

# Role Of SHG In Rural Development

Dr . Nath M. N.

*Department of Commerce, Smt. S.K. Gandhi College, Kada, Dist Beed. (M.S)*

**Abstract**—The Self Help Group is used by the government, NGOs and other worldwide. Thousands of the poor and the marginalized population in India are building their lives. Their families and their society through Self-help groups. The main aim of this paper is to examine the impact of Self-help Group in Socio-economic development of India. Self-help Group have been playing considerable role in training of Swarozgaris, infrastructure development, marketing and technology support, communication level of members, self confidence among members, change in family violence, frequency of interaction with outsiders, change in the saving pattern of SHG members, change in the cumulative saving pattern of SHG members per month, involvement in politics, achieving social harmony, achieving social justice, involvement in community action, sustainable quality and accountability within SHGs, default and recoveries, and sustainability- financial value.

**Index Terms**—SHG Rural Development, importance of SHG

## I. INTRODUCTION

### A. Concept of Self Help Group

The concept of self help groups had its origin in the co-operative philosophy and the co- operators by and large, including the National Federations in the credit sector. could not think of any better SHG than a primary co-operative credit society itself. As SHG are small and economically homogenous affinity groups of rural poor, they are voluntarily coming together for achieving the following.

1. To save small amount of money regularly.
2. To mutually agree to contribute a common fund.
3. To meet their emergency needs.
4. To have collective decision making.
5. To solve conflicts through collective leadership mutual discussion.
6. To provide collateral free loan with terms decided by the group at the market driven rates.

Today, the self help group movement is increasingly accepted as an innovation in the field of rural credit in

many developing countries including India to help the rural poor considered a vehicle to reach the disadvantaged and marginalized section, which in the normal course cannot avail of credit facility from the bank.

A self help group is defined as a group consisting of people who have personal experience of a similar issue or life situation, either directly or through their family and friends. Sharing experiences enables them to give each other a unique quality of mutual support and to pool practical information and ways of coping. Self help groups are small informal association of the poor created at the grass root level for the purpose of enabling members to reap economic benefits out of mutual help solitarily and joint responsibility. Self help groups are formed voluntarily by the rural and urban poor to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplift of their families and community.

A self help group is defined as a "self governed, peer controlled information group of people with similar socio-economic background and having a desire to collectively perform common purpose." Self help group have been able to mobilize small savings either on weekly or monthly basis from persons who were not expected to have any savings. They have been able to effectively recycle the resources generated among the members for meeting the productive and emergent credit needs of members of the group.

### B. Characteristics of SHGs

The important characteristics of self help groups are as follows:

- 1) They usually create a common fund by contributing their small savings on a regular basis.
- 2) The groups evolve a flexible system of operations often with the help of the non- governmental organizations (NGOs) and manage their common pooled resource in a democratic manner.

- 3) Groups consider loan requests in periodical meetings, with competing claims on limited resources being settled by consensus regarding greater needs.
- 4) Loaning is mainly on the basis of mutual need and trust with minimum documentation and without any tangible security.
- 5) The amounts loaned are small, frequent and for short duration.
- 6) Rates of interest vary from group to group depending upon the purpose of loans and are often higher than those of banks but lower than those of moneylenders.
- 7) At periodical meetings, besides collecting money, emerging rural, social and economic issues are discussed.
- 8) Defaulters are rare due to group pressure and intimate knowledge of the end use of the credit as also the borrower's economic resources.

#### C. The Features of Self Help Groups :

The SHGs are basically small informal groups, characterized by voluntary memberships, a democratic and consultative structure of governance. economic participation of members, autonomy, education and training and concerns for the poor. Apart from a number of things. the members do as a group, they pool their savings and lend within the group to meet the credit needs of the members. Creation of a common fund by regular contribution of members and insurance of loan with minimum documents and often without any security are; in fact. the key features of SHGs. Fund generation in the initial stages may be substantially low in these groups. Such funds though meager, will be supplemented by external resources mainly, loans from banks or grants given by NGOs, which promote them. SHGs offer to members' preliminary banking services characterized by cost effectiveness, flexibility and freedom from defaults. Assessment of the credit needs of members is done periodically at by group meetings. The claims for credit are settling within the group by consensus. In case of any surplus, the amount is deposited in the bank or post offices. Defaulters are subjected to severe penalties but such occurrences are unusual. There is always peer group pressure on those who avail loans which to a large extent prevent defaults. The influence of the group on members is very powerful because it

can put actions against defaulters and monitor the behaviour of members in order to forestall default.

The Tamil Nadu Corporation for Development of Women Ltd. (TNCDW) in its credit guidelines for the SHGs defines as a small economically homogenous affinity group of rural poor. Voluntarily formed to save and contribute to a common fund to be lent to its members as per group decision and for working together for social and economic uplift of their family and community.

