

## **Self-Help Groups and Economic Development of Women in India through Microcredit Scheme**

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### **Abstract**

The concept of SHG significantly impacts the economic status of the poor people of India. These groups are the associations that are constituted voluntarily to achieve collective benefits. This group may be registered or unregistered. Members who have engaged in SHGs agreed to save a small amount of money regularly for the contribution of the common fund. An analytical research method has been applied to carry out this research work. The present study is purely based on the data collected from various published sources such as articles, NABARD annual reports, and RBI bulletins. The collected data has been analyzed and interpreted to reveal the significance of SHGs for financial inclusion through the microfinance system. It brings a massive opportunity for income generation activities. The study also found that a good number of SHGs has increased in recent years. The savings amount has also consistently increased from 2018-19 to 2020-2021. The data also proves the significance of the SHG-bank linkage program as a boon for the poor people in rural India to identify and enhance their potential.

**Keywords:** SHGs, Microfinance, Economic activity, Women and Development.

### **Introduction**

The self-help group economic model is critical in removing poverty in rural areas of developing nations, especially India. The SHG is helping to promote rural people's economic status, particularly women, through economic activities such as savings, credit, income generation, resource management, promoting children's education, child care, and enhancing health and nutrition. The concept of SHG significantly impacts the economic status of the poor people of India. These groups are the associations that are constituted voluntarily to achieve collective benefits. The group has been formed without any intervention of political affiliations and pronounces individuals' voluntary involvement. The group comprises 10 to 20 women (Terdal, 2018). The SHGs engaging in small economic activities by a group create self-employment for income generation. It has been much help

for women to eradicate extreme poverty (Brody et al., 2017). The aim of the SHGs is primarily to empower women financially through easy access to formal loans. Based on the accessibility of formal microcredit facilities from the bank, non-banking financial institutions and NGOs will increase women's work participation. It also brings more self-confidence and entrepreneurial skills among rural women (Gugerty et al., 2019). Against this backdrop, this study aims to emphasize the role and significance of the SHGs-Bank linkage program in the promotion of the economic status of women in India.

### **Literature Review**

SHGs are small groups of people voluntarily organizing themselves to enhance the members' social and economic status. This group may be registered or unregistered. Members who have engaged in SHGs agreed to save a small amount of money regularly for the contribution of the common fund. This saving money will be used to provide small loans to the SHG members to start a small economic activity with an affordable rate of interest (Rana and Ansari, 2017).

Rural poor people are debilitated for different reasons because many people are socially deprived, uneducated, and economically backward. The SHG aims to alleviate poverty in rural areas. Economic development model such as self-help group is integral to building and promoting social capital among rural people. The SHGs are well viewed as ensuring a platform for various growth and developmental interventions for distinct reasons. It ensures the economic and health status of poor people, particularly women. It also assures the promotion of social capital among women. The aim of the SHG was achieved through the benefits received by the members (Nichols, 2021).

SHGs are helping to promote the savings and lending activities of poor people. It helps to create capital formation and collective action toward obtaining public goods (Mirta et al., 2020). The microcredit sector represents a poverty alleviation instrument for the BPL people in rural areas. Shankar, Savita., and Asher, M. G (2011).

The microcredit segment in India developed considerably to reach a higher status. The sector is encountering the problem of scarce funds for the distribution of loans. This microcredit sector has to be allocated more funds with technological inclusion for the better economic transformation of rural people (Amarnani et al., 2020 & Singh et al., 2016)

## Material and Methods

An analytical research method has been applied to carry out this research work. The present study is purely based on the data collected from various published sources such as articles, NABARD annual reports, and RBI bulletins. The collected data has been analyzed and interpreted to reveal the significance of SHGs for financial inclusion through the microfinance system. The present study used secondary data related to the SHGs-Bank linkage program for 2018-2021.

