

Self-Help Groups: Driving Financial Independence and Social Transformation

Dr. Mukta Jain
Associate Professor
Department of Commerce
Dyal Singh College, Karnal

Dr. Anita Aggarwal
Assistant Professor
Department of Political Science
Dyal Singh College, Karnal

Abstract

Self-Help Groups (SHGs) have become a crucial tool for socio-economic development, particularly in rural areas, by fostering financial inclusion, entrepreneurship, and social empowerment. These women-led groups enable members to save, access credit, and invest in small businesses, bridging the gap between marginalized communities and formal financial institutions. Beyond economic benefits, SHGs enhance women's leadership, decision-making, and awareness of rights while addressing social issues like gender inequality and health awareness.

Despite their contributions, SHGs face challenges such as inadequate financial literacy, limited market access, and sustainability issues. Strengthening their effectiveness requires policy support, skill development, and better financial linkages.

The present paper examines the concept, structure, and functioning of SHGs, analyzing their impact on financial empowerment and social development. It also explores key challenges faced by SHGs and suggests measures to enhance their sustainability and effectiveness in promoting rural development and women's empowerment.

Introduction

Self Help Groups means “one should help oneself” . A Self-Help Group is a small, informal, financial intermediary committees of individuals, typically from similar socio-economic backgrounds, who voluntarily come together to address common issues, primarily related to financial security and empowerment.

SHGs play a significant role in microfinance, providing members with access to credit and resources that they might not obtain individually. Members of SHGs save regularly, pool their resources for mutual economic support, often focusing on savings and credit activities. These groups play a crucial role in empowering marginalized communities, fostering financial inclusion, and promoting sustainable livelihoods. These grassroots-level organizations are built on the principles of mutual aid, self-reliance, and collective empowerment. They pool their resources to become financially stable, taking loans from their collective savings in times of emergency or financial scarcity, important life events or to purchase assets.

They are generally self-governed and peer-controlled to ensure proper end-use of credit and timely repayment. Most self-help groups are in India, though they can be found in other countries, especially in South Asia and Southeast Asia.

Evolution of Self-Help Groups in India

First ever SHG started from the Grameen Bank of Bangladesh. This group was created by Chittagong University economist Professor Mohammed Yunus in 1975 to provide small loans to impoverished individuals, primarily women, to help them start or expand businesses.

In India, Self-Help Groups (SHGs) have emerged as a transformative movement. Self-Help Groups (SHGs) have played a crucial role in empowering rural and marginalized communities in India, especially women. The concept of SHGs in India traces back to the early 1970s when NGOs and government initiatives began promoting small savings and credit groups to empower rural women. The formal structure gained momentum in the year 1972 with the establishment of the Self-Employed Women's Association (SEWA) in Gujarat. In the 1980s, MYRADA (Maharashtra Rural Development Agency) introduced SHGs to help members of large cooperatives repay loans. The National Bank for Agriculture and Rural Development (NABARD) began promoting SHGs as an alternative to traditional banking. In 1987, NABARD launched pilot projects to link SHGs with banks, laying the foundation for microfinance in India. NABARD, along with the Reserve Bank of India (RBI), launched the SHG-Bank Linkage Programme (SBLP) in 1992. Banks were encouraged to provide collateral-free loans to SHGs. This initiative played a crucial role in integrating SHGs with mainstream financial institutions, enabling them to access microcredit for income-generating activities such as small businesses and livelihoods. In 1993, NABARD and the Reserve Bank of India (RBI) allowed SHGs to open savings accounts in banks. The Rashtriya Mahila Kosh (RMK) was created in March 1993 by the Indian government with the aim of making credit more accessible to low-income women so that they could improve their socioeconomic situation.

The Government of India integrated SHGs into large-scale poverty alleviation programs like the Swarnjayanti Gram Swarozgar Yojana (SGSY) in 1999. SGSY was launched to promote self-employment in rural areas. In 2011, SGSY was restructured as the National Rural Livelihood Mission (NRLM). NRLM promoted women-led SHGs, ensuring financial inclusion, skill development, and market linkages. NRLM provides low-cost, dependable financial services to the poor, including financial literacy, bank accounts, savings, credit, insurance, remittance, pensions, and financial services counseling. NRLM was renamed as Deendayal Antyodaya Yojana- National Rural

Livelihood Mission (DAY-NRLM) in 2016. In 2014, the Community Investment Fund was launched to provide SHGs with funds for local livelihood programs.

