Chapter 13
Performance of SHGs in the Backward Districts of West Bengal: An Analysis

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ABSTRACT
One of the escape routes for the low-level development trap in the backward regions of India has been the formation of self-help groups (SHGs) and the provision of microfinance to the SHGs. This chapter analyzes the performance of such SHGs in some of the economically backward districts of West Bengal based on primary data collected from some sample drought-prone and non-drought-prone blocks of Paschim Medinipur and Bankura districts of West Bengal. The performance of sample SHGs in these drought-prone areas has been measured by (1) per-capita deposit, (2) per-capita credit, (3) credit-deposit ratio, and (4) repayment-credit ratio. An intra-regional difference in this performance has been observed in SHGs functioning in drought-prone and non-drought-prone blocks within the backward districts. Further, applying Probit model, it is observed that the SHG can climb easily upon the performance ladder with younger and educated members, greater percentage of members above the poverty level, better utilization of credit received, and so on.

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INTRODUCTION

The Self-Help Group (SHG) is a collective organization of individuals living in a rural area with each member making a fixed amount of monetary contribution to start with for a period of six months. Within this period, the group opens a cash credit (bank loan plus subsidy, i.e. Revolving Fund) account with a financial institution. The salient feature of the cash credit account is that it is not a loan/credit granted once and for all and the groups start lending to their members after accumulating enough deposits. The SHGs are to undergo periodic assessment on the basis of some various performance parameters by the local self-government body (viz. panchayat) and the bank to be rated as Grade I or Grade II. A group is accorded Grade I if the members are active after groups are formed and meet every month, regularly deposit money with their savings account and a Grade I group is eligible to receive the revolving fund from the bank. A Grade I group is escalated to Grade II rating if it performs satisfactorily in the front of deposit accumulation in the six months post the entitlement to the revolving fund and thereby becomes eligible to get the facility of credit linkage scheme. In case of credit linkage, there is a sizeable part of subsidy given to the groups. The present study focuses its attention particularly on this performance aspect of the SHGs operating in the backward districts in West Bengal.

LITERATURE REVIEW

Several studies have been undertaken by the researchers from time to time to review and analyze the performance of the SHGs in several parts of India and abroad. In some studies this performance has been measured in terms of the contributions of these SHGs towards women empowerment and financial inclusion of poor people particularly in rural areas (Dodkey, 1999; Mayoux, 2001; Krishna, 2003; Littlefield, Murduch & Hashemi,2003; Pitt, Shahidur & Cartwright, 2003;Shanthi & Dhanalakshmi, 2004; Panda, 2005; Jerinabi,2006; Sau,2009). These studies also indicate that the Self-Help Groups have been instrumental in creating an alternative system of credit delivery for meeting the credit needs, especially of the poorest people. Puhazhendhi and Badatya (2002) surveyed 115 members from 60 SHGs in Eastern India for estimating the performance of SHGs before and after group formation. This study indicated that there had been substantial reduction in the dependence of rural poor on the non-institutional sources of rural credit after the formation of SHGs. Performance of the SHGs was also measured in terms of their contribution towards skill formation among the members through several training programmes (Tankha, 2002;Tripathy,2004;Sharma, Roy & Chakravorty,2012). These trainings empowered the SHG members with proper knowledge, skill and attitude which were required to start any new venture. Participatory training on the part of SHG members was found to be an important contributor to the better performance of SHGs (Majumder, 2014).

It was observed that poor performance of the SHGs is often reflected in terms of the misuse of loans by the SHG members, project failure, and non-recovery of these loans in banking sectors, and all these incidents might occur particularly due to the lack of training facilities to the members of SHGs. The performance of the SHGs was also viewed in terms of their positive contribution towards the generation of saving habit among the rural poor (Readdy,2007; Borbora & Mahanta,2008). Some of these SHGs also played a significant role in setting up micro-enterprises for income generation. In many cases, the