



Self Help Groups (SHGs) as a Tool of Socioeconomic Development of Rural People in the Mekong Region (A Case Study with special reference to the Kratie and Stung Treng provinces of Cambodia)

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Abstract— Despite the global trend of urbanization, in many countries the majority of people continue to live in rural areas. Largely depending on agriculture related activities and lacking alternative employment and income generating activities, often these rural populations remain among the countries' poorest, amongst which the most disadvantageous group usually are the women. Over the last two to three decades women-focused efforts that aim at facilitating income and job creation through the provision of Micro-Finance (MFI) to Self Help Groups (SHGs) have emerged as a potentially vital tool for meeting the financial requirement of those poorer sections of the society living in the rural areas. Considering this, in 2012 the Wetlands Alliance (WA), through Asian Institute of Technology (AIT), started engaging with Hand in Hand India (HiH) to use and build on their experience from India in establishing SHGs and MFI as a tool for job creation in Cambodia. The programme is being implemented in Kratie and Stung Treng, two provinces with poverty rates higher than national average in northern part of Cambodia. The present study analyses the role of MFI and SHGs for the socio-economic development of the poor people in northern provinces of Cambodia. For collecting the primary data through group discussions, a total of 176 SHGs and nine to twelve members from each SHG were randomly selected. While still early in the process, the study indicates that SHG members can increase their income and improve their standard of living by performing economic activities independently.

Keywords— Job creation, microfinance, self help group, socio-economic and women development.

1. INTRODUCTION

Poor rural households whose livelihoods typically depend on small-scale agricultural activities, gleaned natural resources and related crafts usually lack the capital necessary to make investments that would improve their livelihoods. Saving money for emergencies, education and investments is rather impossible as the little cash in hand they earn is spent to supplement their daily subsistence and meet their basic needs. In the early 1970s, Muhammad Yunus demonstrated that these poor households are capable of making livelihood-improving investments if and when organized in small groups and provided with a small credit [1]. The principles of the Grameen micro-finance model developed by Yunus proved extremely successful. Adopted, modified and adjusted to local conditions, this microcredit model is widely considered the root of the global micro-finance movement.

Self help is one of the most fascinating yet frustrating aspects of development and is a fundamental tenant of recent expounded strategies of basic needs and self-reliance [2]. Self Help Groups (SHGs) are creating a platform for sharing of experiences collectively knowledge, building problems, solving and resource

mobile satisfaction and other institutions that are not being addressed by existing organizations, institutions, or other types of groups [3], [4]. A SHG is formed independently without any political influences. It can be all-women or mixed-gender group [5]. The SHG provides not only savings mechanism, which suit the needs of the members but also provides a cost effective delivery mechanism for small credit to its members [6]. These groups start with saving and not with credit; then uses its savings to give loans to members to meet their emergency and other needs. The members decide on mandatory savings per members, maximum size of loans, guarantee mechanisms in loan sanction [7].

The National Bank for Agriculture and Rural Development (NABARD) is the main initiator of the SHG movement since 1986-87 in India. Over the last few years both central and state governments, nationalized commercial banks, regional rural banks, cooperative banks, NGOs, non-banking financial corporation (NBFC) have joined in the SHG movement as promoters all over the India [3].

A study by NABARD covering 560 SHG member households from 223 SHGs across 11 states, showed many positive results on the impact of participation of rural poor in the SHGs. It shows that there have been perceptible and wholesome changes in the living standards of SHG members in terms of ownership of assets, borrowing capacities, income generating activities, income levels and increase in savings. It indicates that the average annual saving per household registered an increase over three-fold [8].

There have been several studies on the working of SHGs around the India. These study results shows that there has been significant increase in women

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empowerment of the SHGs members and there has been positive change in the attitude of beneficiaries [8], [9], [10], [11], [12].

The World Bank in a recent press release mentioned that across rural India, poor women are changing their lives and their children's lives through SHGs. The report shows 600 thousand SHGs around Andhra Pradesh, southern part of India reaching 8 million women, nearly 90% of the poor in the state. These SHGs provided training to 519 disabled people from 42 villages. In the aptly-named "Self Help Groups", millions of women are coming together to fight long-held prejudices. These SHG members are reaching out to the disabled, people with HIV, and other women who just need a little help [12].

