

Policy Analysis: Self Help Groups in India.

By *Yashika Sachdeva, Miranda House*

Abstract

India remains embedded in deeply rooted economic, political and social inequalities despite the nation's global positioning and economic rise. Against this backdrop, when the ground realities strikingly contrast the numbers and narratives, the role of Self-Help Group emerges as a plausible avenue for growth and development especially for unskilled rural workers and women. The SHG-Bank Linkage Programme, inspired by the Grameen Bank model in the 1980s is a micro financing scheme though different from the conventional freebies distribution policy, SHGs are aimed to leverage the mass of unskilled population, make them self-sufficient entrepreneurs through inter loaning and savings.

The objective of this paper is to study the role of SHGs in the Indian economy, their impact on women empowerment and aims to understand how sustainable SHGs can prove to be. The research also underscores the gender analysis and the nuances of three kinds of SHGs which include all male, all female and mixed. It highlights how women-led groups excel others in loan repayment, adherence to objectives, and sustainability. Ironically, the inefficiencies of male SHGs, stemming from interpersonal conflicts, ego, and higher literacy rates which reflect deeply rooted patriarchal structures that hinder equitable progress.

While the policy of SHGs is widely celebrated through success stories, there are underlying social, economic and political complexities which are holding this from realizing its latent power in eradicating poverty and social empowerment. These include non-repayment of loans, lack of effective leadership and organization, politicization, gender disparities, and unfulfilled promises of the government. This study also lays out the interplay between SHGs and the role of politics with reference to a case study of Tamil Nadu. Though perfect on paper, its implementation needs improvements and collective effort.

The paper concludes with key actionable recommendations emphasizing the need for inclusion of Blockchain technology to promote transparency in loans, gyratory or rotatory management or governance to increase accountability and training of all members to upskill them to encourage inclusive growth and contribute to India's vision of an equitable, inclusive, and self-reliant society.

Introduction

Rupa Goswami, like any other ordinary rural woman, never dreamt or didn't have the courage to dream beyond the four walls of her kitchen until she became a member of Manasha SHG. Through the loans provided by submitting a Micro Credit Plan (MCP), Rupa managed to step towards her journey of economic independence and not just being a dairy entrepreneur but also a beacon of light for her peers.

How a country aiming for global economic dominance still struggles with basic income equality and gender parity: Socio-Economic Backdrop of India.

Rupa's story reflects the broader socio-economic fabric of India with stark contrasts. India remains one of the world's fastest-growing large economies, taking the mantle of the fifth-largest economy leaving the United Kingdom behind. The GDP for F.Y. 2024-25 grew by a staggering 7.2%, exports by 8.7%, meanwhile, gross fixed-capital formation spending grew at 7.5% despite India undergoing the General Elections and its uncertainties this financial year.

Additionally, the digital revolution has never been stronger with digital payments penetrating rural India and the accessibility to the internet has grown much easier. The linking of millions of Aadhar cards with their banks has cut red tapism and corruption.

It has successfully hosted the G20, became the first in sending a rocket to the moon's south pole, and positioned itself as a global power.

Prima facie, the numbers and narratives seem to be working but digging deeper into the reality of the Indian soil, one cannot but face the sobering truth. For the vast population of 1.4 billion people living in India, it still seems like a struggle to find jobs and to sustain oneself in this economy. The socio-economic position hardly seems to improve with the growing poverty, income inequality and even the road towards being the third largest economy of the world would be irrelevant when India stands at the last position among all G20 and BRICS countries in terms of Per-Capita GDP. While the shimmer of growth numbers might blind us to the actual situation shows starking disparities. Men in rural and urban areas continue to face job losses but the condition of women in the workforce paints a grim picture of the broader position of women empowerment in India. It is startling to note that the labour force participation rate among females remains about 32.7%. A perpetuation of social, economic discriminatory behaviour in the society has contributed to the skewed sex ratios in the workforce, leadership and made them financially dependent. This can be particularly noticed in rural married women and as such, policy can't just be

