

## **Factsheet: Revitalizing the SHG Movement: Strategies and Stakeholder Roles**

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The self-help group (SHG) movement began in 1980s as an initiative by several NGOs that aimed to mobilize and organize rural poor into self-help groups. However, the program gained momentum in 1992, when a NABARD initiative linked a small number of SHGs with banks under the Self-Help Group Bank Linkage Program (SBLP) so as to provide access to financial services. Today there are 7.42 million savings linked SHGs with a portfolio of Rs. 9,897.42 crore and 4.19 million credit linked SHGs with an aggregated loan outstanding of Rs. 42,927.52 crore as on 31<sup>st</sup> March 2014<sup>1</sup>. Today, SHGs are seen as more than just a conduit for credit- they also act as a delivery mechanism for various other services ranging from entrepreneurial training, livelihood promotion activity and community development programs. In the recent past, however, Government has taken several steps to revamp the SHG movement by introducing SHGs as Business Correspondents (BCs), digitizing the SHG platform and increasingly making use of technology in extending the financial inclusion agenda.

### **Challenges faced by SHG program<sup>2</sup>**

- The success of the SBLP program in its initial years was followed with a lull in its growth since the last five years. As of March 2014, there has been a six percent decrease in the number of SHGs with outstanding bank loans as compared to the previous year<sup>3</sup>.
- NABARD in its SHG-2 circular<sup>4</sup> acknowledged issues of regional imbalance, less than ideal average loan size, lack of monitoring and training support by SHG federations, delay in opening of bank accounts, impounding of SHG savings by banks as collateral as some of the major challenges faced by the SHG program in its earlier form.
- The rising non-performing assets (NPAs) of SHG loans have also been a cause for serious concern by banks. NPA levels in most states have reached well in excess of 10 per cent<sup>5</sup>.
- Lack of proper handholding services provided by SHPIs leading to poor implementation of the program.
- Poor quality of SHGs in terms of issues related to internal dynamics of the group and functioning of groups.

### **Evidence on Impact**

The evaluation of SHG based microfinance programmes suggests that participation in SHGs have had the following positive impacts:

- Inculcated savings habit and increased savings of SHG members.

<sup>1</sup> Inclusive Finance India Report 2014, Access Development Services

<sup>2</sup> Banking on Self-Help Groups, Twenty Years on: Tankha, 2012

<sup>3</sup> Inclusive Finance India Report 2014, Access Development Services

<sup>4</sup> [https://www.nabard.org/pdf/SHG2\\_circular.PDF](https://www.nabard.org/pdf/SHG2_circular.PDF)

<sup>5</sup> Inclusive Finance India Report 2014, Access Development Services

- Improved access to formal sources of finance and reduced dependency on informal sources such as pawn brokers and money lenders.
- Improvement the economic livelihoods of households in terms of increase in income, food security and asset ownership.
- Lastly, membership in SHG has had positive impact on women empowerment as it led to greater participation in community driven activities and also increased self-confidence among members.
- Globally too, the concept of self-help group has been in existence for over years now and has been replicated, although by a different name, that of, Rotating Savings and Credit Association (ROSCAs). Studies have proven that ROSCAs help inculcate savings habits among its group members who are thereby better able to cope with risks and shocks.

On the other hand, there are some serious drawbacks pertaining to the SHG program that several studies have highlighted, mentioned below:

- Poor quality of SHGs was found to be a serious concern in several of the SHG programs. Quality of SHGs can be defined in terms of organizational management and efficiency, capability and achievement of group members along with the financial and social performance of these SHGs.
- The role of SHPIs becomes very important in the context of welfare of SHGs in the long run. Studies have found that SHGs that have received continuous monitoring and supervision from Self Help Group Promoting Institutions (SHPIs) do much better than those who don't.

An on-going study at IFMR LEAD assesses the impact of self-help groups on the livelihoods of rural poor in three districts of Tamil Nadu. The study is unique as it is one of the first to rigorously evaluate the impact of SHGs by using a randomized controlled trial methodology that helps isolate the causal impact of SHG membership on the socio-economic livelihoods of rural poor. Preliminary results from the Study have been published on the [IFMR LEAD](#) website

**The study is expected to be completed in December 2016.**

## Future Direction for SHGs

- **Digitization of SHGs**- NABARD launched a pilot program to digitize SHGs with the primary objective of combating poor quality of SHGs and lack of transparency in the system. The pilot program aims to cover 75,000 SHGs across 11 lakh rural households over a period of two years with an objective of increasing transparency in SHG operations.
- **SHGs as BCs**- SHGs have evolved as popular network agents. The Bank Sakhi Program that was launched by NABARD in 2013, 'has proven to be very successful in empowering women and bringing convenience to SHG members', said Subrata Gupta, Chief General Manager, Dept. of Financial Inclusion and Banking Technology, NABARD.

The role of SHGs in the recent financial inclusion programs launched by the Government is still unclear. However, National Rural Livelihood Mission (NRLM) has based its financial model and livelihood development program on SBLP and SHG federations. While the role of SHGs remains important in empowering and uplifting the livelihoods of rural and urban poor, its future course in the financial inclusion agenda needs to be re-examined.