

# **CHAPTER I**

## **EXECUTIVE SUMMARY**

### **INTRODUCTION**

Poverty and unemployment are the two major problems of under developed countries, to which India is no exception. The union government has implemented various schemes to reduce poverty and promote gainful employment opportunities. But the most attractive scheme with less effort is the “Self Help Groups”. It is a toll to remove poverty and improve rural development. Self Help Groups (SHGs) can be defined as supportive, educational and usually change-oriented mutual aid group that addresses life problems or conditions commonly shared by all members.

The concept of the SHG stands to underline the principal "for the people, by the people, and of the people". A self-help group is a small economically homogeneous and affinity group of rural poor women who voluntarily agree to contribute to a common fund to be lend to its members, as per the decision of the group which works for groups solidarity, self and group awareness, social and economic empowerment in the way of democratic functioning. The empowerment of women through self-help groups lead to benefits, not only to the individual women and women groups but also to the family and community as a whole through collective action for development. These groups have a common perception of need and an impulse towards collective action.

SHGs play a major role in transforming rural economy. Micro-finance helps the rural poor to improve their living standard and fulfill their credit needs. SHGs are a new innovation in the field of rural economic development, to finance the rural people and also to satisfy their credit needs. This in turn will help to transform the rural economy to improve the economic status of each and every individual member of the SHG in the rural areas. The effect of SHGs is often seen in the economic independence of the rural poor and especially among the rural women also. This economic independence is an effective tool for the rural poor to escape from the

clutches of poverty. This is possible by setting up of sustainable income generation operation like micro-finance, agricultural-labor, artisan, food processing, petty-traders, trade, service sector, production and financial service. Though, the above said modalities of remuneration help the poor to get some income, they do not support the poor to complete the fulfillment of their need.

As per latest survey, 89% of rural population does not have any access to credit. This exclusion of the population warranted a new form of intermediary. Consequently, self-help groups emerged in India in this direction. Microfinance programme through SHGs has been effective in making positive social change to the group members. Rural sector is always remaining the main component of the development process of Indian economy. India has 6.40 lakh villages and its 72.2% of the population is living in rural areas. The emergence of SHGs has brought some hope regarding the finance and credit facilities to economically poor sections. SHGs are proving to be the most effective instruments for financial inclusion and also empower the poor. SHGs through the network of commercial banks, co-operative banks, regional rural banks, NABARD and NGO's has been largely supply driven and a recent approach in the provision of financial services to the poor. The SHG movement is a noble mission on the lines of the microfinance movement which originated in Bangladesh under the leadership of Noble Laureate Muhammad Yunus. The innovative concept, that has roots in Bangladesh, has touched every part of the globe. Today the SHG movement is increasingly accepted as an innovation in the field of rural credit in many developing countries including India to help the rural poor. It is considered a vehicle to reach the disadvantaged and marginalized section, which in the normal course cannot avail of credit facility from the banks

SHG is a registered or unregistered voluntary association of poor people of 10-20, from the same socio-economic background, involving primarily in saving and credit activities. It can be all women members group, all men members group or even a mixed group. SHG are also popularly called as DWACRA groups after the programme i.e. development of women and children in rural areas<sup>40</sup>. However, over 90% of these are women members group. Savings, loans, loan repayments are taken care of at the group level. These groups are in turn linked to a financial or a micro-

finance institution for sourcing of additional funds as well as depositing their savings<sup>41</sup>. Best examples of this type of technology are the Self-Help Group Bank Linkage Programme in India, the Programme Hubungan Bank Danksam (PHBK) project in Indonesia, and the Chikola groups of K-REP in Kenya (Satish 2005)