focused on urban inclusivity but is required more in rural areas where women continue to face the repercussions of patriarchy and misogyny. More importantly, the quantity of employment does not suitably indicate the quality of employment of women as are seen concentrated more in highly informal, unpaid or subsistence-based sectors underscoring the poor position they enjoy in the society. Additionally, Nancy Agarwal et al points out: “The income effect suggests that a social stigma is created for unskilled workers when household incomes rise and social mobility increases (especially among the erstwhile poorer) women. This, coupled with the caste status of the households (in the rural context), limits women to so-called “household responsibilities.” This highlights a paradox where, as families achieve social mobility, women are increasingly expected to remain at home, reinforcing social, economic, and political inequalities. Consequently, addressing these disparities requires grassroots-level actions aimed at alleviating poverty and promoting social equity.

The Policy of Self-Help Groups-Bank Linkage Programme

Self Help groups are voluntary collectives of 10-20 persons mainly women in rural areas who come together to save money and provide loans to each other. They themselves decide on the amount of savings, loans, interest rates and the objectives. These people usually come from similar socio-economic backgrounds having faced a similar set of problems, and have a common purpose of resolving their issues through self-help and community engagement. SHG is an outlet, a passage for the economically weaker to access capital to gain financial assistance which otherwise would have been ineligible for the policy of Self-Help Groups (SHGs) revolves around microfinancing, where members contribute savings collectively. These pooled savings serve as a fund that enables the group to provide loans to its members, ensuring access to capital when needed. This policy follows a bottom-top approach aiming at leveraging the strength of rural unskilled population of India and empowering them financially, economically, socially, politically and mentally.

Like that of Rupa, the SHG-BLP (Self-Help Groups-Bank Linkage Programme) has reached 17.75 crore households as of 31st March 2024. It evolves as an effective mechanism to train, build capacity and upskill the rural population through inter-loaning. The inception of SHGs can be traced back in the 1980s to the concept of social mobilization introduced by Prof. Yunus’s Grameen Bank model. It was initiated later in India by MYRADA and adopted by NABARD. Both the models are based on the same fundamental ground of microfinancing, however, there are differences between the two. The Grameen model from its formation is smaller, more formal in its organization and disciplined in a militarized way owing to the

history of Bangladesh; however, SHGs in India are the very essence of democracy, individualism and are loosely autonomous. For instance, in SHGs, Non-governmental Organizations play a major role in training, capacity building and facilitating dialogue. Moreover, SHGs are like Micro-Banks in themselves carrying out all the necessary activities independently or with the assistance of MFIs.

There are different schemes in the market launched by the government based on micro-credit, however while those cost the treasury huge deficits, SHGs for that matter have proved to be sustainable, durable and more efficient than distributing freebies. SHGs has had a staggering 95% repayment rate of loans leaving the banks satisfied. The SHGs for one has reached the at the grassroot level and reflects the scale and the diversity of the financial system of India estimating to reach to 400 million people. The net household income, the average value of savings of the household seems to have significantly increased thereby contributing to the reduction in poverty and better living standards.

Hurdles in the path of true success of SHGs

Despite the ubiquitous nature of SHGs, there are some critical problems and challenges that have been identified with regards to the Self-Help Groups. Three key questions raised deal with the gender bias prevalent in SHGs, the sustainability of SHGs and their politicization.

Gender analysis of SHGs, their impact on empowerment and ostracization becomes an important subject owing to present inequalities in the current trends.

