

# Self Help Groups and Its Developmental Aspects: A Review



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## Abstract

The main aim of this paper is to know the importance and effect of Self Help Groups and their developmental impact on overall betterment of vulnerable poor members of Self Help Group in India. In India most of the poor people are living in rural areas, urban areas who faces the problem of unavailability of micro credit to fulfill their basic needs and to start their own small business to earn their livelihood, they do not have any access to the banking facilities as they lack collateral securities and also because of their unawareness. To solve this problem SHGs have evolved as a popular method to work together to help themselves by accumulating the fund and then use it as small loans for its members. SHGs work on the concept of "by the people, of the people and for the people". This study is exploratory in nature and has used secondary based data to analyze the change in the members of the SHGs as compared to pre SHG period and to see their development in many aspects. This study reveals that SHGs empower the poor mainly the women, and help them to engage themselves in productive activities or income generating activities. This also helps poor women to make their own respect in family and society who were facing discrimination from society. In spite of this some failure have been seen, for which MoRD has been taking corrective measures for the smooth and effective functioning of SHGs.

**Keywords:** Self-Help Groups, Economic Development, Women Empowerment, Micro Credit.

## Introduction

Poor, mainly the women are socially and economically deprived and face the discrimination in the society since independence. In which availability of credit plays an important role in the rural development and alleviation of poverty. The poor people face a major problem of not having credit, these people do not access the financial services given by the commercial banks due to lack of awareness or due to have many formalities required by bank as they are illiterate and also not having any collateral security demanded by bank against the loan they require. So these poor and needy people take the credits from the local landlords or moneylenders who charge a heavy rate of interest & exploit them, due to which these poor remains poor & even become poorer. India which has been endowed by rich natural resources and human resources, there is a need for the proper utilization of these resources by adopting modern technology for growth and development of the economy.

Microfinance evolved as great solution for the alleviation of poverty, empowerment and development of both the rural & urban poor people especially the disadvantageous section of our society, mainly women, small and marginal farmers & landless farmers.

Mohammed Yunus of Bangladesh was the first to introduce this concept of Microfinance in 1970s. He was awarded the noble prize for the application of this concept of Microfinance, with setting up a Grameen Bank in Bangladesh. Micro financing is an important tool for the social and economic upliftment in the developing country like India. credits are provided to the disadvantageous section of the society at a very low interest rate to engage the poor people in the productive activities.. Micro financial scheme plays a vital role in increasing the women's and poor's participation in the economic activities & decision making.

Microfinance in India also trace its origin in the early 1970s when the Self Employed Women Association (SEWA) in the state of Gujarat formed an urban cooperative bank, called Shree Mahila SEWA Sahakari Bank with the objective of providing banking services to the poor women employed in the unorganized sector in Ahmadabad city, Gujarat. This

microfinance sector went on to evolve in the 1980s into the concept of SHGs informal bodies that would provide their client with much needed saving and credit services.

There are two common approaches of microfinance in India – The SHG method and the Grameen bank system. SHGs are the small credit cooperatives usually for all poor people especially women which is composed of 10 - 20 local member who generally are of same area and same economic background, they voluntarily come together to save regularly a small sum of money in a group over a few months until there is an enough capital in the group to begin lending. Thus this money collected as a common fund is used to lent back to the members of SHGs or to the others in the village for any purpose like to purchase inputs for income generation on a collectively accepted interest rate. Most of the SHGs are located in India though SHGs are also found in other countries like south Asia and south East Asia.

As a dictum of NABARD “Gaon Badhe to Desh Badhe” NABARD (National Bank of agriculture & rural development) introduced a pilot project which was commonly known as SHG linkage project, with an active participation of Government, Banks, development agencies & NGOs in 1992. This made the SHG movement as the world’s largest microfinance programme. This became one of the most effective handle for empowerment of the poor people which become possible by the promotion of SHGs. The basic principles of the SHGs are group approach, mutual trust, organization of small and manageable groups, groups cohesiveness, spirit of thrift, demand based lending, collateral free, women friendly loan, peer group pressure for repayment, skill training capacity building and empowerment.

The microfinance provided through SHGs are of nominal and non exploitable interest rate and does not need any collateral security and can be borrowed whenever needed.

