

## Research Article

# A Study on Self-Help Groups (SHG) as a Means of Fostering Development in Developing Countries: with Specific Attention to the Indian Experience

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## A B S T R A C T

Self-help groups, often known as SHGs, are playing an increasingly important part in India's fight against rural poverty in the modern era. The percentage of economically disadvantaged individuals, the majority of whom are women, who are members of self-help groups (SHGs) in various regions of India and who are actively participating in savings (real-term thrift), credit (S/C) and other activities is significant (income generation, natural resources management, literacy, child care and nutrition etc.). The S/C focus is the most conspicuous component of the SHG and it offers a chance to develop some influence over the resources. The SHG system has shown to be both highly necessary and very effective since it gives women the opportunity to progressively free themselves from abusive relationships and social isolation. SHGs in India help assistance from almost all of the main donor organizations, although in a variety of forms. There are a great number of success stories that can be found on the internet that detail how participation in SHG has improved the life of an individual or a whole community. The SHG mechanism is backed by a wide variety of non-governmental organizations (NGOs), who also link it to different other development actions. There is sufficient evidence to suggest that the SHG approach is an extremely dependable, fruitful and pertinent instrument for organizing and motivating common queries; however, the planning, production and implementation of Income Generating Activities (IGAs) programs will generate sufficient, sustainable and long-term revenue (IGAs).

**Keywords:** Self-Help Groups (SHGs), Thrift, Credit Groups

## Introduction

Self-Help Groups (SHGs), also known as Thrift and Credit Groups, are often unstructured groups whose members pool their savings and repay one another within the context of a collective on a rotating basis or on the basis of their individual needs. These groups have a common understanding of the need of collective action as well as

the desire to do it. Many of these groups have developed around particular production activities, have promoted savings among members and have utilized pooled resources to satisfy members' evolving needs, including consuming demands. The internal savings that are achieved are often supplemented by external resources that are either loaned or provided by the Voluntary Organization that was responsible for promoting the SHGs.

SHGs have been successful in delivering or providing banking services to their members, maybe in a primitive way, but in a manner that was cost-effective, easy, versatile at the door of the members and most importantly, without any defaults in repayment because they have been able to mobilize savings from the poor, who were not supposed to have any savings and could also effectively recycle pooled savings among members.

By shifting certain banking obligations for credit decision, follow-up and recovery to the poor themselves, SHG involvement with banks might reduce the high transaction costs for providing credit to the poor. Additionally, the SHGs' organizational design and relationships with its members offered solutions for collateral issues, excessive paperwork and physical access, which hampered the capacity of official institutions to assist the poor. The SHGs have designed their working procedures based on regional characteristics and requirements. Following are a few of the fundamental characteristics of how these groups operate:

- The Groups often establish a mutual fund by periodically contributing their small savings
- The majority of the Groups construct adaptable ways of working and democratically managing their shared resources with the involvement of each Participant; the Group will consider
- Requests for loans at its daily meetings, as well as competing claims on scarce resources, must be settled by consensus
- Loaning shall be carried out mostly on faith with little paperwork and without any protection whatsoever
- The quantities loaned are small, irregular and short-term
- The loans serve a variety of goals, some of which are non-traditional and rather unorthodox
- The interest rate varies from group to group and also with intensity
- Regular meetings of members frequently serve as a forum for collecting fees from members
- Defaults are uncommon primarily due to community pressure and intimate awareness of the end-use of credit
- Interest paid is typically higher than that charged by banks and lower than that charged by money lenders

It has been shown through experience that disadvantaged women in many nations make prudent investments and generate returns on such investments (Human Resource Development, 1995). Despite this, the amount of financial aid that was provided to them was insufficient, if any at all, to motivate them to rise beyond the poverty line. It has been strongly recommended that there is a need to construct a grassroots organizational structure in order to provide women with the ability to examine their own

issues and obstacles and to address their own demands. In point of fact, years of practical experience have shown that many well-known "group-based participatory projects" have significantly enhanced the quality of life enjoyed by economically poor women.

