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WOMEN SELF-HELP GROUP IN INDIA

Economics

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ABSTRACT

An SHG is usually a community of 10-12 women from a similar socio-economic background. These women form alliances to pool their financial resources for taking up joint economic activities, or to lend money at a reasonable interest rate to members for starting small businesses. A self-help group (commonly abbreviated SHG) is a financial intermediary committee usually composed of 12 to 25 local women between the ages of 18 and 50. Most self-help groups are in India, though they can be found in other countries, especially in South Asia and Southeast Asia. A SHG is generally a group of people who work on daily wages who form a loose grouping or union. Money is collected from those who are able to donate and given to members in need. Members may also make small regular savings contributions over a few months until there is enough money in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are linked with banks for the delivery of micro-credit.

KEYWORDS

INTRODUCTION
A SHG is a community-based group with 10-25 members. Members are usually women from similar social and economic backgrounds, all voluntarily coming together to save small sums of money, on a regular basis. They pool their resources to become financially stable, taking loans from their collective savings in times of emergency or financial scarcity, important life events or to purchase assets. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. In India, RBI regulations mandate that banks offer financial services, including collateral free loans to these groups, on very low interest rates. This allows poor women to circumvent the challenges of exclusion from institutional financial services. This system is closely related to that of solidarity lending, widely used by microfinance institutions.

Beyond their function as savings and credit groups, SHGs offer poor women a platform for building solidarity. They allow women to come together and act on issues related to their own lives including health, nutrition, governance and gender justice.

Goals
Self-help groups are started by non-governmental organizations (NGOs) that generally have broad anti-poverty agendas. Self-help groups are seen as instruments for goals including empowering women, developing leadership abilities among the poor and the needy, increasing school enrolment and improving nutrition and the use of birth control. Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective. This can hinder their development as sources of village capital, as well as their efforts to aggregate locally controlled pools of capital through federation, as was historically accomplished by credit unions.

NABARD's 'SHG Bank Linkage' program
Many self-help groups, especially in India, under NABARD's 'SHG Bank Linkage' program, borrow from banks once they have accumulated a base of their own capital. This model has attracted attention as a possible way of delivering micro-finance services to poor populations that have been difficult to reach directly through banks or other institutions. "By aggregating their individual savings into a single deposit, self-help groups minimize the bank's transaction costs and generate an attractive volume of deposits. Through self-help groups, the bank can serve small rural depositors while paying them a market rate of interest."

According to a report from 2006, NABARD estimates that there are 2.2 million SHGs in India, representing 33 million members, that have taken loans from banks under its linkage program to date. This does not include SHGs that have not borrowed. A study conducted by S Chakrabarti in 2004 said that organization like SHG can be an effective tool for "allevating poverty"."The SHG Banking Linkage Programme since its beginning has been predominant in certain states, showing spatial preferences especially for the southern region – Andhra-Pradesh, Tamil Nadu, Kerala, and Karnataka. These states accounted for 57% of the SHG credits linked during the financial year 2005–2006."

Advantages of financing through SHGs
1. An economically poor individual gains strength as part of a group.
2. Besides, financing through SHGs transaction costs for both lenders and borrowers.
3. While lenders have to handle only a triple SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG minimize or travel (to and from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.
4. Where successful, SHGs have significantly empowered poor people, especially women, in rural areas.
5. SHGs have helped immensely in reducing the influence of informal lenders in rural areas.
6. Many big corporate houses are also promoting SHGs at many places in India.
7. SHGs help borrowers overcome the problem of lack of collateral. Women can discuss their problem and find solutions for it.

A self-help group is a financial intermediary committee usually composed of 10 to 25 local women between the ages of 18 and 40. Most self-help groups are in India, though they can be found in other countries, especially in South Asia and Southeast Asia.

The Emergence of Self Help Groups – Origin and Development in India
1. The origin of SHGs in India can be traced back to the establishment of the Self-Employed Women's Association (SEWA) in 1972.
2. 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.
3. 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.
4. NABARD, in 1992, formed the SHG Bank Linkage Project, which is today the world's largest microfinance project.
5. From 1993 onwards, NABARD, along with the Reserve Bank of India, allowed SHGs to open savings bank accounts in banks.
6. 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

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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

1. Financial Inclusion – SHGs incentivise banks to lend to poor and marginalised sections of society because of the assurance of returns.
2. Voice to marginalised – SHGs have given a voice to the otherwise underrepresented and voiceless sections of society.
3. Social Integrity – SHGs help eradicate many social ills such as dowry, alcoholism, early marriage, etc.
4. Gender Equality – By empowering women SHGs help steer the nation towards true gender equality.
5. Pressure Groups – SHGs act as pressure groups through which pressure can be mounted on the government to act on important issues.
6. Enhancing the efficiency of government schemes – SHGs help implement and improve the efficiency of government schemes. They also help reduce corruption through social audits.
7. Alternate source of livelihood/employment – SHGa 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.
8. 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.
9. Banking literacy – SHGs encourage people to save and promote banking literacy among the rural segment.

Problems of Self Help Groups (SHGs)

1. Need for extending this idea into the poorest families, which is not necessarily the case at present.
2. Patriarchal mindset prevailing which prevents many women from coming forward.
3. 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.
4. Sustainability and the quality of operations of such groups have been questionable.
5. There is a need for monitoring cells to be established for SHGs across the country.
6. The SHGs work on mutual trust. The deposits are not safe or secure.

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