

## ROLE OF SELF-HELP GROUPS IN INNDIA - AN ANALYSIS



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*Self Help Groups (SHGs) is a method of organizing the poor people and the marginalized to come together to solve their individual problems. The SHG method is used by the Government, NGO's and others world wide. The Grameena Bank of Bangladesh is a people bank formed by the poor to provide easy loans for themselves. The poor collect their savings and save it in their own banks. In return they receive easy access to loans with a small rate of interest to start their micro unit enterprise. The thousands of the poor and the marginalized population in Bangladesh and building their lives, their families and their society through self help groups. In IX<sup>th</sup> five year plan of the Government of India had given due to recognition on the importance and the relevance of SHG method to implement developmental schemes at the grassroots level.*

The SHGs Bank linkage programme, later on recognized as the Indian micro finance model, was officially introduced in February 1992 following a set guidelines passed by National Bank for Agriculture and Rural Development (NABARD) and Reserve Bank of India (RBI). The SHGs methodology was first developed in Karnataka in 1992 to link rural population to the formal financial system. Now about 8.6 crore households have access to banking through SHGs. The linking SHGs with bank finance have been identified as a key tool towards achievement of holistic inclusive growth. The despite the vast expansion of the formal credit system in the country, marginal farmers, landless laborers, petty traders and rural artisans belonging to socially and economically backward classes and tribes whose property to save is limited or too small to be mopped up by the banks continues to depend on money lenders. In order to minimize the

dependence on money lenders, NABARD, APRACA and ILO have carried out a study and brought out the concept of SHGs and launched a pilot project supported by reliance. The criteria would broadly be adopted by NABARD for selecting SHGs.

- The membership of the group could be between 10 to 20 persons.
- The group should be in existence for at least 6 months.
- The group should have actively promoted the saving habit and groups could be registered or unregistered.

Muhammad Yunus, the father of micro finance, popularized the concept of micro credit. The micro credit, being part of financial inclusion is defined as the provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve their living standards. In India, the most flourishing testing ground of social, entrepreneurship has been in the area of micro-credit, and more recently microfinance. The empirical features of micro credit are,

- The quantum of loans is very small,
- No collaterals are required,
- Rural and urban poor are the major borrowers,
- The ideally loans are used for income-generation through market-based self employment and
- The loans are administered through borrowers groups.

Micro finance is now increasingly being recognized as a cost-effective and sustainable way of expanding outreach of the banking sector to the rural poor. The relative absence of internal subsidies, high repayment performance and reduced transaction costs to lenders are some of the major advantages of micro finance. The small beginning of linking only 500 SHG to banks in 1992, has grown to over 0.5 million SHGs by March 2002 and further to 8 million SHGs by March 2012. a number of countries, especially the developing countries and international agencies are turning to India to learn form its experiments with micro finance and to explore possibilities of replication of the model in other parts of the globe.

#### **ROLE OF SHGs**

- A SHG working on the principal of solidarity helps poor to come together to pool their saving and access credit facilities in the process, a SHG helps the poor especially woman to establish their credit worthiness.
- It is potential to empower the women members. The participation in SHGs and the access obtained to savings and credit can play a transformational role for women, socially and economically.
- The SHGs also make if possible for women to leverage the savings for accounting credit.
- The successful implications of SHGs dependence on money lenders has reduced significantly. A study on SHGs reported a decline in the share of money lenders loans from 66 to 15 per cent percent for the members.

- Through the credit obtained for SHGs, the members made efforts both to protect their families from various vulnerabilities as well as build their economic base to escape poverty., and
- Formal financing institutions in the country have been playing a leading role in the micro finance programme during the current year too, micro finance has registered impressive expansive at the gross root level.

### FUNCTIONING OF SHGs

The SHGs in India are small, informal and homogeneous groups of not less than 10 members and not more than each. Among them a member is selected as an *animator* for a period of two years and two members are selected as representatives. The members of the group meet every week. They discuss social and community programmes, group savings, rotation of savings, bank loan and repayment of loan. The savings is the foundation for proper function of the group for any collective action. Thus the group members are encouraged to collect money on a regular basis. The members of the group need to elect a movement committee of five members, a president, a person responsible for the savings administration, a person responsible for the loan administration, a person responsible for the cash book and controller. The group meets every week primarily to collect savings and to give out loans, the collected funds is used to make short-term loans with interest to the members and the profit of the funds is distributed to the members of the group at the end of the year.

### STRENGTHS OF SHGs

- The socio-economic empowerment of women, SHGs often create hope for gender equality within societies.
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- The low financial investment through SHGs can ensure large economic benefits in return.
- The SHGs build integrity among its members or people from more or less same socio-economic background, which often lead towards social integrity across rural villages.
- The SHGs expand the horizons of livelihood opportunities for rural poor.
- The SHGs are prone towards effective and optimum utilization of existing community resources for creation of new livelihood opportunities.
- Strong integrity and cohesion among SHG members sometimes lead to social movement against ill practices of the society.
- The ideology of SHGs encourages involvement and participation of people from lowest economic strata or from most vulnerable section of the society for their socioeconomic empowerment and the ultimately becomes instrumental in establishing social justice in society.

### WEAKNESSES

- Reluctance among SHGs members to return loan taken from banks.
- Apathy of rural banks to provide fund to SHGs, keeping in view their failures to return bank loan in time.
- The lack of knowledge and proper orientation among SHG-members to take up suitable and profitable livelihood options.

- The lack of regular supervision and monitoring on SHGs activities by the loan- providing banks.
- The lack of awareness among SHG members regarding their own community resources, often leaves them with limited options for income generating activities which only produce marginal profits.
- There is growing need to organize suitable capacity building or orientation programs for the SHG members who have been provided loan so that they can go for a cost-benefit analysis before making financial investment.

#### **OPPORTUNITIES**

- The SHGs often appear to be instrumental in rural poverty alleviation.
- The economic empowerment through SHGs provides women the confidence for participation in decision making affairs at the household level as well as at the community level.
- The unutilized and underutilized resources of the community can be mobilized effectively under different SHG-initiatives.
- The leaders and members of successful SHGs bear the potentiality to act as resource persons for different community developmental initiatives.
- The active involvement in different. The SHGs helps members to grow leadership skills. The evidences also show that often women SHG leaders are chosen as potential candidates for representatives to Panchayati Raj Institution (PRI).

#### **CHALLENGES**

- The dominance of patriarchal mentality across rural societies often creates obstacles for women to join SHGs or to take up income generating assignments / projects outside home.
- The inability of the SHG members to explore innovative options for livelihood opportunities or economically beneficial projects.
- Because of proper communication, very often rural banks cannot reach the geographically isolated or remote villages of our nation which discourages formation of SHGs in such ages due to lack of funding-sources or financial assistances.
- The incidences of misappropriation of funds by SHG members very often reported which maligns the spirit and ideology of SHG formation.
- Sometimes Government fail to provide equal attention towards the agenda of spreading the spirit of SHG formation along with other income-generating schemes or flagship programs like MGNREGA, Bharat Nirman, NRHM etc.

#### **CONCLUSION**

In recent years SHGs approach has emerged to be one the most aggressive and effective strategies for empowering rural women and alleviating rural popularity rather I must say that SHGs have been evidently instrumental in bringing about structural changes in rural every as well as across rural societies of India towards a progressive and positive direction. The SHGs can also be community platforms from which women become active in village affairs, stand for local election or taken action to address social or community issues like the abuse of women, alcohol, the dowry system, schools, water supply and so on.

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