The concept of groups in a community coming together to assist one another became more prominent after 1976. When Professor Mohammed Yunus of Bangladesh began his work with women's self-help groups and a microphone credit. "by empowering poor people," the strategy has produced a quiet revolution in the fight against poverty in Bangladesh. SHGs are informal small organizations that are founded to provide members with the opportunity to economically gain from economic cooperation, mutual help and collective responsibility. The pursuit of community business practices and the mobilization of savings and credit facilities are two of the benefits. The technique, which is centered on groups, makes it possible for disadvantaged people to accumulate cash via relatively small investments and assists them in gaining access to structured credit facilities (Shylendra, 1998). These groups provide poor-income people the opportunity to settle issues related to collateral protection via the use of shared obligations, which ultimately frees them from the grip of money lenders. Not only does shared responsibility make it easier for members of the community to get credit, but it also makes it possible to implement practices like peer monitoring, which contribute to an increase in the amount of money repaid on loans (Stiglitz, 1993). Also, several of the basic qualities of SHGs, such as the small size of membership and the homogeneity of composition, contribute to the cohesiveness and effective involvement of participants in the group's operation (Fernandez, 1994). In general, the Self-Help Groups (SHGs) that were established in the above-mentioned areas of operation have successfully touched the poor, especially women and have helped them get easy access to and empowerment in the form of savings and credit. (National Bank, 1995).

According to the findings of several studies, some aspects are quickly evolving into roles that are becoming more important to the effective development and operation of communities. Among these are the fact that participation in the organization is entirely voluntary, its relatively small size and level of cohesion, its transparent and democratic decision-making process and its efficient utilization of funds provided by micro-enterprises. (Fernandez, 1994). Daily meetings of members create substantial ties between them and topics other than treasury and credit, gender concerns and social issues typically give a place for discussion. Daily meetings also provide an opportunity to share information. It has been shown via empirical study that women as a whole are superior to males in terms of their ability to return debts in a timely and effective group. In these so-

called “malestream” programs, making an effort to reach out to women has shown to be a very effective strategy for ensuring that the positive effects of an increase in household income are felt by the family as a whole and, in particular, by the children. At the same time, women profit from the increased status they get as a result of the fact that they are able to receive more money.

### Origin of Self-Help Groups

Bangladeshi Professor Mohammed Yunus initiated the formation of women’s groups in the year 1976. The most impoverished people in Bangladesh have shown increased levels of thrift and savings. It is presently operating as a financial bank under the name Bangladesh Grameen Bank. According to the survey that was conducted in February of 1998, the bank has 1,138 branches and serves 39,572 localities. There are a total of 2367503 members, however only 124571 may be considered citizens. The total amount that the bank paid, including fees and interest, was \$2,714,61 million, while the Member’s savings came to \$202,73 million.

Microcredit is becoming more popular in India as a result of the achievements of BGB and other organizations operating in a similar vein in other countries. As a result of these advancements, a large number of Non-Governmental Organizations (NGOs) in our nation are engaged in the process of forming SHGs and serving as intermediaries between the bank and those in need. Self-help groups, often known as SHGs, are playing an increasingly important part in India’s fight against rural poverty. In several regions of India, there is a growing trend of economically poor individuals, most of whom are women, joining self-help members (SHGs) and taking part in various activities, including savings and credit programs (income generation, natural resources management, literacy, child care, nutrition, etc.). The S/C concentration on the SHG is the most significant aspect and offers the opportunity to build some leverage over money, although in very small amounts. This ability is accompanied by the fact that the SHG is the most prominent factor. The structure of the SHG has shown to be highly useful and effective in providing women with the ability to progressively break away from abusive relationships and feelings of isolation.

