

# Self Help Groups - Empowering Rural India

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## Abstract

The Self- Help Groups (SHGs) play a crucial role in empowering the rural poor women who are the paradigm of rural development thereby eradicating the poverty in Indian villages. The SHGs have become widespread and have proved that rural empowerment is possible through empowering women component in the process of development of an economy Women come together in groups to pool their savings thereby motivating each other to build new opportunities for generation of income. SHG-Bank Linkage Programme (SHG-BLP) is programme for extending financial services to the poor in India and facilitate in building financial capabilities and self-confidence in the rural poor, through internal savings by pooling of funds and lending from own funds of the SHGs. It was started by the National Bank for Agriculture and Rural Development (NABARD) in 1992. This paper focuses on the pivotal role of SHGs in developing the rural economy. Secondary data has been used to present the progress report of SHG-BLP in the last three financial years.

**Keywords:** Self Help Groups, Integrated Rural Development Programme, Microfinance, Bank Linkage, Women Empowerment.

## INTRODUCTION

Poverty has been a major concern to all the planners of India. Various anti-poverty programmers have been introduced quite often through different successive plans however in terms of absolute numbers, the poverty still continues to grow at a faster pace. Removal of poverty has been one of the significant objectives of planning in India; despite this fact the attainment has been a dream for the country. Various target group approach programmes such as Marginal Farmers and Agriculture Labourers (MFAL) programme, Small Farmers Development Agency (SFDA), Command Area Development Programme and Drought Prone Area Development Programme (DPAP) being implemented, suggested a need for an integrated approach to rural development thereby taking a step towards eradication of poverty to a considerable extent. Though, this approach is followed through the introduction of Integrated Rural Development Programme (IRDP) and its sub

programmes however none of it helped to redress the situation. Such programmes need to be revitalized to ensure that the desired linkages were established for a meaningful impact.

Also Self- help groups (SHGs) play crucial role in eradication of poverty in Indian villages. A large number of poor and unemployed women engage themselves in self sufficient activities which actually becomes an important source of their livelihood. They enthusiastically participate in occupy in savings and credit, as well as activities like income creation, natural resources management, literacy, child care, etc thereby manages to save and utilize . The savings and credit hub in the SHG acts as a major component and offers the ability to generate some control over capital and other investments. This article portrays a picture of how this scheme has proven to be very successful for women empowerment and offering to break slowly away from exploitation and isolation.

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## Objectives

1. To study the concept of Self Help Group (SHGs) and its structure.
2. To study the objectives and evolution of SHGs.
3. To study the Self Help Group Bank Linkage programme (SHG-BLP).
4. To analyze and interpret the Progress of SHG-BLP in the past three financial years.

## Methodology

This study is descriptive in nature and is based on the secondary data. The data is taken from authentic and reliable source i.e. **National Bank For Agriculture & Rural Development (NABARD)**, well renowned journals & reports, and various other articles. Relevant websites have been consulted in order to make the study more effective.

## Concept of Self Help Group

NABARD defines SHGs as “small, economically homogenous affinity groups of rural poor, voluntarily formed to save and mutually contribute to a common fund to be lent to its members as per the group members’ decision”. It is a financial intermediary generally composed of 10 to 20 local women or men. SHG is actually a group of people on daily wages, who form a group and pool their savings together into capital thereby helping each other by lending whenever required.

## Structure of Self Help Group

The Self Help Groups (SHGs) have become widespread, successful part of India specially the rural areas. Women from alike economic and social backgrounds, voluntarily come together to pool small amount of money, on a regular basis thereby motivating each other to build new opportunities for income generation. After a stage of regular savings which is 6 months to a year generally, the self help groups start to extend loans from savings in the form of small in-house loans for micro enterprise activities and other small scale activities.

The members of the group ensure proper end-use of credit and timely repayment of the same through the collective wisdom. According to the RBI regulations the banks need to offer financial services, including collateral free loans to these groups on very low interest rates.

