

# Role of Self-help Group (SHG) on Socio-economic Enlargement of Rural Poor in India

Dr. Swapan Kumar Barman

Assistant Professor, Department of Commerce (UG & PG), Prabhat Kumar College, Contai, West Bengal (India)

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### Corresponding Author

Email: swapan.pkc[at]gmail.com

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## ABSTRACT

Self Help Group (SHG) programme is a remarkable attainment, especially in respect of rapidly popular larger anti poverty programme. The concept of Self Help Group (SHG) in present situation is an indigenous replica of Bangladesh Grammin Bank (BGB) concept which was developed by prof. Yunus, a professor of Chittagong University in Bangladesh. NABARD and SGSY are main two players playing in the field of forming and functioning SHGs throughout India. SHG under NABARD are popularly known as SBLP, which are promoted by NGOs. On the other hand SHG under SGSY mainly promoted by DRDAs. The present study makes an attempt an analysis the multidimensional role of SHG in India. These are poverty eradication role, targeting role, entrepreneurship development role, empowerment role etc. The study concluded that SHG has the potential to become a dominant component of a successful and sustainable poverty alleviation programme in India.

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## 1. Introduction

After World War II, poverty, malnutrition and unemployment emerged as sensitive problem in most of the under developed countries. Therefore, most significant economic aim of these under developed countries is expansion and development of economic growth. Several of these countries should take some measures for declining income inequalities and alleviating poverty. In this respect objectives of economic planning in India are reduction in inequalities of income and wealth, elimination of poverty and creation of employment opportunities. To tackle the problem of rural poverty of the farmers, the agricultural laborer and the rural artisan the Government of independent India adopted several type of integrated rural development & self-employment programmes through its Five year Plans. After the result of the execution of various anti-poverty and other welfare schemes, the country like India achieved economic growth but stood rural poverty. In this respect, SHG programme is a remarkable attainment, especially in respect of rapidly popular larger anti poverty programme. SHGs programme of India is the biggest in the world. Up to March 2008-2009 a total 6121147 number of SHGs formed with accumulation of savings amounting Rs.5545.62 crore and loan disbursed to SHGs amounting to Rs. 3732.33 crore ( Microfinance Status 2009-10).

## 2. Concept of SHG

The concept of "Self-Help" is as old as human civilization. There are some age old adages that "God Helps those who help themselves" and "Divided us fall and united we stand". So there was always a search for better method of poverty eradication and rural development. In this respect poverty and poor people are the major elements by the planners and executor. The concept of Self Help Group (SHG) in present situation is an indigenous replica of Bangladesh Grammin Bank (BGB) concept which was developed by prof. Yunus, a professor of Chittagong University in Bangladesh. This model was largely inspired by the successful experiment of the Gramin Bank set up in 1977 in Bangladesh by Professor

Mohammad Yunus to empower the rural poor by forming savings and credit groups (Thekkekara, T.F, 2008). NABARD and SGSY are main two players playing in the field of forming and functioning SHGs through out India. SHG under NABARD are popularly knows as SBLP, which are promoted by NGOs. On the other hand SHG under SGSY mainly promoted by DRDAs.

## 3. Role of SHG

### 1. Poverty Eradicating Role

About one quarter of the Indian population is estimated to be living in poverty (Somanathn, R., 2006), and over seventy percent of the Indian continue to live in rural areas (Rosalina and Violet, A., 2007). In this respect SHG based micro finance model comes into play the active role in this direction through out the country. The SHG played the effective role to alleviating poverty successfully through out the country. Up to March 2012, eight million SHGs including over 103 million poor households accesses to financial services from the banking system by the members of SHG groups.

### 2. Role as a Grass Root Level Organization

Grass root organization plays significant responsibility to eradicate poverty in rural areas. Among the different organization (public & private) developed in the 1990 for eradication of poverty, SHG come forward as one of the standard organization in this direction (Rosalina and Violet, A., 2007). Presently the government and NGOs are engaged in running the SHGs smoothly for eradication of poverty.

### 3. Role as Different Unit

#### 3.1 Role as Micro Savings Units

Each member of SHGs has to save a minimum amount per month. The savings fund that has been created can be used by the SHG members as loan by paying certain amount of interest. In the group meeting they make a decision about loan disbursement, rate of interest on loans, mode of payment and repayment period.

In India the accumulation of savings stood up to the end of March, 2012 at Rs 6551.41 crore. This clearly indicates that the rural poor have improved their quality of life by utilizing their savings fund. Further it also proves that the economic empowerment of the rural poor has gradually increased.

### 3.2 Role of Borrowing Unit:

In India, SHG is one of the innermost focuses of microfinance. SHG is formed by associating the rural poor people especially by women and the members of SHGs produced their own group corpus from their regular savings. After function few months, as a micro unit SHGs are qualified to get loan from the banks or any other Microfinance Institution (MFI) without any securities. Consequently, after forming the group corpus, the SHGs give out the loans among their members according to their need. SHG members are responsible to pay off their loan in appropriate time.

In this respect, the above notable fact is also reflected in India in the year 2011-2012 the credit disbursed to SHGs by bank is about Rs.16000 corer, while the actual impacts of credit disburse is likely to the tune of over Rs 24000 corer.

## 4. Entrepreneurship Development Role

### 4.1 Role as Micro-enterprises

Rural poor people can invest in various IGAs by taking loan from SHG corpus, because such loan load helps the people to overlook their consumption needs (Satish, P., (2005). It was possible only by taking loan from group corpus in the form of micro-credit. This course of action helps the member of SHG to eradicate their poverty through income generation.