### SHGs in India

Four thousand years ago, during the Vedic and Rigvedic eras and one thousand years before present (Kuppusamy, 1995). On the other hand, the establishment of the patriarchal joint family structure marked the beginning of the exploitation of women (Neera et al., 2004). The status of women in today’s society is hardly one to be envied. In India before it gained its independence, there were a number of social reformers who worked to remove the subjugation of women. The

newly independent India has taken a number of measures to ensure the status of women’s rights and to bring about an environment in which men and women are on equal footing. In spite of this, the condition of women in India remains a source of worry.

This rural credit scheme has already been joined by a number of organizations in Southern India, including PRADAN, MYRADA, ASEEFA and MALAR, amongst others. On the basis of the experiences of BGB and MYRADA, NABARD initiated a pilot program in 1992 with the purpose of assisting in the formation of SHGs as well as providing loans to those groups. Now that many banks have been successful in repaying their debts, they are prepared to lend money to small and homegrown businesses in spite of pressure from the government. NABARD has started the process of establishing objectives for banks. In addition, NABARD provides help with training as well as grants, cum support and micro-credit as part of its many different programs. SIDBI was a late entrant into this market, but it has now formed a micro-credit foundation that distributes loans to Non-Governmental Organizations (NGOs) after such organizations have been evaluated by an independent organization. The minimum loan amount will be 50 lakh Euro and it would only be available for usage by micro-enterprises.

Projects to eliminate the Integrated Rural Development Plan, the Urban Micro-Enterprise Project, the Urban Poverty Alleviation Policy of the Prime Minister and the TRYSEM Programme were all initiated by the Indian government under the direction of the International Monetary Fund and the World Bank. Plans are sometimes referred to as schemes (1). Swamajeanthi Gram Swarozhar Yojana, SGSY. (2). Swamajeanthi Sahahari Swa Rozhar Yojana-SJSRY. Gram Panchayats fall under the first category, whereas Town Panchayats, Municipalities and Corporations are under the second category. As part of this program, the Panchayats will select a high-performing group with the help of BDO, the bank and non-governmental organizations (NGOs) and they will offer that group Rs. 10,000 in the form of an interest-free revolving fund. Following that, the banks will offer a loan to the high-performing group. Individual enterprises are eligible for a grant of 30 percent of their total revenue, whereas community enterprises get a grant worth 50 percent of their total revenue. NGOs and Panchayats are either organizing groups or attempting to govern existing groups and funding as a result of the implementation of this system. The plan has a circular component. No one in the Panchayat will be eligible for a loan if the percentage of money repaid through this scheme is less than 70 percent.

After attending the MicroCredit Summit in Washington, major international financial agencies, like the World Bank,

the International Monetary Fund and others, have decided to focus their ventures on the microcredit industry. Now, the Government of India has also instructed CAP ART and other financing agencies to focus on micro-credit. Because of this order, all Non-Governmental Organizations (NGOs) are operating for SHGs once individuals acquire cash. In the 1990s in India, this resulted in the beginning of a gradual and steady SHG movement, which actually reflected the concerns of the poorest of the poor.

**Table I. Regional Spread of SHGs in India**

S.No.	Region	Percentage
1	Southern Region	64%
2	Eastern Region	13%
3	Central Region	12%
4	Western Region	6%
5	Northern Region	5%

If we look at the presence of SHGs in India, we find that 64 percent of the total SHGs are also in southern India, particularly in the states of A.P. and Tamilnadu. At the same time, the mobility of SHG is relatively low in the states located farther north and further west. The promotional institutions play a significant part, mostly via the SHGs, in the expansion of microfinance in India. This is the case. Since the start of the previous decade, a multitude of institutional iterations of the Self-Help Promotion Institutions (SHPIs) have come into existence. The government, banks and Non-Governmental Organizations (NGOs) are the three primary categories of promotional institutions that can be found in India. These organizations have, over the course of some time, evolved structures and processes, some of which may be imitated as examples of best practices and others of which can serve as examples of cautionary learning points.

