3
<b>Maintenance Of Members passbook By</b>			
A Literate Member Of SHG	70.0	86.7	78.3
Representative of NGO/ Facilitator	10.0	10.0	10.0
Any person employed by SHG	0.0	0.0	0.0
Any other	20.0	3.3	11.7
<b>Frequency of updating books of accounts</b>			
Regularly	76.7	86.7	81.7
Occasionally	6.7	6.7	6.7
Rarely	16.6	6.7	11.6
<b>Frequency of updating SHG Passbook</b>			
Regularly	63.3	76.7	70.0
Occasionally	16.7	13.3	15.0
Rarely	20.0	10.0	15.0
<b>Frequency of updating Members passbook</b>			
Regularly	70.0	80.0	75.0
Occasionally	6.7	13.3	10.0
Rarely	23.3	6.7	15.0
SHGs taking Admission /membership fees	0.0	0.0	0.0

Source Primary Data

**Table: 4 : Saving Activities of SHGs**

Items	Mixed SHGs	Female SHGs	Total SHGs
<b>Distribution of SHGs by periodicity of saving services offered in 2010 (%)</b>			
Weekly	16.67	23.33	20
Fortnightly	13.33	10	11.67
Monthly	69.00	66.67	68.33
Every two months	0.00	0.00	0.00
Every three months	0.00	0.00	0.00
SHGs paying interest on the saving of members (%)	26.67	46.67	36.67
SHGs which has revised minimum savings per member since formation (%)	30	43.33	36.67
SHGs reporting members unable to make mandatory savings at any point of time (%)	56.67	36.67	46.67
Average amount of mandatory savings per month per member (Rs.)	54.50	62.25	58.37
Average amount of saving per year per member in 2010 (Rs.)	816.20	1024.65	920.42

Source Primary Data



**Table: 5 : Lending Activities of SHGs**

Items	Mixed SHGs	Female SHGs	Total SHGs
Average number of months after establishment SHGs started providing loans to members	7	6.50	6.75
<b>Distribution of SHGs by the periodically credit services to members</b>			
Weekly	0.00	0.00	0.00
Fortnightly	13.33	20	16.67
Monthly	76.67	73.33	75
Every two months	10	6.67	8.33
Every three months	0.00	0.00	0.00
Average number of days required for approving loan	16.3	12.4	14.4
Average number of loans approved per year per SHG	8.0	9.6	8.8
Average loan period in months interest rate (%) charged p.a. by SHGs.			
Percentage of SHGs charging penal interest from defaulters	0.00	0.00	0.00
Average loan amount per member			

Source Primary Data

Admins