



## INEQUITY IN SELF-HELP GROUPS – A VIEW FROM INDIA’S CENTRE

P.S.Bhargavi

Asst Professor

Department of Management Studies  
SaraswathiVelu College of Engineering  
Solinghar, Tamil Nadu  
[bhargavisurya.prakash@gmail.com](mailto:bhargavisurya.prakash@gmail.com)

N. Kannaiya Raja

Asst Professor

SaraswathiVelu College of Engineering  
Solinghar, Tamil Nadu  
[kanniya.13@hotmail.co.in](mailto:kanniya.13@hotmail.co.in)

### 1. INTRODUCTION

The Self Help Group (SHG) methodology has evolved as a very effective micro-finance delivery system for India’s circumstances, and over 700,000 SHGs, with well over 10 million members, have borrowed from banks in India. This is now the world’s largest micro-finance programme, and is recognized internationally as a major step forward in overcoming India’s shameful position as home to the world’s largest number of poor people. If the SHG linkage movement is to achieve the level of market penetration necessary to make a real impact on this problem, which has been rightly characterized as a cause of shame to the whole of humanity, it must reach every part of the country, and in particular those places with the largest numbers of poor people.

Jabalpur is only about 70 km from Karondi, the geographical centre of India. It is an appropriate place from which to observe the SHG movement. We should not only look beyond this central point, to the broader issues, but we should also examine whether SHGs are making an impact on the poverty which surrounds the city and even the walls of XIDAS itself; perhaps what we observe at the very central point of the nation will demonstrate some important aspects of this great Indian success story.

It should be clear from the outset that the search for equity should be at the very heart of any poverty alleviation initiative, particularly one such as SHG linkage which works through banks which are themselves profit-making institutions. Karl Marx may have been wrong in his choice of remedy for inequity and socio-economic



injustice, but his diagnosis was correct. There is a powerful tendency in any endeavor for those on the margins to be further marginalized, and for those who are already better off to gain the lion's share of the benefits. This phenomenon can affect initiatives whose very intention is to redress inequity. It is vital not to pursue numbers and growth alone, and continually to guard against the powerful virus of inequity.

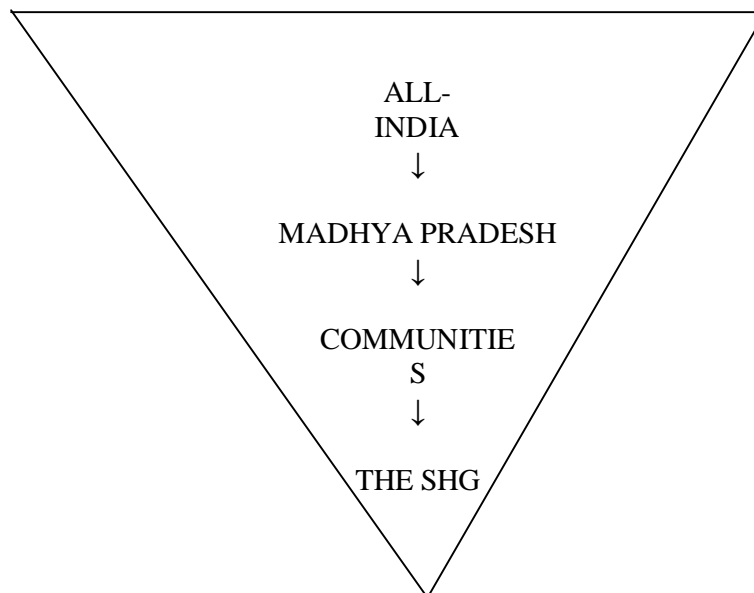
We propose therefore in this short paper to examine the equity or otherwise of the SHG

movement, at various levels. We shall try to address the following questions:

- How equitable is the spread of SHG linkage in India?
- Are the States with the most serious poverty those which are also being most effectively reached by the SHG movement?
- How effectively is each type of banking institution playing its part in the SHG movement?
- Within the States, and particularly in Madhya Pradesh, are all districts equally well served by SHGs?
- Within communities, are the neediest people members of SHGs?
- Within the SHGs themselves, do all the members benefit equally?

