1. Introduction

The biggest challenge to any civilized society is the economic deprivation of its bucolic part. The most potent tool against human deprivation is building human capital among the deprived, through sustainable development initiative which is taken by the deprived themselves. “Self realization and self initiative are the two most powerful weapons to wash poverty out from the world map” this dynamic quotation by world’s greatest economist Chanakya has been translated to one word that is SHG. Micro finance through SHG has become a ladder for the poor to bring them up not only economically but also socially, mentally and attitudinally. Poverty has been degrading human lives for centuries. Reduction of poverty will one of the greatest achievements of any economy. As a matter of fact, India’s performance in this regard in the recent years has been among the best in the world. The prowess of India in the field of information technology, biotech, pharmacy and various other manufacturing segments etc is being recognized all over the world. According to the National Sample Survey Organization (NSSO), this high growth has led to a decline in the incidence of poverty- from 26% in 2000-2001 to 22.15% in 2004-2005, i.e. the poorer sections of the population reduced from 320 millions to 260
millions. In spite of these improvements, most of the health indicators and poverty-related education still show disturbing rural-urban gaps and a wide variation across the states.

Alleviation of poverty, the core of the developmental efforts, has remained very complex and critical concern among developing countries. Poverty is deeper rooted covering several interlocked aspects such as assetlessness, under-employment, uncertain and relatively unproductive employment, low remuneration, lack of bargaining power, economic vulnerability, illiteracy and proneness to disease, social disadvantage and political powerlessness. Also, poverty has its various manifestations like malnutrition, overcrowding, squalor, slum housing conditions and infant mortality, drought, flood and cyclone and resource-poor areas. Experience has shown that many of the poverty alleviation programmes through organized credit channels have not achieved the required success. It has been found that in respect of financing poverty alleviation programmes and creation of employment in rural areas, there are a number of factors which prevent small borrowers and poor people from securing adequate credit from formal credit agencies on account of lack of awareness among beneficiary in respect of development through credit and proper use of credit. The situation reveals that the rural poor require small but regular urgent loans whereas their options are restricted to programmes designed and approved by the Government, which do not clear to their needs. Hence, to bridge the gap between the demand and supply of funds in the lower runs of rural economy, the micro finance schemes of NABARD have made a smooth foray into the role played by micro finance in eradicating poverty and empowering women to manage the enterprises.

For a country like India where 22% of the population is poor, banking services is important not only for poverty alleviation but also for optimizing their contribution to the growth of the national economy. This realization has led to certain important banking-related policy initiatives in the last three decades. There were nationalization of major commercial banks; setting up of RRBs; launching of large credit-supported programmes aimed at creating self-employment opportunities for the poor and persuading banks to participate in such programmes etc. Although these measures have greatly increased the outreach of the banks among the poorer sections of the society, it was increasingly felt that even these initiatives perhaps succeeded in reaching only the upper crust of the poor and bypassed the lower rungs of the society. Experience has shown that many of the poverty alleviation programmes through organized credit channels have not had the required success. To make it success, the organized credit channel implemented through SHG to alleviate the poverty.

2. The Origin of SHGs in Orissa

The problem of timely repayment of loans and their best possible utilization has long plagued the planners in regard to the self-employment programmes in India. The paradigm of group-based micro-finance which gained considerable currency during the concluding years of the last century was conceived to be an appropriate tool to handle this problem. It was now being argued that when finance was provided to a close-knit group, the internal group dynamics would ensure optimal utilization and better repayment of the fund. This concept married with the neo-liberal approach of the trimming down the state of some so-called unnecessary responsibilities sought to open a different vista in poverty alleviation programmes. Consequently the idea of SHGs
came in to being. Certain developments within the country involving erstwhile failure of the individual micro financing under the Integrated Rural Development Programme (IRDP) coupled with moderately successful experience with the Development of Child in Rural Area (DWCRA), groups of nineties rendered it the status of ‘magic potion’ or panacea to all poverty related problems. Eventually minister of rural development, Government of India embarked upon a scheme called Swarnojyanti Gram Swarojgar Yojona (SGSRY), on 1/4/99 with an accent on group based micro-finance. The basic assent of the scheme thus was to organize the rural poor into SHGs through a process of social mobilization, enhance their capacity in the socio-economic domain and encourage them to take up some economic activities so that these poor families scale the all decisive poverty line within three years of inception.