### 4.2 Role as an Entrepreneur

The rural poor household search out the chance to involve in entrepreneurship through SHG. In this circumstance rural poor especially women formed a group among themselves. Therefore the group plays a helpful role for self progress, self-government and to solve their evils.

## 5. Targeting Role

### 5.1 Role as Targeting the Weaker Section:

The main target of formation of SHG is to develop the weaker section of the society. It includes scheduled caste, scheduled tribe and other minorities group.

Up to March 2012, throughout the country 62.99 lakh women SHGs formed.. (SGSY Annual Progress Report, 2008-2009). It shows that SHGs helps to expand the society by developing female members because women can play important role for the enlargement of their family as well as the entire society. In this way women will take place for the overall improvement of the society.

### 5.2 Role as Targeting the Poor

In the field of SHG two normal questions come to mind, one is that whether the formation of SHG & benefits of group comes to the hand of poor people and on the other hand whether the economic condition & welfare of rural poor changed significantly or not after joining with SHG. In India as per report of Rural Financial Access Survey (RFAS) 2003, it was seen that 54% of SHGs formed with the landless and marginal farmers (Basu, P., Srivastava) and in the district it was formed by the member of BPL families.

### 5.3 Role as Targeting the Women

The social evil of female feticide and infanticide as not new in India (Venkateswarlu, V., Lakshmi pathi Raju, M. and N. Samuyelu, 2007) It has been long journey since decades and women comprise the bulk of the population below the poverty line (Rao, A.G.S., (2007). As per censuses 2001, out of total population of 102701247 there was 531277078 males and 495738169 females. The relevant programmes can be properly implemented through social mobilization of poor women and providing them a number of economic and social services along with necessary support measures to increase their standard of living.

The Indian woman's who struggled in the pre & post independence era was primarily around women rights. After independence, women are leaving the struggle around equal rights. Women constitute a sizable section of rural work force. Without women development, growth of society is not possible.

The SHG programme has made a significant progress of women development .ICMF (Indian collective for Micro-planning) has resolved to cover two million poor women through micro planning by the year 2005 (Rao, V.M. 2002). Up to March 2009 in land 2751428 no. and 181869 no. of women SHGs were formed in India and state of West Bengal respectively. It clearly indicates that SHG targeting women development effectively and efficiently

## 6. Role as Financial Intermediaries

On the basis of the two main outcome namely savings and loan, the rural poor especially the women are involved with the activities of SHGs. SHGs are considered as 'micro-banks' which acts as intermediaries between the SHG members and the bank. (Tankha, A., 2002). As a micro-bank, SHGs use savings, loan, Revolving Fund (RF), subsidy etc. as a common fund for their consumption and production needs. For smooth working, the SHGs can approach their higher authority such as cluster, Federation, SHG-forum and any statutory monetary institution to meet the increasing demand of loans by the SHGs members. Up to March 2012. Credit released to SHGs amounting Rs. 16534.77 crore (Status of Microfinance 2011-12).

## 7. Empowerment Role

### 7.1 Economic Empowerment:

The SHGs provides different economic benefits to the household belonging to SHG member by deciding collective actions, like emergence of credit delivery system, involving income generating activities, participation in decision making, co-operation in productive investment projects, fostering an entrepreneurial culture, support with revolving fund, regular savings habits and co-operation with other apex body, easy access to loan etc (Raju, A.V. N., (2007).

### 7.2 Social Empowerment

SHGs increased the equality of status of women as a citizen, decision – maker, earner and beneficiaries in the socio-economic and cultural spheres of life. Besides, most of social issues like child labour, addiction of alcohol, early marriage of daughters, education of their children etc can be solved by the SHG members through the continuing awareness programme among members.

### 7.3. Political Empowerment:

Social mobilization through SHGs is inevitable for political empowerment. The SHG performed their functions through its regular meetings, where SHG members prefer transactional activities and to participate in different discussions. This discussion provides an opportunity through which they give voice to their rights and it proves to be a platform for addressing their problems. In such way, SHGs have been able to capture their political empowerment.

### 7.4. Psychological Empowerment:

SHGs enhance the equality of status of women as participants, decision makers and beneficiaries in the democratic economic, social and cultural spheres of life. The SHGs have inculcated a great confidence in the minds of rural women to succeed in their day-to-day life (Jain, R., Kushawaha, R.K., and Srivastava, A.K., 2003).

## 4. Conclusions

Over the last few years SHGs have been an important role against rural poverty. Member of SHGs in the Purba Medinipur district organizing themselves into SHGs to access savings, loan product. It is new way to rural development with involving economic activities by the household belonging to SHGs

member. Through SHGs rural poor capture economic empowering and improve their standard of living and life-cycle pattern in post SHG situation. Mainly two products of SHGs are savings and credit, which help a better chance to create capital. SHG serve small amount of loan to members at shorter intervals. It is an important mechanism to eradicate poverty against giving one time credit for productive purpose [Madheswaran and Dharmadhikary, 2001]. During post-SHG situation, households belonging to SHG members have easily improved their standard of living as well as quality of life. Moreover, the dependence on money-lenders by the households was reduced after jointing the SHGs. (Mmathews, 2001, Nnedumaren et al. 2001, Anjugam and Alagumani, 2001.). It is very significant and relevant tool for upliftment of BPL families in the involvement with Income Generating Activities (IGAs), which will generate income in regular basis as well as in sustainable basis. This approach has emerged for the provision of credit to serve the poorest. As an effect, households belonging to SHG members were able to eradicate their poverty and raising their income in post-SHG period. This clearly indicates that SHG has the potential to become a dominant component of a successful and sustainable poverty alleviation programme (Rangrajan, 2006).

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