



IMPORTANCE OF SELF-HELP GROUPS IN AGRICULTURE AND VILLAGE ECONOMY

In the previous lesson, you learnt about the concept and meaning of entrepreneurship. You have also seen the important characteristics of a successful entrepreneur. However, it's obvious that a single individual alone may not possess the full spectrum of skills necessary to establish a successful and thriving enterprise. The real strength lies in the synergistic efforts and collectivisation of like-minded individuals with a strong drive and high achievement motivation. In this context, self-help groups play a crucial role in fostering entrepreneurship. SHGs serve as catalysts by providing a supportive environment, facilitating skill development, promoting financial inclusion, and creating a platform for collaboration and resource sharing among aspiring and seasoned entrepreneurs. In this scenario, Self-help Groups (SHGs) have emerged as promising avenues for enhancing farmers' income.



LEARNING OUTCOMES

After studying this lesson, the learner:

- explains the concept and meaning of self-help groups;
- appraises the merits of forming self-help groups among local people;
- describes the evolution of SHGs over time; and
- persuades the local youth and women to form self-help groups for their socio-economic development.

24.1 WHAT IS SELF-HELP GROUPS (SHGS)?

Self-Help Groups (SHGs) represent collectives or community-based organisations, wherein individuals unite voluntarily with the aim of addressing common socio-economic

Enterprises in
Agriculture

Notes

issues, improving their livelihoods and enhancing their quality of life. Typically originating as small assemblies of rural individuals, SHGs emerge when community members, recognizing shared challenges, opt to unite voluntarily to uplift their socio-economic circumstances. These groups may take on either a formal, registered structure or remain informal. As defined by NABARD, SHGs consist of 20 or fewer individuals from similar socio-economic backgrounds who converge to tackle common issues by forming their own support networks. Presently, India boasts approximately 83 lakh SHGs, primarily comprising members from local villages.

The idea encompasses the values of saving, lending, and mutual assistance, with SHGs typically operating under self-regulation and peer oversight, promoting financial inclusivity. These groups play a significant role in institutionalizing women's economic autonomy. Typically, SHGs operate informally and voluntarily. In the early 1990s, banks were authorized to establish savings accounts for SHGs, facilitating economic empowerment.

24.2 NEED OF SELF-HELP GROUPS

Self-Help Groups are voluntary assemblies aimed at achieving shared objectives, uniting individuals of similar social and economic backgrounds, or traditional occupations to pool and administer resources for mutual benefit. The existence of robust community networks within Indian villages is a key factor in facilitating credit connections in rural regions, fostering the growth of SHGs. These groups serve as pivotal avenues for providing financial access to impoverished communities, thus significantly contributing to poverty reduction efforts. Additionally, SHGs play a pivotal role in empowering women from financially disadvantaged backgrounds by facilitating the development of social capital. Enhancing financial freedom through self-employment arenas not only contributes to economic empowerment but also leads to advancements in other developmental aspects, including literacy rates, healthcare quality, and family planning initiatives.

**INTEXT QUESTIONS 24.1**

1. What is the objective of formation of SHGs?
2. What role can SHG play in curbing the activities of money lenders in villages?
3. Which one is 'not true' from the following?
 - a. SHGs are a model for imparting education.

- b. SHGs play an important role in empowering women.
- c. SHG is a voluntary association of people, formed to attain a collective goal.
- d. Usually, SHGs are voluntary groups, with informal structure.

**ACTIVITY 1**

Visit a SHG in your nearby village. Enquire about the different activities being performed by the SHG.

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24.3 CHARACTERISTICS OF SELF-HELP GROUPS

Self-help groups help to improve the quality of the lives of the impoverished and poor sections of society. The common characteristics of these SHGs are as follows:

- **Shared Goals:** Individuals sharing similar social and economic backgrounds within a village come together, often with the help of non-governmental organizations (NGOs) or government agencies, to address local challenges, conflicts, and enhance living standards. SHG members commit to regular savings and collectively contribute to a shared fund, thereby reducing reliance on village moneylenders for emergency loans.
- **Voluntary Participation:** People join voluntarily in SHGs based on their common cause and interest. No one is pressurised for participation in these groups.
- **Peer Support:** Members consent to utilize the pooled resources, including grants and loans from banks, to undertake self-help initiatives or provide small loans to members in need, based on group consensus. Popular activities for SHGs include producing value-added goods such as flours, pulses, ground spices (chilly, turmeric, coriander powder), *papad*, pickles, jams, squash, etc; packaging and branding of gur, ghee, honey, etc.; creation of decorative bamboo items, etc., which are then sold under the SHG's banner.

