Abstract

Inclusive growth attempts to bridge the various divides in an economy and society between the rich and the poor, between the rural and urban population and between one region and the other. Inclusive growth ensures that all sections of the society are benefitted by growth process. Even after 65 years of independence and so many welfare programmes initiated by state and central governments rural India is still plagued with the problems of poverty, unemployment, illiteracy, economic inequality and gender disparity. Presently a large number of Self Help groups (SHGs) are working in India at the grass root level especially in rural India on the principles of mutual help, solidarity and joint responsibility. Still they lag behind in achieving their full potential and efficiency. This paper is a modest attempt to find out the measures to transfer these SHGs into strategic Business enterprises so that they can play a catalyst role in increasing the income, standard of living and quality of life of these rural people.

Keywords: Inclusive Growth, Self Help Groups (SHGs), rural development, Strategic Business Enterprises

I INTRODUCTION

India is a country of villages. Nearly 6,99,000 villages are in India with 68.2% people [1] living in them. Even Planning Commission data say that a large number of rural people (30% i.e 35.46 crore) still live under very miserable conditions spending only 26 Rs. Per day. [2] Until and unless the quality of life of these poor is improved and they are brought into the main stream of the economy (inclusive growth) no goal of economic and social development can be achieved. For this we have to change our approach and attitude as according to C.K.
Prahlad, “If we stop thinking of the poor as victims or as a burden, and start recognising them as resilient and creative entrepreneurs and value conscious consumers, a whole world of opportunity will open up.”[3] This challenge of bringing them into main stream (inclusive growth) can be achieved through policy changes by encouraging them to become self entrepreneurs by establishing their own micro enterprises with support of government. But before coming to this let us come to the basics first what are SHGs, their structure, functions, objectives etc.

**Self Help Groups (SHGs)** is a small voluntary association of poor people, preferably from the same socio-economic background who are voluntarily coming together to save a small amount regularly, mutually agreeing to contribute to a common fund and to meet their emergency needs on mutual help basis. They are informal groups where members come together towards collective action for common cause. The common need is meeting their urgent economic needs without being dependent on outside help. The loan amounts are small, frequent for short duration and mainly for conventional purposes. The rates of interest vary from group to group and the purpose of loan. It is higher than that of banks but lower than that of money lenders. The group members use collective wisdom and peer pressure to ensure proper end use of credit and timely repayment. At periodic meetings besides collecting money economic and social issues are also discussed. Defaults are rare due to group pressure and intimate knowledge of the end use of credit.

SHGs are not a new concept in development. The traditional Indian society functioned mainly on the basis of self help and mutual aid. However in present times SHGs are emerging as a major group to provide help and informal credit to the poor which are also getting support from government through institutional credit system. The roots of the SHG model lie partly in indigenous saving system of India and partly in the group based model of Grameen
Bank in Bangladesh, though it differs from it in several aspects. In India many SHGs are linked to banks for the delivery of microcredit. SHGs are member based microfinance intermediaries inspired by external technical lie between informal financial market actors like moneylenders, collectors on the one hand and formal actors like microfinance institutions and banks on the other [4].

**Characteristics of SHGs**

The guiding principles for formation of SHGs, are: [5]

- Mutual trust and mutual support;
- Every individual is equal and responsible;
- Every individual is committed to the cause of the group;
- Decisions are based on the principle of consensus.

**Main Objective of SHGs**

The main objective of the Self-Help Group is to provide economic opportunities to the economically disadvantaged groups to establish and gradually improve their entrepreneurial ambitions through regular and small savings to improve their socio-economic status by organising and participating in their own voluntary and democratic association [6].

It should be clearly understood that the Self-Help Group is a small organization of small people with small objectives. It goes to demonstrate that small efforts can be translated into bigger power. It has a magical strength with a considerably lower numerical strength.

![THE MAGIC STRENGTH OF VOLUNTARY & COOPERATIVE ACTION](image)

\[1 + 1 = 02 = 11\]

**THE MAGIC STRENGTH + MUTUAL TRUST = SHG**

It is 1+1, which is equal to 2, but it also can be 11 when people get together, work together and perform their activities in unison with a common objective. ‘Unity of Action’, ‘Unity of Purpose’ and ‘Mutual Benefits’ are the cornerstones of this organisation. [7]

Advantages of Self-Help Groups

How are the Needs Met?

