



Self Help Group (SHG): An Overview

(Laksheeta Chauhan¹ and *Ramesh Chand Bunkar²)

¹Ph.D. Scholar, Department of Extension Education, Rajasthan College of Agriculture, Maharana Pratap University of Agriculture and Technology, Udaipur, Rajasthan, India

²Ph.D. Scholar, Division of Dairy Extension, Indian Council of Agricultural Research-National Dairy Research Institute, Karnal, Haryana, India

*Corresponding Author's email: rameshdri.icar@gmail.com

Self-Help Groups (SHGs) are social and financial organisations rooted in the community that bring together people from similar socioeconomic backgrounds with the primary goal of enhancing their self-sufficiency, social standing, and financial stability. SHGs, which have their roots in grassroots initiatives, are frequently established by women in rural and semi-urban regions who combine their resources to establish a common fund that allows members to take out small loans for business or personal purposes at reasonable interest rates. The model's ability to empower underprivileged communities by encouraging saving behaviours, financial literacy, and entrepreneurial abilities has earned it international attention. In order to increase their influence, a large number of SHGs get money, technical assistance, and training from governmental organisations, non-governmental organisations (NGOs), and financial institutions. SHGs help members develop confidence, leadership, and a sense of community in addition to financial independence through group decision-making and mutual support. At the grassroots level, these organisations are essential to reducing poverty, uplifting society, and advancing sustainable development.

The Emergence of Self Help Groups- Origin and Development in India

- SHGs in India have their roots in the Self-Employed Women's Association (SEWA), which was founded in 1972.
- Self-organization efforts were modest much earlier. For instance, the Ahmedabad-based Textile Labour Association (TLA) established its women's wing in 1954 to teach sewing, knitting, and other skills to the women who came from families of mill workers.
- With the intention of increasing their earnings, Ela Bhatt, the founder of SEWA, organised low-income and independent women workers, including hawkers, potters, weavers, and others in the unorganised sector.
- The SHG Bank Linkage Project, established by NABARD in 1992, is currently the biggest microfinance initiative globally.

Evaluation Stages of SHGs in India

The three stages of evolution listed below are typically experienced by all self-help groups:

1. **Establishment of a group:** The first stage is the establishment of the SHG, where individuals from similar backgrounds or communities come together to form a cohesive group. This foundational stage focuses on building trust among members, setting goals, and establishing guidelines for the group's operations. Members discuss shared interests, identify common needs, and outline objectives that will drive the group forward.

Establishing a group creates a supportive structure, with regular meetings and an emphasis on mutual support, accountability, and community improvement.

- 2. Capital formation or funding the acquisition of necessary talents to increase the group's revenue production:** In the second stage, the SHG focuses on capital formation, which involves pooling financial resources from members. This communal fund acts as a foundation for providing small loans to members, supporting income-generating activities, and helping the group acquire skills or assets that enhance revenue production. Members may undergo training in financial management, entrepreneurship, or other relevant skills to increase the group's financial stability and independence. This stage is key for empowering members to take on productive activities that can benefit both the group and the community.
- 3. With the aid of self-help promotion organisations, several self-help groups are established:** In the third stage, self-help promotion organizations, such as non-profits, government agencies, or microfinance institutions, provide additional resources, training, and support to the SHG. These organizations may help in setting up multiple SHGs within the community, creating a network of empowered groups that can collaborate, share best practices, and enhance their collective impact. The involvement of self-help promotion organizations enables SHGs to expand their reach, access larger funding sources, and contribute to greater community development by fostering economic and social growth.

Through these three stages, SHGs evolve from small, informal groups into more structured and sustainable community entities that can drive significant economic and social progress.

The following lists the several kinds of self-help promotion organisations

Non-governmental organisations

1. Government initiatives to combat poverty
2. Commercial and state banks
3. Microfinance organisations
4. Federations of SHGs
5. Leaders of SHGs and entrepreneurs

Functions of Self Help Groups

- In the area of employment and revenue-generating activities, they work to increase the functional ability of the underprivileged and marginalised segments of society.
- They provide loans without collateral to groups of people who typically have trouble obtaining bank loans.
- They also use group leadership and dialogue to settle disputes. For the impoverished, they are a vital source of microfinance services.
- They serve as a conduit for official banking services to the underprivileged, particularly in rural regions.
- Additionally, they promote saving among the impoverished.