Our aim is to examine and when possible explain the dimensions of inequity at each level of the system:

The Dimensions of  
Inequity





## 2.INTER-STATE EQUITY

It is all too well known that almost every development initiative, of any kind, fares better in the Southern states than in the North. As at the individual or household level, there is a vicious circle of deprivation. Poor education, poor governance, poor infrastructure, poor health, all these are both causes and effects as well as symptoms of poverty itself. Not surprisingly, the institutional infrastructure of poverty alleviation is as under-developed in the poorer States as everything else, and inequity persists and is even exacerbated.

The regional and state-wise spread of SHG linkage is no different; the following table gives the numbers of SHGs linked to banks, following the NABARD definition of linkage as meaning borrowing, rather than the usually earlier stage of saving, for each State. The figures for recently created States are combined with those for the States from which they have been separated, for the sake of comparison with below poverty line (BPL) figures which are also given in the table. Very small states are omitted, and the figures for the North Eastern States are combined.

**State-wise SHGs linked, total, rural, BPL and rural BPL population, and numbers of such people per SHG linked**

| State              | SHGs linked  | Population      | Popn/ SHG   | BPL Popn        | BPL Pop /SHG | Rural Popn      | Rural Popn /SHG | Rural BPL Popn  | Rural BPL /SHG |
|--------------------|--------------|-----------------|-------------|-----------------|--------------|-----------------|-----------------|-----------------|----------------|
| A                  | 281338       | 75727541        | 269         | 11901000        | 42           | 55223944        | 196             | 5813000         | 21             |
| NE (total)         | 4069         | 36731819        | 9027        | 13637000        | 3351         | 33003499        | 8111            | 13153000        | 3232           |
| Bi                 | 15926        | 109788224       | 6894        | 42564000        | 2673         | 95122327        | 5973            | 37651000        | 2364           |
| Gujerat            | 13875        | 50596992        | 3647        | 6789000         | 489          | 31697615        | 2285            | 3980000         | 287            |
| Haryana            | 1524         | 21082989        | 13834       | 1734000         | 1138         | 14968850        | 9822            | 1194000         | 783            |
| H                  | 8875         | 6077248         | 685         | 512000          | 58           | 5482367         | 618             | 484000          | 55             |
| J and K            | 888          | 10069917        | 11340       | 346000          | 390          | 7564608         | 8519            | 297000          | 334            |
| Karnataka          | 62178        | 52733958        | 848         | 10440000        | 168          | 34814100        | 560             | 5991000         | 96             |
| Kerala             | 21012        | 31838619        | 1515        | 4104000         | 195          | 25571484        | 1217            | 2097000         | 100            |
| <b>MP + C'garh</b> | <b>22034</b> | <b>81181074</b> | <b>3684</b> | <b>29854000</b> | <b>1355</b>  | <b>60903155</b> | <b>2764</b>     | <b>21732000</b> | <b>986</b>     |
| Maharashtra        | 28065        | 96752247        | 3447        | 22799000        | 812          | 55732513        | 1986            | 12512000        | 446            |
| Orissa             | 42272        | 36706920        | 868         | 16909000        | 400          | 31210602        | 738             | 14369000        | 340            |
| Punjab             | 842          | 24289296        | 28847       | 1449000         | 1721         | 16043730        | 19054           | 1020000         | 1211           |
| Rajasthan          | 22742        | 56473122        | 2483        | 8183000         | 360          | 43267678        | 1903            | 5506000         | 242            |
| T                  | 98410        | 62110839        | 631         | 13048000        | 133          | 34869286        | 354             | 8051000         | 82             |
| UP + U'nchal       | 59549        | 174532421       | 2931        | 52989000        | 890          | 137849547       | 2315            | 41201000        | 692            |
| WBengal            | 32647        | 80221171        | 2457        | 21349000        | 654          | 57734690        | 1768            | 18011000        | 552            |
| All India          | 717360       | 1027015247      | 1432        | 26030000        | 363          | 741660293       | 1034            | 193020000       | 269            |



poverty ratios 1999-2000. Government of India, New Delhi 2001.  
NABARD, Progress of SHG-Bank linkage in India, 2002-2003.  
Mumbai, 2003.