The unique features of self help groups are given below.

1. An SHG normally consists of not less than five persons (with a maximum of twenty) of similar economic outlook and social status.
2. It promotes objectives like economic improvement and raising resources for development and freedom from exploitation.
3. It has its own by-laws for the proper functioning of the group as well as for the observance of certain rules by the group members and regulations concerning membership.
4. The form of such a group could be mostly on an informal basis (unregistered).
5. S) Periodical meetings of members are held for solving their problems (economic and social) and they collect fixed savings of the members.
6. The savings of members are kept with a bank in the name of group and authorized representative of the group operates the bank account. The deposit kept in the bank is used for giving loans to members for purposes including consumption at the rate of interest decided by the group (usually higher than what the banks charge),
7. Sources of funds are the contribution of members' savings, entrance fee, interest from loans, proceeds of joint business operation and income from investment. Funds may be used for loans, social services and common investment.

The SHG, being a group of like-minded persons, gets empowered to solve most of its problems of a non-financial nature such as raw material and input supply marketing, better adoption of technology, education and training for realization of its objectives for development.

#### D. Functions of SHGs

The key functions of SHG are;

- 1) Enabling members to become self-reliant and self-dependent.
- 2) Providing a forum for members for discussing their social and economic problems.
- 3) Enhancing the social status of members by virtue of their being members of the group.
- 4) Providing a platform for members for exchange of idea.
- 5) Developing and encouraging the decision making capacity of members.
- 6) Fostering a spirit of mutual help and cooperation among members.
- 7) Instilling in members a sense of strength and confidence which they need for solving their problems.
- 8) Providing organizational strength to members.
- 9) Providing literacy and increasing general awareness among members, and
- 10) Promoting numerically and equipping the poor with basic skills required for understanding monetary transactions.

SHGs function on the principle of the 5 'P's.

1. P - ropagator of voluntarism
2. P - ractioner of mutual help
3. P - rovider of timely emergency loan
4. P - romoter of thrift and savings, and
5. P - urveyor of credit.

## II. ROLE OF SHG IN SOCIAL & ECONOMICAL RURAL DEVELOPMENT

In order to change the face of socio-economic scenario, micro enterprises and SHGs are playing significant role in the self-employment by raising the level of income and standard of living rural people. In this framework, one of the most vital aspects of rural set f employment is the formation of SHG is which is a valuable investment in human capital through training and capacity building measures. From dairy to mechanized farming, weaving, poultry, food processing units, mushroom cultivation; Rural India has been busy setting up micro-enterprises by forming SHGs. The group members use collective wisdom and peer pressure to ensure appropriate use of fund and its timely repayment. These are informal groups in nature where members come together towards collective action for common cause. The common need is meeting their emergent economic needs without

depending on external help. SHG movement is supposed to build economic self reliance of rural poor, overcome misuse and create confidence predominantly among women who are mostly unseen in the social structure.

In India self employment has been recognized as an essential force of development in rural areas. It has emerged as a strategy designed to improve the socio-economic life and mainly focuses on extending the benefits of development to the poorest in the rural areas improving their standard of living and self-realization. SHGs in India are integrating the low income segments with rest of the rural community by ensuring them a better participation in a more equitable share in the benefit of developments. These Groups are not only speeding up economic growth, but also providing jobs and improving the quality of rural life towards self-reliance. Self-employment needs a very wide ranging and comprehensive set of activities. relevant to all aspects of rural economy and covering rural people including skilled, unskilled and land less labours and artisans of Rural India. Even though the Rural Indians put the their entrepreneurial skills in all the rural development activities their economic status has not improved to the expected level. Although they have much potential; they are ignorant of converting their skills into reality.

### 1. Access to credit

A corollary of participation in SHGs is an improvement in a woman's access to credit. Since the project is perhaps too early in its implementation to directly improve women's access to credit. The financial mobility due to participation in the SHG has led to an improvement in the quality of life, according to some of the successful groups. Overall, many families were able to address their basic needs better than before. Some of NGOs reports have shown that the record on the repayment of loans by women was often better than that of men, and that women were also more likely to spend the income earned, on their families, leading to improved health and nutrition of the poor population and for improving the quality of their lives.

### 2. Employment:

The implementation of SHG has generated Self-employment opportunities for the rural poor. The progress of the program since inception assisted in

formation of 35.7 lakh SHGs; assisted 1.24 Cr. Swarozgaris in establishing their own micro-enterprises. The Government of India released Rs. 1, 486 Crore under the program; bank credit mobilization is Rs. 19, 017; Total subsidy provided is Rs. 9, 318 Cr. The program helped many participants in improving their economic conditions. Another good accomplishment of the program is that Impact of Self-help Group in Socio-economic development of India it has adopted the SHG strategy. The number of assisted SHG/ group Swarozgaris has increased from 35,000 in 1999 — 00 to 1.15 million in 2007 — 08. At the same time the number of assisted individual Swarozgar has declined from 586 thousand in 1999 — 00 to 254 thousand in 2007- 08. The National Bank for Agriculture & Rural Development (Nabard) will create a Rs. 15 billion fund to cater to women's Self-Help Groups in economically weaker districts in the country.