*Notes*

Enterprises in
Agriculture

Notes

- **Skill Development:** SHGs facilitate their members to adopt new skill, expertise and experiences for capturing new opportunities in market.
- **Empowerment of Members:** The dissemination of technology through SHGs benefits both farming and non-farming communities on a significant scale. Members learn the recommended and standardized ways of production, packaging, drying, storage technique, selling and keeping accounts. These groups include members from economically disadvantaged backgrounds, and have the potential to enhance their income-earning capacity.

**ACTIVITY 2**

Collect SHG products and give their brief discussion in your own language.

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24.4 THE RISE OF SHGS: EMERGENCE AND EVOLUTION IN INDIA

- Since their inception, SHGs have been operating in villages where essential services such as banks, businesses, and retail outlets are scarce. The inception of Self-Help Groups (SHGs) in India can be linked to the establishment of the **Self-Employed Women's Association (SEWA)** in Gujarat in **1972**.
- Prior to the formal establishment of SHGs, there were early initiatives towards establishment of self-help organisations. An instance of this occurred in **1954** when the **Textile Labour Association (TLA)** in Ahmedabad established its **women's wing**. The aim was to provide training to women from mill workers' families in various skills like sewing and knitting.
- **Ms. Ela Bhatt, the founder of SEWA**, mobilised impoverished and self-employed female workers including weavers, potters, craftsmen, hawkers, etc. from the unorganised sector for the formation of SHGs. Her goal was to uplift their economic status by increasing their incomes.
- 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. NABARD pioneered an innovative approach to this

movement with a pilot project introduced in 1991. Subsequently, starting from 1993, NABARD collaborated with the Reserve Bank of India to provide savings bank accounts to SHGs.



INTEXT QUESTIONS 24.4

1. The organization which supports mostly the development of SHGs in the country is:
 - a. NGO (Non-Governmental Organization)
 - b. NABARD (National Bank for Agriculture and Rural Development)
 - c. ICAR (Indian Council of Agricultural Research)
 - d. Ministry of Education
2. Who was the founder of Self-Employed Women's Association (SEWA)?
3. Formation of SHGs was started from state.
4. Other than agriculture, which are the other sectors in which SHGs are active?



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24.5 DEVELOPMENTAL STAGES OF SELF-HELP GROUPS IN INDIA

Each SHG generally follows these steps of evolution:

1. Formation of group
2. Capacity building of the group members
3. Savings and credit activities
4. Linkage with formal institutionalised financial institutions
5. Livelihood promotion and generating income through collective action
6. Networking, mobilisation, expansion and formation of federation

Several groups are formed with the help of self-help promoting organisations. Due to its benefit towards local institution building, Government launches campaign to mobilize women for SHGs as a social movement in different states and union territories of India.

Enterprises in
Agriculture



Notes

The different types of Self-help promoting organisations are:

1. Non-governmental Organisations (NGOs)
2. Government projects
3. Poverty management programmes
4. State & commercial banks
5. Microfinance institutions
6. SHG Federations
7. SHG leaders/Entrepreneurs
8. International donor projects



ACTIVITY 3

Discuss the schedule of monthly activities of any self-help group located in your area.

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24.6 FUNCTIONS OF SELF-HELP GROUPS

SHGs deliver important functions for betterment of society. Some of the functions are enlisted, as below:

- SHGs play a significant role in fostering and developing small-scale micro-enterprises aimed at generating income.
- They aim to enhance the functional capacity of economically disadvantaged and marginalised segments of society in areas of employment and income-generation. Besides contributing towards the economic development, these groups are important for social networking.
- They provide loans without requiring collateral security from individuals who typically face challenges in securing loans at high interest rates from traditional money-lenders.