It means little to compare SHG linkage figures state by state, without relating the figures to the total population of the State. These figures are also given in the table, and the total state population per SHG linked is calculated, in order to provide a simple basis for comparison. SHG linkage is a poverty alleviation tool, and it is mainly although not entirely directed at rural people. The table therefore also gives the figures for the total BPL population and the rural BPL population of each State, and the total number of BPL people, and of rural BPL people, per SHG linked, has also been calculated.

It is of course well known that many and perhaps most members of some SHGs are not below

the poverty line, hence very low figures such as 21 BPL rural people per SHG do not mean that virtually all the rural BPL population of Andhra Pradesh are members of SHGs. BPL data itself are also of course far from reliable; there are many cases of very poor people who claim with some justice that they are too poor to be officially poor, because they cannot afford the time and other transaction costs which are necessary to obtain the official card. The cut-off income figures are also contentious, and the definition of poverty is itself a political issue. The figures do, however, provide a useful basis for comparing the outreach in the different states, as related not only to the total population but also to the poor.

The contrasts are stark, whichever population figure is used. Andhra Pradesh, with barely 7% of the country's population, and almost 40% of the whole country's linked SHGs, may be considered an exceptional case, and the Principal Secretary (Finance) himself has called for caution and higher standards (NABARD, Saving Grace issue 5,2002). The four strongest states which remain are Himachal Pradesh, Karnataka, Kerala and Tamil Nadu. With the exception of HP, a small and not typically 'Northern' state, all are in the South. At the other extreme, the North East and Bihar, with 14% of the population and under 3% of the SHGs, may be regarded as uniquely disadvantaged, albeit for very different reasons. The Punjab also appears weak, but it must be remembered that the State has 2.3% of India's people but only 0.5% of the BPL rural population. Haryana appears similarly disadvantaged if one looks only at its total population, but rates reasonably well in terms of the rural poor.

### 3.INTRA-STATE INEQUITY

If these cases are omitted, however, Madhya Pradesh is the weakest in terms of its number of linked SHGs in relation to the rural poor. Every State, indeed every village and every household, is a special case, but MP does not seem to be special in any sense



that would explain this poor performance. The situation within MP is also inequitable; even within inequity; greater inequities are to be found.

The following table provides total population and SHG linkage figures, and calculations of population per linked SHG, for some randomly selected districts of the State.

Madhya Pradesh: District-wise SHG coverage of population and rural BPL households

| District        | Population      | SHGs linked  | Population per SHG | Rural Families per SHG | Rural BPL Families per SHG |
|-----------------|-----------------|--------------|--------------------|------------------------|----------------------------|
| Chhindwara      | 1568702         | 239          | 6563               | 1213                   | 529                        |
| Datia           | 627818          | 389          | 1614               | 200                    | 34                         |
| Dhar            | 1367412         | 2153         | 635                | 120                    | 46                         |
| Guna            | 838926          | 177          | 4740               | 1324                   | 574                        |
| <b>Jabalpur</b> | <b>2167469</b>  | <b>393</b>   | <b>5515</b>        | <b>1016</b>            | <b>581</b>                 |
| Jhabua          | 1130405         | 3128         | 361                | 67                     | 36                         |
| Khandwa         | 1431662         | 1718         | 833                | 128                    | 57                         |
| Sehore          | 841358          | 53           | 15875              | 2827                   | 1014                       |
| Seoni           | 1000381         | 301          | 3324               | 837                    | 346                        |
| Shahdol         | 1323054         | 78           | 16962              | 4409                   | 1890                       |
| Tikamgarh       | 940829          | 74           | 12714              | 2532                   | 903                        |
| <b>MP</b>       | <b>60385118</b> | <b>15271</b> | <b>3954</b>        | <b>546</b>             | <b>241</b>                 |

Census of India, 1991, www.Nic.in/mprural (survey-1997).