## Data Analysis and Results

Self-help groups are much helpful in generating income for the poor and vulnerable people in rural India. It is becoming true due to the bank-linkage program to offer formal loans from banks and NGOs. The recent status of SHG-bank linkage has witnessed a tremendous hike in the total loan disbursal amount. The total SHG was 100.14 lakhs in 2018-2019, with the amount dispersal at 23324.48 crores. Similarly, there was a consistent increase in SHGs numbers to 102.43 lakhs in 2019-2020 and 112.23 lakhs in 2020-2021. The all-women SHGs increased to 97.25 percent in 2020-2021.

**Table. 1 Status of SHG-Bank Linkage (2018-2021)** (No. in Lakh/Crore)

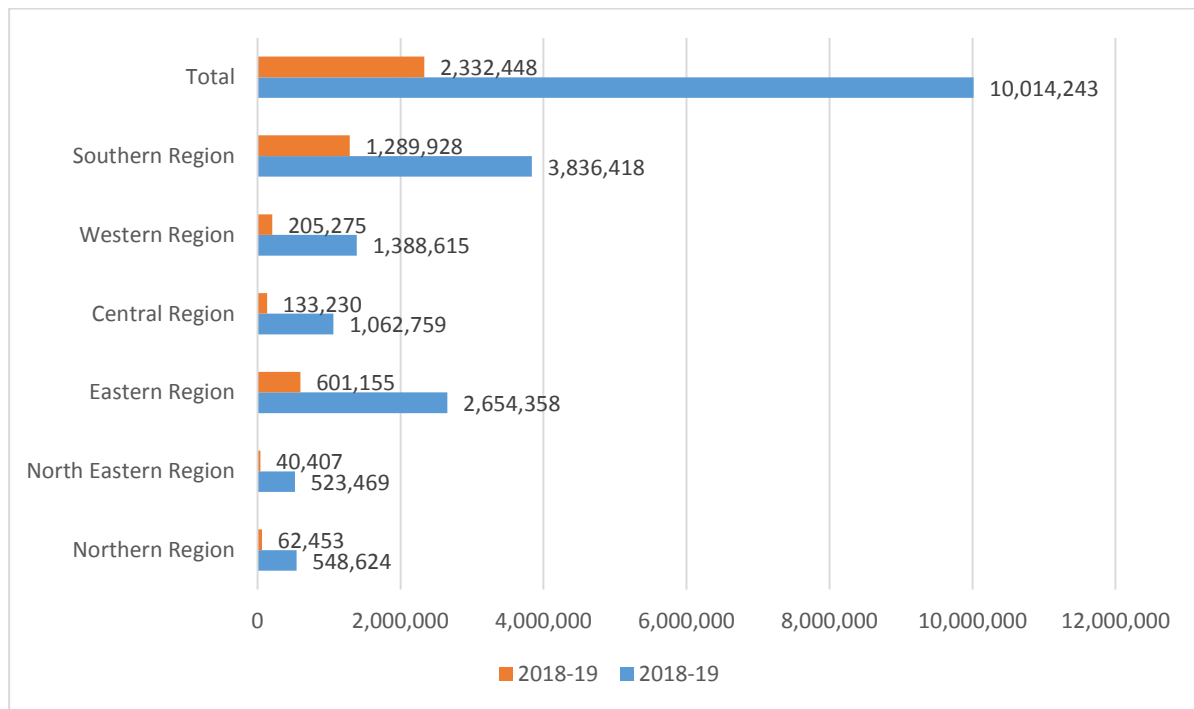
Particulars	2018-19		2019-20		2020-21	
	SHGs	Amount	SHGs	Amount	SHGs	Amount
Total SHG Nos.	100.14	23324.5	102.43	26152.1	112.23	37477.6
All women SHGs	85.31	20473.6	88.32	23320.6	97.25	32686.1
Percentage of Women	85.19	87.78	86.22	89.17	86.65	87.21
Of which NRLM/SGSY	55.8	12867.2	57.89	14312.7	64.78	19353.7
% of NRLM/SGSY Groups to Total	55.72	55.17	56.52	54.73	57.72	51.64
Of which NULM/SJSRY	4.39	1614.42	4.69	1523.57	5.29	1954.09
% of NULM/SJSRY Groups to Total	4.38	6.92	4.58	5.83	4.71	5.21
Total No. of SHGs extended loans	26.98	58317.6	31.46	77659.4	28.87	58070.7
All women SHGs	23.65	53254	28.84	73297.6	25.9	54423.1
Percentage of Women Groups	87.66	91.32	91.67	94.38	89.71	93.72

