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**Self Help Group and Rural Development of Assam: It's Problems and Prospects**

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**Introduction:**

Rural development is one of the prioritized objectives of developing planning of every state in India. In Assam 87 percent of the total population live in rural areas and most of them are found as poverty ridden and economically backward. The state government has been giving special thrust for elimination of rural poverty as well as upliftment of economic condition of people in rural areas. To achieve the objectives, the state governments as well as the central government of India have been implementing various rural development and poverty alleviation programmes and the responsibilities of implementation of these programmes have been entrusted on the Panchayat and Rural development departments of the states. The Swarnajayanti Gram Swarozgar Yojana (SGSY) is one of the programmes which was launched in April 1999. It replaces the earlier poverty eradication programmes like IRDP. Under this programme a large number of small enterprises are to be established in rural areas. The individual and Self Help Group (SHG) can establish these industries in different rural areas on the basis of local resources. The fund sharing ratio of the programme between the central and state government is 75:25.

**Self Help Group (SHG) :**

The concept of Self Help Group (SHG) was introduced by NABARD in 1992. Today it is the largest rural development program, going on with the active cooperation of various financial institutions. A SHG is a group of about 10 to 20 people from the homogeneous class, who come together for addressing their common problems. They are encouraged to make voluntary thrift on a regular basis. They use these pooled resources to make small interest bearing loan to their members. The process helps them inscribe the essentials of financial intermediation including prioritization of needs. This gradually builds financial discipline in all of them. They also learn to handle resources of a size that is much beyond individual capacities of them. Once the group show mature financial behaviour, banks are encouraged to give loans to the SHGs. NABARD emphasizes on the growth of strong and efficient SHGs which can provide internal loans to its members for productive purposes. On the other hand, DRDA under its SGSY emphasizes on the growth of SHGs

among BPL families so that they can fulfill the objective of poverty alleviation and Swarojgar among the really needy and poor people. The SGSY programme covers all aspects of self-employment of the rural poor viz organization of the poor into SHGs and their capacity building, training, selection of key activities clusters, infrastructure build up, technology, marketing support etc. In this programme the social mobilization of the rural poor enables them to build up their own organizations in which they fully and directly participate and take decisions on all issues that would help them to coming above poverty line. HSGs have become very popular these days in India and some other countries in the world like Bangladesh, Philippines, Thailand, Srilanka, Nepal, Indonesia

The basic concept of HSGs is borrowed from the 'Micro Credit' concept of the Grameen Bank of Bangladesh, which was founded by Professor Mohammed Yunus of Chittagang University in 1975. He believed that being poor and unemployed doesn't mean that a man has lost his worthiness. Giving a man help to earn livelihood is much more worthy than giving him money for food. From this thought, the idea of micro-credit and Grameen Bank germinated in Yunus's mind and proved that micro credit is the most important weapon to fight in the field of acute poverty. Later on his idea have been implemented in many countries along India through a foundation of Self Help Groups

#### **SHGs in Assam:**

There is no denying the fact that SHG movement can add a new dimension to fight against poverty and underdevelopment all over the country. Unfortunately, SHG movement has started very lately in Assam The formation of thrift and credit groups have accelerated its speed in the state only during the last couple of years. Precisely since the beginning of the present century, a sizeable number of SHGs have started to crop up almost in every districts of the state. Till the end of the year 2009-10 a total of 208212 SHGs were formed in the state of which 135123 were women SHGs. Since inception to the end of the year 2009-10, 65360 numbers of eligible SHGs has taken up economic activities with bank loan and subsidy. The SHGs linkage programme of SBI is under implementation since 1992. SBI has about 30 Regional Rural Banks (RRBs) in 13 states including North East India. About 90 percent of the regional rural bank's branches are located in remote rural areas. Special emphasis has been given while identifying the target group to give more safeguards to vulnerable sections particularly to involve SCs, STs and Women through reservation. Panchayat Samiti of each Block helps in identifying the key activities based on local resources, occupational skill of the target people, the marketing facility and project report is prepared so that the swarozgaries can sustain their investment. The banks and other financial institutions now have to be closely associated and involved in preparing the project reports so as to avoid any delay in sanctioning of loans and ensuring adequacy of funds. During the year 2009-10, 13673 numbers of SHGs covering

153268 members received bank loan and subsidy. Apart from this, 11455 individual swarozgaries received bank loan and subsidy for taking up sustainable income generating activities for their livelihood. It is proposed to modify this programme as National Livelihood Mission (NLM) to cover at least one member of each BPL family and necessary work for this purpose is in progress. The achievement under this programme during the year 2009-10 was 10 percent more than that of year 2008-09. Although the number of SHGs in the state has been increasing during the last few years, the SHG-bank linkage in the state has been still poor as compared to the rest of the country. Because of several loopholes in the programme and constraints at the ground level, it has not been so much successful as is expected in Assam.