Poor people associated with SHGs need credit to cover some of their personal requirements. The credit should be available in time and without much botheration. These poor do not like much of formalities, like writing out applications, offering collaterals and witnesses.
SHGs come forward to help poor because of two reasons: [a] Poor feel comfortable to deal with non-governmental institutions which are self-promoted, self-propelling and democratically-managed; and [ii] Members feel confident that the funds employed by the promoters are for their own benefit. There are no bureaucratic hurdles. The decision-making is fast, and members are accountable to themselves [8].

The impact of the working of self-help groups is real and truly contributory to the general social and economic welfare of the local communities.

**Functions of Self-Help Groups**
II SHGs CONTRIBUTION TO INCLUSIVE GROWTH IN INDIA

The SHG model is a home-grown model that emerged in 1980s and 90s with a pilot project of SHG promotion by NGOs but with an overwhelming support from the government of India, India’s Central Bank, NABARD, the banking sector, state governments and NGOs has now turned into a national movement - gaining recognition from all major stakeholders. The important growth of SHGs in numbers is mainly attributable to the proactive role of the state governments. For eg. Government of Andhra Pradesh promoted more than 7,00,000 SHGs due to which AP is near financial inclusion. The leadership role played by NABARD, all the banks and NGOs contributed to the exponential growth of SHGs. For eg. the largest institutional support programme to SHG in India this time is SHG Bank Linkage Programme (SBLB) which was initiated by NABARD in 1992 as a pilot project to link 255 SHGs with Banks now covers 97 Million [9] rural households with 74.62 lakhs SHGs linked with banks out of which 47.8 lakhs SHGs are directly getting loans from different banks. Table 1 gives comprehensive view of progress of SHG bank linkage programme of NABARD from 1992 to till now.

Table 1: Growth of SHGs in India

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHGs</th>
<th>No. of SHGs financed</th>
<th>Bank loans in Rs. (crores)</th>
<th>No. of Families amounted</th>
<th>Average Loan per SHGs (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>255</td>
<td>255</td>
<td>0.30</td>
<td>4335</td>
<td>11765</td>
</tr>
<tr>
<td>1993-94</td>
<td>620</td>
<td>365</td>
<td>0.36</td>
<td>6205</td>
<td>9863</td>
</tr>
<tr>
<td>1994-95</td>
<td>2122</td>
<td>1502</td>
<td>1.79</td>
<td>25534</td>
<td>11917</td>
</tr>
<tr>
<td>1995-96</td>
<td>4757</td>
<td>2635</td>
<td>3.69</td>
<td>44795</td>
<td>13700</td>
</tr>
<tr>
<td>1996-97</td>
<td>8598</td>
<td>3841</td>
<td>5.78</td>
<td>65279</td>
<td>1548</td>
</tr>
<tr>
<td>1997-98</td>
<td>14317</td>
<td>5719</td>
<td>11.92</td>
<td>97223</td>
<td>20843</td>
</tr>
<tr>
<td>1998-99</td>
<td>32995</td>
<td>18678</td>
<td>33.30</td>
<td>317526</td>
<td>17878</td>
</tr>
<tr>
<td>1999-00</td>
<td>114775</td>
<td>81780</td>
<td>135.90</td>
<td>1390260</td>
<td>16618</td>
</tr>
<tr>
<td>2000-01</td>
<td>263825</td>
<td>149050</td>
<td>287.89</td>
<td>2533850</td>
<td>19315</td>
</tr>
<tr>
<td>2001-02</td>
<td>461478</td>
<td>197653</td>
<td>545.94</td>
<td>3360101</td>
<td>27601</td>
</tr>
<tr>
<td>2002-03</td>
<td>717360</td>
<td>255852</td>
<td>1022.31</td>
<td>3754874</td>
<td>26985</td>
</tr>
<tr>
<td>2003-04</td>
<td>1079091</td>
<td>361731</td>
<td>1862.00</td>
<td>5429900</td>
<td>51474</td>
</tr>
<tr>
<td>2004-05</td>
<td>1618456</td>
<td>539635</td>
<td>2994.30</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2005-06</td>
<td>2238565</td>
<td>620109</td>
<td>4499.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Year</td>
<td>Number of SHGs</td>
<td>Loan Amount Disbursed (amount Rs. Lakhs)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>----------------</td>
<td>-----------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td>2894505@</td>
<td>6570.39</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007-08</td>
<td>5009794</td>
<td>8849.26</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008-09</td>
<td>6121147</td>
<td>12253.51</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009-10</td>
<td>6953250</td>
<td>14453.30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>7461946</td>
<td>14547.73</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: NABARD Various Reports SHGs

*Include existing SHGs also, which were provided repeated loans

@ From 2006-07 onwards, data in respect of number of SHGs financed by banks and bank loans are inclusive of SHGs financed under the SGSY and the existing groups receiving repeated loans. Owing to this change, NABARD discontinued compilation of data on cumulative basis from 2006-07. As such data from 2006-07 are not comparable with the data of the previous year.