## Objectives of SHG:

- One of the most important objectives of SHGs is to build confidence and mutual trust between the rural poor people (especially women) and bankers.

- It encourages banking activities in a segment of the population in which formal financial institutions fell difficult to cover.
- SHGs equip to enhance and maintain the confidence and capabilities of the women in rural areas.
- It enables them to do collective decision making among women thereby creating group feeling among them.
- SHGs motivate women to take up the social responsibilities particularly related to women development.
- It acts as the forum for members to provide space and support to each other.
- It enables the women to avail the credit facility for productive purposes.
- SHGs inculcate the savings and banking habits among members.

## EVOLUTION OF SELF-HELP GROUPS

Generally every SHG evolves through various stages which can be stated as follows :-

- **Group Formation:** formation, development and strengthening of the groups to evolve into self-managed people’s organizations at grass roots level.
- **Group Stabilization:** through thrift and credit activity amongst the members, they build their Group Corpus.
- **Micro Finance:** the Group Corpus is supplemented with a Revolving Fund sanctioned as cash credit limit by the banks or under SHG-Bank linkage programme of NABARD.
- **Micro Enterprise Development.** Groups take up Economic Activities of their choice for income generation. They include development of entrepreneurship as well as other skills of the group members to enable them to successfully implement the chosen activity.

The minimum number of members in a group can be even five in complex areas like hills, deserts and areas with scattered and meager population. No group should consist of more than one member from the same family, nor should a person be a member of more than one group.

In general, all members of the group should belong to the families below the poverty line (BPL). However in certain exceptional cases and also where it is considered necessary, a maximum of 20% and where it is essentially required, up to a maximum of

30% of the members in a group could be taken from families marginally above the poverty line (APL) living contiguously with BPL families, provided they are acceptable to the BPL members of the group. APL members, however, will not be eligible for the subsidy under the scheme.

### Self Help Group Bank Linkage programme

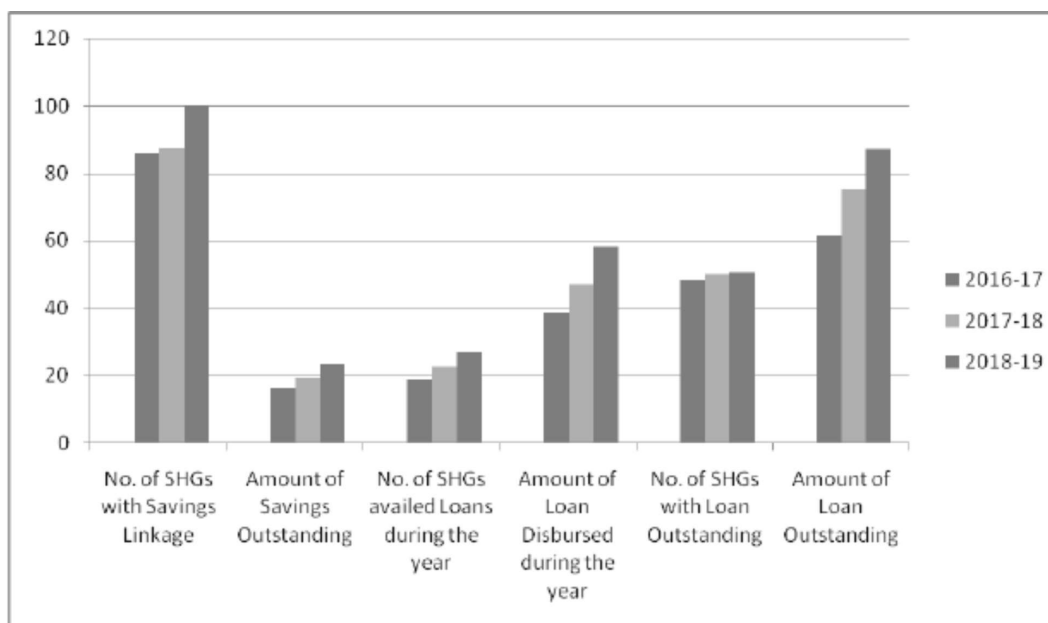
Self Help Group Bank Linkage programme (SHG-BLP) is a milestone programme started by the National Bank for Agriculture and Rural Development (NABARD) in 1992 to extend reasonable banking services at a door step. It was started to link the unorganized sector of the economy with the banking sector.

