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# Social Impact of SHG among Rural Women

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## Abstract

*A self-help group comprises rural individuals who have willingly organized themselves into a collective to systematically address and alleviate poverty among its members. The main aim of self-help groups is empowering women and enlightening their lives by working together and helping each other. The invisibility of women makes them weak and helpless in monitoring their family decisions. Self-help groups (SHGs) have the potential to serve as hubs for women's empowerment, disseminating benefits throughout society. They can effectively organize and combat social issues such as alcoholism, domestic violence against women and children, abuse and exploitation, gender bias, and social exclusion. Ultimately, individuals reach a juncture where they can choose between enduring social, economic, and cultural impoverishment or mobilizing to eliminate their deprivations. The concept of self-help groups is designed to harness their potential as a potent instrument for alleviating rural poverty through the empowerment of women. It's important to note that women's empowerment, while a significant aspect, is not the exclusive objective in itself.*

**Keywords: Social Impact, SHG, Empowerment, Women**

## Introduction

Self-help groups (SHGs) have become a vital tool for empowering economically disadvantaged women in numerous developing nations, India included. Functioning as small associations comprised of individuals from similar socio-economic backgrounds within a village, SHGs collaborate to address shared challenges and enhance the financial well-being of their members. These groups actively promote small-scale savings among their members, which are typically deposited in a bank. Generally limited to around 20 members, SHGs primarily consist of women. Their efforts not only contribute to the financial empowerment of women but also encourage their active involvement in both family and societal matters.

Over the past four to five decades, non-governmental organizations (NGOs) have played a pivotal role in the socio-economic development of marginalized sections in society. Initially, they established Mahila Samajams and Credit Unions to enhance community participation in development initiatives and provide access to thrift and credit facilities, connecting them with financial institutions for improved credit options. Consequently, the involvement of women in the country's economic development has seen a significant rise, contributing substantially to uplifting the economic status of their families. Women, constituting approximately fifty percent of the total human resources in our economy, have become pivotal in fostering economic growth.

Despite this progress, women still face socio-economic and cultural constraints, particularly pronounced in rural and backward areas. Recognizing the importance of women's development activities in poverty eradication,

economic growth, and the enhancement of living standards, efforts are crucial. Self-Help Groups (SHGs) have emerged as a valuable tool in this context, encouraging small savings among members. SHGs are voluntary associations for the economically disadvantaged, preferably from similar socio-economic backgrounds. This paper seeks to explore the role of SHGs in providing income and savings to impoverished rural households in Tamil Nadu, contributing to the ongoing discourse on sustainable development and poverty alleviation.

### **Purpose of the Study**

The study aims to know the Social Impact of SHG among Rural Women. It explains what SHG is. Members of SHG? Characteristics of SHG? Benefits of SHG? Why is SHG important in India? Origin & Development of SHG? Evolution of SHG? Functions of SHG? Need of SHG? Advantages of SHG? Problems of SHG? Ways Forward for Effective SHG and Conclusion.

### **What is SHG?**

A Self-Help Group (SHG) constitutes a self-organized, small assembly of economically disadvantaged individuals, preferably sharing similar socio-economic backgrounds. These groups convene to collectively address everyday challenges through mutual support and self-help initiatives. SHGs empower members to save modest amounts, subsequently deposited in banks. Often referred to as mutual aid support groups, SHGs are associations where individuals collaboratively assist one another.

India's labor force predominantly comprises rural individuals, particularly women, facing resource limitations, limited opportunities, and societal constraints. To secure their essential needs and conditions, they turn to Self-Help Groups as a means to create more favorable prospects, fostering the growth and success of women. These informal groups unite to overcome shared challenges, aiming to enhance their overall quality of life, with members typically sharing similar social and economic backgrounds. SHGs operate as self-governing entities where members voluntarily contribute a portion of their earnings for collective savings. This pooled fund is then used to provide loans to group

members, fostering self-employment opportunities. SHGs have proven to be an effective instrument in uplifting individuals from below the poverty level (BPL), contributing to the improvement of their social and living conditions by encouraging and facilitating self-employment initiatives.