The microloans are provided to its members to purchase input for income generation like sewing machine to make craft, to buy cow for milk production etc.. The development of micro entrepreneurship through SHG helps in reducing the unemployment and other social problems in the society which ultimately helps in obtaining the sustainability in the process of development of the nation.

#### **Objectives of the study**

1. To have an insight knowledge about the working of SHGs
2. To study the aspects of development by the members of the SHGs

#### **Review of literature**

*Rekha R. Gaonkar (2004)* in her paper “Role of SHG in empowerment of women” tried to understand the role of SHG in the region of Goa. SHGs promoted by NCUI from Bardez and Bicholim talukas were selected on the basis of random sampling, concluded that microfinance program has made a great impact on the lives of women. There was an increase in income, savings and consumption expenditures. With the increase in self-confidence, the social knowledge of the members has increased. It

improves socio-economic opportunities for women and their ability to take collective action. There had been a significant decline in gender based problems such as domestic violence, dowry, polygamy etc. Interestingly, the members were motivating other women to form SHGs so that they can also achieve benefits. SHGs had created better understanding between the members of different religious groups. This change was admirable to have understanding and tolerance towards the members of other religions particularly in a country like India where there was a diversity of religions and castes.

*K. Suri, P. Singh (2005)* in paper “SHG and the socio economic development of women of Jammu region” they have tried to study the role of Self Help Groups in socio-economic empowerment of women in Ghagwal block of Samba district in Jammu region of Jammu and Kashmir. Study concluded that the Self Help Groups have played a crucial role in the delivery of microcredit and have evolved as a support groups in enhancing women’s ability in facing all kinds of problems in their local area.

*D.M. Lucy, J. Ghosh, Edward Kujawa (2008)* in study they want to understand the level of empowerment of women exhibited by participating in a microcredit loan program. The findings were that the education and literacy are associated with women’s empowerment, as women may not be empowered without being literate, but instead of this, microcredit program has empowered its microcredit participants by increasing family income, land ownership, political participation, freedom of movement, and primary and joint roles in decision making. Which improve the well being of poor families, household nutrition and raises aspirations for the children’ education.

*H.M. Chandrashekar & Lokesh M.U. (2009)* in their paper “Role of SHG in socio economic change in vulnerable poor” SHGs have emerged as a popular method of working with people in recent years. The findings of their study clearly reveal that, the SHGs have the power to create a socio-economic revolution in the country. The SHG contributes to changes in economic conditions, social status, decision making and increases women in outdoor activities, and play a role in social change. SHG not only changes the outer form of a community or a society but also the social institutions as well as ideas of the people living in the society. In other words it also applies to change the material aspects of life as well as in the ideas, values and attitudes of the people.

*J. Cons & K. Paprocki (2010)* in their paper named “Microcredit as self help and self determination in rural Bangladesh” explored the implications of microcredit’s culture and the economic impacts on the lives of borrowers in rural Bangladesh. The concept of SHG is a better mechanism for easy availability of microcredit to rural women and helps them to uplift their social and economic status. Their involvement in family decisions is enhanced. Microcredit facility enables women to own tools and means of production to upgrade their skills and improve their business.

*S. K. Mehta, H. G. Mishra & A. Singh (2011)* in their paper “Role of SHG in socio-economic change of vulnerable poor of Jammu region”, they study the

social and economical impact of microfinance during the pre and post SHG period. Study found that the rural peoples have been greatly benefited by the microfinance, as the microfinance helps those people in their socio and economic development. The rural poor persons feel that they can also be a partner in the process of rural development by joining the SHG movement. The training given by the NGOs to the members of SHG increase the confidence among members. SHG contributes in changing the economic condition, social status, decision making and encourage women in outdoor activities and thus helps in overall empowerment of the poor people.

