

**GOVERNMENT OF INDIA
RURAL DEVELOPMENT
LOK SABHA**

UNSTARRED QUESTION NO:1861
ANSWERED ON:22.11.2010
LEGAL STATUS TO SELF HELP GROUPS
Ponnam Shri Prabhakar

Will the Minister of RURAL DEVELOPMENT be pleased to state:

- (a) whether Self Help Groups (SHGs) have not yet been granted a legal status even though the Reserve Bank of India (RBI) had given the mandate in 1992 to provide loans to them;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the steps being taken to avoid such situation in future immediately?

Answer

MINISTER OF STATE IN THE MINISTRY OF RURAL DEVELOPMENT (SHRI PRADEEP JAIN 'ADITYA')

(a)&(b): Self Help Groups (SHGs) are conceived as informal organizations and have been recognized as such by the Reserve Bank of India (RBI) for providing loans to them. The informal nature of women SHGs has enabled about 320 lakh rural poor women to come together as SHGs and forge economic and social bounds, under SGSY. The process of making SHGs as formal organizations is likely to act as an entry barrier to SHG formation in the rural areas where a majority of the poor are semi-literate or illiterate.

The informal nature of SHGs does not put them to any disadvantage vis-à-vis the banks for meeting their credit needs.

(c): In view of the reasons stated above no steps in this regard are contemplated at present.