### **Members of Self-help groups (SHGs)**

- Individuals sharing similar socio-economic backgrounds have the opportunity to become members of Self-Help Groups (SHGs).
- Participation in an SHG is typically limited to one individual per family.
- Membership in SHGs tends to be gender-specific, with groups comprising either only men or exclusively women.
- A standard Self-Help Group consists of approximately 15-20 members on average.

### **Characteristics of SHG**

- Self-Help Groups typically consist of ten to twenty members, emphasizing the importance of active participation in larger groups.
- Self-Help Groups operate as informal and voluntary associations, not mandated by any government Act or law.
- Each family is encouraged to have only one member join an SHG, ensuring widespread family participation within the groups.
- Self-Help Groups are either exclusively comprised of men or women, with no preference for mixed-gender groups. This is influenced by the prevailing mindset in rural areas, where women's involvement may be limited.
- Studies indicate that women's groups outperform men's groups in terms of functionality and performance.
- Every member within a Self-Help Group shares a similar socio-economic background. This intentional alignment fosters a comfortable environment and effective communication among members.

### **Benefits of SHG**

- Self-Help Groups (SHGs) serve as a means to empower women, fostering both intellectual and financial self-sufficiency.

- SHGs play a crucial role in combating social issues such as gambling, alcoholism, and substance abuse, instilling positive habits and promoting responsibility among their members.
- These groups contribute to expanding employment opportunities in rural India, benefiting both the agricultural and urban sectors, particularly among those in need. By promoting micro-level entrepreneurship, SHGs diversify income sources, reducing reliance on a single stream of revenue.
- Membership in SHGs grants swift access to government policies and schemes, specifically designed for the marginalized and backward sections of society, to which many group members belong.
- SHGs significantly enhance the quality of life by providing employment through micro-finance entrepreneurship. This improvement extends to healthcare, birth control, and literacy rates within the economically weaker segments of society.
- The financial discipline promoted by SHGs is evident in members' encouragement to open savings bank accounts, leading to enhanced living conditions. These funds are often directed towards education, healthcare, and other essential needs.
- Participation in SHGs increases active involvement in democratic processes and other facets of government. By integrating marginalized sections into the governance framework, SHGs contribute to shaping more inclusive roles and policies for their development and betterment.

### **Why is SHG Important in India?**

The significance of Self-Help Groups (SHGs) in India is underscored by various factors:

**Financial Inclusion:** SHGs play a pivotal role in extending credit to individuals grappling with poverty, addressing a critical need for financial assistance within marginalized communities.

**Capacity Development:** Members of SHGs undergo skill and knowledge development, empowering them to actively contribute to the welfare of their families and communities. This capacity building enhances overall community development.

**Access to Timely and Affordable Loans:** SHGs facilitate the provision of timely and reasonably priced loans for diverse purposes, catering to the financial requirements of individuals and fostering economic activities.

**Community Organization:** SHGs serve as fundamental building blocks for organizing rural communities, providing a structured platform for collective efforts and initiatives that contribute to overall rural development.

**Women's Empowerment:** An integral aspect of SHGs lies in their role in promoting financial independence and self-reliance among women. By facilitating economic participation, SHGs empower women to enhance their socio-economic status.

SHGs in India play a multifaceted and pivotal role in addressing financial needs, fostering community development, and empowering individuals, particularly women, to lead more financially secure and independent lives.

### **The Emergence of Self-Help Groups - Origin and Development in India**

The inception of Self-Help Groups (SHGs) in India can be traced back to the establishment of the Self-Employed Women's Association (SEWA) in 1972. Prior to this, there were nascent initiatives towards self-organization. An illustrative example dates back to 1954 when the Textile Labour Association (TLA) of Ahmedabad established its women's wing. This initiative aimed to provide training to women from families of mill workers, imparting skills such as knitting and sewing. Ela Bhatt, the founder of SEWA, strategically mobilized impoverished and self-employed women workers, including weavers, potters, hawkers, and others in the unorganized sector, with the objective of improving their economic prospects.