Under this programme, banks open savings accounts for Self-Help Groups. SHGs collect savings from its members and utilize the same to grant loans to the deprived members. Also banks provide loans

to the SHGs against group guarantee. The loan amount can be numerous times the deposits placed by such SHGs with the banks. Banks are required to consider complete credit requirements of the members of SHGs, such as need for education, marriage, housing, activities related to generation of income etc.

Initially SHGs were concentrated in the southern parts of the country, however gradually they reached the other parts of India specially the eastern and northeastern regions where the coverage of financial exclusion is greater. There have been various subsidy-linked credit schemes for the poor initiated by the Indian government. NABARD also plays a crucial role in financing the micro and small scale enterprises like NGOs, SHGs etc.

The progress of this programme can be highlighted using the following table and graph:-



**Figure 4.1: Progress of SHG-BLP (2016-17 to 2018-19)**

No. of SHGs in lakhs

Amount in Rs.000 crore

Year	No. of SHGs with Savings Linkage	Amount of Savings Outstanding	No. of SHGs availed Loans during the year	Amount of Loan Disbursed during the year	No. of SHGs with Loan Outstanding	Amount of Loan Outstanding
2016-17	85.77	16.11	18.98	38.78	48.48	61.58
2017-18	87.44	19.59	22.61	47.18	50.20	75.60
2018-19	100.14	23.32	26.98	58.32	50.77	87.10

**Source:** Report on Status of Microfinance in India, 2018 – 19 by NABARD.

### Analysis and interpretation

From the above table and graph, following inferences can be drawn:

*No. of SHGs with savings linkage* was 85.77 lakh in the year 2016-17 which rises subsequently to 87.44 lakh in the year 2017-18, and further to 100.14 lakh registering a growth of 14.5 per cent during the year 2018-19.

*Savings Outstanding with SHGs* A vigorous savings outstanding of an SHG helps to meet contingencies of its members through internal lending as well as can source a bank loan for an appropriate investment plan. The savings outstanding of SHGs as on 31 March 2019 has reached Rs 23,324 crore, registering a growth of 19.1 per cent over the year 2017-18.

*No. of SHGs availed Loans during the year* again there is a sharp rise in utilization of credit facility from the bank, thereby registering a growth of 42.14% over the year 2018-19.

*Amount of Loan Disbursed during the year* The financial institutions mainly the banks also reciprocated positively thereby disbursing the loan to the SHGs. It has reached to 58.32 crore in the year 2018-19, compared to 47.18 crore in the year 2017-18.

However, along with this the No. of SHGs with Loan Outstanding and the corresponding amounts have also increased to a considerable extent, due to the increased in the credit disbursement over the years.

### Conclusion

In most of the developing countries today, more and more emphasis is laid on the need for women's active participation in the process of development. It is also extensively acknowledged that a woman can not only manage household and bear children, but also can bring income from productive activities. In fact they have proven that they can be even better entrepreneurs. Self-Help Group (SHGs) plays an

important role in the socio-economic upliftment of women thereby empowering them. The Self-Help Group (SHGs) is feasible stand in to achieve the objectives of rural development and to get community participation in all rural development programmes. Pandit Jawaharlal Nehru said, "To awaken the people, it is women who must be awakened, once she is on the move, the family moves, the village moves and nation moves." Hence now the women are awakened by the self help groups.

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