Need for Self Help Groups

- Lack of or restricted access to credit and financial services is one of the main causes of poverty in rural areas.
- India lacks financial inclusion for four main reasons, according to the Rangarajan Committee Report. They are:
- Not being able to provide collateral security
- Poor ability to absorb credit
- Institutions' limited reach

- Inadequate communal connection
- The existence of strong community networks in Indian villages is seen as one of the most crucial components of credit linkage in rural areas.
- SHGs are essential in helping the impoverished obtain credit, which is a critical component of reducing poverty.
- Because SHGs assist women from economically disadvantaged groups in developing social capital, they also significantly contribute to women's empowerment.
- Gaining financial independence through self-employment options also contributes to the improvement of other development elements including family planning, healthcare, and literacy levels.

Advantages of Self Help Groups

- **Financial Inclusion:** Because SHGs guarantee returns, banks are encouraged to lend to underprivileged and marginalised groups in society.
- SHGs have provided a voice to the under-represented and voiceless segments of society that would not otherwise have one.
- **Social Integrity:** SHGs aid in the eradication of numerous social evils, including early marriage, alcoholism, and dowries.
- **Gender Equality:** SHGs contribute to the country's progress towards actual gender equality by empowering women.
- SHGs serve as pressure organisations that exert pressure on the government to take significant action on issues.
- **Increasing the effectiveness of government programs:** Self-Help Groups (SHGs) assist in the implementation and enhancement of government programs. They also use social audits to lessen corruption.
- **Alternative work or source of income:** Self-Help Groups (SHGs) assist individuals in earning a living by delivering vocational training and enhancing their current source of income by providing equipment and other resources. Additionally, they lessen reliance on agriculture.
- **Effects on housing and healthcare better family planning, lower child mortality rates, improved maternal health, and improved disease prevention through improved housing, healthcare, and nutrition have all resulted from financial inclusion brought about by SHGs.**
- **Financial literacy:** Self-Help Groups (SHGs) assist individuals to save money and spread financial knowledge in rural areas.

Problems of Self Help Groups

- This concept must be extended to the poorest households, which isn't always the case right now.
- There is a patriarchal mentality that keeps many women from speaking up. Compared to the 6 lakh villages in the nation, there are roughly 1.2 lakh bank branches in rural areas. Further expansion of financial facilities is required.
- Such groups' operational quality and sustainability have been questioned. Monitoring cells must be set up for SHGs all around the nation.
- Mutual trust is the foundation of the SHGs. There is no security or safety for the deposits.

Way Forward for Effective Self Help Groups

1. The government ought to establish an atmosphere that is conducive to the SHG movement's expansion and advancement. It ought to act as a promoter and facilitator.

2. The SHG Movement ought to be extended to the nation's credit-deficient regions, including Madhya Pradesh, Rajasthan, and the northeastern states.
3. By implementing comprehensive IT-enabled communication and capacity building initiatives in these States, financial infrastructure—including NABARD's—should be extended.
4. Extension of Self-Help Groups to Urban/Peri-Urban Areas: Given the rapid development in urbanisation and the fact that many people are still financially excluded, efforts should be made to improve the urban poor's capacity to generate money.
5. Government employees ought to view the underprivileged and disenfranchised as potential business owners and as viable, responsible consumers.
6. Every state should have a SHG monitoring cell. The monitoring system at the block and district levels should be directly connected to the cell. Both qualitative and quantitative data should be gathered by the cell.
7. To satisfy the demands of these groups, commercial banks, NABARD, and the State Government must constantly innovate and create new financial solutions.

List of Successful SHGs in India

- Amba Foundation
- Ambe Mandal
- Baba Jaleswar SHG
- ASRLM
- Aastha Welfare
- Bhai Bhauni
- Chaumunda Bachat Mandal
- Chintan
- Chamoli SHG
- Dehradun self-help group
- Geeta Kurmi
- GULM self-help group
- Gram Chetna

Conclusion

SHGs are significantly improving the financial situation of the underprivileged and marginalised groups. These groups rely on self-help, and they support relieving unemployment and poverty. Because self-employment enables the impoverished to earn a living, it contributes to the expansion of operational capacity. Because these groups have collective leadership and have the chance to address issues with one another, it aids in the resolution of various problems. Collateral-free credit is available to the poor and needy, and SHG members choose the terms and guarantee that they receive a fair and competitive rate. They collaborate to ensure that the funds they obtain from these entities are disbursed in a fair manner. Additionally, it assists the impoverished in saving money for which they receive interest. It will assist them in starting a small business.

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