A study found that around 92% of households reported that women were more empowered post involvement in SHGs and their confidence, economic condition were seen to improve. However such results are highly preliminary and do not consider the full, broader, deeply rooted problem. As opposed to almost all other fields, where males take the lead, contrastingly, in SHGs, female groups are reported to be more efficient than all-male SHG. Hence, the gender analysis becomes important to understand the underlying cause of this inequality and why one would perform better than the other. Report by Purna Chandra Parida and Anushree Sinha on “Performance and Sustainability of Self-Help Groups in India: A Gender Perspective” underscores certain factors that have caused this divide. Some of them include mismanagement of money borrowed from the banks and lack of commitment and accountability. Surprisingly, the very factors that indicate a patriarchal

system has led to women SHGs to excel more than men. Even the higher literacy rate of males has made all-male SHGs unsustainable. An important aspect is also lower interpersonal ego among female members of the group and less chances of power struggle for leadership. This averts internal conflict and lets the group prosper peacefully. Conversely, all-male groups are prone to in-fighting for leadership positions within the group. Ironically, the very qualities that are typically seen as essential for building an equal society, such as education and leadership, were absent, yet it was this lack that contributed to the efficiency of the all-female groups. To move out the financial dependency which may have been caused due to patriarchy, characteristics of this inequality are the factors which help succeed them. Study has shown that one of the reasons for women's success is because they tend to follow more than lead which is quite flawed but is aiding the SHG to its advantage.

Along these lines, the most important factor about any policy design is how long the policy can sustain itself. For example, some government schemes which distribute microcredit for vote bank purposes are not at all sustainable since they cost huge deficits. Therefore, It becomes imperative to analyse the sustainability of SHGs while evaluating this initiative.

The factors which influence the sustainability of SHGs are loan recovery, repayment, per capita saving and linkage with a federation. Reports suggest that among the sample of three types of SHGs including, all-male, all-female and mixed, 73.7 percent of sample SHGs reported 100 percent repayment by members. Among the three types of SHGs, 75.1 percent of all-female SHGs reported 100 percent repayment by members, which is considerably higher than all-male SHGs (56.8 percent) but lower than mixed SHGs (81.8 percent).

Women SHGs were suggested to be more sympathetic towards savings and investment in education, healthcare and tend to stick to the pre-defined objectives contrary to increased expenditure on alcohol consumption by male-SHG. They are highly concerned about the well-being of their children and family members and their aim was to educate themselves and confront social, political, and economic problems. On the other hand, members of all-male SHGs have had interpersonal conflicts, and tend to not follow the basic objectives and goals of group formation. As a result, they are most irregular in loan repayments and perform badly in economic and administrative activities. This suggests that female SHGs are more sustainable than all-male ones. There is potential to make SHGs a true source of poverty alleviation in India however, if the status quo is maintained, the ship is destined to drown.

Another major problem which hinders this policy from reaching its full potential is the politicization of SHGs. The SHGs have come to become a breeding ground for mobilisation of mass crowds and identity politics. The political parties hunt these SHGs and fund them only for the purpose of gaining votes and support. Politics, however, can be both destructive and effective.

Case in Point, In Tamil Nadu when DMK was in power, Stalin, as deputy chief minister, at multiple occasions, was seen as providing bank loans to the SHG leaders during his public meetings “for whom the SHG member will vote”.

Apart from this, the role of non-governmental organisations is also a contested political issue. Often, the NGOs supposedly neutral tend to extend favours to closely related SHGs. This can prove to be disadvantageous to other SHGs and lead to their ostracization. Additionally, the statistical evidence of the reach and engagement of SHGs can also be misleading since the increase in quantity cannot always ensure quality. This inefficiency can be associated with the lack of organization and cohesion which necessitates examining collaborating and reactionary elements in SHGs. Moreover, many SHGs have not yet received fully promised loans and subsidies as promised. The claim of linking SHG accounts with Panchayat Level Federations (PLF) so as to increase the limit of the loans up to Rs 10 lakh has not been fulfilled in most cases.

Policy Recommendation

While the policy of SHGs is widely celebrated through success stories, there are underlying social, economic and political complexities which are holding this from realizing its latent power in eradicating poverty and social empowerment. Though perfect on paper, its implementation needs improvement, transparency and collective effort. The introduction of technologies like blockchain would help in keeping the managerial work transparent, free from politicization and corruption. Secondly, there is a need to incentivise the members to attend meetings regularly. In that regard, the members can earn points, redeem them and use them to their advantage. This will increase activity among the members of the SHGs and community engagement as a whole. To avoid interpersonal conflicts and power struggles, gyratory or rotatory management or governance should be followed such that each member has the opportunity to lead and manage the affairs. This will increase accountability and responsibility among the members and will achieve higher efficiency. The leaders of the SHGs need to be provided training in group dynamics and leadership so that they can run

their groups more democratically and effectively. Moreover, there should be stricter regulation and measures to avoid deviation from the pre-defined goals and objectives as well as the misuse of funds taking inspiration from the Grameen Bank Model.