Of which NRLM/SGSY	16.49	33398.9	20.49	52183.7	15.84	29643
% of NRLM/SGSY Groups to Total	61.12	57.27	65.13	67.2	54.87	51.05
Of which NULM/SJSRY	1.29	3419.58	1.59	3406.22	1.13	2112.04
% of NULM/SJSRY Groups to Total	4.78	5.86	5.05	4.39	3.91	3.63
Total No. of SHGs linked	50.77	87098.2	56.77	108075	57.8	103290
No. of all Women SHGs linked	44.61	79232	51.12	100621	53.11	96596.6
Percentage of Women SHGs	87.87	90.97	90.05	93.1	91.89	93.52
Of which NRLM/SGSY	32.85	54320.9	36.89	67717.1	33.78	57336.6
% of NRLM/SGSY Groups to Total	64.7	62.37	64.98	62.66	58.44	55.51
Of which NULM/SJSRY	2.25	4110.73	2.67	5466.87	2.23	4056.45
% of NULM/SJSRY Groups to Total	4.43	4.72	4.7	5.06	3.86	3.93

Source: NABARD, 2021

Among the total SHGs, women members constituted 85.1 percent in 2018-19, with 87.78 percent of the loan amount. It has further increased to 86.22 and 89.17, respectively. In this process, the national rural livelihood mission of 12867.18 crores rupees was disbursed as microcredit through the SHG-bank linkage programme in 2018-19 and Rs.14312.7 and 19353.7 in 2019-20 and 2020-21, respectively. The SHG women groups in India during 2018-19 was 87.66 percent, and it increased to 91.67 percent in 2019-20. Further, the women-driven SHGs have been recorded at 89.71 percent, with the number of loans recorded as 93.71 percent.

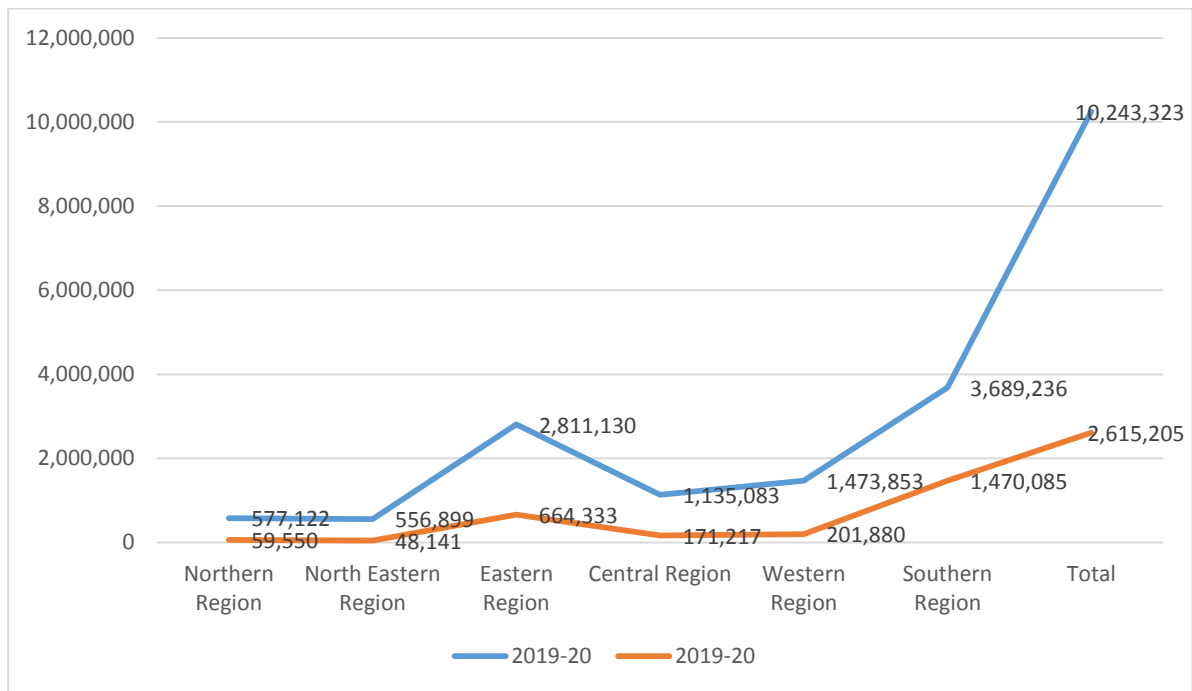
The total number of SHGs linked with the bank for microfinance was 50.77 lakhs in 2018-19; it has moved up to 56.77 lakhs during 2019-2020. Due to the constant performance of the groups in India, the number has increased to 57.8 lakhs during 2020-2021. Among these total SHGs, the number of women SHGs linked was 44.61 lakhs, 51.12 lakhs, and 53.11 lakhs for 2018-19, 2019-20, and 2020-2021 respectively. So, the SHG-bank linkage programme successfully provides financial support through a microcredit system for the members' economic activities.



