

## A STUDY ON SELF HELP GROUPS

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### ABSTRACT

A Self-Help Group (SHG) is a village-based financial intermediary usually composed of 10–20 local women or men. A mixed group is generally not preferred. Most self-help groups are located in India, though SHGs can also be found in other countries, especially in South Asia and Southeast Asia. Members make small regular savings contributions over a few months until there is enough capital 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' to banks for the delivery of microcredit.

**KEYWORDS:** Self-Help Group, Mutual Help, Emergency Needs, Self-Dependent.

### INTRODUCTION

The self-help Group may be registered or unregistered. It typically comprises a group of micro entrepreneurs having homogenous social and economic backgrounds, all voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. They pool their resources to become financially stable, taking loans from the money collected by that group and by making everybody in that

group self-employed. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by micro finance institutions. To make the book-keeping simple enough to be handled by the members, flat interest rates are used for most loan calculations.

## 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 a variety of goals, including empowering women, developing leadership abilities among poor people, increasing school enrollments, and improving nutrition and the use of birth control. Financial inter mediation 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.

## CHARACTERISTICS OF SHGs

The important characteristics of SHGs are as follows: i) they usually create a common fund by contributing their small savings on a regular basis, ii) The groups evolve a flexible system of operations often with the help of the NGOs and manage their common pooled resources in a democratic manner, ii) Groups consider loan requests in periodical meetings, with competing claims on limited resources being settled by consensus regarding greater needs, iii) Loaning is mainly on the basis of mutual need and trust with minimum documentation and without any tangible security, iv) The amounts loaned are small, frequent and for short duration, v) 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, vi) At periodical meetings, besides collecting money, emerging rural, social and economic issues are discussed and vii) Defaulters are rare due to group

pressure and intimate knowledge of the end use of the credit as also of the borrower's economic resources.

## FUNCTIONS OF SHGs

The important functions of SHGs are the following: i) enabling members to become self-reliant and self-dependent, ii) Providing a forum for members for discussing their social and economic problems, iii) Enhancing the social status of members by virtue of their being members of the group, iv) Providing a platform for members for exchange of ideas, v) Developing and enhancing the decision-making capacity of members, vi) Fostering a spirit of mutual help and co-operation among members, vii) Instilling in members a sense of strength and confidence which they need for solving their problems, viii) Providing organizational strength to members, ix) Promoting literacy and increasing general awareness among members and x) Promoting numerically and equipping the poor with basic skills required for understanding monetary transactions.

## EVOLUTION OF SELF HELP GROUPS IN INDIA

In India soon after independence, there has been an aggressive effort on the part of the Government, which was concerned with improving the access of the rural poor to formal credit system. Some of these measures have been institutional, while some others were through implementation of focused programmes for removal of rural poverty. Reaching out of the far-flung rural areas to provide credit and other banking services to the hitherto neglected sections of the society is an unparalleled achievement of the Indian Banking

System. The main emphasis is the spread of the banking network and introduction of new instruments and credit packages and programmes were to make the financial system responsive to the needs of the weaker sections in the society comprising small and marginal farmers, rural artisans, landless agricultural and non-agricultural labourers and other small borrowers falling below the poverty line. With the implementation of the above policies, further the Government of India in its developmental planning emphasized the promotion of agriculture and other allied economic activities through credit intervention for ensuring integrated rural development and securing the prosperity of the rural areas. In pursuance of this, formal credit institutions have been guided by the principle of growth with equity and a large share of the credit disbursed for various activities was channelized towards the weaker sections of the society.

Consequently, by the implementation of several poverty alleviation programmes, the number of people below the poverty line has declined from 272.7 million in 1984-85 to 210.8 million in 1989 - 90. In 1991 - 2000 which constitutes over 21 per cent of the population. The number of operational holdings is expected to have crossed the 100 million mark with more than 80 per cent being small and marginal holdings. This institutional credit system needs to meet the challenge of delivering credit to an ever-increasing number of rural people who need greater access to formal credit. It may have to reinforce its own structure at the grass root levels and also have to devise new ways of reaching out to the rural poor.