- **Financial Inclusion-** SHGs incentivize banks to lend poor and marginalized sections of society due to the assurance of returns and the collective responsibility maintained within the group.
- They introduce the habit of money saving and its best possible utilisation by prioritisation of needs and wants.
- They also play a role in conflict-resolution through collective leadership and mutual discussions. They provide a platform to share experiences and provide mutual support.
- They conduct vocational training programmes for competency building and entrepreneurship development, which aim to provide livelihood opportunities for their members.
- They encourage the development of potential micro-enterprises at the village or block level by facilitating access to financial services such as savings, credit and insurance.
- **Empowering the Marginalised**– SHGs have provided a platform for the empowerment of marginalized and voiceless segments of society, granting them a voice that was previously unheard.
- **Social Integrity**– SHGs contribute to the eradication of various social ills, including dowry, alcoholism, and early marriage, by fostering community support and empowerment among their members.
- **Gender Equality** – SHGs focus on providing employment opportunities through training, thereby generating income and employment. By empowering women, SHGs contribute to advancing true gender equality in the nation.
- **Pressure Groups** – SHGs serve as pressure groups capable of exerting influence on the government to address significant issues.
- **Effective Implementation of Government schemes**– SHGs contribute to the effective implementation of government schemes and enhance their efficiency. Additionally, they play a pivotal role in combating corruption through the conduct of social audits.

**INTEXT QUESTIONS 24.3**

1. In what ways do Self-Help Groups (SHGs) provide support to their members for social causes?
2. How do Self-Help Groups (SHGs) derive financial benefits from their operations?
3. SHG supports in setting up of level enterprises.

24.7 CONSTRAINTS OF SELF-HELP GROUPS (SHGS)

Although self help groups have huge potential for socio-economic improvement of farmers in India, presently they are not performing as per the expectations. The probable reasons for this are:

- The idea of SHG has not yet reached to the poorest families of our country.
- Prevalence of patriarchal mindset in society prevents many women from coming forward to join self-help groups.
- Expanding banking facilities is crucial, given the disparity between the number of bank branches and villages in rural India.
- The sustainability and operational quality of these groups have raised concerns.
- SHGs sometimes encounter internal conflicts stemming from power struggles. Establishing monitoring bodies for SHGs nationwide could help mitigate such issues.
- SHGs operate on mutual trust, but if this trust is compromised, members may perceive their deposits as insecure or feel cheated, if not adequately informed about critical decisions. This could lead to the collapse of the SHG system.

24.8 FUTURE COURSE FOR EFFECTIVE SELF-HELP GROUPS

Currently through the active efforts of **Ministry of Rural Development** under the **Deendayal Antyodaya Yojana (DAY)** and **National Rural Livelihoods Mission (NRLM)**, approximately 9 crore households have been mobilized into SHGs. Following measures may be adopted for efficient management and proper administration of SHGs:

1. The government ought to enhance its efforts to foster the expansion and advancement of the SHG movement nationwide, assuming the facilitator and advocacy roles.



2. The SHG movement needs to extend its reach to credit-deficient regions across the country, including areas like Madhya Pradesh, Uttarakhand, Rajasthan, and the states of North-East India. The Government of India is envisaging an expansion of the SHG initiative to encompass 1 crore groups, involving approximately 10 million women in the near future. The concept of SHG federation has started in different states of India to function for networking, coordination, capacity building and supporting the SHG movement as apex organization.
3. There is a pressing need to strengthen the financial infrastructure, including institutions like NABARD, Commercial Banks, and also leveraging the information technology (IT) structure for establishing improved communication network.
4. There is a crucial need to extend the reach of Self-help Groups to urban and peri-urban areas, considering the rapid pace of urbanization and the prevalent financial exclusion among the urban poor.
5. Establish SHG monitoring cells in each state for better oversight and evaluation of SHG activities.



INTEXT QUESTIONS 24.4

1. Which Government schemes target the formation of SHGs?
2. What is the function of SHG federation?

24.9 SELF HELP GROUPS IN INDIA

24.9.1 Self-help groups in remote forested villages in India

There are more than 1.2 lakhs of Joint Forest Management Committees (JFMC) in different states of India. In all the JFMCs, the respective State Governments have started SHG formation through local women to support villages located in and around the forest areas. Such SHGs deal with the processing, value addition and marketing of Non-timber Forest Products (NTFPs) including the medicinal plants. Such JFMC related SHGs have been active in the states of Chhattisgarh, Madhya Pradesh, Telangana, Uttar Pradesh, Rajasthan, West Bengal and Uttarakhand.

