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Role of Self help Groups in Economic Activities

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Abstract

Self Help Groups (SHGs) has very crucial role in economic activities among rural women in rural areas. SHGs has multidimensional role in empowerment of women by developing different skills like handicraft, training of modern cooking technology and other business activities. These skills help rural women to develop Entrepreneur skills among them. SHGs use to take small financial capital from bank on low interest rate and invest that money for economic development of women. Now days SHGs focusing on Rural Products entrepreneurships. Rural products entrepreneurship involves starting and running businesses that focus on producing, processing, marketing, and selling goods derived from rural resources or produced in rural areas. These products can include agricultural goods, handmade crafts, natural resources, and specialty items unique to rural regions. Rural products entrepreneurship offers opportunities to harness the natural resources and cultural heritage of rural areas while contributing to economic development, job creation, and community resilience. By leveraging the unique strengths of rural regions, entrepreneurs can create successful businesses that serve local and global markets.

Keyword

Self help group, SHG, Community Development, Rural Women, Empowerment.

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Introduction

A Self-Help Group (SHG) is a community-based organization consisting of a small group of individuals, usually from similar socio-economic backgrounds, who come together voluntarily to address common needs and goals. The primary purpose of an SHG is to empower its members through mutual support, collective decision-making, and shared resources.

Women empowerment refers to the process of enabling women to have control over their lives, make independent choices, and participate fully in social, economic, and political spheres. It encompasses various aspects aimed at enhancing women's agency, rights, and opportunities for self-determination. Key components of women empowerment include Access to Education, Economic Independence, Health and Well-being, Political Participation, Legal Rights and Protection, Social and Cultural Change, Capacity Building and Leadership Development etc. Women empowerment is a multifaceted process that involves addressing structural inequalities, promoting gender justice, and creating an enabling environment where women can realize their full potential and contribute meaningfully to society. It is essential not only for women's rights and well-being but also for achieving sustainable development and social progress for all.

Here are some key characteristics and features of SHGs:

Voluntary Participation: Membership in an SHG is voluntary, and individuals join the group based on shared interests, needs, or goals. Participation is open to all members of the community who meet the eligibility criteria set by the group.

Small Group Size: SHGs typically consist of a small number of members, ranging from 10 to 20 individuals, although the exact size may vary depending on the context and objectives of the group.

Regular Meetings: Members of an SHG meet regularly, often weekly or bi-weekly, to discuss issues, plan activities, and make collective decisions. These meetings serve as a platform for sharing experiences, providing support, and monitoring the progress of group initiatives.

Collective Savings: One of the defining features of SHGs is the practice of collective savings. Members contribute small amounts of money to a common fund during each meeting, which is then used to provide loans to members for various purposes, such as income-generating activities, emergencies, or social needs.

Internal Lending: SHGs operate on the principle of mutual trust and solidarity, with members lending money to each other based on their needs and repayment capacity. Loans are typically provided at low- interest rates and with flexible repayment terms, making them accessible to members who may not have access to formal financial institutions.

Skill Development and Capacity Building: SHGs often organize training sessions, workshops, and skill development programs to enhance the entrepreneurial and managerial

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capabilities of their members. These initiatives aim to empower members with the knowledge and skills needed to start and manage their own businesses effectively.

Social Support and Networking: Beyond financial assistance, SHGs provide a platform for social support, networking, and collective action. Members often come together to address common challenges, share information and resources, and advocate for their interests at the community level.

History of SHGs in India

The concept of Self-Help Groups (SHGs) in India has its roots in the principles of cooperative movements and community-based initiatives aimed at socio-economic empowerment. Here's a brief history of SHGs in India:

First Phase(1960s-1970s): The idea of self-help and community participation gained momentum during the 1960s and 1970s in India, particularly in the context of rural development initiatives. Various government and non-governmental organizations (NGOs) experimented with different models of group-based interventions to address poverty, livelihoods, and social issues in rural areas.

Second Phase(1980s): The formalization of SHGs in India can be traced back to the 1980s when organizations like MYRADA (Mysore Resettlement and Development Agency) and PRADAN (Professional Assistance for Development Action) began promoting the concept as a means to empower marginalized communities, especially women, through collective action and microfinance.

Third Phase(Late 1980s-1990s): The National Bank for Agriculture and Rural Development (NABARD) played a pivotal role in popularizing the SHG model by providing financial support and technical assistance to NGOs and self-help promoting institutions (SHPIs). NABARD's SHG-Bank Linkage Program, launched in 1992, aimed to link SHGs with formal banking institutions to enhance access to credit for rural poor households.

Objective

- The objective of the study is to understand the Role of Self Help Groups in Economic Empowerment of Rural Women.

Methodology

Secondary data will be taken for the study. The study would be based on details review of Literature include Journals, Thesis and books.

Literature Review

Saravan V.K and Baranitharan in their study,"Ananalytical study on self help group through financial inclusion scheme in India" (2024) state that, This structure provides a framework for conducting an analytical study on Self-Help Groups (SHGs) through financial inclusion schemes in India. It covers various aspects such as the evolution of SHGs, the landscape of financial inclusion schemes, impact assessment, challenges faced, case studies, policy recommendations, and a conclusion. It's essential to conduct thorough research and gather empirical data to support the analysis and findings.