NABARD, Progress of SHG-Bank linkage in India, 2002-2003. Mumbai, 2003.

Jabalpur, the very centre of India, with a high incidence of poverty, and the home of XIDAS, has only one linked SHG for every 5515 people. Jabalpur is not the worst district, but it is much worse than the average for the State, which itself is a poor performer. In the state as a whole, there is one SHG for every 3954 people, and in the whole of India the equivalent figure is one SHG for every 1432 people. Or, to express the same facts in a different way, only 393 SHGs, or 2.6% of the State's total, had been linked to Banks in Jabalpur by 31.3.2003, although the District accounts for almost 4% of the population of the State.

In MP as a whole there is one SHG for every 546 rural families and 241 rural BPL families. Jabalpur remains well behind by this measure also, with one SHG for every 1016 rural families for every 581 BPL rural families. By whatever measure we use, Jabalpur is well behind the average for the State.

Why has Jabalpur performed only a quarter as well as India, and 50% less well than the rest of Madhya Pradesh, in India's most successful and sustainable poverty reduction programme? And what can be done about it? The answers to these



questions are relevant not only to Jabalpur, and to the other disadvantaged districts of Madhya Pradesh, but to all of India.

## 5. THE PERFORMANCE OF DIFFERENT

### 5.1 BANKS Differing success with SHG linkage

Our concern is with social inequity, not with unequal performances by different types of financial institutions. Nevertheless, SHG linkage has to be delivered by a financial institution, and relative failure by one type of institution may explain the inequity of service delivery to the poor. The following table shows the performance of the different types of banks, as at 31.3.2003:

|                     | <b>India</b>       | <b>MP</b>        | <b>Jabalpur</b> |
|---------------------|--------------------|------------------|-----------------|
|                     | No. of<br>SHGs     | No. Of<br>SHGs   | No. of<br>SHGs  |
| Commercial<br>Banks | 3,61,061<br>(50%)  | 5,054<br>(33%)   | 297<br>(76%)    |
| RRBs                | 2,77,340<br>(39%)  | 8,326<br>(55%)   | 83<br>(21%)     |
| DCCBs               | 78,959<br>(11%)    | 1891<br>(12%)    | 13<br>(3%)      |
| Total               | 7,17,360<br>(100%) | 15,271<br>(100%) | 393<br>(100%)   |

SHGs are essentially micro-co-operatives, and their 'natural' source of financial services is the co-operative banking sector, which also has by far the most extensive network of rural outlets. Co-operatives, including the Primary Agricultural Co-operative Societies (PACS), nevertheless have a rather small share of the total SHG market, in spite of having well over 100,000 outlets, many more than all the other bank branches combined. The table shows that in Madhya Pradesh as a whole the market shares of the three major types of bank are little different from the performance on an all India basis, but that in Jabalpur District the co-operative banks have performed much worse than in the State and the whole country.

We therefore need to find out why the cooperatives, with their extensive network of outlets, have performed so weakly, in MP and, particularly, in Jabalpur. Only five of the eighteen District Central Cooperative Banks in the State have linked one hundred or more SHGs. Jabalpur is one of the worst performers. The Zila Sahakari Kendriya Maryadit Bank, Jabalpur's DCCB, has linked only 13 of the total SHGs in the district which is less than 1% of the total SHGs linked with the DCCBs in the state. Apart from the 104 DCCBs which have linked no SHGs at all, this is one of the worst performances in the whole country.



It is all too easy to generalize about the weaknesses of co-operatives, but we attempted in a modest way to investigate the situation on the ground. A group of post-graduate students from XIDAS undertook a small exercise in September-October 2003, in an attempt to understand why has there been such a low level of SHG linkage in Jabalpur district, especially by the DCCB.