Over the years, government schemes such as Pradhan Mantri Mudra Yojana (PMMY) Pradhan Mantri Jan Dhan Yojna (PMJDY), Swarnjayanti Gram Swarozgar Yojana (SGSY) and later the Deen Dayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM) have further strengthened the SHG movement in India by expanding the reach and impact of the SHGs.

Thus, SHGs in India have evolved from informal savings groups to a structured model for financial inclusion, women empowerment, and rural development. With the support of the government, banks, and NGOs, they continue to be a pillar of grassroots economic transformation in India.

Objectives of Self-Help Groups (SHGs):

- Self-help groups aim to reduce poverty by providing financial services, income-generating activities, and access to livelihood opportunities.
- Self-help groups aim to improve the standard of living of poor households through sustainable livelihoods.
- They focus on empowering women by enhancing their social and economic status, promoting gender equality, and providing a platform for collective action.
- Self-help groups promote financial inclusion by providing access to savings, credit, and banking services to marginalized communities.
- They aim to enhance the skills and capabilities of members through training, capacity-building programs, and knowledge sharing.
- Self-help groups foster social cohesion by creating a sense of community, promoting mutual support, and encouraging collective decision-making.

Contribution of SHGs in Socio - Economic Development

Self-Help Groups (SHGs) have emerged as a powerful tool for poverty alleviation, women empowerment, and overall socio-economic development in both rural and urban areas. These groups, usually consisting of 10-20 members, work collectively to improve financial stability, social awareness, and community well-being. Their contributions can be broadly categorized into economic, social, and community development aspects.

Economic Contributions:

Financial Inclusion: SHGs play a vital role in bringing the unbanked population under the formal financial system. SHGs act as intermediaries between rural communities and banks, promoting savings and credit access. SHGs encourage members to save regularly as well as incentivise banks to lend to poor and marginalised sections of society. Many underprivileged individuals, particularly women, lack access to formal banking services. SHGs help them open bank accounts, access loans, and develop saving habits. Through microfinance institutions (MFIs) and government schemes like NABARD's SHG-Bank Linkage Program (SBLP), members can avail financial assistance. Financial inclusion helps reduce dependence on moneylenders, who often charge exorbitant interest rates.

Economic Empowerment: SHGs encourage members to start income-generating activities such as dairy farming, poultry, handicrafts, tailoring, food processing, and small retail shops. They provide seed capital and guidance on managing business operations. Many government schemes support SHG-led businesses. These initiatives help families break the cycle of poverty by creating sustainable livelihoods. They also help ease the dependency on agriculture.

Employment Generation : SHGs promote self-employment by training members in various skills like weaving, candle making, organic farming, and carpentry. Some SHGs work as service providers, offering housekeeping, catering, and tailoring services. Many women who were previously unemployed or engaged in unpaid domestic work become financially independent. Training and capacity-building programs conducted by NGOs and governments help members enhance their skills in various sectors. They provide a platform to the members to learn new skills which help them find employment or start small businesses.

Access to Credit : SHGs act as mini-banks, where members deposit small amounts regularly and access loans when needed. These loans help in health emergencies, education, agricultural investments, or setting up small businesses. Unlike banks, SHGs provide collateral-free loans at much lower interest rates. Many banks and NGOs support SHGs by offering financial literacy training and assisting in loan repayments.

Entrepreneurship Promotion : SHGs help women and small entrepreneurs establish small-scale enterprises such as pickle-making, papad production, handmade jewelry, and farming cooperatives. Government schemes like Mudra Yojana offer financial support to SHG entrepreneurs. Marketing support through fairs, exhibitions, and online platforms boosts their businesses. Entrepreneurship leads to economic independence, increased household income, and overall community upliftment.

Social Contributions:

Women Empowerment: SHGs have been a significant tool for empowering women by making them financially independent and socially confident. SHGs have provided them with a platform to voice

their opinions on social issues, legal rights, and self-defense technique. Women now make decisions, and take control of their lives. Through participation in decision-making processes, women gain leadership skills and awareness of their rights. Women who were earlier confined to household roles now participate in economic activities, education, and leadership roles. More than 80% of the SHGs in India are all women member groups.