The Reserve Bank of India in its master circular on SGSY acknowledge the scheme as a ‘holistic scheme covering all aspects of self employment’ where assistance to BPL families can be extended to initiate micro-enterprises in rural areas. Appropriate noise generated on the eve of Mohammad Yonus winning the nobel-prize in 2006 gave it further shot in the arm. The District Rural Development Cells (DRDC), thus with the active participation of the panchayats leapt into the business of organizing groups of women and men from BPL category, nurtured and trained them in group dynamics as well some economic activities as per their inherent natural tendency or the demand of the market, evaluated their performance and linked them up with the nationalized and other banks so that they get the adequate fund as soft loan to persue their economic activities. The bank loan consisting of ‘term loan’ and ‘working capital’ was again backed up by a provision of back-ended subsidy from the government where normally 1.25lakhs is the highest limit a group can get. Thus the bank loan was considered an imperative to start the sojourn of the SHGs.

Self-Help Groups based micro finance programme in Orissa has started since the early 90’s with the initiative of NGOs and refinance facility provided by NABARD. However, its growth was marginal in the early stages. The growth of SHG in Orissa about 9 thousand cumulatively at the end of 2001, while it was 275 thousand cumulatively at the end of 2007-08. The growth trend of SHG is given in following.

3. Micro-Finance Programmes:

Micro-Finance programme intends to arrest the most burning issues i.e. poverty and unemployment, which are main hurdles in the process of development. Micro-Finance can be defined as provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi-urban or urban areas for enabling them to raise their income levels and improve living standards.

3.1. Objectives of Micro-Finance Programme:

1. To make the participating agencies well acquainted with the needs of different target groups e.g. women, tribal, micro entrepreneurs and unemployed youth.
2. To initiate and implement micro-enterprises development programmes and supports the programme by way of an effective micro-finance delivery mechanism.
3. To strengthen capabilities of micro-finance organizations in the areas of planning, managing and coordinating micro-enterprises i.e. identification of feasible business projects, encouraging the entrepreneurs to execute these
projects and supporting them with managerial, financial and marketing assistance.

**Cumulative progress of SHGs-bank linkage programme in Orissa:**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHGs (Figures in ‘000)</th>
<th>Bank Finance (Rs. million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upto 2001</td>
<td>9</td>
<td>80</td>
</tr>
<tr>
<td>2001-02</td>
<td>21</td>
<td>206</td>
</tr>
<tr>
<td>2002-03</td>
<td>42</td>
<td>510</td>
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<td>2003-04</td>
<td>78</td>
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<tr>
<td>2004-05</td>
<td>123</td>
<td>2,517</td>
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<tr>
<td>2005-06</td>
<td>180</td>
<td>4,754</td>
</tr>
<tr>
<td>2006-07</td>
<td>234</td>
<td>6,844</td>
</tr>
<tr>
<td>2007-08</td>
<td>275</td>
<td>8,913</td>
</tr>
</tbody>
</table>

*Source: NABARD. Org.*

The growth of SHG in Orissa about 9 thousand cumulatively at the end of 2001, while it was 275 thousand cumulatively at the end of 2007-08. With the launching of SGSY programme in 1999 and formation of Mission Shakti in 2001, the SHG-bank linkage shows a significant growth. Orissa has linked 275 thousand SHGs with bank credit of Rs.8,913 million by the end of March 2008. But in 2001 the bank linkage was Rs.80 million. All the eight Regional Rural Banks, 17 Districts Central Co-operative Banks and 35 Commercial Banks in the state took part in SHG bank linkage programme.

