

CHAPTER-1

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 poor³⁸. 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 areas⁴⁰. 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 savings⁴¹. Best examples of this type of technology are the Self-Help Group Bank

Linkage Programme in India, the Programme Hubungan Bank Danks (PHBK) project in Indonesia, and the Chikola groups of K-REP in Kenya (Satish 2005)

1.2 SIGNIFICANCE OF THE STUDY

Self-Help Groups are informal associations of people who choose to come together to find ways to improve their living conditions. They help to build Social Capital among the poor, especially women. The most important functions of a Self-Help Groups are to encourage and motivate its members to save, to persuade them to make a collective plan for generation of additional income, and to act as a conduit for formal banking services to reach them. Such groups work as a collective guarantee system for members who propose to borrow from organized sources. Consequently, Self-Help Groups have emerged as the most effective mechanism for delivery of micro-finance services to the poor. The range of financial services may include products such as deposits, loans, money transfer and insurance.

Self Help Group plays an important role in socio-economic development of rural area. Self Help Group arranges the training facilities to carry out certain kind of work, which are suitable to India. Government provides maximum support for its performance. SHG became more or less a part of the society. A study on SHG will enable us to know the role of members in socio-economic development of the countries, it also help us in locating the strength, weakness, opportunities and threats of this project and to give suggestions for improvement and remedial measures wherever necessary. Though there is a no more studies related to Self Help Group. Hence this study assumes greater importance.

1.3 STATEMENT OF THE PROBLEM

The statement of the problem regarding the role of self-help groups (SHGs) in socio-economic development revolves around understanding the effectiveness and challenges faced by SHGs in contributing to holistic development. Key issues to explore include the extent of SHGs' impact on poverty alleviation, women's empowerment, and community resilience. Additionally, it is crucial to examine barriers hindering the optimal functioning of SHGs, such as limited access to financial

resources, lack of technical support, and socio-cultural constraints. By addressing these challenges, the study aims to uncover strategies and interventions that can maximize the socio-economic potential of SHGs, thereby fostering inclusive growth and sustainable development at the grassroots level.

1.4 OBJECTIVES OF THE STUDY

- To enumerate the various activities undertaken by the Self-Help Groups.
- To examine the impact of microfinance programmes on employment and Income level of SHG members in Kannur district
- To analyze the ability of SHGs to deal with risky situations faced by the households.
- To analyse the contribution of the Self-Help Groups to the Social, Economic, Political and Educational development of the masses in Kannur district
- To understand the problems of SHGs and to provide alternate strategies to make SHGs effective.

1.5 SCOPE OF THE STUDY

The scope of the study on the role of self-help groups (SHGs) in socio-economic development encompasses a comprehensive examination of the various dimensions of SHG activities and their impact on communities. This includes assessing the formation and functioning of SHGs, analyzing their role in enhancing livelihood opportunities, promoting financial inclusion, empowering marginalized groups, and fostering social cohesion. Additionally, the study will explore the enabling factors and constraints affecting SHGs' effectiveness, such as institutional support, access to credit, capacity building, and socio-cultural dynamics. By delving into these aspects, the study aims to provide valuable insights and recommendations for policymakers, development practitioners, and stakeholders to optimize the contribution of SHGs towards sustainable socio-economic development.

1.6 METHODOLOGY

Specific objectives of the study as stated earlier require use of both primary and secondary data. Methods used for the collection and analysis of data are provided in this section. Specific tools of analysis and empirical models are also presented.

SOURCE OF DATA

Survey method is employed to collect the data from the SHG members. The data used for the present study are primary in nature. So an interview schedule is prepared and applied on the basis of the objectives of the study. Secondary data were also collected for the study.

Primary Data

The required primary data are collected from the selected respondents with the help of a comprehensive, pre-tested questionnaire through personal interview method. The data are collected over a period of 1 month. Care has been taken to avoid bias and necessary cross checks that are applied to ensure the accuracy of data.

Secondary Data

Secondary data were collected from the various sources like published thesis, journals, websites etc

SAMPLING DESIGN

The Kannur district has been selected as the universe for this study for two reasons. First, the Panchayathas a large number of Self Help Groups. Secondly, the researcher is familiar with the area and so it is possible to get the co-operation of the officials and also respondents.

1.7 SAMPLE SIZE:

The study was conducted a sample of 50 respondents.

DATA COLLECTION

The present study was based on primary data, The primary data were collected in the form of Questionnaire, from its members of SHG. The secondary data collected from website,journal,book,etc.

TOOLS FOR ANALYSIS OF DATA

The various statistical tool used to conduct the study can be pointed as follows,
simple percentage technique, diagrams, Ranking method,etc,

OPERATIONAL DEFINITIONS

SELF HELP GROUP

Self Help Group are the voluntary organizations, perform for the socio-economical, cultural and educational development of the members and society.

1.7 LIMITATIONS OF THE STUDY

- ❖ The study is confined to 50 individuals, thus finding may have limited applications.
- ❖ A detailed study could not be carried out owing to the time limit.
- ❖ A comparative study with other areas could not be conducted due to time constraints.
- ❖ Prejudicial attitude of certain people to supply correct information.

1.8 CHAPTER SCHEME

The study has been divided in to 5 chapters

- The first chapter deals with Introduction of the study.
- The second chapter deals with Review of literature
- The third chapter deals with Theoretical frame work of the study.

- The fourth chapter deals with Data analysis and interpretations of the study.
- The final chapter furnishes the findings, suggestions and conclusion for the study.