## 5.2 The Jabalpur DCCB – XIDAS Field Study

The Jabalpur DCCB has 15 branches with 67 Primary Agricultural Cooperatives (PACs) and 35 Saving Banks working in the District. The students visited 6 of the 15 branches, to collect data at the levels of the DCCB Branch, the PACs and the so-called 'Saving Banks' that the DCCB operates in some of the PACS. Five PACS and four Saving Banks were randomly selected. They also collected data from a sample of SHGs, from the commercial Banks, the RRB and the Lead Bank in the area.

Ninety four SHGs had savings accounts in the savings banks in these 15 branches, of which 86 accounts were active. These branches cover a total of 70 villages, so that there is an average of slightly over one SHG in each village. None of the SHGs had taken loans from the DCCB, but NABARD's national publication reports that as at 31.3.2003 13 SHGs have taken loans from the Jabalpur DCCB. The DCCB's head office informed us that five SHGs had been sanctioned loans but that none had been disbursed. This raises some question as to the accuracy of the data on which national policy is being based.

Irrespective of the quality of the data, however, the low level of SHG business was discussed with the DCCB staff. The following issues emerged which throw some light on the bank's poor performance.

- The DCCB branch officials and head office officials know very little about the SHG-Bank linkage programme. Some few of them have attended a brief training programme organised by NABARD, but the head office has never issued any official circulars or orders to promote the activity.
- The PACS can only accept individuals as members and not the SHGs, and the staff perceive their business as the provision of loan for agriculture. The PACs officials know little about SHG credit linkage, and have had little or no guidance from the district or state levels.
- DCCB branch are not allowed to sanction SHG loans, only the head office can do this. The bank's 'saving banks', which operate as extension counters in the PACS premises, provide reasonable access to the villagers and SHGs for savings, but they cannot themselves offer loans. They have to forward loan applications to the branch, which again forwards it to the District Office for a final decision. This leads to a much slower approval process than the RRBs and



Commercial Banks.

- The DCCB information system, at head office or at the branch level, does not differentiate between SHGs and other customers. None of the branches have information about the SHGs which have savings accounts with their Saving Banks, and the head office has no information about them either. Similarly, the NABARD office at Jabalpur has no information about the SHGs which are allegedly linked to the DCCB.
- As a result of these factors, SHG members themselves, and the staff of such NGOs as may have promoted them, believe that SHGs should bank elsewhere. The XIDAS students met the members of one SHG which had initially opened its savings account with the DCCB, because it was the nearest financial service outlet to their village. Later on, however, when the group wished to borrow, the NGO advised them to move their account from the DCCB to a commercial bank branch which was much less conveniently located but where they saw some chance of eventually taking a loan.

### 5.3 The Regional Rural Bank

The Mahakaushal Kshetriya Gramin Bank includes Jabalpur district in its area. The Bank has only linked 83 SHGs, which is 21 percent of the total of all SHGs linked in the district, whereas the RRB's share in the state is 55 percent. We therefore met a group of some forty branch managers and other staff from the Bank in order to discuss the reasons for their poor performance. The bankers were not defensive in any way, their answers seemed to be frank and sincere, and perhaps in many cases also quite well-founded.

Their explanations can be summarized as follows:

- There are insufficient NGOs operating in the District, and those that are present are sometimes ineffective.
- The SHGs are weak, their membership changes frequently, and they have not been firmly established. They receive little guidance after they have been formed.
- Many husbands of SHG members are earlier defaulters, and bankers do not feel that they should lend to households which have not repaid earlier loans.
- There are a number of Government agencies in the District whose staff promote weak SHGs merely in order to achieve quantitative targets.
- SHG members themselves form groups only in order to receive loans, not for social empowerment or other reasons.
- Members do not know how to invest their loans productively; they lack the skills they need and they should first be trained in income generating activities.





- There are too many government and other agencies involved in SHG linkage, and they do not co-ordinate their activities. The SHG members, and bankers too, are confused by this, and they have to waste time seeing many different officials.
- SHG loans are too small to be profitable for the bank. If a bank branch is to make profits, it should focus on larger loans of Rs 200000 to Rs 300000 for tractors and other revenue earning assets.
- The bank itself is struggling to be profitable, and it cannot afford 'social' business such as lending to small groups of poor women.

