

Self Help Groups (SHG)

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Self Help Groups -What are SHGs?

Self-help Groups (SHGs) are informal associations of people who come together to find ways to improve their living conditions. They are generally self-governed and peer-controlled.

People of similar economic and social backgrounds associate generally with the help of any NGO or government agency and try to resolve their issues, and improve their living conditions.

The emergence of Self Help Groups – Origin and Development in India

- The origin of SHGs in India can be traced back to the establishment of the Self-Employed Women's Association (SEWA) in 1972.
- Even before, there were small efforts at self-organising. For example, in 1954, the Textile Labour Association (TLA) of Ahmedabad formed its women's wing in order to train the women belonging to families of mill workers in skills such as sewing, knitting, etc.
- Ela Bhatt, who formed SEWA, organised poor and self-employed women workers such as weavers, potters, hawkers, and others in the unorganised sector, with the objective of enhancing their incomes.
- NABARD, in 1992, formed the SHG Bank Linkage Project, which is today the world's largest microfinance project.
- From 1993 onwards, NABARD, along with the Reserve Bank of India, allowed SHGs to open savings bank accounts in banks.

- The Swarn Jayanti Gram Swarozgar Yojana was introduced in 1999 by GOI with the intention of promoting self-employment in rural areas through formation and skilling of such groups. This evolved into the National Rural Livelihoods Mission (NRLM) in 2011.

Evolution Stages of Self Help Groups in India

Every Self-help group usually goes through 3 stages of evolution stated below:

1. Formation of group
2. Funding or Formation of Capital
3. Development of required skills to boost income generation for the group

Many self-help groups are formed with the assistance of Self- help to promote agencies.

The various types of Self-help promoting agencies are stated below:

1. Non-governmental agencies
2. Government
3. Poverty management programmes
4. State & commercial banks
5. Microfinance institutions
6. SHG Federations
7. SHG leaders/Entrepreneurs

Functions of Self Help Groups

- They try to build the functional capacity of poor and marginalised sections of society in the domain of employment and income-generating activities.
- They offer collateral-free loans to sections of people that generally find it hard to get loans from banks.
- They also resolve conflicts via mutual discussions and collective leadership.
- They are an important source of microfinance services to the poor.
- They act as a go-through for formal banking services to reach the poor, especially in rural areas.
- They also encourage the habit of saving among the poor.

Need for Self Help Groups

- One of the chief reasons for rural poverty is the lack of access or limited access to credit and financial services.
- The Rangarajan Committee Report highlighted four major reasons for lack of financial inclusion in India. They are:
 - Inability to give collateral security
 - Weak credit absorption capacity

- The insufficient reach of institutions
- Weak community network
- It is being recognised that one of the most important elements of credit linkage in rural areas is the prevalence of sound community networks in Indian villages.
- SHGs play a vital role in giving credit access to the poor and this is extremely crucial in poverty alleviation.
- They also play a great role in empowering women because SHGs help women from economically weaker sections build social capital.
- Financial independence through self-employment opportunities also helps improve other development factors such as literacy levels, improved healthcare and better family planning.

Advantages of Self Help Groups

- Financial Inclusion – SHGs incentivise banks to lend to poor and marginalised sections of society because of the assurance of returns.
- Voice to marginalised – SHGs have given a voice to the otherwise underrepresented and voiceless sections of society.
- Social Integrity – SHGs help eradicate many social ills such as dowry, alcoholism, early marriage, etc.
- Gender Equality – By empowering women SHGs help steer the nation towards true gender equality.
- Pressure Groups – SHGs act as pressure groups through which pressure can be mounted on the government to act on important issues.
- Enhancing the efficiency of government schemes – SHGs help implement and improve the efficiency of government schemes. They also help reduce corruption through social audits.
- Alternate source of livelihood/employment – SHGs help people earn their livelihood by providing vocational training, and also help improve their existing source of livelihood by offering tools, etc. They also help ease the dependency on agriculture.
- Impact on healthcare and housing – Financial inclusion due to SHGs has led to better family planning, reduced rates of child mortality, enhanced maternal health and also helped people fight diseases better by way of better nutrition, healthcare facilities and housing.
- Banking literacy – SHGs encourage people to save and promote banking literacy among the rural segment.

Problems of Self Help Groups (SHGs)

- Need for extending this idea into the poorest families, which is not necessarily the case at present.
- Patriarchal mindset prevailing which prevents many women from coming forward.
- There are about 1.2 lakh branches of banks in rural areas as opposed to 6 lakh villages in the country. There is a need to expand banking amenities further.
- Sustainability and the quality of operations of such groups have been questionable.

- There is a need for monitoring cells to be established for SHGs across the country.
- The SHGs work on mutual trust. The deposits are not safe or secure.

Way Forward for Effective Self-Help Groups

1. The Government should create a supportive environment for the growth and development of the SHG movement. It should play the role of a facilitator and promoter.
2. SHG Movement should be expanded to Credit Deficient Areas of the Country – such as Madhya Pradesh, Rajasthan, States of the North-East.
3. Financial infrastructure should be expanded (including that of NABARD) by adopting extensive IT-enabled communication and capacity building measures in these States.
4. Extension of Self-Help Groups to Urban/Peri-Urban Areas – efforts should be made to increase income generation abilities of the urban poor as there has been a rapid rise in urbanization and many people remain financially excluded.
5. Government functionaries should treat the poor and marginalized as viable and responsible customers and as possible entrepreneurs.
6. SHG monitoring cell should be established in every state. The cell should have direct links with district and block level monitoring system. The cell should collect both quantitative and qualitative information.
7. Commercial Banks and NABARD in collaboration with the State Government need to continuously innovate and design new financial products for these groups to meet their needs.

Self Help Groups in India

- **Kudumbashree in Kerala**

The Kudumbashree project was started in Kerala in 1998, as a community action to eradicate poverty. It has become the largest women-empowering project in India. There are 3 components namely, microcredit, entrepreneurship and empowerment. Kudumbashree is a government agency.

- **Mahila Aarthik Vikas Mahamandal (MAVIM) in Maharashtra**

SHGs in Maharashtra were unable to cope with the growing volume and financial transactions and needed professional help. Community managed resource centre (CMRC) under MAVIM was launched to provide financial and livelihood services to SHGs. CMRC is self-sustaining and provides need-based services.