There is a dire need to introduce formal skill building training for women and keep it limited to the informal sector where often the role of women goes unnoticed. There is a need to scale up this initiative to include entrepreneurial capacity building for all SHGs.

Conclusion

SHGs are an effective tool to alleviate poverty especially in rural India which lingers far behind and drowns in inequalities. SHGs can prove to be a life saviour especially for women like Rupa, which can make them empowered entrepreneurs and self-sufficient. It can contribute to our GDP. However, to be able to fully manifest itself as a success, there needs to be implemented reforms, changes and legislations to allow SHGs to work as full-time entrepreneurial groups away from politicization and discriminatory practices. The Government and civil society need to provide a supportive and conducive environment for these groups to thrive. With the right efforts and measures. SHGs can truly transform the rural economy of India bridging the urban-rural divide and leveling the way for a just, equitable and inclusive economy and society.

References

1. Ascent Group India. (n.d.). Top-performing SHGs in rural India: Success stories. Retrieved from <https://ascentgroupindia.com/blog/top-performing-shgs-in-rural-india-success-stories/>
2. Press Information Bureau. (2025). India statistics. Government of India. Retrieved from <https://pib.gov.in/PressReleasePage.aspx?PRID=2090875>
3. Agarwal, N. (2024). The new working poor in contemporary India. *Economic and Political Weekly*. Retrieved from <https://www.epw.in/journal/2024/26-27/commentary/new-working-poor-contemporary-india.html>
4. World Bank. (2005). *The impact of group-based credit programs on poor households: Evidence from India* (Policy Research Working Paper No. 3516). Retrieved

from

<https://documents1.worldbank.org/curated/ar/390771468771327388/pdf/wps3516.pdf>

5. George, M. S., Pant, S., & Neelam, S. (2021). *Role of self-help groups in improving health literacy among women in India. Journal of Family Medicine and Primary Care*, 10(8), 2923–2929. Retrieved

from <https://pmc.ncbi.nlm.nih.gov/articles/PMC8350313/>

6. Brody, C., de Hoop, T., Vojtkova, M., Warnock, R., Dunbar, M., Murthy, P., & Dworkin, S. L. (2016). Can self-help group programs improve women's empowerment? A systematic review. *Journal of Development Effectiveness*, 9(1), 15–40. Retrieved from https://www.researchgate.net/publication/305507638_Can_self-help_group_programs_improve_women's_empowerment_A_systematic_review

7. Datta, U. (2010). *Self-help groups in India: The lights and shades. Enterprise Development and Microfinance*, 21(3), 211–226. Retrieved from https://www.worldscientific.com/doi/pdf/10.1142/S0116110510500034?srsId=AfmBOorpFcXzvowkdl9RpeoLCgCwXI_3CvR9lAwSlV-8Eg3qMrK-CG8I

8. *World Development*, 176, Article 105345. Retrieved from <https://www.sciencedirect.com/science/article/abs/pii/S0277539524000311>

9. Times of India. (n.d.). Freebies cheer self-help groups, poor loan disbursal hurts. Retrieved from <https://timesofindia.indiatimes.com/blogs/tracking-indian-communities/freebies-cheer-self-help-groups-poor-loan-disbursal-hurts/>

10. State Institute of Rural Development, Assam. (n.d.). *Management of self-help groups*. Retrieved from https://sird.assam.gov.in/sites/default/files/swf_utility_folder/departments/sird_pnr_d_uneecopscloud_com_oid_10/this_comm/Management_of_Self_Help_Groups.pdf