These are not original or exceptional reasons, or 'excuses', and the bankers stated them logically and clearly. The strength of their arguments only demonstrates, if such demonstration is needed, that a major co-ordinated effort is necessary to redress the inequities which are so pervasive in the SHG linkage programme.

#### **5.4 Self-Help Group Promotion Institutions (SHPIs)**

Most banks, and particularly weaker ones, still rely on SHPIs to promote SHGs and to assist them to open savings accounts and, if they need more finance, to take loans. The activity or otherwise of NGOs and other (SHPIs) in the District also has an important bearing on the level of SHG linkage.

Only two NGOs from Jabalpur are involved in the NABARD support programme to assist NGOs to promote SHGs. One NGO has received support to promote 500 SHGs, of which 369 SHGs have savings accounts and 138 have taken bank loans. They have helped the SHGs to open savings accounts in both commercial banks and cooperative banks. But, as was seen above, because of the poor service the groups received from the cooperative bank, the NGO helped some of them to shift their accounts to the Commercial Banks for easy credit linkage. The other NGO has received an initial tranche of support to promote 100 SHGs, but had not by September 2003 actually linked any SHGs to banks (NABARD, 2003).

Another factor that affected this process was the withdrawal of the first NGO from a watershed development programme which it was implementing for the state government. The SHGs had been promoted within this watershed area, but the District administration has recently handed over the watershed project to another NGO. The new NGO is taking a different approach, with less involvement of SHGs, so that the SHGs which had earlier been promoted are now receiving little attention.

Government agencies are also involved in SHG promotion in Jabalpur, as they are elsewhere. A number of the very few SHGs which do exist in Jabalpur have been promoted by government employees and local institutions, such as Anganwadi workers, forest department officials or panchayat officials. The staff of these institutions lack the necessary knowledge of the SHG-bank linkage programme and are thus unable effectively to promote groups. The XIDAS students found that members of SHGs of



this kind had little understanding of the purpose or future of their groups. They attended monthly meetings and contributed their regular savings, but this was the extent of their participation.

One further possible reason for the low level of loans to SHGs is that the members in Jabalpur lack the knowledge, the skills and the market access they would need in order to make profitable use of loans. Wisely, if that is the case, they prefer not to borrow rather than to borrow and not to be able to repay. We did not investigate this possibility, but the lack of 'absorption capacity' is very common among disadvantaged and marginalized people. It is totally wrong to try to persuade people to borrow if they will not be able to make good use of the money. Jabalpur district is indeed poor, and many of its inhabitants are marginalized tribal people. There is no reason to suppose, however, that this situation is any worse than in many other districts and states where the SHG linkage programme has been very successful.

## **6. INEQUITY AT THE SHG**

### **6.1 LEVEL Membership**

The SHG system is essentially empowering; the members select one another, and manage their own affairs, and the role of any outside agency is merely to initiate the idea of forming a group, and then to assist the members to manage it in their own interest, as they think fit. Vital issues such as member selection, amounts to be saved, loan distribution and interest rates, these are and must be at the discretion of the members if the groups are to be genuinely empowering social and economic entities.

This empowerment, however, has a cost; few of us would willingly lend our own savings or guarantee loans to the poorest and least reliable members of our own communities. Such generosity, or folly, would be particularly unlikely if we ourselves were far from wealthy. We cannot assume, therefore, that SHGs will necessarily include members from the poorest and most needy.

There have not to our knowledge been any empirical studies of the membership of SHGs in Jabalpur; we do not know whether the 1400 or so members of the 393 groups that have taken loans from banks are from the poorest sections of society in the District or not. The XIDAS students visited eight SHGs in one block, four of which had been promoted by government departments and four by NGOs. None of these groups had taken loans from any bank. Two of the four government-promoted groups had stopped functioning, and the members of the other two appeared to be from a range of different social and economic backgrounds, including both the poor and the less poor. The members of the three women's groups which had been promoted by NGOs seemed to be from similar socio-economic backgrounds. The one men's group included both small business owners and cultivators. The findings by the students as to the social equity of



SHG membership are inconclusive. Evidence from studies in India and elsewhere, however, has found such inequity, and unless Jabalpur is very different from the norm we should probably conclude that the situation there is little different. Hulme (2003) states quite categorically that “MFIs virtually never work with the poorest.....”.