As is the case in all developed nations, the Indian government viewed the nation's development as its responsibility and initiated a number of grant-linked credit programs. In these programs, the government played a significant role in the distribution of loans and subsidies, beginning with the identification of potential borrowers and continuing all the way through the loan repayment process. Unfortunately, these treatments did not provide the desired results. It has been shown through experience that the absence of engagement from the general populace has resulted to an attitude of entire dependence on the efforts of administrative personnel. This was especially true for rural areas that lacked sufficient credit programs. Participatory methods of rural development, in particular the SHG method, have recently been adopted by the government as part of efforts to address this problem.

Rashtriya Mahila Kosh was the group through which the government entered the movement of self-help groups. Under its auspices, non-governmental organizations (NGOs) started receiving funding to educate and cultivate self-help groups. After some time had passed, the Indira Mahila Yojana was established, which served to further support the development and cultivation of the community. A number of states, including Andhra Pradesh, Maharashtra, Karnataka and Tamilnadu, have been particularly proactive in their approach to this issue.

In India, several different micro-credit programs have been initiated, first in cooperatives and then subsequently in melas loans for the purpose of rural funding. But it wasn't until much later that organizations like SEWA, PRADAN, MYRADA and others started directing services specifically at women. After that, the government intervened in this sector by launching programs such as the Rashtriya Mahila Kosh, the Indira Mahila Yojana, Move and NABARD. The Rural Women's Growth and Empowerment Project, also known as "Swashakti," has recently reached the start stage in nine states. This was accomplished by completely involving Non-Governmental Organizations (NGOs) in the implementation of the various components of the project, which ultimately led to the holistic empowerment of women by making them stakeholders in the project. Other stakeholders included State Government departments, banks and beneficiaries.

### Formation and Development of SHGs

A Method That Is Both Systematic and Empirical The formation of self-help groups is essential to the continued existence of these unofficial community-based organizations over the long run (Rao et al. 1999). According to Fernandes (1992), it has been seen that self-help groups that were established and encouraged for the exclusive purpose of giving grants, including bank loans, grants and other monetary and materialistic rewards often fail. According to Srinivasan and Rao's research from 1996, however, self-help groups that were established with the primary purpose of providing assistance to members in times of crisis had a far greater potential for long-term viability (Srinivasan and Rao, 1996). SHGs, just like any other kind of group, go through a series of unique stages as time goes on. These phases are not static but rather change over time. According to Johnson and Johnson (1994), well over one hundred different theories accounted for community development (Johnson & Johnson, 1994). The majority of these theories, according to Hill and Gruner's argument from 1973, may be based on the Sequential Stage Theory, while some are more well described by the Recurring Phase Theory (Hill & Gruner, 1973). The many theories that investigate the sequential phases of group stage are based on the concept of identifying particular stages that occur during the life

cycle of a group. The most widely accepted version of these theories was suggested by Tuckman (1965) and Tuckman and Jensen (1996), (1977).

Tuckman has conducted study on a wide variety of communities that are of a similar character and have the same aims. Through talk therapy, preparation and participation in focus groups, we have identified four unique stages of development, which we will refer to as Forming, Storming, Norming and Performing respectively. These diverse levels may be differentiated from one another based on the special focus that the groups at each level place on certain aspects, as well as the influence that these aspects have on the activities of the members. The first attraction that members of a group feel for one another is a hallmark of the Formation Stage. The first thrill of coming together is what defines this stage; other characteristics include turmoil and uncertainty. According to Kruger and King (1998), during the formation stage, each member is attempting to figure out his or her place in the group and evaluate his or her probable individual advantages in relation to the collective's goals. At this point in time, members of the community continue to have suspicions and feelings of worry. The Storming Stage is dedicated to the expression of a variety of ideas by the individual participants. These thoughts are meant to symbolize the tension and uncertainty that is now present inside the group. According to Kruger and King (1998), this stage is considered to be finished whenever there is an established level of leadership and the ability to make decisions among the members of the group. The group reaches the Norming Stage when, under the guidance of the selected leader(s), they begin to alter the norms of the group and the solidarity group comes into effect. As individualistic impulses are gradually supplanted by collectivist tendencies, the community becomes more cohesive and more focused on development. The condition of being ready to act is referred to as the Performing stage. The formation of leadership and the establishment of a position of clarity are both accomplished and the community works together cohesively to accomplish its purpose via collective effort.