In 1992, NABARD (National Bank for Agriculture and Rural Development) initiated the SHG Bank Linkage Project, now recognized as the world's largest microfinance project. Starting from 1993, NABARD, in conjunction with the Reserve Bank of India, authorized Self-Help Groups (SHGs) to establish savings bank accounts in mainstream banks. The Government of India introduced the Swarn Jayanti Gram Swarozgar Yojana in 1999

to encourage self-employment in rural areas by establishing and enhancing the skills of such groups. This initiative later evolved into the National Rural Livelihoods Mission (NRLM) in 2011.

### Evolution Stages of Self-Help Groups in India

Self-help groups typically undergo a three-stage evolution process, outlined as follows:

- **Formation of the Group:** This initial stage involves the establishment of the self-help group.
- **Funding and Skill Development:** Subsequent stages focus on securing funding, forming capital, and developing the necessary skills to enhance income generation within the group.
- **Formation with Assistance:** Many self-help groups receive support from agencies dedicated to promoting self-help initiatives.

Various types of agencies contribute to the promotion of self-help groups, including:

- Non-governmental agencies
- Government entities
- Poverty management programs
- State and commercial banks
- Microfinance institutions
- SHG Federations
- SHG leaders/Entrepreneurs

This diverse array of supporting agencies plays a pivotal role in facilitating the growth and sustainability of self-help groups at different stages of their development.

### Functions of Self-Help Groups

These organizations are dedicated to augmenting the functional capacities of economically disadvantaged and marginalized sectors, focusing on areas such as employment and income-generating activities. They extend collateral-free loans to individuals who typically encounter challenges in securing financial assistance from conventional banking institutions. Moreover, these entities play a pivotal role in conflict resolution through collaborative discussions and a shared leadership approach. Serving as indispensable providers of microfinance services for those with limited incomes, they act as intermediaries, facilitating the penetration of formal banking services to individuals with modest financial means, especially in rural

areas. Additionally, these organizations actively foster a savings culture among individuals with limited incomes.

### Need for Self-Help Groups

The Rangarajan Committee Report has identified key factors contributing to rural poverty, with limited access to credit and financial services being a prominent issue. The report underscores four primary reasons for the prevailing financial exclusion in India:

**Inability to Provide Collateral Security:** One significant barrier is the inability of individuals to offer collateral security, hindering their access to credit.

**Weak Credit Absorption Capacity:** Another challenge is the limited capacity of individuals to absorb credit effectively, posing a hurdle in addressing rural poverty.

**Insufficient Reach of Financial Institutions:** The report highlights the inadequate reach of financial institutions, limiting their impact on rural communities and exacerbating financial exclusion.

**Weak Community Network:** The presence of weak community networks further compounds the issue, impeding the flow of financial resources to those in need.

The Rangarajan Committee recognizes the pivotal role of robust community networks in facilitating credit linkage in rural areas. Self-Help Groups (SHGs) emerge as crucial entities in providing credit access to individuals with low incomes, playing a vital role in poverty alleviation. SHGs, particularly beneficial for economically disadvantaged women, contribute to the formation of social capital. The financial independence achieved through self-employment opportunities not only aids in poverty alleviation but also fosters improvements in various developmental indicators such as literacy levels, healthcare, and family planning. This holistic approach underscores the transformative impact of empowering communities through enhanced financial inclusion.

### Advantages of Self-Help Groups

- Self-Help Groups (SHGs) serve as compelling incentives for financial institutions to extend

loans to economically disadvantaged and marginalized segments of society, assuring banks of viable returns.

- SHGs play a pivotal role in providing a voice to sections of society that are typically underrepresented and marginalized, thereby fostering inclusivity.
- SHGs contribute significantly to the eradication of societal issues such as dowry, alcoholism, and early marriages, thereby fostering social integrity.
- By empowering women, SHGs actively contribute to the promotion of genuine gender equality, marking a positive stride towards a more balanced society.
- SHGs function as effective pressure groups, enabling collective action to exert pressure on the government to address and act upon crucial societal issues.
- SHGs not only play a key role in implementing government schemes but also contribute to their enhanced efficiency. Additionally, they act as a deterrent to corruption through the implementation of social audits.
- SHGs serve as alternate sources of livelihood by providing vocational training, reducing dependence on agriculture, and improving existing livelihoods through the provision of tools and resources.
- The financial inclusion facilitated by SHGs translates into tangible improvements in family planning, reduced child mortality rates, maternal health, and overall advancements in healthcare and housing. These initiatives contribute to better nutrition, improved healthcare facilities, and upgraded housing standards.
- SHGs actively encourage savings and play a crucial role in promoting banking literacy within the rural segment, fostering a culture of financial awareness and responsibility.