Puazhendi and Badatya (2002) found that within their villages 25% of SHG members were better off, 32% were of average incomes, 20% were poor and 18% were from the poorest. This contradicts Hulme’s global statement, but Hulme defines the poorest as ‘the mentally and physically disabled, the elderly, street children, the destitute and refugees’; these latter are the poorest, and are rarely SHG members.

Reddy (2003) found a not dissimilar position in their study of a sample of 400 SHGs in Andhra Pradesh. The group members were broadly representative of their communities, although the poorest were less well represented, but the SHG leaders were rarely if ever drawn from the lower castes.

## **6.2 Equity of benefits for members**

SHGs, unlike the very different groups used by Bangladesh Grameen Bank replicators such as SHARE or CASHPOR, also control the distribution and terms of loans made by the group to its members. One of the main merits of SHGs to bankers is that they can be treated as one customer. When we deposit our funds in a bank, we do not expect the banker to tell us to whom he has lent our money, and we do not want to spend time or effort in assessing whether our money had been lent wisely; we trust the bank.

Similarly, when a banker lends to an SHG, he need not bother himself with the details of each loan that the groups makes with his loan; he does not open an individual account for each member. The transaction costs of dealing with one SHG need be little more than the cost of dealing individually with each of its fifteen or twenty members. This apparent saving is one of the main reasons why many Indian bankers have in recent years so readily welcomed SHGs as profitable clients.

This too has its downside, however. It is very easy for one or a few more sophisticated group members to monopolize the benefits of membership for themselves. They can take all the loans, and their less fortunate fellow-members will incur the costs of ‘locked savings’, and of guaranteeing the others’ loans, with no compensating benefits at all.

There has been even less study of the equity of benefits within groups than of the inclusiveness or otherwise of membership itself. The APMAS study found that 30% of the loans made by the 400 SHGs in their sample were taken by the group leaders, but that in half the groups the distribution of loans was more or less equitable. Our own study of SHG promotion institutions (Harper, 2002) found a similarly mixed picture. In most of the sample SHGs which we studied, all members had borrowed at least once, but the subsequent distribution of loans was less equitable, particularly in groups which had been promoted by government agencies.



The XIDAS students did not observe much discrimination in the process of inter-lending within the Jabalpur SHGs they studied. The better-off members of both the government and the NGO-promoted groups were not interested in taking the small loans which were available for inter-lending from the group's own savings, and as a result only the poorer members were taking these small loans of a few hundred rupees. The better-off members seemed to be waiting for the time when larger sums might be available from a bank loans or subsidy, but it was not of course possible at this point to determine whether such loans would be equitably distributed or not.

The XIDAS students did observe, however, that in one group an influential member who was better off than the others was using her position to control the distribution of relief rations, to her own advantage.

We can certainly conclude from the above that it would be most unwise to assume that the SHGs in Jabalpur, either those few which exist now or the larger numbers which we must hope will emerge in future, are strictly equitable, either in their membership or in the distribution of benefits among the members. Inequity persists, within the nation, its states, its districts, its villages and even within the few SHGs which are in each village. This is not because of any evil genius of the Indian people, nor of the population of Madhya Pradesh or Jabalpur, but is the result of the tendency that Marx observed; the rich get richer and the poor get poorer. We must search for the constraints to equity at every level, and try in every way possible to reverse the trend.

## 7. SUGGESTED SOLUTIONS

It is much easier to discuss problems than to identify solutions, and the major purpose of this paper is to demonstrate the extent and multi-level aspect of inequity in the SHG programme. We are concluding this paper, however, with some tentative suggestions as to how this inequity can be alleviated. Some of our suggestions might be taken up at the level of Jabalpur District or individual communities or groups within the District, while others relate more to what national level institutions might do.