*Majid Karimzadeh (2011)* in "Role of SHG through microfinance for poverty alleviation & micro entrepreneurship of women" found that SHG movement occupies significant role in poverty alleviation & empowering of poor women. SHG bank linkage program have minimize the problem of poor of inadequate access of credit from bank. SHGs inculcate the saving habits among the poor. SHG bank linkage program also helps rural people to take up the larger productive activities which help in developing the economy of India

*A. Sundaram (2012)* in "Impact of SHG in socio-economic development of India", He found that SHG evolves as a tool to alleviate poverty because it plays an important role in increasing the employment opportunity. It also accelerate the economic growth. He found that the reason for the respondents to join SHG was to raise their status in their society by increasing their income and to become financially independent by participating in productive activities and income generating activities. In India the poor people or the illiterate people, who do not approach the financial services due to various formalities and lack of awareness have great help in obtaining micro-credits to their members without any banking formality and provide credit on very low and acceptable rate of interest.

*A. Rashid Khaki & Mohi-ud-Din Sangmi (2012)* have done study to examine the growth of SHG in Anantnag district of J&K. In research they found that the household income of SHG members shows a significant increase since joining SHG. There is also a significant increase in the savings of SHG members, But also found that the 46.7% loans are used for family related expenditure, 16.7% for marriage ceremonies & other important domestic functions and only 23.3% members used their loan for business related purpose. So the members should be made aware and promoted to understand the basic purpose of microfinance. if they used this microfinance in their entrepreneurship this will lead to an objective of Inclusive growth and poverty alleviation.

*G.L. Sharma & H. Puri (2013)* in "An empirical testing of relationship between microfinance and economic growth" their study have tried to see whether there is an impact of microloans on GDP of India. Their study have used the annual data reports of financial year of 2006-07 to 2011-12 published on microloans by NABARD and RBI. They found that there is a great impact of microfinance on GDP, as

microfinance sector is able to reach the people who reside below poverty line and aim to bring all those family above the poverty line, by creating self-employment opportunity through microcredits taken by those poor people. This leads to increase income a growth in economy of India.

*Reji (2013)* in "Economic empowerment of women through SHG in Kerala" states that majority of the respondent's income after joining SHG was higher than the income before joining SHG in both Ernakulam and Idukki district and come to know that in both the district SHGs are playing a vital role in empowerment of the women, as these institutions are improving the life on various aspects of social, political and economical, and helps in the eradication of the poverty.

*G. K. Sandhu (2013)* had undertaken his research with an objective to understand the purpose, norms and functioning of SHGs in Punjab. He studied the problem faced by these SHGs and found that these SHGs are facing the various problems such as limited credits, loan repayment by members and difficulty in formation of SHGs as the members leave their groups rapidly. And the information regarding the new schemes and incentives by the government reaches these groups slowly.

*R. K. Yadav (2014)* In "Significance of microfinance institution in rural development of India" found that micro financial institutions are leaving an economic and social impact as it provides both saving and loan facilities to the poor. It provides the much needed funds to the potential entrepreneurs of the rural India. Microfinance is contributing in solving the problem of insufficient housing and rural services which are the integral part of poverty alleviation program and empower women and poor to play a vital role in the society. Thus microfinance in developing country like India plays a vital role in economic growth of the country through poverty alleviation and engaging poor in their own productive activities.

*N. Singh, S. Manwani & S. Fadnavis (2014)* in "The role of microfinance in the upliftment and growth of rural India", finding of their research is that India's rural people have very little access to finance from the formal sources. So the growth of SHG bank linkage is particularly remarkable but it also does not shown an excess growth in the access of microfinance by poor. They concluded that since 1991 the size of the Indian economy in terms of GDP at market price have increased by almost 15 times whereas the household financial savings have expanded by 16 times and the gross domestic saving by 17 times during the same period, but in this growth the contribution of rural India is negligible so there is an immense need of development in rural areas because without development in rural areas India cannot become a developed economy. This can only be achieved through micro financing and making rural population self dependent by providing them credits to run their tiny business.

*V. M. Kadrolkar (2014)* in "Microfinance and inclusive growth- a study of SHG on women in India", he concluded that SHGs are the major source for generating the finance. Women constitute the majority

of the SHGs in which they save mutually and then used for granting loan for mutual help. Older the SHG higher is the saving and higher is the performance. The sizes of SHG also have a positive relation with the saving as higher the member the larger are the savings and vice versa. Members received training and engage themselves in income generating activities. He concluded that SHG have a positive impact on the members of the SHG especially women.