(Gerber 1994) was also able to identify the aforementioned, as stated by (Harper 1995). There are four stages in the manufacturing of the SHG. Other researchers, such as Moreland and Levine (1982) and (1988), characterized developmental stages according to membership status and suggested a sequential membership-based theory. Both of these works were based in 1982 and 1988. The many stages of a group's development are broken down into categories such as prospective membership, new member stage, full member stage, marginal member stage and ex-member stage (Moreland & Levine, 1982). Likewise, Worchel et al. (1992) established six sequential stages of group formation. These stages were determined based on

the main 'feelings' in the participants of the study. These stages are known as the dissatisfied stage, the participative stage, the affiliation with the group stage, the involvement in the group events stage, the proactive participation stage and the disintegration stage (Johnson & Johnson, 1997).

According to Tuckman's theory, there are seven stages that might be based on the development of cooperative learning groups.

- Identifying and structuring procedures and being orientated
- Sticking to procedures and getting to know each other
- Comprehending mutuality and creating trust
- Rebellious and differentiating
- Participating and taking charge of priorities, procedures and other members
- Working maturely and Productively
- Concluding

In contrast to sequential stage theories, recurrent phase theories place a greater emphasis on the difficulties that periodically arise within a group and, as a time, have a time on the behavior of the group. In essence, repeated phase theories place an emphasis on issues rather than specific feelings experienced by individuals, as is the case with sequential stage theories.

The sequential stage theory and the recurrent phase theory have a number of important distinctions, the most important of which is that the sequential stage theory is permanent in its nature. This means that the stages always occur in the same sequence and never reoccur. At the same time, the latter focuses on the repeated stages that occur based on the problems that are being experienced by the classes. Some of the recurrent phase theories are as follows, as suggested by a variety of social scientists: (Bales 1965) described a state of equilibrium, within a group, between the task-oriented work and the emotional manifestations (Behavior) of the members. This state of equilibrium is what determines whether or not the members of the community will have long-lasting, mutually gratifying relationships with one another and it recurs periodically (Bales, 1965). According to another theory (Schultz 1958), the repetitious pattern of group creation reflects the members' concerns for closeness, inclusion and control and it also demonstrates that these concerns are reciprocal (Schultz, 1958). According to Dion (1961), the creation of a group is dependent on the following three fundamental themes: dependence on the leader, the need for emotional support among the members and the struggle between the members brought about by the danger of desertion. These recurring trends may be seen throughout the history of the community's development (Dion, 1961).

## Self Help Groups & Linkage Programme

There is nothing else quite like the Indians' understanding of how the SHG Linkage Program works. RBI and NABARD have made efforts to promote "relationship banking," which is working to improve the existing relationship that exists between the poor and financial bankers by way of the social mediation provided by NGOs. The Indian model is largely a "linkage model" that capitalizes on the capabilities of the many partners, including non-governmental organizations (who are the most effective in organizing and growing the potential of the poor) and financial bankers (whose strength is financing). Therefore, in comparison to other countries where the "parallel" model of lending to the poor predominates (i.e., non-governmental organizations (NGOs) acting as financial intermediaries), the objective of Indian link banking is to make use of the existing formal financial network in order to broaden the poor's access to financial services while simultaneously preserving the necessary degree of operational flexibility for both the bankers and the poor. As a result, in a nutshell, the SHG linkage program creates a scenario in which all sorts of banks, who are part of the credit distribution system, come out on top.