Enterprises in
Agriculture

Notes

24.9.2 Watershed Management Committees in India

At the village level, watershed management committees establish SHGs to foster agricultural development, embracing principles of organic cultivation and vermi-composting. These groups, comprising micro-entrepreneurs with similar backgrounds, voluntarily pool funds for mutual assistance.

24.9.3 Kudumbashree in Kerala

Initiated in 1998 in Kerala, the Kudumbashree project aims to combat poverty through community action. It stands as India's largest women-empowerment endeavour, overseen by the government. The project encompasses three pillars: microcredit, entrepreneurship, and empowerment.

24.9.4 Mahila Aarthik Vikas Mahamandal (MAVIM) in Maharashtra

In Maharashtra, SHGs faced challenges managing increasing transactions, prompting the establishment of Community Managed Resource Centre (CMRC) under MAVIM. CMRC offers sustainable financial and livelihood support tailored to SHG needs. The mission of MAVIM is to enhance women's access to education and boost their involvement in decision-making and governance to bring social equity.

It also plays crucial role in strengthening women's entrepreneurship skills and improving their access to credit and markets.

**ACTIVITY 4**

Visit a cooperative or nationalized bank to inquire about the presence of Self-Help Groups and their initiatives.

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WHAT YOU HAVE LEARNT

- Self-Help Groups (SHGs) are informal collectives where individuals unite to address their common concerns/issues and enhance their living standards. They operate autonomously and are governed by members.
- Self-help Groups (SHGs) are driving force for women unity, solidarity and promotion of local level enterprises.
- Self help groups are characterized by their shared goals, voluntary participation, informal organizational structure, peer support, skill development initiative and empowerment of members.
- Key functions of SHGs are encouragement of saving among the poor, supply of collateral-free loans, and financial inclusion.



TERMINAL QUESTIONS

1. Discuss the key functions of Self-Help Groups.
2. What are the unique characteristics of SHGs?
3. How SHGs can help in the social development process?
4. Why SHGs are more active and have larger spread in rural areas?
5. What are the constraints plaguing the SHG programme in our country?



ANSWERS TO INTEXT QUESTIONS

24.1

1. SHGs are formed for economic empowerment of the members and to overcome the common issues and challenges.
2. SHG members save their money on regular basis through which they set up small business at local level. From the saved amount, they can provide interest free loan to their members, which protects them from the high interest rates of money lenders.



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Enterprises in
Agriculture



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3. Option a

24.2

1. NABARD
2. Ms. Ela Bhatt
3. Gujarat
4. Weaving, pottery, forest product processing, craft manufacturing

24.3

1. They play a role in conflict resolution through collective leadership, mutual discussions and empowerment.
2. SHGs support individuals in earning a livelihood by providing vocational training and facilitating access to tools and resources. They provide loans without requiring collateral to individuals who typically face challenges in securing loans from traditional banking institutions.
3. Micro

23.4

1. Deendayal Antyodaya Yojana (DAY) and National Rural Livelihoods Mission (NRLM)
2. SHG federation acts as apex organisation of self-help groups. Its function is networking and coordination among SHGs, capacity building and supporting the SHG movement.

GLOSSARY

Empowerment: An act or process of enabling individuals to give authority and power to perform and achieve the results they desire.

Microcredit: It is a small loan facility provided to the low-income individuals or groups without collateral, to motivate them to start their business and become self-employed. It is offered by microfinance institutions (MFIs), non-governmental organizations (NGOs), or banks that cater to needs of marginalized populations.

Unorganized sector: The segment of economy where economic activities are undertaken by individuals or private enterprises without formal registration. They are

characterized by low levels of organization, limited access to social security benefits, and operate outside the purview of government regulations.

SUGGESTED READINGS

1. Non-government organisation (NGO) and self-help group, TNAU Agritech Portal, Tamil Nadu Agricultural University, Coimbatore, India.
(https://agritech.tnau.ac.in/ngo_shg/shg_intro.html)
2. A Handbook on Forming Self-Help Groups (SHGs), National Bank for Agriculture and Rural Development (NABARD), Mumbai.



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WHAT YOU HAVE LEARNT