4. **A few cases of unsuccessful groups:**

Mere increase in number of SHGs does not fulfill the objectives of their creation. In this part, we present the case study of a few selected inactive or failed groups and the reasons for their failure.

**Case 1:** Vellampadam SHG, started in 1994, was one of the best groups in the beginning. This co-operation and unity among the members of this group was a model worth emulating. After bank linkage, members started getting loans ranging from Rs.1000 to Rs.5000. Loans were taken mainly for productive purposes. However, in course of time, a few of them defaulted payment of installments. When other members and group leaders started pestering them, they even kept away from the group meetings. It is found, in general, that when a member makes default in repayment and other members feel that the default was willful they also withhold repayment. The other members lost confidence in the group and withdrew their membership. At present, the group is inactive, meetings are not held and records are not maintained. The President and the Secretary are unable to maintain the earlier tempo of activities. It is felt that the members are yet to conceptualize the goal behind the SHG strategy and become aware of the returns other than material benefits that they would be able to get in course of time.

**Case 2:** The case of Pookotumanna SHG is unique in many ways. The group leader failed to convince the members about the significance of group dynamics and mutual dependence. Some members failed to pay interest on the thrift loan availed as they said that it was given out of their own savings. They even induced others not to repay. Now no meetings are held and only a few members go to the Secretary’s house and hand over their thrift contribution. Through proper counseling, it is possible to revise the group and make it active.

To conclude, the above cases reveal that it is the absence of the important determinants of group success like strong and stable leadership, group solidarity, clarity about the goals of SHGs among the members, and co-operation and mutual understanding that lead to ineffective functioning and consequently to failure of the groups.
From various empirical studies conducted earlier, it is found that in Orissa the SHGs–bank linkage programmes having the following problems:

1. In Orissa a majority of SHGs were formed during mid 1990’s. Though at the formation stage the number of membership in the SHG is usually higher but gradually it declines. Less than 10 members are reported in about 30% of SHGs and 11-15 members are found in 55% of SHGs.

2. The training programme conducted by sponsoring NGOs and commercial banks and other banks is not so encouraging. The members do not get sufficient benefits out of these training programmes. Therefore, in about 55% of SHGs only very traditional activities have been reported.

3. Majority of members in the SHGs carry out different activities independently and it is observed that they are less successful.

4. It is also found that, majority of SHGs are incompetent in maintaining records due to the low level of literacy among the members.

5. Bank loan received by the members are not utilized purposefully. It is noticed that few members utilize the loan to pay off old debt. On this ground SHG objectives are no way greater than the bank finance under different poverty alleviation schemes.

5. Issues taken care of for long term sustainability of SHGs

5.1. Establishing proper SHG process:

Some of the basic and immutable principles of SHG formation are their voluntary nature, members coming from similar socio-economic background and their formation for a specific purpose. Once a group is formed, it should meet regularly, members should attend group meetings and they should participate in the decision-making process. To ensure involvement of every member, strategies like rotation of leadership, training of members, decisions taken only in group meetings, maintenance of records by group members themselves etc are required to be adopted. Quality of SHGs can be improved with systematic provision of various inputs during their formation stage. Group meetings of the SHGs studied dealt with savings and credit issues only without discussing other matters like awareness generation, literacy, health, sanitation, and issues affecting the lives of poor rural women.

5.2. Financial viability of SHGs: Financial viability does not only consist of generation of surplus of income over expenditure, but also requires putting in place a very good system of audit of group accounts, fast rotation of group funds, mixing “Warm” money with “cold” money (“Warm” money is defined as the savings and other funds generated directly by the members whereas “cold” money is grant or loan funds obtained from the promoting organization or financial institutions), control over loan defaults, access to external funds and ensuring credit availability to majority of members etc.

