

# Self help group an introduction essay

[Business](#), [Accounting](#)



Structure of SHGA SHG is a group of about 10 to 20 people, usually women, from a similar class and region, who come together to form savings and credit organization. They pooled financial resources to make small interest bearing loans to their members.

This process creates an ethic that focuses on savings first. The setting of terms and conditions and accounting of the loan are done in the group by designated members. SHG FederationAs mentioned previously, SHGs have also federated into larger organizations. Typically, about 15 to 50 SHGs make up a Cluster / VO with either one or two representatives from each SHG. Depending on geography, several clusters or VOs come together to form an apex body or an SHG Federation. In Andhra Pradesh, the Village Organizations, SHG Clusters and SHG Federations are registered under the Mutually Aided Co-operative Society (MACS) Act 1995. At the cluster and federation level, there are inter-group borrowings, exchange of ideas, sharing of costs and discussion of common interests.

There are typically various subcommittees that deal with a variety of issues including loan collections, accounting and social issues. SHG Federations have presented some key benefits to SHGs as a result of their greater scale. Increasingly, SHG Federations are being seen as a key interface with the SHG movement because of their formal registration under the MACS and recognition from bankers.

But, in addition to the benefits of SHG Federations, there are some drawbacks, or constraints, that should be noted. An SHG Federation is a formal group of informal common-interest groups. As a result of its rather

informal members, there are internal constraints that it faces. Namely, it has a poor capacity for self-governance, average to low quality managers and systems and process are poorly defined.

Further, there is significant financial cost to organizing and registering a SHG Federation which has been estimated to be about Rs 7, 000 per SHG member. To bridge these internal constraints requires savvy external assistance and there are few good quality NGOs to provide this assistance to a burgeoning number of SHG Federations.