Pressure Groups: They are highly active in the government process which enables them to highlight major issues of society like dowry, alcoholism, the menace of open defecation, primary health care etc and impact policy decisions.

Voice to marginalized section: As most of government policies which are for poor and weaker sections but they are not getting their benefits. In that case Self Help Groups makes sure that each beneficiary should get this in a regular way.

Education & Awareness: Many SHGs work to improve literacy rates by setting up adult education programs. They raise awareness about child education, girl child empowerment, and vocational training. SHGs collaborate with NGOs to provide career counseling and employment guidance to youth.

Health & Hygiene Improvement : SHGs promote maternal health, immunization, and family planning awareness. Many groups distribute sanitary napkins and conduct campaigns on menstrual hygiene. SHGs engage in community health initiatives, including free medical check-ups and nutritional awareness. Some SHGs set up self-managed community kitchens for malnourished children and pregnant women.

Social Cohesion & Inclusivity: SHGs foster unity and cooperation among members, leading to a stronger community network. SHGs bring together people from different castes, religions, and backgrounds, fostering social harmony. They create a support system, where members help each other in times of financial crises or social issues. Many SHGs take initiatives to end caste discrimination, domestic violence, and substance abuse. The unity among members leads to stronger collective bargaining power in society.

Participation in Governance & Decision-Making: SHG members actively participate in village meetings, Gram Sabha discussions, and Panchayat governance. Many women from SHGs contest local elections and hold leadership positions. They work as social auditors, ensuring proper implementation of government schemes like MGNREGA and PDS (Public Distribution System). SHGs provide a platform for grassroots democracy, ensuring community voices are heard.

Community Development Contributions:

Disaster Management & Relief Work : SHGs play an active role in disaster response by organizing relief funds, distributing food, and rebuilding homes. During floods, cyclones, or droughts, SHGs

help affected communities by providing emergency aid. Many SHGs work with NGOs and local authorities to spread awareness about disaster preparedness.

Environmental Conservation: Many SHGs are involved in afforestation, waste management, and organic farming initiatives. They promote the use of eco-friendly products like cloth bags and biodegradable materials. SHGs collaborate with government agencies to implement water conservation, solar energy, and rainwater harvesting projects.

Eradication of Social Evils: SHGs work towards eliminating child marriage, dowry practices, female infanticide, and gender discrimination. They conduct legal awareness programs, educating women about their rights and laws against domestic violence. Many SHGs have played a crucial role in alcohol prohibition movements, improving family welfare.

Poverty Alleviation: By fostering income-generating activities, SHGs contribute to reduce poverty and improve living standards. SHGs help in increasing the incomes of their members providing vocational training, and also help improve their existing source of livelihood by offering tools, etc. They also help ease the dependency on agriculture.

Enhancing the efficiency of government schemes – SHGs help implement and improve the efficiency of government schemes. They also help reduce corruption through social audits.

Challenges Faced by SHGs

Lack of Education: Many members have limited literacy skills, affecting record-keeping and financial management.

Limited Financial Literacy: Many members lack knowledge about financial management and banking procedures.

Limited Market Access: SHG-produced goods often struggle to find buyers due to inadequate marketing strategies.

Too much dependence on government and NGOs: Many SHGs are dependent on the promoter agencies for funding and guidance. Government schemes and NGO assistance may not always be consistent or sufficient. In case these agencies withdraw their support, the SHGs are vulnerable to downfall. Their over dependency on external aid hinders their self-sustainability and long-term viability, especially in disaster-affected areas.

Intersectional Challenges: SHGs often encounter caste, class, and regional challenges, impacting their effectiveness and inclusivity, with marginalised groups typically receiving fewer benefits. Moreover, patriarchal mindset prevents many women from coming forward.

Lack of security: SHGs are mostly not registered. They are run based on the trust between the members. The savings made by the SHG members may not be safe, which brings in mistrust between the members.

Scalability: SHGs are typically located in rural and remote areas with poor connectivity via roads or railways and limited access to electricity making it difficult for SHGs to scale up their operations or sustain long-term activities.

Agricultural Activities: Most SHGs operate at the local level and are primarily engaged in agricultural activities which restricts their income generating capacity. **Lack of Technology:** Many SHGs use rudimentary or no technology in their operations.