### 3. Participation in local government

Because of SHG, women know about their local political institutions such as the Gram Panchayats and have better knowledge of where to report certain types of grievances. As part of the political empowerment process, it is a pertinent fact that many women have not only been elected to the Grama Panchayats but have become the role holders too. In a majority of the cases, the women perceived themselves as now having some influence over decisions in the political life of village, and in a smaller number of cases, the women named their participation and influence in village political life as an important and note-worthy change. However, in general, the opportunities available to the women to participate in village life were limited, as most of the village processes were still being male-dominated and patriarchal. Though the SHGs generate positive impact on the rural economy through empowering women and enhancing the rural income of those participant households, the issue of group size has been of long standing concern.

### 4. Self Confidence among Members

The group formation brought out the hidden talent and leadership qualities among the members. Therefore, it can be concluded that after joining the SHG the members have improved their status in family, become helpful in family finance and sometimes helped others too. Now, most of the SHG people feel that they get

more respect; not only in the village. But our own family members treated us more respectfully. People of the village now invite us for social and community functions. Now our family members value our opinions whereas earlier they had no use for it. They encourage us and support us in our activities". Now they get respected in the village society and have a definite identity in society. Family members think of them as a working woman and encourage them in their work". Improve their knowledge of banking, of how to undertake the different banking transactions as also of dealing with government officials, They now feel confident about these things. They too feel an improvement in their social status. Family members changed their attitudes towards them after they started participating in the SHG. They now regard them brave women. The people of the village too give much more respect than before". Family members seek her opinion in many of the family decisions. Moreover, people from the society in general respect them.

### 5. Saving and Financial Decision Making

One of the primary benefits of participation in a SHG is the opportunity to save regularly, access formal savings institutions and participate in the management of these savings. They save regularly, have their own bank accounts and make deposits into these accounts. SHG is having a good impact on members, in their ability to save their hard earned money.

### 6. Path Ways Out of Poverty in India:

Self-help groups (SHGs) play today a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings (in actual term Thrift) and credit (S/ C), as well as in other activities (income generation, natural resources management, literacy, child care and nutrition, etc.). The S/ C focus in the SHG is the most prominent element and offers a chance to create some control over capital. The SHG system has proven to be very relevant and effective in offering women the possibility to break gradually away from exploitation and isolation. Almost all major donor agencies support SHGs in India in one way or another and many success stories are available, describing how membership in a SHG changed the life of a particular individual or group for the better. Many NGOs are promoting the SHG mechanism and linking it to various other

development interventions. Whereas there is ample evidence that the SHG approach is a very effective, efficient and relevant tool for organizing and empowering the poor, do arise with design. development and introduction of programmes to promote income-generating activities (IGAs) that will generate sufficient, sustainable and regular income. The approach towards poverty alleviation is based on the formation of self-help groups at the grass root level. This brings about the necessity for organizing them in a group by which they set the benefit of collective perception, collective decision-making and collective implementation of programme for common benefits. his organization holds the power and provides strength and acts as an anti dote to the helplessness of the poor. The group saving of self helps groups serves a wide range of objectives other than immediate investment. The approach has evolved over the years in India.

#### 7. Major Findings of Some Organizations:

Various organizations evaluated SHGs including NABARD, NGOs and ORG-Marg. Some of the salient features are.

- a) 98% of the members make savings regularly as the norms prescribed b/ the groups.
- b) All the groups meet at least once in a month to discuss various social issues related to their day to day life.
- c) 98% of eligible members adopt small family norms.
- d) 100% children of SHG members are able to access immunization services against the 6 diseases.
- e) 30% of the members have access to safe cooking fuels (LPG) under the Government promoted scheme popularly known as “DEEPAM”.
- f) 80% of the total SHGs accessed financial assistance from banks and repayment is 98%.
- g) 10,000 SHG members were elected to the local bodies (3 term Panchayat Raj Institutions) in 1997 November elections.
- h) Members are engaged in 450 varieties of income generating activities.
- i) Additional family incomes to member range from Rs.1000-3000 per annum depending on the income generating activities.
- j) Increase in self-confidence and self-esteem.
- k) Increase in awareness levels about the society and community. Voluntary participation in community activities like laying roads, planting trees conserving environment, construction of water harvesting strictures, donations to the victims of natural calamities helping to reduce crime against girls & women, campaign against eradication of social evils like dowry, child marriages, untouchability, AIDS, rescue and rehabilitation of orphaned children, counseling adolescent girls, support to widows and destitutes are a few to mention.