Self-help groups: Women who build social financial empowerment together

MSC
MicroSave Consulting

What are self-help groups (SHGs)?

Today, the country has 9+ million SHGs with more than 100 million women members.*

About SHGs

- A self-help group is a village-based, homogenous affinity group usually composed of 10-20 local women.
- The members create a funding pool through small, regular savings and lend to the members who need credit.
- The SHGs with sound financial discipline are then further "linked" to banks to avail credit and on-lend microcredit to their members.

Objectives of SHGs

- An SHG's fundamental objective is to inculcate the habit of saving among its members and encourage them to use banking facilities.
- These groups motivate and inspire women to embrace social responsibilities that lead to their economic empowerment.
- SHGs are considered one of the most effective tools that adopt a participatory approach to women's socioeconomic empowerment.
- SHGs have significantly transformed gendered power dynamics within families. They ensure women have financial independence in familial spaces.

+ NRLM Dashboard.

Why do women join SHGs?

Women primarily join SHGs to save, access credit, and improve their financial conditions. Women also join these associations to pursue livelihoods and entrepreneurial opportunities to achieve financial independence.

Savings	Credit	Livelihoods

- Members save INR 10–100 (USD 0.15-1.35) every week.
- For most women, SHGs are the only channel for savings beyond keeping cash at home.
- Despite financial hardships, members make small savings that enable them to access internal loans of INR 200–500 (USD 3–7).
- Most SHG women struggle with poverty, which makes even these small savings a challenge.
	- The members use the loans for consumption and productive purposes.
	- The SHG members collectively decide the loan terms.
	- Initial loans range from INR 200–500 (USD 3–7), with larger sums available from federations or banks, up to INR 10,000–100,000 (USD 135–1,360).
		- Members seek entrepreneurship opportunities through development schemes to spur income-generating activity and diversify economic activities.
		- Key attributes of such members include those who:
		  - Have an enterprise or aspire to start one;
		  - Preferably come from nonfarming backgrounds;
		  - Are generally young and educated.

The typical financial life cycle of an SHG

0 - 3 months
Formation of SHG, the practice of **Panchasutra*, savings and inter-loaning, opening of bank account

3 - 4 months
Grading of SHG, release of revolving funds (RF) from the NRLM, and rotation of RF in the group

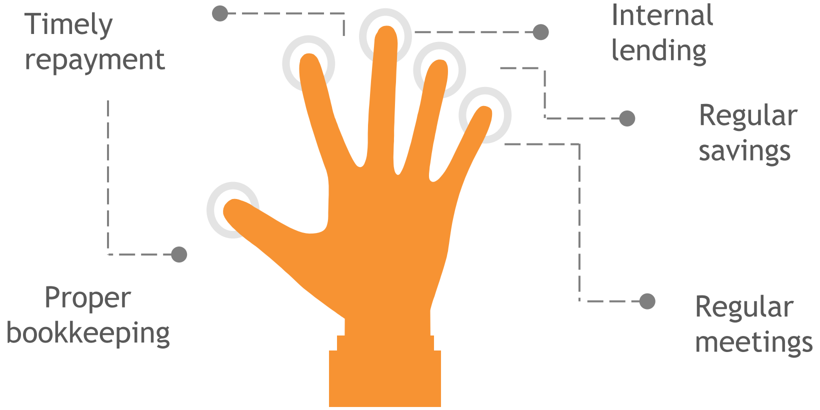
4 - 7 months
Preparation, appraisal, approval of micro credit plan (MCP), the release of community investment fund (CIF) from the NRLM, and the first linkage with the bank

7 - 12 months
Social and livelihood activities, repeat MCP process, vulnerability reduction, and coverage

12 - 18 months
Second linkage with the bank for loans

18 - 36 months
Third linkage with the bank for loans

36 - 60 months
Fourth linkage with the bank for loans



***The five cardinal principles or *Panchasutra* are regular meetings, regular savings, internal lending, regular repayment, and bookkeeping.**

Under the MoRD, the National Rural Livelihood Mission (NRLM) governs and manages SHGs

The NRLM has set up support units at the national, state, district, and block levels. Its goal is to catalyze social mobilization, build institutions, capacities and skills, facilitate financial inclusion and access to financial services, support livelihoods, and promote convergence and partnerships with various programs and stakeholders.

- National: MoRD; National Rural Livelihood Mission
- State: State Rural Livelihoods Mission; State Mission Management Units
- District: District Mission Management Units
- Block: Block Mission Management Units

State Mission Management Unit (SMMU)
(State-level team)
The SMMU prepares the State Annual Action Plan, and monitors and reviews SHG performance at the state level.

Block Mission Management Unit (BMMU)
(Block Mission Manager/Project facilitation team members/ Cluster Coordinators)
This unit implements all activities at the field level. The BMM is expected to take a lead role and coordinate all activities.

District Mission Management Unit (DMMU)
(District-level team)
This unit prepares a district-level annual plan for the SHG. It also oversees capacity building and training of the block and sub-block teams.

Community: SHG/VO/CLF; Cadres
Cadres are community-level resource persons who are appointed by and within community-based organizations to spread awareness and educate SHG members.

Community institution structure

- Self-help groups (SHGs) 10-20 members
- Village organization (VO) or Primary level federation (PrLF) 5-20 SHGs
- Secondary level federation (CLF) 5-30 VOs/PrLF

Source: https://aajeevika.gov.in/en/content/support-structure

MSC

MicroSave Consulting