### **Problems of Self-Help Groups (SHGs)**

Expanding the reach of the outlined concept to the most impoverished families remains an imperative task, as it is not uniformly implemented. The existing infrastructure reveals a considerable disparity, with approximately 1.2 lakh bank branches in rural areas

compared to a staggering 6 lakh villages across the country. Addressing this gap requires an extension of banking facilities to ensure comprehensive coverage.

While the current Self-Help Groups (SHGs) operate on mutual trust, concerns arise regarding the sustainability and operational quality of these groups. To enhance the effectiveness of SHGs, there is a pressing need for the establishment of monitoring cells on a national scale. These cells would play a crucial role in overseeing and improving the sustainability and operational standards of SHGs, fostering a more secure and robust financial environment.

Additionally, attention must be directed towards fortifying the safety and security of deposits within SHGs, thereby instilling greater confidence in the financial transactions conducted through these groups. By addressing these key areas, we can pave the way for a more inclusive and reliable financial framework for the most vulnerable sections of society.

### **Way Forward for Effective Self-Help Groups**

The imperative for the government lies in creating an enabling environment that fosters the development and expansion of the Self-Help Group (SHG) movement. Assuming the roles of a facilitator and promoter, the government should extend the reach of the SHG Movement to Credit Deficient Areas (CDAs) such as Madhya Pradesh, Rajasthan, and the Northeastern states. A critical aspect of this expansion involves enhancing the financial infrastructure, including that of institutions like NABARD, through the adoption of extensive IT-enabled communication and capacity-building measures in these regions. Recognizing the changing landscape of urbanization, concerted efforts should be made to extend the presence of Self-Help Groups to urban and peri-urban areas, aiming to enhance the income-generating capacities of those with lower incomes who often face financial exclusion.

Government functionaries must shift their approach, treating the poor and marginalized as viable, responsible customers and potential entrepreneurs. To ensure effective oversight and management, SHG monitoring cells should be established in every state, maintaining direct links

with district and block-level monitoring systems. These cells should collect both quantitative and qualitative information, facilitating a comprehensive understanding of the SHG landscape. Collaboration between Commercial Banks, NABARD, and State Governments is crucial for continuous innovation and the design of new financial products tailored to the evolving needs of these groups.

### Conclusion

The Self-Help Group (SHG) Programme stands as a pivotal force in the lives of individuals with limited incomes, demonstrating notable success in reaching impoverished clients across diverse blocks. A compelling testament to its impact is the substantial evidence indicating an increase in household income, a key indicator of the program's efficacy. Noteworthy improvements in the standard of living and enhanced food security among program participants underscore the tangible benefits accrued. In addressing challenges such as food insecurity during periods of sickness, emergencies, and crises, program loans have become instrumental, with participants increasingly relying on SHG loans over conventional sources like friends and moneylenders.

At an individual level, the program exhibits a tendency to attract individuals who are already relatively empowered, facilitating further empowerment through active participation. This empowerment is manifest in heightened self-esteem, while program involvement is correlated with discernible shifts in decision-making dynamics at the family level. Program participants display a heightened awareness of various programs and organizations, translating into enhanced access to these valuable resources.

The success of SHGs can be attributed to their direct engagement with impoverished communities, innovative practices, and their capacity to foster community participation in developmental initiatives. The establishment of trust at various stakeholder levels further contributes to the program's effectiveness. Crucially, SHGs play a pivotal role in improving the financial standing of families, cultivating independence and self-confidence among rural women, thereby contributing to the overall enhancement of rural livelihoods.

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