Hand in Hand (HiH) India is a development organization based in Tamil Nadu, Southern India that sees job creation for women as a key to economic empowerment and poverty alleviation. At the center of its approach it has a SHG development model, through which it pursues its goal of employment generation. In applying and expanding its model beyond India to countries such as Afghanistan, South Africa and Brazil, HiH has successfully facilitated the creation of over 1.3 Million jobs in about 900,000 household and microenterprises over the last 10 years [9]. Encouraged by this HiH success, Wetlands Alliance (WA) through Asian Institute of Technology (AIT) and the Cambodian Rural Development Team (CRDT) decided to partner with HiH to replicate and build on their approach of job creation in Mekong region, Cambodia.

Kratie and Stung Treng provinces were selected for this study to assess the social and economic impact in northern part of Cambodia, as the SHG model was replicated in these two regions in Cambodia. The present survey only selected 174 SHGs for this particular study due to time limitation and flood disaster.

The objective of this survey is to study the impact of SHG joining on economic positions of the individuals through collection of primary data from Kratie and Stung Treng provinces in Cambodia.

Hand in Hand Approach

The HiH job creation model is facilitated by fusing key features of the Grameen bank model with a SHG approach that facilitates the development of smaller family based enterprises to larger micro enterprises employing more people. By facilitating microcredits, the SHG members are encouraged to start or strengthen existing enterprises. To build the necessary entrepreneurial and technical skills, the SHG members are trained on various spheres, including literacy and financial management, skill development and enterprise creation (Figure 1). Market Value Chain (MVC) analysis is used to help these enterprises finding market opportunities and building market linkages.

The core element of many of these approaches is organizing of the poor into small groups and initiating a process of internal savings. Often consisting solely of women, group members meet regularly; depending on the local context weekly, bi-weekly or monthly and each group member pays a small amount into the joint group

savings account. Initially, this money is just held as savings and often the groups will re-distribute these to their members after a period of a year or so. Many groups, however, go a step further and encourage their members to use these savings for giving small loans to those of them who are in need of some capital for small expenses and investments. Groups decide on the terms and conditions of the loans and the modalities of the repayment, such as interest rates and repayment schedules [9].

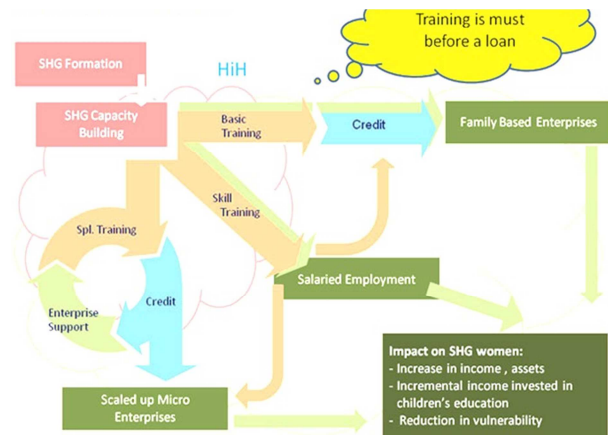


Fig. 1. Hand in Hand Self Help Group approach Source: Hand in Hand.

2. PRESENT STUDY

In the present context SHGs are playing an important role in socio-economic change. The increasing membership of community people in SHG and the changes that followed among the members motivated to take up this study in Kratie and Stung Treng provinces, Cambodia (Figure 2).

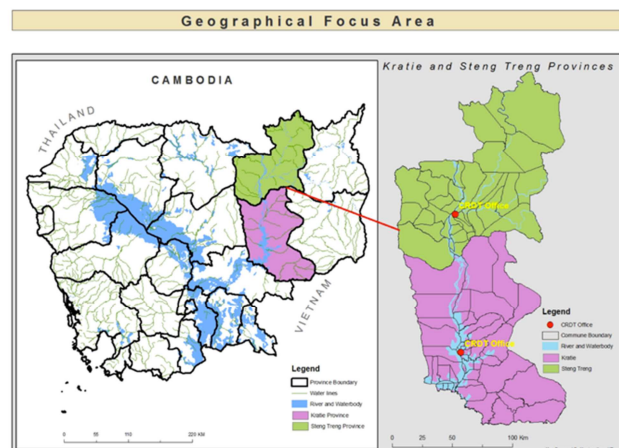


Figure 2. Geographical location of Study area.