As a result, the experience of the implementation of the above discussed Poverty Alleviation Programmes led to the introduction of the Integrated Rural Development Programme (IRDP) on 2 October, 1980 with the specific objective of raising the poor rural families above the poverty line. Such families considered credit support from banks as an important input in taking up economic and gainful activities.

In spite of these impressive achievements in the expansion of the credit delivery system and the special programmes, nearly half the indebted rural households are still outside the ambit of the institutional credit system. They approach the money lenders for meeting their consumption and production in the absence of institutional support. Some of the poor who have not been reached even by the vast network of the institutional credit delivery system, have organized themselves into self help groups (SHGs) and many such groups have come into existence either spontaneously or with the active involvement of the Voluntary Agencies which motivated the rural poor to pool their meagre financial resources for meeting their small and frequent consumption and production credit needs.

### **SHGs IN TAMIL NADU**

Multifold activities of SHGs have paved the way for improving the village economy. Creating avenues for skill development, including leadership qualities and enabling economic independence are major functions of the 'Mahalir Thittam', a project of Tamil Nadu Corporation for Development of Women Ltd., (TNCDW) which aimed at the empowerment of women. Tamil Nadu doing well on the SHG front has resulted

in the boasting of more than 3.78 lakhs of SHGs with a membership of 60.63 lakhs women as on 30.11.2008. This includes 2.61 lakhs of SHGs directly covered by the Tamil Nadu Corporation for Development of Women Ltd., through the successful fostering of savings habit and promptness in loan repayment.

Three years ago, women were reluctant even to attend Gram Sabha Meetings. Of late the attendance of women at the meetings went up by 65 percent. The message of the importance of social audit was disseminated through the training for the SHGs. The women began attending the meetings and learnt representing their grievances. They are able to give priorities to their needs and to reorganize themselves into networks at the Panchayat level to decide their agenda. The SHGs have become the tool for institutionalizing convergence between various welfare departments.

### **MAHALIR THITTAM (SCHEME FOR WOMEN) OF TAMIL NADU**

Tamil Nadu is one of the leading states of India in promotion of the SHGs. Geographically Tamil Nadu has 385 blocks with 13,180 Panchayats. Out of 624.06 lakhs population (2001 Census) in Tamil Nadu, 310.05 lakhs are women. In Tamil Nadu 3, 71,312 SHGs have been formed as on 31<sup>st</sup> March 2008 under Mahalir Thittam. These SHGs have an enrollment of 59.25 lakh women members whooping, they have saved Rs.1, 82,51,4.05 crore and the average group size was 17 members.

Mahalir Thittam is a socio-economic empowerment programme for women implemented by Tamil Nadu Corporation for Development of Women Ltd. Mahalir Thittam is based on the Self Help Group (SHG) approach and is

implemented in partnership with the Non Governmental Organisations (NGOs) and the Community based organizations. The SHG approach was started in a small way in Dharmapuri district in 1989 vide G.O.Ms.No.764, Social Welfare & NMP Department dated 1.9.1989 with the assistance of the International Fund for Agricultural Development (IFAD). Later the scheme was extended to the erstwhile Salem and South Arcot districts in 1991-1992 and further extended to Madurai and Ramanathapuram in 1992-1993. Following the success of the IFAD project, Mahalir Thittam project was launched with the State Government funding from 1997-1998 vide G.O.Ms.No.292 Social Welfare & NMP Department dated 4.12.1996 and was progressively introduced in all the districts of the State. Today the SHG movement is a very vibrant movement spread across all the districts of the State.

Mahalir Thittam is implemented in partnership with the NGOs who help in the formation of the SHGs, provide training and monitor them. The NGOs are given funds for providing the above services. Interested NGOs are affiliated as partners with the Mahalir Thittam if they satisfy the norms for affiliation.

The hallmark of the SHGs promoted by the Mahalir Thittam is the systematic training provided to the SHG members and the office bearers. This capacity building brings about qualitative changes in the attitude of the women and promotes cohesion and effective functioning of the group.

All the SHG members are imparted training in four modules for four days to orient them to the SHG concept. The office bearers of the SHGs (Animator and Representative) are given training in three modules for six days. This training

enhances the leadership quality, team building spirit and capacity to maintain books of accounts. In addition, the SHG members who are interested in starting economic activities or develop skills to get self- employment provide skill training. The skill training includes a five day capsule on entrepreneurial development.

