

Self-Help Group

[UPSC Notes]

What is a Self-Help Group?

A self-help group is an informal group of individuals who are interested in improving their lives by walking together and finding ways to improve their living conditions on an informal basis. The term SHG refers to a group of peer-controlled self-governed information users with a similar socioeconomic background and are committed to jointly producing a common goal.

- Various problems like poverty, lack of skill, lack of formal credits, and illiteracy still prevail in some villages. Hence collective efforts are needed to solve these problems, which cannot be handled individually.
- The self-help group can therefore play a vital role in bringing change to marginalized and poor people.
- To alleviate poverty and promote self-employment, the SHGs rely on the concept of self-help.

History of Self-Help Group

The Self Employed Women's Association was founded in 1972, leading to the emergence of self-help groups in India.

- Previously there was a small effort at self-organization, such as the textile labor association in Ahmedabad creating its women's wing in 1954 so that women from male workers' families could learn skills such as sewing, knitting, weaving, etc.
- The SEWA, a Self-Employed Women's Association, was founded by Ela Bhatt to enhance the income of self-employed ladies who were potters, hawkers, weavers, and others who worked in any unorganized sector.
- As part of the self-help group Bank linkage project, which became the largest microfinance project in the world in 1992, NABARD founded the SHG bank linkage project.
- Savings bank accounts in bank work allowed for SHGs by NABARD and the Reserve Bank of India from 1993 onwards.
- It evolved into the National Rural livelihoods mission in 2011 after the Government of India introduced the Swarna Jayanti Gram Swarajgar Yojana to promote self-employment in rural areas.

Stages and Types of SHGs in India

There are many types of self-help groups working in India. All of these self-help groups usually go through the three stages of evolution, which are-

- Group Formation
- Funding collection
- Boosting income generation for the group by developing the skills required.

To promote the agencies, many self-help groups are formed with the help of self-help only. There are many types of self-help promoting agencies like-

- Self-help group federations
- Self-help group entrepreneurs
- Poverty management programs
- Non Government agencies
- Government
- State and commercial banks
- Microfinance institutions

Functions of SHG

The primary function of SHGs is to help the poor and marginalized section of society by providing them with employment and income-generating activities.

- In a group of people, there can be a leader who can resolve conflicts by making sensible and mutual decisions.
- To the people who need the free loan, SHG provides them with the required loan on collateral with the terms and conditions decided by the group at the market rates.
- These groups are collectively liable for loans made by members from reputable lenders. The poor section of society collects their savings, deposits them in the bank, and receives loans with the minimum interest rate to start their micro unit enterprises.
- So it can also be considered that the SHGs have emerged recently as the most reliable mechanism to deliver Microfinance services to poor people.

Need for SHG in India

SHGs are equally helpful to the needy people as the NGOs and government schemes are-

- One of the leading and essential reasons for the need for SHGs is that they help to alleviate poverty by providing financial services.
- The trend of SHGs is drastically increasing in the village areas as these communities' networks are increasingly recognized as an important element of credit linkage in rural areas.
- Apart from providing financial assistance to people, they also help some specific sections of society, like women where they empower the women financially and strengthen them to raise as a society.

- SHGs promote the culture of self-employment, which has many positive externalities like better education, better health facilities, proper family planning, etc.

Benefits of SHG

- The malpractices like dowry alcoholism are addressed through Cooperative efforts by SHGs.
- Instilling leadership skills among women through SHGs empowers them. Electoral participation and Gram Sabha participation are higher among empowered women.
- SHGs are a multiplier of social and economic advancements, improving women's self-esteem and status in society. These benefits have been documented in this country and many other countries.
- SHGs are a Social Justice vehicle because their participation ensures Social justice to the majority of beneficiaries of government schemes, including the vehicle and marginalized communities.
- Banks lend to SHGs because of priority sector lending standards and return assurances. Access to credit has improved, and non-institutional sources of credit have been reduced due to NABARD's SHG bank linkage program.
- Social audits enable government schemes to be made more efficient and corruption-free.
- In addition, it assists with the setting up of micro Enterprises like grocery shops, tool repair shops, tailor shops, etc.
- Participating households spent more on education, health, and food than those who did not participate.
- SHGs have contributed to improving maternal health, child mortality, and nutrition, particularly for women and children by providing them with financial inclusions.
- By promoting and motivating savings, the SHG also assists members in accessing formal banking services.

