



Self Help Groups

For Prelims: SHGs, Microfinance, Grameen Banks, NABARD, RBI.

For Mains: Significance of SHGs and Issues, its historical background and Evolution.

Why in News?

Government is aiming at raising the annual income of each woman in [Self-Help Groups \(SHGs\)](#) to Rs 1 lakh by 2024.

What are SHGs?

▪ About:

- Self-Help Groups (SHGs) are **informal associations of people who choose to come together to find ways** to improve their living conditions.
- It can be defined as **self-governed, peer-controlled information group of people with similar socio-economic background** and having a desire to collectively perform common purpose.
- SHG rely on the **notion of “Self Help” to encourage self-employment** and poverty alleviation.

▪ Objectives:

- To build the **functional capacity of the poor and the marginalized** in the field of employment and income generating activities.
- To **resolve conflicts through collective leadership** and mutual discussion.
- To provide [collateral free loan](#) with terms decided by the group at the market driven rates.
- To work as **a collective guarantee system for members** who propose to borrow from organised sources.
 - The poor collect their savings and save it in banks. In return they receive easy access to loans with a small rate of interest to start their micro unit enterprise.

What is the Need for SHGs?

- One of the reasons for rural [poverty](#) in our country is low access to credit and financial services.
- A Committee constituted under the **chairmanship of Dr. C. Rangarajan** to prepare a comprehensive report on 'Financial Inclusion in the Country' identified four major reasons for lack of financial inclusion:
 - Inability to provide collateral security,
 - Poor credit absorption capacity,
 - Inadequate reach of the institutions, and
 - Weak community network.
- The existence of sound community networks in villages is increasingly being recognised as **one of the most important elements of credit linkage** in the rural areas.
- They help in **accessing credit to the poor and thus, play a critical role in poverty**

alleviation.

- They also help to **build social capital among the poor, especially women**. This empowers women and gives them greater voice in the society.
- Financial independence through self-employment has **many externalities such as improved literacy levels, better health care** and even better family planning.

What is the Significance of SHGs?

- **Social integrity:**
 - SHGs encourages collective efforts for combating practices like dowry, alcoholism etc.
- **Gender Equity:**
 - SHGs empowers **women and inculcates leadership skill** among them. Empowered women participate more actively in gram sabha and elections.
 - There is evidence in this country as well as elsewhere that formation of Self-Help Groups has a multiplier effect in improving women's status in society as well as in the family leading to improvement in their socio-economic condition and also enhances their self-esteem.
- **Voice to Marginalized Section:**
 - Most of the beneficiaries of government schemes have been from weaker and marginalized communities and **hence their participation through SHGs ensures social justice**.
- **Financial Inclusion:**
 - Priority Sector Lending norms and assurance of returns incentivize banks to lend to SHGs. The **SHG-Bank linkage programme pioneered by NABARD has made access to credit easier** and reduced the dependence on traditional money lenders and other non-institutional sources.
- **Alternate source of Employment:**
 - It eases **dependency on agriculture by providing support in setting up micro-enterprises** e.g., personalised business ventures like tailoring, grocery, and tool repair shops.

What are the Issues?

- **Lacks up-gradation of skills:**
 - Most SHGs are **not making use of new technological innovations** and skills. This is because there is limited awareness with regards to new technologies and they **do not have the necessary skills to make use of the same**. Furthermore, there is a lack of effective mechanisms.
- **Weak Financial Management:**
 - It is also found that in certain units the return from the business is not properly invested further in the units, **and the funds diverted for other personal and domestic purposes** like marriage, construction of house etc.
- **Inadequate Training Facilities:**
 - The training facilities given to the members of SHGs in the specific areas of product selection, quality of products, production techniques, managerial ability, packing, other technical knowledge **are not adequate to compete with that of strong units**.
- **Lack of Stability and Unity Especially among Women SHGs:**
 - In the case of SHGs dominated by women, it is found that **there is no stability of the units as many married women** are not in a position to associate with the group due to the shift of their place of residence.
 - Moreover, there is no unity **among women members** owing to personal reasons.
- **Inadequate Financial Assistance:**
 - It is found that in most of the SHGs, **the financial assistance provided to them by the agencies concerned is not adequate** to meet their actual requirements. The financial authorities are not giving adequate subsidies to meet even the labour cost requirements.

What is the Role of SHGs in Women Empowerment?

- Self-help group (SHG) movement is one of the most powerful incubators of female resilience and

entrepreneurship in rural areas. It is **a powerful channel for altering the social construct of gender in villages.**

- Women in rural areas are **now able to create independent sources of income.** While there were many young semi-literate women who have home-grown skills, the absence of capital and regressive social norms prevents them from taking a full plunge in any decision-making role and setting up their own independent business.
- Women are working in **multiple sectors as Business Correspondents (BC), Bank Sakhis, Kisan Sakhis and Pashu Sakhis.**

Way Forward

- In this era of liberalization, privatization and globalization, women are more conscious for their liberty, rights and freedom, security, social status etc, but till date they are deprived from same; hence, they should be **provided with their deserving rights and liberties with dignity.**
- SHGs play **a very important role in the economic and social advancement of women from rural strata of society.**
- Further, **government programmes can be implemented through various SHGs. This will not only improve the transparency and efficiency but also bring our society closer to 'self-governance'** as envisioned by Mahatma Gandhi.

Source: IE

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