If we see the region wise pattern of SHGs linked to banks (Table 2) we find greater concentration of SHGs in southern region. This is due state government’s proactive role to promote SHGs as in case of Andhra Pradesh, Karnataka and Kerala which are nearly financial inclusion likewise Tamil Nadu. Though there was spatial disparity earlier but it is getting decline year by year due to government special efforts to 13 priority regions with higher incidence of rural poverty.

Table 2: Region-Wise cumulative numbers of SHGs in India till March 2011

<table>
<thead>
<tr>
<th>Region</th>
<th>Number of SHGs</th>
<th>Loan Amount Disbursed (amount Rs. Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Region</td>
<td>42493</td>
<td>37752.11</td>
</tr>
<tr>
<td>North-Eastern</td>
<td>39307</td>
<td>32095.65</td>
</tr>
<tr>
<td>Eastern Region</td>
<td>247624</td>
<td>161950.39</td>
</tr>
<tr>
<td>Central Region</td>
<td>48734</td>
<td>60755.08</td>
</tr>
<tr>
<td>Western Region</td>
<td>91954</td>
<td>62591.40</td>
</tr>
<tr>
<td>Southern Region</td>
<td>726022</td>
<td>1099628.56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1196134</strong></td>
<td><strong>1454773.19</strong></td>
</tr>
</tbody>
</table>

Source: NABARD Report 2010-11
If we see status of rural household coverage given in Table 3 we find that 7 states are there which have already achieved more than 100% coverage due to multiple lending of the same people from various institutions while in 19 states coverage is less than 50 percent.

Table 3: Rural Household Coverage under SHG-Banks Linkage Programme

<table>
<thead>
<tr>
<th>Rural Household Coverage Range (Percent)</th>
<th>No. of States</th>
<th>States</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-20</td>
<td>9</td>
<td>Bihar, Haryana, J&amp;K, Jharkhand, MP, Nagaland, Punjab, Sikkim and Uttar Pradesh</td>
</tr>
<tr>
<td>21-50</td>
<td>10</td>
<td>Arunachal Pradesh, Assam, Chhattisgarh, Delhi, Gujarat, HP, Manipur, Meghalaya, Rajasthan and Uttaranchal</td>
</tr>
<tr>
<td>51-75</td>
<td>5</td>
<td>Lakshadweep, Maharashtra, Mizoram, Tripura and WB</td>
</tr>
<tr>
<td>76-100</td>
<td>2</td>
<td>Goa and Orissa</td>
</tr>
<tr>
<td>&gt;100</td>
<td>7</td>
<td>Andaman &amp; Nicobar Island, AP, Chandigarh, Karnataka, Kerala, Pondicherry and Tamil Nadu</td>
</tr>
</tbody>
</table>

Source – NABARD Report 2010-11

If we minutely analyse all the tables we find that from last three years (From 2009 onwards) decline has been started in the growth of SHGs seeking fresh loans from banks and it was major (-24.6%) during 2010-11. This is due to the cautious approach of banks probably the result of turmoil witnessed in microfinance sector in states like Andhra Pradesh (where 30 women suicide due to torture of MFIs and in Kerala 8 women suicide during the same year) [10] and government regulation on SHGs like ordinance by Andhra Pradesh Government and now Government MFI Bill 2011 to regulate this sector.

III PROBLEMS OR CHALLENGES FACED BY SHGs

After interpreting the above data it was observed that even after a vast number and providing bank linkages to SHGs the performance and outcome of SHGs is not up to expectations. No doubt SHGs have helped to reduce dependence of people on local money lenders and up to 66% members [11] are now free from clutches of local money lenders but in the present
scenario when competition is too high due to globalisation and quality consciousness of the consumers there is a need to develop these SHGs into strategic business enterprise. It was observed that SHGs have great potential but due to some problems they are not able to convert their skills into reality. The problems observed after analysis, observation and unstructured interviews with these SHGs are as follows –

**Illiteracy**

It was found that most of the SHGs members are illiterate. They do not know even simple calculations what to say about book keeping and accounting. This leads to various types of problems and also exploitation by middlemen and even MFIs.