Ramesh P and Vaishnavi in their study Economic empowerment of women SHG Members (2024) state that, This structured approach will enable you to conduct a comprehensive analysis of the economic empowerment of women SHG members, considering various dimensions such as access to credit, skill development, market linkages, challenges, and policy recommendations.

Nisanth M. in his study A study on Socio-Economic condition of women in SHGs (2024) states that, This comprehensive study will provide insights into the socio-economic conditions of women in SHGs, assess the impact of SHG participation on their empowerment, and offer recommendations for policy and interventions aimed at enhancing their socio-economic well-being. It is essential to employ a rigorous methodology and engage with the participants to gather accurate and meaningful data for analysis.

Ahmadi Manijeh in his Study "Analyzing the factors affecting of rural women towards the creation of self help groups (2024) states that, This analysis aims to identify and understand the multifaceted factors influencing rural women's decisions to join SHGs. By examining socio-demographic, socio- cultural, economic, and institutional factors, the study seeks to provide insights into effective strategies for promoting women's participation in SHG formation and enhancing their socio-economic empowerment in rural areas.

Alva Vidya Kishan and Dsa Thantre kusum in their study, Driving Change: Examining Managerial abilities and Socio-economic impact in women's Self help group entrepreneurship (2023) state that, This study aims to explore the relationship between managerial abilities and socio-economic impact in women's entrepreneurship within Self-Help Groups. By examining the role of managerial skills in driving successful ventures and assessing the broader socio-economic outcomes of SHG entrepreneurship, the study seeks to provide insights for policymakers, practitioners, and researchers interested in promoting women's empowerment and sustainable development through entrepreneurship.

Somshekhar M.P in his study a study on socio-economic conditions through self help groups (2023) states that, This study aims to provide a comprehensive understanding of socio-economic conditions through Self-Help Groups, focusing on the demographic profile, economic activities, and the impact of SHGs on members' empowerment and well-being. By analyzing data collected through surveys, interviews, and case studies, the study seeks to inform policymakers and practitioners about effective strategies for promoting socio-economic development through SHGs.

Abraham Abin in his study Impact of Self help group in women empowerment (2023) states that, This comprehensive analysis aims to evaluate the impact of Self-Help

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Groups on women's empowerment across various dimensions, including economic, social, and psychological empowerment. By employing a robust methodology and examining both quantitative and qualitative data, the study seeks to provide insights into the effectiveness of SHGs in promoting women's empowerment and inform policymakers and practitioners about strategies for enhancing their impact.

Ramesh S in his studies Role of self help group in upliftment of women in India (2023) states that, This study aims to provide a comprehensive understanding of the role of Self-Help Groups in the upliftment of women in India. By examining their contributions to economic, social, and psychological empowerment, the study seeks to highlight the importance of SHGs in promoting gender equality and women's empowerment, and inform policy and practice for more effective interventions in this regard.

Kashyap S.K in his study Comparative analysis of group decision making amongst farmers of uttrakhand (2023) states that, This comparative analysis aims to provide insights into the decision- making processes among farmers in different group settings. By examining the factors influencing group decision making, analyzing decision outcomes, and identifying challenges and success factors, the study seeks to inform policymakers and practitioners about strategies for promoting effective group decision making in agriculture.

Importance of Self Help Groups in Economical Activities among Rural Women: Self-Help Groups (SHGs) play a crucial role in economic activities, particularly in the context of developing countries. Here are some key roles they typically fulfill:

Access to Finance: SHGs provide access to finance for their members, especially those who are marginalized or lack collateral to obtain loans from traditional financial institutions. Members contribute small savings regularly, which are then pooled together to create a common fund. This fund can be used to provide loans to members at reasonable interest rates for various economic activities such as agriculture, small-scale businesses, and cottage industries.

Entrepreneurship Development: SHGs encourage entrepreneurship among their members by providing a platform for skill development, knowledge sharing, and capacity building. They often organize training sessions on various income-generating activities, financial management, and market linkages, empowering members to start and manage their own businesses effectively.

Risk Mitigation: By pooling resources and sharing risks, SHGs provide a safety net for their members during times of financial distress or emergencies. In case of crop failure, health emergencies, or other unforeseen circumstances, members can rely on the support of their group for financial assistance, reducing their vulnerability to economic shocks.

Women Empowerment: SHGs predominantly consist of women in many regions, contributing significantly to women's empowerment and socio-economic development. Through participation in SHGs, women gain confidence, decision-making skills, and financial independence, challenging traditional gender roles and increasing their bargaining power within households and communities.

Community Development: SHGs promote community development by fostering social cohesion, collective action, and local-level problem-solving. They often engage in activities beyond economic initiatives, such as healthcare awareness campaigns, education programs, environmental conservation efforts, and advocacy for women's rights and social justice issues.

Poverty Alleviation: By promoting savings, entrepreneurship, and access to finance, SHGs contribute to poverty alleviation efforts by enabling members to generate sustainable livelihoods, increase household income, and improve living standards over time. This, in turn, has broader implications for community development and overall socio-economic progress.