S. Chatterjee (2014) in "Self-help group & economic empowerment of rural women: A case study" a stratified random sample of 110 women SHGs from 11 panchayats of Khejuri I & II block of west Bengal were selected. The microfinance provided to SHGs was productive enough and had a favorable effect on employment and income generation. But the major problem was the mushrooming of SHGs in Khejuri, as numbers of SHGs have been developed without any planning and proper guidance which resulted in dropouts of these groups at immature stage.

T. Zaryab (2015) in "SHG: A sustainable livelihood to promote social entrepreneurship" he suggested that SHGs need more investments, SHGs should be given recognition and visibilities of best ideas that come from SHGs to become social entrepreneurship, And concluded that SHGs and microfinance have become more important in both developed and developing economies.

S. Kaur (2015) her research evaluates the impact of microfinance program on poor people and also on women participants in Patiala District of Punjab. The study recognizes the microfinance as having a positive impact on women empowerment and also on the small business operators who are struggling with finance to fund their business. But the thing that to be noted is that the available microfinance institutions are lending loans for the consumption purpose and charging a high rate of interest which make it difficult for women to borrow loan for their business purpose. So NABARD should take steps to eliminate the hurdles faced by the SHG leaders at a time of bank linkage and should promote women to participate in the SHG program.

Indrajit Goswami and Nigel Dsilva (2018) in "The role of SHG in women empowerment in Maharashtra: An Empirical analysis" stated that undoubtedly SHGs are playing a significant role to provide women their rightful place in the society and have increased their inclusion in both economic as well as political system in india. Their objective were to know the self reliance among the SHG members, to determine the factors of women empowerment and to explore their awareness with respect to laws, policies and programme. Their study concluded that more initiatives are need to support the members and found that SHG are playing great role in preventing gender discrimination.

#### **Conclusion**

Overviewing the available literature it is clear that many researches have been done on the SHGs and microfinance and their role in alleviating the poverty and in socio economic development of the

poor especially poor women, although the objective of the researches were almost same, as to know the impact of SHGs on socio economic development of poor. It was found the SHGs helped those poor a lot, who were facing the problem of having credits for their income generating operations like farming activities, dairy activities and other type of small business.

SHGs are also playing a considerable role in training the *swarozgaris*, infrastructure development, marketing and technology support, communication level of members, self confidence, decrease in violence, frequency of interaction with outsiders, change in saving pattern of SHG members, involvement in politics, in achieving social harmony. This microfinance allows the poorer section of the society to get loans at cheaper rates which help them to start their own source of income.

When compared to the wider SHG bank linkage movement in India, the private MFIs have a limited outreach to the poor than SHGs. In India mostly the women SHGs are found in which only women are the members because mix gender group is less preferred in India.

The study reveals that microfinance borrowed by the members of SHGs has been mostly used for the household purpose like marriage ceremony, to repair houses, to buy other household things or to repay the moneylenders. Only few members have used their borrowings for investing that amount in income generating activities. The second thing which is seen is that there is a mushrooming of SHG without any planning due to which they become dropouts in immature stage, which loose the confidence of those SHG members, so there is a need of proper planning and guidance by NGOs, local government and other development authorities

In a nutshell it was found that SHGs are playing a vital role in the lives of rural poor people by providing them microfinance, to fulfill their important needs and to purchase the productive assets to engage themselves in income generating activities. It was also seen that SHGs are mostly functioning well in the states of south and north India, but it is very important to have these types of organization all over the country so that poor people can be helped.

#### **Research Gaps and Suggestions**

1. The policy approach in employment generation program should aim at the ultimate goal of poverty alleviation, not only one time employment generation.
2. More researches should be carried out to assess the impact of microfinance through SHG. The impact assessment should be more focused on economic development
3. Further researches can be done in those areas where these SHGs are not working, and their social and economic status can be compared with the areas where these SHGs are working.
4. A financial literacy and credit counseling center may be opened in every district with sustainable financial expert, bank officials etc. so as to impart necessary skills with regard to financial decision making in the members of SHGs.

5. SHGs should be monitored more seriously than the existing level and system needs to have a massive administration at all level.
6. The SHG members should also participate in social campaigns and other programs organized by government which will create social outreach .

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