### 7.1 What can be done locally?

We discussed with the RRB branch staff the problems in SHG linkage which they had identified, and we together evolved some ideas as to what they themselves might do to address them. These are summarized below:

- An increasing proportion of SHGs are being promoted by bankers themselves, without assistance from NGOs or government. The out-of-pocket costs of this are small, and can initially be covered with NABARD assistance. In due course, the profits from the SHG business itself, and the indirect impact in terms of improved recoveries of other loans, new individual customers and better community goodwill should represent a good return on the initial investment. The branch staff of this RRB should make a concerted effort to promote and link



their own SHGs, without assistance from NGOs or government agencies. The problems of institutional duplication and lack of co-ordination can also best be addressed by banks promoting their own SHGs. If they do this, only the bank will be involved.

- Many SHGs are weak and prone to break up. There are, however, a number of simple tools for on-site appraisal of SHGs; the RRB should select a suitable tool and train its staff in how to apply it. This should enable them to 'weed out' unsuitable groups, and, indirectly, to motivate government or other SHPI staff to improve the quality of their groups.
- Bankers are quite reasonably reluctant to lend to groups whose members, or their husbands, have defaulted on earlier loans. It has been clearly laid down, however, that defaulters themselves are not debarred from SHG membership, only from borrowing from bank funds, and that wives of defaulters are welcome to join, and to borrow. SHGs with members from households which have previously defaulted have not been shown to be any less reliable than other groups in their repayments.
- Many bankers, even at the highest levels, believe that any form of loan to poorer people, and particularly to women, is a charitable or social act rather than a piece of business, and that such people are not 'real' customers. There is a great deal of evidence to disprove this, which shows that bank branches can improve their profits through SHG linkage. The RRB should make its staff aware of this, and should treat SHGs like any other customer.
- It is all too easy to believe that poor people need to be given business ideas, and trained in the necessary skills, before they can make proper use of loans. This is true for some very marginalized people, but the experience of many government programmes shows that most poorer people know better than bankers how to invest their money. So-called 'consumption' expenditure, on items such as house repairs, food, medicine, education or clothing, is often very productive indeed.
- SHG loans may initially be perceived as being too small to be profitable. An initial SHG loan is usually around Rs 10000, however, and this can rise rapidly to one lakh or more. Given 100% recoveries from SHGs, and the availability of NABARD refinance at 6.5%, this is good business.
- It is more difficult to promote change in a DCCB and its constituent PACS, which are in theory at any rate autonomous institutions. A number of co-operative banks, however, have linked several thousand SHGs, with resultant benefits not only to the SHG members but also to the PACS and the Bank themselves. The management of the Jabalpur DCCB, whose record is even worse than that of the RRB, could learn a great deal by participating in one of



the numerous exposure programmes to observe other co-operative banks' success.

Time alone will tell whether the bankers attempted to apply these solutions, and if so whether they were successful.

## 7.2 National Initiatives

SHG linkage is a 'product concept' which has to be marketed, through marketing research and selection of the most appropriate distribution channels, followed by well-planned and effectively managed marketing campaigns. NABARD should borrow some aspects of consumer goods marketing. They should assess the market potential for SHGs in each district, using a rough rule of thumb such as one SHG per 20 or 30 rural households, and should target their promotional resources, including DDM postings, at districts with low SHG market penetration. DDMs should do the same within their districts.

There are many cases of individual districts where large numbers of SHGs have been linked, in spite of the generally poor performance within the State as a whole. In some cases the local Regional Rural Bank has spear-headed the programme, in others it may be the District Central Co-operative Bank, while in yet others it may be the local office of a national commercial bank, or a particularly effective NGO. These successes often owe a great deal to gifted and committed individuals, but it is unrealistic to expect equitable growth of SHG linkage to depend on the fortuitous emergence of exceptional individuals. Their achievements can often be replicated elsewhere, given the necessary resources and institutional will.

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