Financial Inclusion: SHGs play a vital role in promoting financial inclusion by reaching out to underserved populations, including rural communities and marginalized groups. By providing financial services at the grassroots level, SHGs help bridge the gap between formal financial institutions and the unbanked or under banked population, thereby promoting inclusive growth and development.

Self-help groups (SHGs) in Business activities:

Self-help groups (SHGs) in villages engage in a variety of business activities aimed at improving the economic well-being of their members and the community as a whole. Here are some common types of businesses that SHGs in villages often undertake:

Microenterprise: Many SHGs start small-scale businesses such as tailoring, handicrafts production, food processing (like making pickles, jams, or snacks), and small-scale farming or animal husbandry. These microenterprises often require minimal initial investment and can be managed collectively by the SHG members.

Agricultural Activities: In rural areas, SHGs frequently engage in agricultural activities such as organic farming, vegetable cultivation, poultry farming, or dairy farming. By pooling resources and knowledge, SHG members can increase productivity, access better markets, and improve their income.

Livestock Rearing: SHGs may collectively rear livestock such as cows, goats, or poultry for milk, meat, or egg production. Income generated from the sale of livestock products can contribute significantly to the livelihoods of SHG members.

Handicrafts and Artisanal Work: Many SHGs focus on traditional handicrafts and artisanal work, including pottery, weaving, basket making, embroidery, and jewelry

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making. These products often have a market both locally and internationally, providing an opportunity for income generation.

Small-Scale Retail: Some SHGs operate small-scale retail businesses, such as grocery stores, vegetable stalls, or tea stalls. These ventures serve the local community's daily needs while also generating income for the SHG members.

Community Services: SHGs may also provide various community services such as daycare centers, tailoring and stitching services, adult literacy programs, or health and sanitation awareness campaigns. These initiatives not only generate income but also contribute to the social development of the village.

Agro-Processing Units: SHGs sometimes establish agro-processing units for value addition to agricultural produce. This can include activities like making jams, jellies, sauces, or processing fruits and vegetables into dried or preserved products, adding value to the raw produce and increasing profits.

Microfinance and Financial Services: In addition to businesses, SHGs may also provide microfinance and financial services to their members, including savings and credit facilities. They may mobilize savings from members and provide loans for various purposes, thereby promoting financial inclusion and entrepreneurship within the community.

Cooperation between SHGs and Banks

Self-help groups (SHGs) also take loans from banks through a structured process that involves collaboration between the SHG members and the financial institution. Here's a general overview of how SHGs can take loans from banks:

SHGs are usually formed at the grassroots level with a small group of individuals, often women, who have a common goal of empowering themselves economically. They pool their savings regularly, which forms the basis of their financial credibility.

SHGs build creditworthiness by maintaining regular savings and demonstrating financial discipline. This is often monitored and supported by non-governmental organizations (NGOs), government agencies, or microfinance institutions (MFIs).

Once an SHG has established its credibility and has a certain level of savings, it can approach a bank for a loan. Many banks, especially in developing countries, have specific schemes for lending to SHGs as part of their priority sector lending initiatives.

The SHG needs to submit necessary documentation to the bank, including details of its members, savings record, and a proposal outlining the purpose of the loan and how it will be utilized for income-generating activities.

The SHG submits a formal loan application to the bank, specifying the amount required and the repayment terms. The application may also include details of any collateral or guarantees provided by the SHG members.

The bank appraises the loan application, assessing the creditworthiness of the SHG based on its savings record, repayment history (if any), and the proposed utilization of the loan funds. If satisfied, the bank approves the loan.

Upon loan approval, the bank disburses the loan amount to the SHG's account. The SHG then utilizes the funds for the intended purpose, such as starting or expanding a small business, purchasing livestock, or investing in agricultural activities.

The SHG members repay the loan in regular installments as per the agreed-upon repayment schedule. The repayment is typically structured in such a way that it aligns with the income- generating activities of the SHG members, ensuring that they can comfortably meet their repayment obligations.

Banks often provide ongoing support and guidance to SHGs, monitoring their progress and helping them overcome any challenges they may face in utilizing the loan effectively and repaying it on time.

Successful repayment of loans helps SHGs build a positive credit history, making them eligible for larger loans in the future and improving their access to formal financial services.

Conclusion

Self-Help Groups serve as a catalyst for economic empowerment, social transformation, and inclusive development, particularly in regions with limited access to formal financial services and opportunities for marginalized communities. Self-Help Groups play a crucial role in promoting grassroots empowerment, economic self-reliance, and community development, particularly in resource-constrained settings where access to formal institutions and support systems may be limited. The types of businesses that SHGs in villages undertake. The specific choice of business often depends on factors such as the skills and resources available within the group, market demand, and local economic conditions. Ultimately, the goal of these businesses is to generate sustainable livelihoods, alleviate poverty, and empower marginalized communities. The process of SHGs taking loans from banks involves a collaborative effort between the SHG members, banks, and other supporting institutions, aimed at promoting financial inclusion and empowerment at the grassroots level.

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