**Lack of Knowledge**

Maximum SHGs members lack knowledge about potential markets for their products, credit institutions that can provide them with finances, government policies, schemes and initiatives started for their help, business standard of markets etc. that hinders them to be a successful entrepreneur and also their progress to get a better price for their product.

**Lack of Management Skills**

As SHGs members are illiterate and are not trained so they lack all managerial skills like money, material, man and machinery management. Resultantly their productivity is quite low and work efficiency is very poor hindering them to be a successful entrepreneur.

**Lack of Continuous Training Facilities**

As world is advancing day by day and people are becoming quality conscious so we require to upgrade our knowledge time to time. Only one time training is being provided to SHGs members, they lack continuous up gradation in their field due to which they remain behind and become out of market soon due to lack of up gradation.
Lack of Regular Monitoring and Evaluation of SHG Activities

Due to illiteracy SHGs members are unable to monitor and evaluate their activities continuously. This gives birth to the malpractices which hinders their path of being successful entrepreneur.

Exploitation of Rural Entrepreneur

Rural micro-enterprises initiated by SHGs are exploited by various people as middlemen or organizations to which they sell their product give them very less price and consume most profit themselves.

High Interest Rate and Repayment Schedule

Generally SHGs charge very high interest rates from members which make their product costly hence not able to compete with machine made cheap products so they become out of market.

IV STRATEGIES TO TRANSFER SHGs INTO STRATEGIC BUSINESS ENTERPRISES

To mitigate the problems given above there is a need of paradigm shift in perception of SHGs by linking them with entrepreneurship development as a strategic intervention for their overall growth and development. Apart from accessing funds from the formal financial sector, SHGs can also become a forum for dissemination of development ideas and information, an association for community mobilisation or an organisational unit for linking up with other economic, social and political interventions. Following are the strategies to transfer these SHGs into strategic business enterprises
1. **Entrepreneurship Development**

Entrepreneurship development (ED) refers to the procedure of enhancing entrepreneurial skills and knowledge through structured training and institution building programmes [12]. ED accelerates employment and income generation. To develop entrepreneurship development among SHGs members capacity building programmes and workshops should be done continuously.

2. **Initiating Micro Enterprises**

Enterprise is the capacity and willingness to initiate and manage creative action in response to opportunities, wherever they appear, in an attempt to achieve outcomes of added value. These outcomes can be personal, social and cultural [13]. Establishing micro enterprise through SHGs in rural areas can help to meet these challenges. As micro-enterprises not only enhance national productivity, generate employment but also help to develop economic independence, personal and social capabilities among poor [14]. For initiating micro-enterprises following should be done

- Vocational Training should be provided to SHGs members to initiate micro-enterprises
- After training proper financial support at nominal rate of interest should also be provided to start micro-enterprise
- Regular monitoring and evaluation along with continuous updation of SHGs members should also be done time to time
- Learning from peer group should also be encouraged

Besides above two following strategies should also be followed

3. Improve the confidence level of SHGs member

4. Fostering decision making capabilities among SHGs members
5. Organise the cluster networking and filling in communication/information gaps among SHGs members

6. Developing and understanding of the environmental, social and localized issues in promoting sustainable SHGs

7. Shifting from supply chain to value chain

8. Increase the rate of innovations, creations and adoption in SHGs

9. Government role should be a link agency and promoter agency for providing professional backup to SHGs and weaker sections and to provide necessary training to SHGs functionaries, helping them in finding out potential market to sell their products profitably.

**CONCLUSION**

Sustainable development happens when inner potential is recognised. Transforming SHGs into Strategic Business Enterprise (SBE) and generating the number of entrepreneurs from SHGs with sustainability point in mind is not an easy task. It requires lot of positive force on the part of government, planners, funding agencies and NGOs. Fortunately SHGs in India involves multiple, spirited and enthusiastic people who starts with much anticipation. A little booster dose of capacity building programmes, coupled with vocational training, technical and financial, infusion of appropriate technology, skills and easier access to hassle free credit especially start up capital apart from facilitating to market potential can do a lot to transform SHGs into SBEs. The road blocks can be reduced through the confluence of recommended approaches given above which will ensure required transformation of SHGs into successful business enterprise. As has been said, “Alone we can do so little; together we can do so much.”
References

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8. Ibid 5 pg.14


10. Sehgal, A. Subhashini (Dec. 21, 2011) Shoshan Ka Naya Hathiyyar New Delhi, Dainik Jagran pg. 6

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