Opportunities for SHG

- There is a strong correlation between SHGs and the alleviation of rural poverty.
- SHGs provide women with economic empowerment and the confidence to participate in household and community decision-making.
- The underutilised and unutilized resources of the community can be effectively mobilized through various SHGs initiatives.
- Successful SHG members and directors can serve as resources for various initiatives to promote community development in the area.
- SHG members can develop leadership skills by actively participating in different SHG initiatives. Additionally, women SHG leaders are often selected to represent the panchayat in Panchayati Raj Institutions or candidates for Panchayat Pradhan positions.

Weakness of SHG

Some of the challenges of self-help group (SHG) are as follows:

- Even though poor people have been socially empowered, the economic gain has not been sufficient to change their lives qualitatively.
- SHGs still use primitive skills, and most of their activities involve primary sector enterprises.
- It is not uncommon for such activities to lead to little to no increases in the income of group members because of low value-added for workers and subsistence-level wages.
- It is difficult for rural groups to acquire new skills or uplevel their existing skills due to a lack of resources and qualified mentors.
- Miss appropriation of funds and poor accounting practices is also a weakness of SHGs.
- To achieve their goals, the SHGs depend heavily on sponsoring organizations and government agencies. Sometimes the withdrawal of the support provided by the government agencies can lead to the collapse of such groups.

Challenges to SHG

- The lack of knowledge and orientation among the SHG members prevents them from choosing profitable and suitable livelihood options.
- Participation in SHGs is hindered by the patriarchal primitive thinking and social obligations that leave women with limited opportunities for economic gain.
- As there are approximately 1.2 lakh Bank branches and over 6 lakh villages, there is a shortage of rural banking facilities. Public sector banks and microfinance institutions are also reluctant to provide financial help to the poor due to the high costs associated with the services.
- It has been widely debated whether the SHGs can sustain their operations and deliver the polity services or not.
- The SHGs work on the confidence of the members and having mutual trust among each other.
- There are only a few numbers of SHGs that can sustain and raise their standards from microfinance to micro-entrepreneurship.

Self-Help Groups in India

About 50 SHGs in India are situated in different corners of the country. Some of them are mentioned below-

1. Amba Foundation
2. Ambe Mahila Mandal
3. ASRLM
4. Aastha welfare society
5. Baba Jaleswar SHG
6. Bhai Bhauni SHG
7. Chamunda Mahila Bachat Mandal
8. Chintan

9. Chamoli SHG
10. Dehradun
11. Geeta Kurmi
12. GULM self-help group
13. Gram Chetna Kendra
14. Guru Kripa SHG
15. Himmatthan
16. Jai Ambe SHG
17. Kathiravan and Malar SHG
18. Kenduasuli SHG
19. Kudumbashree Kerala women's SHG
20. Laxmi Mahila SHGs

Way Forward

- In addition to facilitating and promoting the self-help group movements, the government should create an environment that supports its growth and development.
- Madhya Pradesh, Rajasthan, and northeast States should be included in the self-help group movements.
- In these States, information technology-enabled communication and capacity-building measures should be adopted in order to expand the financial Infrastructure.
- In the light of rapid urbanization and the financial exclusion of many people the self-help groups should be expanded to urban and pre-urban areas to increase income generation capabilities.
- Government officials should treat poor and marginalized citizens as viable and responsible customers and entrepreneurs.
- Every state should have an SHG monitoring cell.