Recommendations for Strengthening SHGs

Capacity Building: Most of the SHGs work on their own without any formal training. Regular training programs in financial literacy, entrepreneurship, and leadership should be organised to enhance skill development and capacity building of SHGs. : In some SHGs, women members are setting up enterprises to increase their household incomes. These women require trainings on enterprise management and also on specific skills related to that enterprise.

Credit Mobilization: The members had to borrow from local money lenders, relatives and neighbors because they generally don't get adequate loan from groups. Also issues like hoarding of money are present.

Enhanced Support from Financial Institutions: Banks should simplify procedures for SHGs and offer tailored financial products. Commercial Banks and NABARD in collaboration with the State Government need to continuously innovate and design new financial products for these groups to meet their needs, to enhance their sustainability, to reduce reliance on informal lenders, and to promote financial inclusion.

Market Linkages: Governments and NGOs should help SHGs in creating direct connections with larger markets to ensure better sales and profits.

Policy Support: Strengthening government policies and financial incentives to sustain SHG activities is anecessity. The Government should create a supportive environment for the growth and development of the SHG movement. It should play the role of a facilitator and promoter.

Technology Integration: Technology can greatly enhance SHGs by improving efficiency and scalability, with digital platforms aiding in record-keeping, financial transactions, and communication, as seen in initiatives like NABARD's E-Shakti project.

Extension of Self-Help Groups to Urban/Peri-Urban Areas: Efforts should be made to increase income generation abilities of the urban poor as there has been a rapid rise in urbanization and many people remain financially excluded.

Monitoring and Evaluation: SHG monitoring cell should be established in every state. The cell should have direct links with district and block level monitoring system. The cell should collect both quantitative and qualitative information to assess the performance of SHGs regularly.

Conclusion

Self-Help Groups (SHGs) have emerged as a transformative force in India's socio-economic landscape, particularly in rural areas. Initially established as grassroots financial institutions, SHGs have expanded their scope to include entrepreneurship, skill development, and social empowerment. By fostering financial independence, empowering women, and building community resilience, SHGs have the potential to address pressing developmental challenges. The core features of SHGs, such as voluntary participation, collective savings, and mutual support, make them effective in fostering self-reliance among marginalized communities.

SHGs have significantly contributed to socio-economic development by improving household incomes, promoting financial literacy, enhancing women's empowerment, and facilitating community development. However, they face persistent challenges, including inadequate financial support, limited access to markets, lack of proper training, and governance-related issues. To overcome these hurdles, policy interventions are required to strengthen financial linkages, improve digital and financial literacy, and enhance market accessibility. Strengthening SHGs can drive sustainable development and further India's goal of inclusive growth.

References

- Das, R. (2015). *Emergence and activities of self-help groups (SHG) – A great effort and implementation for women's empowerment as well as rural development: A study on Khejuri CD blocks in Purba Medinipur, West Bengal. IOSR Journal of Humanities and Social Science (IOSR-JHSS), 20(1), 28-39.*
- Palani, S., & Balamurugan, K. (2016). *A study on women empowerment through self-help groups with special reference to Madurai district in Tamil Nadu. Shanlax International Journal of Arts, Science & Humanities, 4(1), 26-34.*
- Rajasekhar, D. (2002). *Microfinance, poverty alleviation, and empowerment of women: A study of self-help groups in Karnataka, India. Institute for Social and Economic Change.*
- Reddy, K. R., & Reddy, C. S. (2012). *Self-help groups in India: A study on quality & sustainability. Enable Network.*
- Saha, S., Annear, P. L., & Pathak, S. (2013). *The effect of self-help groups on access to maternal health services: Evidence from rural India. International Journal for Equity in Health, 12, 36.*

- *Sharma, P., & Varma, S. K. (2008). Women empowerment through entrepreneurial activities of SHGs in Uttarakhand. Indian Research Journal of Extension Education, 8(1), 46-51.*
- *Singh, A. K., & Tandon, P. (2012). Role of SHGs in financial inclusion: An empirical study of India. International Journal of Marketing & Technology, 2(4), 101-112.*
- *Tripathi, K. K., & Jain, S. (2012). Financial inclusion and performance of SHGs in India. Economic Affairs, 57(2), 189-197.*
- *Yunus, M. (2007). Creating a world without poverty: Social business and the future of capitalism. PublicAffairs.*