

# Rural Development in India: A Role of Self-Help Group

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## Abstract

*Rural Development is a very dynamic process which involves in improving the socio-cultural, environmental, political and economic well-being of the rural poor living in relatively isolated areas. In a country like India where majority of the people are living in rural areas, the concept of rural development assume great significance. Providing economic support or loans to the rural women helps them to empower, not only economically but also socially, further this strengthens the whole society in general. Hence, the present study is placed in this context to examine the relationship between Self Help Groups and socio-economic development of rural community in general and women in India and also to suggest suitable measures for the effective improvement of functioning of SHGs in improving the socio-economic conditions of the rural people. The self help group SHGs approach is a new instance into the field of rural development which aims at improving the living condition of the rural poor by creating sustainable community based institutions.*

## Keywords

*Self-Help Groups, Rural Development*

## Introduction and Background

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 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, albeit in very small amounts. 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 in India 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, problems do arise with design, development and introduction of programmes to promote income generating activities (IGAs) that will generate sufficient, sustainable and regular income. There are few documents available that critically reflect on the role of SHGs in the wider rural economy. This paper attempts to identify the role of SHGs in providing Rural Non-Farm Employment (RNFE) through enterprise development and marketing.

**THE CONCEPT OF SHG:** The concept of SHG services the principle, 'by the women, of the women and for the women'. Self-help groups are voluntary associations of people with common interests formed to achieve collective social and economic goals. Such groups are organized for mutual help and benefit. It is formed democratically without any political affiliations. They may comprise of 15–20 women and/or men, although they generally consist exclusively of women members. In India, more than 90 per cent groups are formed by women. is done at micro or group level. The initial operations of SHGs start with collecting savings from members. These groups inculcate the habit of thrift among the members. By collecting small saving huge amount can be raised. These groups advance loans to the needy members. The total funds owned by the group are thus circulated in the form of loan among the members.

## The Concept Of Shg Is Based On The Following Principles

- Self-help supplemented with mutual help can be a powerful vehicle for the poor in their socioeconomic development;
- Participative financial services management is more responsive and efficient;
- Poor need not only credit support, but also savings and other services;
- Poor can save and are bankable and SHGs as clients, result in wider outreach, lower transaction cost and much lower risk costs for the banks;
- Creation of a common fund by contributing small savings on a regular basis;
- Flexible democratic system of working;
- Loaning is done mainly on trust with a bare documentation and without any security;
- Amounts loaned are small, frequent and for short duration;
- Defaults are rare mainly due to group pressure; and
- Periodic meetings non-traditional savings.

## Need and Importance Of Self Help Group

Self help groups are necessary to overcome exploitation, create confidence for the economic self-reliance of rural people, particularly among women who are mostly invisible in the social structure. These groups enable them to come together for common objective and gain strength from each other to deal with exploitation, which they are facing in several forms. Groups become the basis for action and change. It also helps buildings of relationship for mutual trust between the promoting organization and the rural poor through constant contact and genuine efforts. Self help groups plays an important role in differentiating between consumer credit and production credit, analyzing the credit system for its implication and changes in economy, culture and social position of the target groups, providing easy access to credit and facilitating group/organization for effective control, ensuring repayments and continuity through group dynamics; setting visible norms for interest rates, repayment schedules, gestation period, extension, writing of bad debts; and assisting group members in getting access to the formal credit institutions. Thus, self help group disburses microcredit to the rural women for the purpose of making them enterprising women and encouraging them to enter into entrepreneurial activities. Credit needs of the rural and urban

poor women are fulfilled totally through the SHGs. SHGs enhance equality of status of women as participation, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life. The rural poor are in-capacitated due to various reasons such as; most of them are socially backward, illiterate, with low motivation and poor economic base. Individually, a poor is not weak in socio-economic term but also lacks access to the knowledge and information, which are the most important components of today's development process. However, in a group, they are empowered to overcome many of these weaknesses; hence there are needs for SHGs which is specific terms are as under:

- To mobilize the resources of the individual members for their collective economic development.
- To uplift the living conditions of the poor.
- To create a habit of savings, utilization of local resources.
- To mobilize individual skills for group's interest.
- To create awareness about right.
- To assist the members financial at the time of need.
- Entrepreneurship development.
- To identify problems, analyzing and finding solutions in the groups.
- To act as a media for socio-economic development of village.
- To develop linkage with institution of NGOs.
- To organize training for skill development.
- To help in recovery of loans.
- To gain mutual understanding, develop trust and self-confidence.
- To develop leadership qualities.
- To build up teamwork.
- To use it as an effective delivery channel for rural credit.