**Fig. 1 Region-wise Mean Savings per SHG 2018-19 (In crores)**

Source: NABARD, 2021

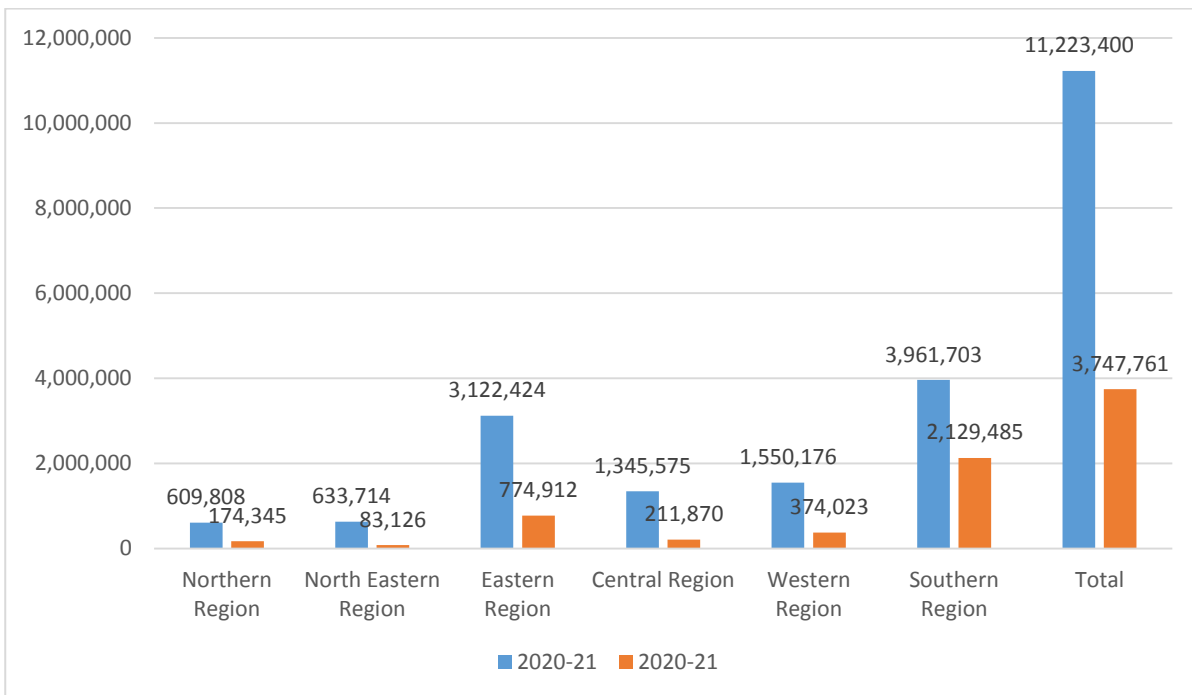
The region-wise average savings per SHG during 2018-19 is presented in Fig.1. The data depicts information such as the number of SHGs and total savings amount of various regions in India. The total savings amount for India overall was Rs.2332448 crores. The southern region constitutes a high share savings of Rs.1289928 crores in 2018-19 with 3836418 SHGs. The eastern region places second with average savings of Rs.601155 crores with 2654358 SHGs. The western region comes after the western-region with an average savings of Rs.1289928 rupees with 3836418 SHGs. The central-region savings amount consists of Rs.133230 crores with 1062759 SHGs. The northern region has a meager SHG of 548624 with average SHG savings of 62453 crore rupees.