HiH along with WA has commenced a SHG program Kratie, Stung Treng provinces in 2012. Both these provinces are located along the Mekong River and most people depend on subsistence rice growing or fishing. These provinces are remote and rural, and the majority of poverty stems from the lack of access to basic

infrastructure, lack of capital to extend their agricultural products, and diminishing natural resources upon which their livelihoods depend.

3. METHODOLOGY

The SHGs have been selected by using convenience-sampling techniques. A sample of 174 SHGs consisting of 1995 members has been taken for the present study. The survey has been carried out during August and September 2014, with help of CRDT project staff and SHG members. The questionnaire has been developed based on the earlier research studies conducted by various researchers.

The Study is based on primary data and it was collected through a semi-structured interviews. A series of focus group discussions were used to identify social and economic impact of SHG in both provinces.

4. RESULTS AND DISCUSSIONS

With the support from HiH and additional backstopping from AIT, CRDT had successfully established nearly 176 SHGs with more than 1,900 members in 80 villages, 34 communes of two provinces. Participants have been able to build up technical skills for their own small businesses as the programme has offered training for tailors, beauticians and enterprise development. An assessment of the groups' financial performance and management as the basis for credit rating that identifies well-performing groups that are entitled to receive bigger loans will allow members to further expand their businesses.

Table1. Size of SHG and number SHGs

Size of the SHG	No of groups	Percentage %
7 to 9	53	30
10 to 15	116	66
16 to 20	7	4
Total	176	100

Self Help Group

The core principles of the SHG are common interest, small size, homogeneity, affinity, mutual support and social and economic development orientation. Majority of the respondents joined SHGs to save money, personality development and getting loan.

HiH experience from India indicates that the ideal size of SHGs is between 15 and 25 members to ensure appropriate savings and management capacities. Table 1, shows that the number of members in the groups is usually lower than this ideal, with 116 groups having 10 to 15 members and 30% of the groups have 7 to 9 members only.

Table 2, shows the gender composition of the groups, with 71 groups being "women-only" and 105 mixed groups. However, these are also dominated by women membership, with a total of 236 men versus 1759 women. It is understood from the study that majority of

the women participation more than men.

Table 2. Number SHG members and women involvement

SHG	No. of SHGs	No. of women	No. of Men	Men %	Women %
Women	71	772	0	0	39
Mixed	105	987	236	12	49
Total	176	1759	236	12	88
Total SHG members and percentage		1995		100	

Economic Impact of SHG Members

Saving pattern of SHGs

Savings enhance the self-confidence of the individuals, as it is a sign of group encouragement in the time of taking loan. Almost all SHG members had started saving in the group once in a month. Table 3 provides an overview of the saving patterns of the groups.

Table 3. Change in the cumulative saving pattern of SHGs per month

USD	No. of SHGs	Percentage
0 to 50	66	38
50 to 100	32	18
100 to 200	44	25
200 to 300	18	10
> 300	16	9
Total	176	100

The SHGs have two basic saving types – mandatory and optional. The present study assessed only mandatory savings to understand the collective saving pattern of SHG. The study found that 38 percent of group's started saving 50 USD per month and all remaining groups are saving more than 100 USD per month. The amount of saving can vary depending on size of the SHG.

Lending patterns from internal and external

The SHGs have two kind of lending process, i.e. internal lending from SHG and external lending from bank or other Micro Finance organizations. It can be seen that 771 SHG members (39 percent) have not taken loan till now (Figure.3), and 54 percent have taken loan internally, and only 7 percent have taken external loan from the MFI.

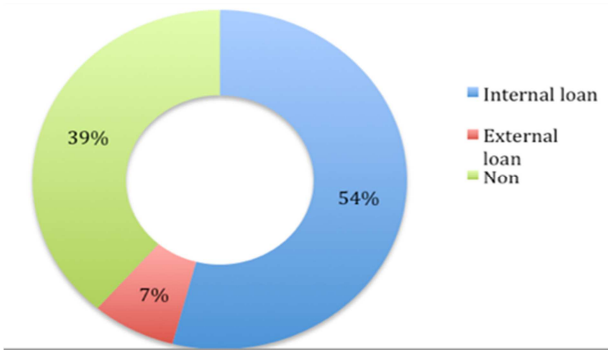


Fig. 3. Percent of loan has been taken loan till now.