In order to bring about synergy and better coordination in the implementation of the SHG programmes, the TNCDW which was under the administrative

control of the Social Welfare Department was brought under the administrative control of the Rural Development and Panchayat Raj.

The following table reveals the status of SHGs in Tamil Nadu. The Table shows the total number of Self Help Groups formed the total number of women enrolled and their savings both in rural and urban areas of Tamil Nadu as on 31<sup>st</sup> March 2010.

**Table 1 Status Of Shgs In Tamilnadu, 2010**

DISTRICT	GROUPS	WOMEN	SAVINGS
	FORMED	ENROLLED	(in Rs. Lakhs)
<b>Ariyalur</b>	6708	106969	3527.14
<b>Chennai</b>	23620	366110	9948.75
<b>Coimbatore</b>	14879	235545	8525.18
<b>Cuddalore</b>	17705	281372	10294.39
<b>Dharmapuri</b>	8005	127481	7247.89
<b>Dindigul</b>	13569	215707	4950
<b>Erode</b>	15431	243908	8944.75
<b>Kancheepuram</b>	23491	372339	13087.07
<b>Kanniyakumari</b>	14129	222067	11918.2
<b>Karur</b>	9750	154849	11826.2
<b>Krishnagiri</b>	9911	157964	8792.5
<b>Madurai</b>	14420	228363	8513.81
<b>Nagapattinam</b>	13608	216620	8930.45
<b>Namakkal</b>	11818	187382	8935.25
<b>Nilgiris</b>	7266	114378	4238.7
<b>Perambalur</b>	4016	63975	952.4
<b>Pudukkottai</b>	11324	180438	21450.02
<b>Ramnad</b>	9928	157893	8086.58
<b>Salem</b>	18464	291668	7167.5
<b>Sivagangai</b>	10333	164582	5883.7
<b>Thiruvannamalai</b>	17647	280945	5208
<b>Thirunelveli</b>	18985	300162	9859.6
<b>Thanjavur</b>	17308	274981	10102.1
<b>Theni</b>	10960	173080	5228.05
<b>Thiruvallur</b>	16728	264564	8400.98
<b>Thiruvarur</b>	10919	173884	4224.74
<b>Tirupur</b>	11752	185672	7191.96
<b>Thoothukudi</b>	15038	238487	7514.74
<b>Trichy</b>	15330	242822	5962.94
<b>Vellore</b>	16488	262390	9358.56
<b>Villupuram</b>	19529	311120	5075.45
<b>Virudhunagar</b>	12250	194589	5453.39
<b>Total</b>	441311	6991366	256800.99

Source: [www.tnwomsendevelopmentcorporation.org](http://www.tnwomsendevelopmentcorporation.org)

## CONCLUSION

Self-help groups are generally facilitated by NGOs, and increasingly advise and train members in a variety of on- and off-farm income-generating activities. Indeed, in a number of recent projects, NGOs were substituted by trained facilitators and animators drawn from self-help groups. Through promoting a self-help group, IFAD-funded projects have contributed to improving the overall status of women in terms of income, empowerment, welfare, etc. In the Rural Women's Development and Empowerment Project, for example, 90 per cent of the beneficiaries reported increased access to and control over resources such as land, dwellings and livestock. Under the Livelihoods Improvement Project in Himalayas, women self-help group members in Uttarakhand were even elected as *gram pradhans* (heads of the local governments at the village or small town level) in 170 out of 669 *panchayats*<sup>2</sup> in villages. In those operations, the country programme evaluation also found unequivocal advances in the self-confidence and assertiveness of self-help group members. In the Tamil Nadu Women's Development Project, 50 per cent of women self-help group members reported that, for the first time in their lives, they had visited new places and travelled longer distances, while 90 per cent had interacted with institutions such as banks, NGOs and project agencies. The impact study on the Jharkhand and Chhattisgarh Project reveals that access to finance through group savings and lending to members had allowed women to become increasingly involved in economic activities such as the collection and sale in local markets of non-timber forest products. However, the study also noted that greater effectiveness would have been achieved if the project had

stressed value-addition and promoted market linkages. The box below provides an example on how self-help groups introduced changes into women's lives.

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