

General Studies-2; Topic: Development processes and the development industry- the role of NGOs, SHGs, various groups and associations, donors, charities, institutional and other stakeholders

Self Help Groups (SHGs) in India

1) Introduction

- “Man can never be a woman’s equal in the spirit of selfless service with which nature has endowed her” – Mahatma Gandhi.
- “SHGs are small economical homogenous affinity groups of rural poor, voluntarily formed to save and mutually contribute a common fund to be lent to its members as per group decision”
- This connotes SHGs are community based informal microfinance institutions.
- If Panchayats are institutions of representation, women’s self-help groups are institutions of participation.

2) Background

- In the late 19th century, citizens in some European countries like Germany and Britain started ROSCA – Rotating Savings and Credit Association.
- The concept evolved over decades and was pioneered by Noble laureate Mohammad Yunus as Self Help Groups (SHGs) in 1970s.
- Core principle of both the ideas are same – ‘the collateral of loan is trust and peer pressure’.

3) SHG Movement in India

- SHG movement in India gained momentum after 1992, when NABARD realised its potential and started promoting it.
- NABARD's SHG-Bank Linkage Program (SBLP) connected group members to formal financial services.
- Over the last two decades, the SBLP has proven to be a great medium for social and economic empowerment for rural women.
- India has witnessed state-led promotion of SHGs through a three-tiered architecture of community institutions at group, village and cluster levels.
- In 1999, Government of India, introduced Swarn Jayanti Gram Swarajgar Yojana (SGSY) to promote self-employment in rural areas through formation and skilling of SHGs.
- The programme evolved as a national movement in 2011 and became National Rural Livelihoods Mission (NRLM).
- The programme was renamed in November 2015 as Deendayal Antyodaya Yojana (DAY – NRLM).
- DAY – NRLM now covers 100 million families through 8.5 million SHGs with savings deposit of approx. INR 161 billion.
- State government initiatives such Kudumbashree in Kerala and Jeevika in Bihar.

4) Importance

- SHGs have played an important role in enabling financial inclusion in rural areas.
- It has financially empowered women within the family and in local community.
- SHGs have the required social and financial capital to expedite India’s economic growth.
- The Social capital of SHGs could be an asset for solving various social issues in India e.g. gender based discrimination, dowry system, casteism etc.
- There are many successful cases where SHG women have come together to close liquor shops in their village.

- They also act as a delivery mechanism for various services like entrepreneurial training, livelihood promotion activity and community development programs.
- Study shows that women in SHGs are more likely to save on a regular basis, have formal loans and scored more on average on the empowerment index.
- They can act as an intermediary to provide financial services in their community.

5) The Power of Kudumbashree

- Workers of the Kudumbashree poverty eradication and women empowerment programme played a big role in clean-up in the Kerala's flood hit areas.
- Around 4,00,000 women of Kudumbashree self-mobilised across the State to do relief work.
- The secular composition of Kudumbashree acts as a facilitator for the secularisation of public spaces.
- The community farms run by Kudumbashree groups are acknowledged as a critical avenue for the rejuvenation of agricultural production in Kerala.
- Kudumbashree training courses are quite comprehensive and include women's rights, knowledge of constitutional and legal provisions, training in banking practices, and training in skills to set up micro-enterprises.
- The Kudumbashree model can be implemented across India, with the same secular and gender-sensitive spirit.

6) Concerns / Challenges

- There are issues like regional imbalance, less than ideal average loan size, lack of monitoring and training support by self-help group federations.
- Escalating non-performing assets of self-help group loans with banks.
- Several studies have also found issues related to governance, quality, transparency and irregularity in their functions.
- Low levels of literacy among the rural women.
- The study found that over time groups were disintegrating on account of coordination issues.
- Rural micro-enterprises run by SHG members suffer from critical bottlenecks, whether in raising funds for start-up, growth and working capital or accessing high-quality technical assistance.

7) Way Forward

- Government programs can be implemented through SHGs.
- This will not only improve the transparency and efficiency but also bring our society closer to Self-Governance as envisioned by Mahatma Gandhi.
- Constant and enduring structural handholding support from the self-help group promoting institutions (SHPIs).
- Frequent awareness camps can be organised by the Rural Development department authorities to create awareness about different schemes.
- Periodic capacity-building of all members, to make the group the collective.
- With the Government's focus on digital financial inclusion, investing in training of group members for transition towards technological platforms.
- It is important to invest in providing the right kind of support to maximize the impact these groups can have on livelihoods.
- Emphasising SHG movement on women's entrepreneurship as an engine of growth in rural India.
- There should not be any discrimination among members based on caste, religion or political affiliations.