**Fig. 2 Region-wise Mean Savings per SHG 2019-20**

Source: NABARD, 2021

Fig. 2 depicts region-wise savings per SHGs in 2019-2020 in India. The economic empowerment of women in rural areas has been processed through the savings of the group members. It also reveals the financial inclusion of poor people in rural India through the bank linkage programme. Among the total number of SHG members in India, the southern region contributes a significant share with 3689236 groups in 2019-20. With respect to the eastern region, SHG numbers have placed in second with 2811130, and next is the western region with 1473853. Similarly, the amount of savings has also been high in the southern regions of India with Rs.1470085 and the second largest savings amount with Rs.66443. Northern, northeastern, eastern, and central-region were with other consecutive places.



**Fig. 3 Region-wise Mean Savings per SHG 2020-21**

Source: Same as the previous table

Fig. 3 emphasizes the number of SHGs and the savings amount for 2020-2021. Compared to the previous year, 2018-19 and 2019-20, the total number of SHGs increased to 11223400, and the aggregate savings amount also increased to Rs.3747761. The southern region consistently has many SHGs, with 3961703 in 2020-21. There is a significant increase from 3689236 during 2019-20.

**Unique features of SHGs**

- Socio-economic development has taken place with mutual support from each group member.
- The high degree of a trim level of financial management among the members
- Poor women could get accessible credit facilities, savings, and other facilities.
- Creating and maintaining a common fund for economic activity.
- Short-duration credits with smaller values.

**Advantages of SHGs**

- It helps mobilize the funds of financial resources for the member collective economic development.
- It will support and develop the working and living standards of group members.

- SHGs create and promote small savings habits and utilize small local resources at affordable costs.
- SHGs helps to bring out individual skills to empower peoples.
- It supports providing financial help for needy people at the right time to enable entrepreneurial development.
- It aids in identifying economic issues and provides appropriate solutions for the member's financial improvement.
- The SHG work as income generating engine for women in rural areas.
- It helps to develop trust, mutual understanding, and self-confidence among members.
- It builds efficiency of members, team spirit, and effective utilization of rural credit through SHG-linkage loans from banks and NGOs.

### **Conclusion**

Based on the present analysis of the SHG-Bank linkage programme, it is found that microcredit primarily supports rural development. It brings a massive opportunity for income generation activities. The study also found that a good number of SHGs has increased in recent years. The savings amount has also consistently increased from 2018-19 to 2020-2021. The data also proves the significance of the SHG-bank linkage program as a boon for the poor people in rural India to identify and enhance their potential. The also reveals the various outcomes of the microcredit system in India, such as fund mobilization, enhancing rural people's skills, promotion of employment opportunities, encouragement of savings, and enhancement of entrepreneurial development.

### **Policy Implication**

The awareness is to be created for all rural people to increase the fund mobilization across the states of India to promote regional equality. The banks have to reduce the restrictions and make the loan facilities easier. Training programmes to be conducted by both centre and state government.

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