**Empowerment through SHGs:** A self-help group (SHGs) is as an instrument to change the conditions of women socially and economically. Once socio-economic experiment is 92 achieved it would have implication on the overall development of women. SHGs enable economic, social, political and psychological empowerment of women.

**Economic Empowerment:** The economic contribution of women has been found to be related to her role and status in the society. The Self-help groups provide economic benefits to the women by providing income generating activities. Economic independence facilitates in bringing about sexual equality and increase in women's income translates more directly into family well being.

**Social Empowerment:** Self-help Groups improve the equality of status of women as participants, decision-makers and beneficiaries in the social, democratic, economic and cultural spheres of life. SHGs ensure the equality of status of women as participants, decision-makers and beneficiaries in the democratic, economic, social and cultural spheres of life.

**Political Empowerment:** SHGs as active, articulate and organized citizenry act on a range of issues, holding the Panchayats accountable in terms of the use, production and distribution of public resources for the common public good. SHGs enable women to develop their communication skills to speak at the Grama Sabha, public meetings, etc. An SHG functions through its regular meetings, where members perform transactional activities and discuss over different related issues. Social mobilization through SHGs is inevitable for political empowerment.

**Psychological Empowerment:** Self-help groups enhance the equality of women as participants, decision-makers and

beneficiaries in the democratic, economic, social and cultural spheres of life. The SHGs inculcate a great confidence in the minds of rural women to success in their day-to-day life.

### **SHGs and 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 self employment is the formation of SHGs 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.

### **Village Development Through Micro-Financing The SHGs**

Though there is variety of programmes to alleviate poverty and empower rural people, SHGs have done well in the country. The emergence of small enterprises and its activities have made a considerable contribution in the socio-economic development of rural poor in the society. In the 11th Five Year Plan; in view of inclusive growth; we cannot think of rural self employment on sustained basis without consideration of Micro-Finance and SHGs. The Plan provides a new vision of inclusive and faster growth at the rate of 9%. No doubt; the SHGs will help in achieving this new vision of growth with the support of Micro-Finance. The impact on the lives of rural people is not just an economic one; gaining more self-confidence is often a more lasting achievement that forms the basis for social and economic improvements. But are SHGs the answer to all problems in India? Few issues need to be considered when attempting to answer this question:

- How the poorest participate in this revolution? More effective targeting mechanisms are required, and SHG programs need to be geared towards the specific needs of poor people.
- Are these SHGs the most significant way of bringing about socio-economic change? Lasting improvement; especially of the situation of rural women; can only be brought about subject to their control over resources increases.
- Are SHGs the most appropriate institutional-arrangement for Rural Indians? Different types of SHGs are required for different types of people, depending on their particular socio-economic backgrounds.

### **Conclusion**

SHG Programme clearly plays a central role in the lives of the poor. The programme in various blocks all seem to be very successful in reaching poor clients. Importantly; there is evidence of increased household income. This is a very significant indicator of impact. Standard of living for the program participants has increased and also the food security is much more for the program clients. Programme loans are one of the main ways clients overcome food

insecurity with sickness, disease, emergencies and crises, where programme participants seem to transfer the loan source from friends and moneylenders to SHG loans to meet these expenses. At the individual level, there is evidence that the programme attracts already relatively empowered people and that empowerment occurs among some clients through programme participation. The process of empowerment manifests itself in increased self-esteem. Programme participation is also associated with changes in decision-making at the family level. Program participants are far more aware about the various programs and organizations and have an access to these organizations. Microfinance is playing a significant role in alleviate poverty and rural development. Since women are the sole family caretaker, proper emphasis should be given to the rural women and for empowering the rural women finance is required. Microfinance to the rural SHGs is a way to raise the income level and improve the living standards of the rural women. The Self Help Groups have proved the way for economic independence of rural women. On the whole, it may be concluded that SHG movement has achieved a grand success in bringing out many positive and rapid changes in the lives of poor in term of socio-economic and politico-cultural aspects and paving a concrete path towards their social, economic and political development, despite many problems and constraints.

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