#### **Problems of SHG :**

- The educational level and technical skill of the majority of beneficiaries of SHGs in rural areas is not enough to properly maintain the complicated account system envisaged in the programme and communicate with the bank officials.
- It is very difficult for the individual beneficiaries to earn much from loan that would be sufficient to meet their daily requirements and save a part for the repayment of loans with interest. In many cases it is found that though most of the beneficiaries are given an amount of loan as subsidy, they are even unable or unwilling to repay the rest with interest. After a few years the accumulated debt becomes overburdened and it becomes difficult for those to meet the same. It is generally happened because of the lack of saving habit and accumulated savings are not transformed into capital or used for repayment of loan on a regular basis.
- In many cases banks are not cooperative in providing credit/ subsidy to the rural poor for fear of non-recovery caused by large –scale defaulters. A study made by **Pricewaterhouse Coopers**, a reputed investment consultant, shows the pattern of credit usage by rural poor as:
  - (i) *63% of total credit availed by the rural poor is used for consumption purpose with only 37% going to productive use.*
  - (ii) *The overall share of organized sector in credit flow to the rural poor is about 16%*
  - (iii) *Non availability of credit for consumption needs from organized sector.*
  - (iv) *Very high rate of defaults under the government sponsored programmes has led to reluctance on the part of the banks to extend credit to rural poor.*  
*(Srinivasan, G " Rural Credit Delivery Reaching the Unreached" , Kurukshetra, August 2003.)*

- Political parties in many cases also try to avail the facilities and the benefits of the programme for their alliance people through their influences in the respective areas without consideration of the eligibility and efficiency. Such groups are generally involved in corrupt practices and deserved people are deprived of such benefit.
- There is lack of awareness and exposure on the conceptual as well as operational aspects of SHG-bank linkage programme at various levels including senior officials of banks and the state government.
- The preparation, organization of the poor, formation of SHG and their capacity building is a time consuming process and thus it is one of the important causes of slow progress of the programme in the state.
- In spite of linkage programme and direct involvement of bank, sanction and disbursement of loan is another hindrance of its progress. It is seen that a large proportion of application submitted by DRDAs have not been approved and assisted.
- In Assam, only a few NGOs are working in this area. Most of them suffer from weak institutional capacities. Moreover, only a few NGOs are working with the poorest of the poor. Consequently Ex- tea communities and tribal groups in the Brahmaputra valley and Muslim women in the Barak Valley remained largely uncovered by the current micro finance movement.
- Rate of interest charged by many SHGs from the members (2% - 5% *monthly*) and non members (*about 3% - 10%*) were found quite high. Presently, many SHGs formed by the well-off members are engaged in usurious money lending business.
- Some people come forward to form SHG in order to satisfy vested interest. Their main purpose is to obtain the amount of revolving fund and then distribute it among the members.
- It is revealed in study that in Assam, 52 percent SGSY and IRDP beneficiaries were affected by natural calamities against all India average of 10 percent.
- Products of SHG lack of market exposure. Their market is limited within near by areas.

#### **Prospects of SHG:**

- The SHGs can be treated as an important means of solving widespread poverty and unemployment in the state. The SHGs always identify the target activities on the basis of local requirements and resource base which helps for decentralized growth of the state economy.

- The basic advantage of the system is that it is purely a democratic system, nothing is imposed from above and there is no government interference in the activities of the people groups. The group themselves set their own rules and all the members abide by those rules. Also they evolve their own method of working. Interest is charged on loans depending upon the capacity of the beneficiary to repay it.
- The involvement in SHG has significantly contributed in improving self confidence of the members. The felling of self- worth and communication with others improved after association with the SHGs.
- The SHG could be very effective mode which can mitigate rural poverty and also act as a tool for women empowerment. The members become more assertive in confronting social evils and problem situations after formation of SHG.
- Culture of repayment needs to be improved. It is found in study that as high as 48 percent of the institutional loans accumulated overdue in the state. Even in the case of bank loans to SHGs, the performance was found lower than the national average.
- Provision of the meaningful training for capacity building of the members of the SHGs, NGOs, women organizations, Panchayat, etc. must receive utmost importance. In Assam, women organizations have a very large network which can be transformed into effective and largest SHGs by providing adequate amount of incentive, encouragement and training.
- The SHGs have an important advantage, as it is group of some individuals on the principle of self-help and mutual help where saving and loaning are the main activities and development take place with a human face. The possibility of recovery is supposed to be higher through the group activities and inculcating saving habit among them, which was very less in case of IRDP.
- Attitude of bankers needs to be changed on urgent basis. NGOs and PRIs' intermediation pressure from other catalytic agencies can help a lot in this regard. SHGs and financial institutions must give priority to insurance of loan assets.
- Initially, villages with better connectivity must be provided with micro credit services in adequate amount and only after improving basic infrastructure other villages should be brought under total coverage.

- Direct involvement of bank with SHGs may help reducing the transaction cost in providing credit to poor by passing some of the responsibilities of loan appraisal, follow up action and recovery etc, which may much higher than that of other poverty eradication programmes.
- It is essential that if Panchayats in Assam with the help of women organizations and NGOs take up responsibility to motivate at least 1 million rural poor a year to form groups for better utilization of their resources, in near future, the problem of mass poverty can be addressed appropriately.

**Conclusion:**

Assam is a relatively backward state where about 70 percent stays rural areas. Out of this 30 percent comes below poverty line and 60 percent under marginal and small farmers. Small amount of loan at frequent interval is common need among them to fulfill their livelihood need. The SHGs have an important role to play in this respect. These also provide employment to surplus labour of the agricultural sector. Thrust on promotion of quality SHGs on a large scale, with special focus on comparatively backward areas of Assam is urgently required. In this respect concerned government, general public and the new generation should have a keen and positive attitude towards the HSG movement of the state for the future improvement of the state.

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