### Three Models of Linkage

The NABARD Refinancing Programme is one of the few in India; it began as a trial project in 1992. At the moment, NABARD is responsible for the refinancing of loans that were produced by 17,085 bank branches located all throughout the nation. This results in a branch penetration of 11%. NABARD's yearly growth is projecting development as the organization hopes to reach one million SHGs by the year 2008. In the groups 1998-1999, refinancing resulted in the formation of 25,000 new self-help groups; in the years 2002-2003, this number increased to 200,000. NABARD is working along with a total of 444 financial banks as well as a network of 2,155 non-governmental organizations and independent agents. There have been three distinct conceptualizations of how to link self-help groups to

financial banks. The first model encourages financial banks to form and sponsor self-help groups. The second model encourages Non-Governmental Organizations (NGOs) to organize small financial handouts and training groups as an incentive and then connects these groups to local banks. Model 3 provides financing for non-governmental organizations that organize self-help groups in order to qualify for intermediate group loans. The Community Reinvestment Strategy (CRS) considers Model 2 to be the most advantageous for local non-profit partners. CRS is now working on several development projects with over 2,500 grassroots organizations located all throughout India. The vast majority of them are comprised of local groups that are very small in size and are primarily social extensions of the Catholic Church. Partners conduct their business in inaccessible tribal belt zones, which run in two large bands from north to south and east to west. Due to the fact that most tribal communities are made up of separate hamlets, the process of collecting huge concentrations of SHG members is difficult and cannot be accomplished using Model 3.

### SHGs in Developing Countries

Microcredit may be defined as the scheme of financial loan in the form of very small loans. For instance, in the 1970s, several developed and developing countries in Asia, Africa and Latin America took many steps toward accomplishing their goals. Self-help groups (also known as SHGs), revolving savings and credit associations (RSCAS), solidarity groups, various types of money shops and so on were all components of the credit system. ACCION International, which serves Latin American nations, Philippines Commercial and Industrial Bank, Rural Bank of Ghana and Grameen Bank (both of which are located in Bangladesh), Bangladesh Rural Advancement Committee (BRAC) and Proshika and Association Advancement are some organizations that serve as examples outside of India (ASA).

**Table 2. NABARD Models for Linking SHGs To Banks**

Model	Percentage of linkage	Advantages (each model compared to the other two)
Model 1: Banks form SHGs and finance	16%	Lower cost of group formation, but groups may form for sole reason of receiving bank loan and disintegrate more quickly (Srinivasan, 2000); slightly better repayment Rate Model
Model 2: SHGs formed by NGOs and financed by banks	75%	Can reach poorer SHG group members; greater percentage increase in net assets of members; greater increase in net income (Pugazhendi & Sathya Sai, 2000).
Model 3: NGOs, MFIs and group clusters are financed by banks and intermediate loans to SHGs	9%	Higher (slightly) portion of poor members crossing poverty line (Puhazhendi & -Satyasai, 2000). Convenient for banks interested in bulk loans, but could cost and intermediate members in form of higher interest

One of the things that ACCION International did in Latin America was to help encourage the formation of lending groups for urban merchants that were based on the principle of solidarity. At the same time, the Carvajal Foundation has created a thriving structure for the provision of credit and training geared at individual micro-entrepreneurs. Another case in point is the Bank Raykyat in Indonesia, which has implemented a simple set of incentives for both its customers and its employees. These include rewarding on-time loan repayment and depending on the mobilization of voluntary savings as a source of money (Joanna, 2000). Credit unions, fishermen's groups, village-based banks, such as institutions, irrigation groups and other similar organizations have all been around for a significant amount of time in Indonesia. Hui is a Vietnamese word that refers to an alternative financial instrument for the poor that has been in existence for decades. Hui typically consists of 10-15 people who engage in cash or kind financial activities (Abid, 1995). SHGs have also played a role in improving the socioeconomic situations of rural poor people, particularly women, in other countries, such as Thailand, Sri Lanka and India. These countries have experienced this function firsthand (Gaonkar, 2003). Through the distribution of credit, the SANSAs program in Sri Lanka had a significant positive impact on rural indebtedness and poverty reduction between the years 1978 and 2003. The objective of improving the living conditions of people living in rural areas of Sri Lanka has been met with great success. The elimination of rural poverty is another one of Janashakti Bank's priorities in Sri Lanka (Lalitha, 2003).