Size of Loan taken

Table 4 presents an overview of the size of loan provided by the SHG. One third of SHGs provided more than 500USD to their members (58 SHGs) while nearly 12 percent provided less than 100USD. Almost 20 percent of SHGs have not yet implemented internal lending. These groups are newly formed (July-August 2014) and some group members represented that the group will start providing loans when the group have sufficient amount. The rest of the groups which represents 35 percent have given 100 to 500USD.

Table 4. Size of Loan taken till now from SHG/ total loan rotation

Internal loan rotation USD	SHGs	Percentage
Non	35	19.9
Less than100	20	11.4
100 to 200	15	8.5
200 to 300	21	11.9
300 to 400	12	6.8
400 to 500	15	8.5
More than 500	58	33.0
Total	176	100

Purpose of loan taken

Figure 4 illustrates on the basis of total number of loans taken for various purpose. Half of total SHG members have taken loan for developing agriculture and allied agriculture activities, such as growing vegetable (Photo 6), buying seeds, pesticide and fertilizer, labor for plowing and harvesting, renting water pumps etc., 20 percent have taken for livestock management activity, such as raising chickens (photo 4), pig raising, duck forming, fish forming, buying piglets, buying animal feed etc., 20 percent have taken to strengthen and develop new household based operation activity, such as tailoring (Photo 9), noodle making, grocery, setting up beautician shop (Photo 11), materials for grocery (Photo 2), vegetable selling, food selling (Photo 1,5), setting up

handcraft shop, meat stalls, fruit stalls, battery charging unit etc.

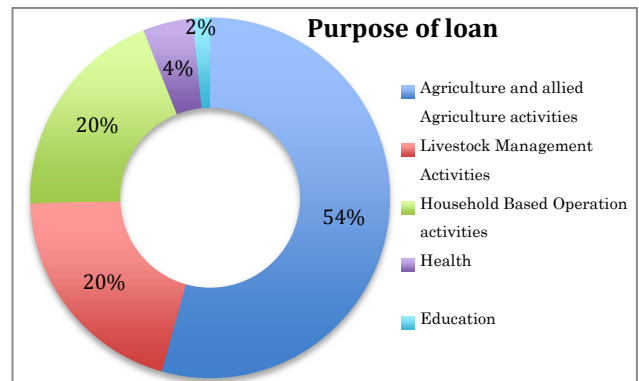


Fig. 4. Purpose of loan distribution.

The SHGs not only disbursed loans for income generating activities, but also for emergency cases. 55 members have taken loan for consulting doctors and buying medicine. The SHGs are encouraged to provide loans for education (1.6 percent).



Photo 1. Local food selling enterprise



Photo 2. Grocery enterprise



Photo 3. SHG Solar Enterprise



Photo 4. Raising chicken



Photo 5. Vegetable selling



Photo 6. Vegetable growing

It can be concluded that most of the loans were taken for income generation activities; it is also clear that the SHGs have a good understanding of lending process and prioritizing the loans based on the purpose and emergency.

5. CONCLUSION

Both the savings as well as the loans taken reflect increased confidence and financial management capacity of the SHG members, most of which are women. Lending through the SHGs has helped to create over 200 new micro-enterprises and strengthened more than 150 existing enterprises. Based on the identified business and enterprise preferences of SHG members, CRDT has been conducting Market Value Chain Analysis (MVCA) to gain a better understanding of the business prospects related to these products. Starting with poultry and rice, the MVCA analysis provides a learning opportunity to SHG members to identify opportunities in these markets. The SHG members are well educated in terms of accounting and gained solid training experience on enterprise development. SHG members have been able to build technical skills for their own small business as the programme has offered training for tailors and beauticians. Through this training program, 9 SHG women started tailoring enterprises in Kratie and 4 beautification shops were established in Stung Treng provinces. An assessment of the groups' financial performance and management as the basis for credit rating that identifies well-performing groups that are entitled to receive bigger loans that will allow members to further expand their businesses. CRDT established a MFI called Mekong Credit Association (MCA) that provides microcredits to these successful groups. The SHG can contribute to changes in economic conditions, social status, decision-making and increase women in out-door activities. The fast growth of the SHG indicates the scalability of the approach and their ability to provide their members with access to finance for small investments showing that the SHG approach could serve as valuable instrument to improve the living conditions of the poor and contribute to local economic development.

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