5.3. Involvement in community based activities: SHGs mature faster with awareness generation of members and lively meetings where various non-financial issues affecting women are also discussed. In fact restricting the SHG members to savings and credit activities for a long time appears to be under utilization of the potential of SHGs. Groups have proved to be very effective in tackling community level issues like alcoholism, getting work done through government system, enforcing implementation of basic large, sanitation, water supply management, etc. However, initiating them into such activities requires considerable efforts by highly trained field workers.
5.4. Convergence with other schemes: Since the Project and NGO based interventions are for a fixed duration, for the SHGs to survive beyond the project cycle, it is necessary that they get linked with existing schemes of the Government for being able to keep on accessing other sources of funds and support in future.

5.5. Saturation of SHGs: A large number of SHGs in the same village will help to promote project philosophy, create a sense of solidarity among members, create a larger forum for taking up community level issues and ultimately safeguard the project from disturbing influences of weaker SHG based programmes. This will also reduce the implementation cost of such programmes.

5.6. Capacity Building of SHG Members

A critical contribution in SHGs is the training of their members for building entrepreneurial capacity. The component of training was not built into the earlier IRDP programme. But now it has been inculcated as one of the basic and essential components. All the members should be provided an opportunity to better their practical, serviceable and entrepreneurial skills through one or two days orientation programme. In this basic orientation training, the beneficiaries were familiarized with the goals, responsibilities and aspects of book keeping. Proper care should be taken as regards to nature of training, duration of training, effectiveness and quality of training, utilization of fund for training etc.

5.7. Marketing Support: Traditionally the self-employment programmes concentrated on the input supply than outputs marketing and it is very common to find production patterns overlooking the market strategies. Thus market surveys are essential to identify viable activities to be taken up by the SHGs. So, preparation of project profiles of key activities must be based on scientific understanding of the potential markets. Authority should provide easy marketing facilities for the better return on the group activities. In present globalised economy, it is very difficult for the Self-Help Groups to penetrate into the market with the existing price structure. Poor marketing strategies followed by Self Help Groups are a major cause of failure of the group activities and also there is lack of potential markets in rural Orissa. So it is the duty of the Self-Help Group Promoting Institutions (SHPI) to provide or to create potential markets for the rural poor to sell their products which will lead to economic development through generating more employment opportunity.

5.8. Monitoring the Key Activities: The process of monitoring of the key activities is very much essential for the success of the groups. To make an effective group it is very important to monitor different activities properly. It is the role of the government to monitor the group activities to make a developed economy through developing group activities. As result the failure percentage will reduce and the activities of the group will increase effectively. Very particularly, it is the Self-Help Group Promoting Institutions (SHPI) like Non-Governmental Organisations (NGOs) and other governmental organizations who should watch regularly the activities of the groups. It is also the duty of the SHPI to reform the group activities by providing different training facilities and with the application of new technology in their activities.

Conclusion:

The rationale for working with SHGs varies from institution to institution and also from project to project. For some SHGs, it is viewed as a way to reduce transaction costs and enhance outreach while others interested in poverty reduction and an entry point for the broader goal of empowerment and transformation of power.
relations within society. There is no “one way of doing things” and the implementers will have to keep an experimenting with various models. This study shows that the Self Help Group concept not only provides financial services to the rural poor but also acts as a lunching pad for livelihood intervention. Therefore, proper capacity building and linkage of SHGs to mainstream organizations has really necessary to succeed in poverty alleviation and social upliftment. The success of micro enterprises depends on identification of enterprises with local talents and native capabilities of poor rural, extending training to develop in them self-confidence, self-esteem, self-reliance and motivation promotion of small savings through micro finance, supply of raw materials, facilities of marketing, technology upgradation and evaluation and assessment. Apart from this weekly meetings, discussions, participation in planning and implementation process of developmental activities and social and cultural activities conducted under SHGs and community based organizations enhance the confidence and capacity of the rural poor. Moreover, thrift and credit operations under micro finance and micro enterprises enhances the economic status of the rural poor in family and society which helps eradicate poverty at the root itself.

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