



SELF HELP GROUPS - AN OVERVIEW

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Introduction to Self-Help Groups (SHGs)

Self-Help Groups (SHGs) are small, voluntary associations of 10–20 people, usually from similar socio-economic backgrounds, who come together to collectively save, lend, and support each other in improving their livelihoods and social well-being.

SHGs primarily focus on financial inclusion, women's empowerment, and poverty alleviation by promoting thrift, micro-credit, and collective decision-making.

Objectives of Self-Help Groups (SHGs)

IPromote Savings and Financial Discipline – Encourage members to regularly save small amounts, building a habit of thrift.

IProvide Access to Credit – Facilitate low-interest loans to members, reducing dependence on moneylenders.

IEconomic Empowerment – Support income-generating activities, entrepreneurship, and skill development among members.

IWomen's Empowerment – Enhance decision-making power, self-confidence, and socio-political participation of women.

ISocial Capital Formation – Build networks of trust, cooperation, and solidarity within communities

Features of self help groups

1.Small and Homogeneous Membership

Usually 10–20 members, mostly from similar socio-economic backgrounds.

Example: Women from Below Poverty Line (BPL) households forming SHGs under DAY-NRLM.

2.Voluntary Association

Participation is voluntary, based on trust, mutual help, and shared goals.

Example: Rural women in Andhra Pradesh's VelugProject voluntarily formed SHGs for thrift and credit.

3.Democratic Functioning

Decisions are made collectively, with leadership rotating periodically.

Example: In Tamil Nadu, SHGs ensure rotation of president/secretary to give leadership exposure to all.

4.Women-Centric Approach

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Most SHGs focus on women's empowerment through financial independence and collective action.

Example: Kudumbashree in Kerala, one of the world's largest women empowerment programmes.

5.Capacity Building and Skill Development

Members receive training in financial literacy, enterprise management, and livelihood skills.

Example: DAY-NRLM provides training in tailoring, dairy, and digital literacy for SHG members.

6.Collective Bargaining Power

SHGs strengthen negotiation capacity in markets and governance structures.

Example: SHG women in Odisha negotiate better prices for agricultural produce through collective marketing

Role of SHG in socio economic development of the society

1. Economic Empowerment

Facilitate access to microcredit without collateral through collective savings.

Promote entrepreneurship and small-scale businesses (e.g., dairy, handicrafts).

Example: Kudumbashree in Kerala empowered women through income-generating activities.

2. Poverty Alleviation

Provide financial inclusion to marginalized groups, reducing dependence on moneylenders.

Contribute to sustainable livelihoods by supporting skill development and capacity building.

3. Women Empowerment

SHGs enhance decision-making power of women within households and communities.

Increase social mobility and participation in local governance (Panchayati Raj Institutions).

Example: In Andhra Pradesh, SHGs under SERP (Society for Elimination of Rural Poverty) enabled women's leadership.

4. Financial Inclusion

Link with banks under SHG–Bank Linkage Programme (NABARD) ensures credit access.

Improves credit culture and repayment rates due to group accountability.

5.Social Development

Encourage literacy, health awareness, sanitation, and nutrition practices.

Serve as a platform for discussing social issues like dowry, domestic violence, and alcoholism.

6. Community Development

Strengthen collective bargaining power of marginalized communities.

Facilitate participation in government schemes (MGNREGA, PDS, Ujjwala, etc.).

Government schemes to strengthen SHG

1. Deendayal Antyodaya Yojana – National Rural Livelihoods Mission (DAY-NRLM)

Mobilizes rural women into SHGs and builds institutions like SHGs, Village Organizations (VOs), and Cluster-level Federations (CLFs) for sustainable livelihoods.

2. Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)

Extends collateral-free credit guarantee to SHGs and micro-enterprises—85% guarantee for loans up to ₹5 lakh, including women-led SHGs.

3. NSTFDC's Micro Credit Scheme for SHGs

Provides loans up to ₹50,000 per member and ₹5 lakh per SHG specifically for Scheduled Tribes, with subsidized interest through Adivasi Mahila Sashaktikaran Yojana (AMSY)

4. NABARD's SHG-Bank Linkage Programme

Pioneers integration of SHGs with mainstream banking for sustainable credit access.

5. Interest Subvention Scheme (under NRLM)

Provides subsidized interest on bank loans up to ₹3 lakh per SHG—7% lending rate, further reduced to 4% for prompt payment in designated districts.

Conclusion

Self-Help Groups have emerged as a grassroots engine of socio-economic transformation, fostering financial inclusion, women's empowerment, and community development. They not only provide credit and livelihood opportunities but also strengthen social capital, promote collective decision-making, and act as a bridge between marginalized sections and government welfare schemes. However, to fully realize their potential, SHGs need sustained support in terms of capacity building, digital literacy, market linkages, and policy convergence. Strengthening SHGs can make them pivotal in achieving the goals of inclusive growth, rural transformation, and the vision of Atmanirbhar Bharat.