### Micro Credit in the World

Microcredit may be defined as the scheme of financial loan in the form of very small loans. For example, in the 1970s, several industrialized and developing countries in Asia, Africa and Latin America took many steps toward accomplishing their goals. Self-help groups (also known as SHGs), revolving savings and credit associations (RSCAs), solidarity groups, various types of money shops and so on were all components of the credit system. ACCION International, which serves Latin American nations, Philippines Commercial and Industrial Bank, Rural Bank of Ghana and Grameen Bank (both of which are located in Bangladesh), Bangladesh Rural Advancement Committee (BRAC) and Proshika and Association Advancement are some organizations that serve as examples outside of India (ASA). In Latin America, for example, there is the case of ACCION International, which is a non-governmental organization (NGO) that has financed the formation of solidarity groups that grant loans to urban vendors. At the same time, the Carvajal Foundation has created a thriving structure for the provision of credit and training geared at individual micro-entrepreneurs.

Another example is the Bank Raykyat in Indonesia, which has developed a transparent system of incentives for its personnel and borrowers, including rewarding on-time loan repayment and relying on the mobilization of voluntary savings as a source of funding (Joanna, 2000). Credit unions, fishermen's groups, village-based banks, such as institutions, irrigation groups and other similar organizations have all been around for a significant amount of time in Indonesia. Hui is a Vietnamese word that refers to an alternative financial instrument for the poor that has been in existence for decades. Hui typically consists of 10-15 people who engage in cash or kind financial activities (Abid, 1995). Other countries, such as Thailand, Sri Lanka and India, have also experienced the role of SHGs in the socio-enhancement process? Conditions of poverty faced by rural residents, in poor by women (Gaonkar, 2003). Between the years 1978 and 2003, the "SANSAs" institution in Sri Lanka was responsible for a significant increase in the supply of credit, which led to a reduction in rural debt and poverty. The objective of improving the living conditions of people living in rural areas of Sri Lanka has been met with great success. The elimination of rural poverty is another one of Janashakti Bank's priorities in Sri Lanka (Lalitha, 2003).

### Summary

Self-help groups, often known as SHGs, are playing an increasingly important part in India's fight against rural poverty. It has been said that this model is an effective model for reducing the amount of poverty that exists in rural India. There has been a significant rise in the amount of economically poor men and women in India who are taking part in self-help groups. It stresses the importance of having a healthy self-esteem and promotes the establishment of trust amongst the members. Not only are SHGs concerned in the areas of credit and treasury management, but they are also involved in other areas. Despite this, they are also involved in a variety of other activities, including the management of natural resources, the creation of locally sourced resources with added value, work related to development, literacy, information management and nutrition. The system of SHGs has shown to be highly essential and effective in progressively establishing possibilities for women to break free from exploitation and isolation. This has been the case in a number of different countries. Self-help groups provide an environment conducive to the sharing of experiences, the help of emotional support and social learning and contribute to the development of a sense of social identity. In a similar vein, participation in self-help groups provides a one-of-a-kind chance for personal development, social discovery and overall enhancement. In the past, researchers have recorded a wide variety of early findings with regard to self-help organizations. These include the provision of emotional support, acceptance, compassion, affirmation,

a spirit of hope and the sharing of emotions, the sharing of correct information and experienced knowledge, the construction of a feeling of community and of the individual and collective empowerment.

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