

Contribution of Self-Help Groups in Rural Economic Development

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Abstract

Since the 19th-century cooperative societies to the 21st-century self-help groups (SHGs), the concept of self-reliance and mutual-help has continued to be a rather common strategy in the development-intervention. The current research is a serious attempt to analyze the many-sided association between the doctrine of self-help and social capital formation as a development driver of the underdeveloped areas. The study, in particular, aims at evaluating the role of SHG participation and the pre-membership socio-economic status in the amassing of social capital among the members of the SHGs in three representative development blocks, i.e. Ratlam, Jaora, and Sailana. The paper, further, examines the two-way connection between the creation of social capital and the efficacy of SHGs in the realization of economic and social empowerment of their members. The research finds that increased involvement in SHG activity and positive pre-membership socio-economic status are important determinants of increased social capital formation in the members of SHG..

Keywords: Social Capital, Self-Help Group, Economic Development, Income Generation Activities, Non-Governmental Organizations, Effectiveness.

1. Introduction

Self-Help Groups (SHGs) have become a topic of much discussion among social scientists interested in the development issues in developing countries, especially since Muhammad Yunus won the Nobel Peace Prize in recognition of his groundbreaking role in reducing poverty by the Grameen Bank. SHGs were initially formed in Europe in 1935, as Alcoholics Anonymous, with the main goal of assisting the destitute alcoholics to quit the addiction. These associations, which serve people with different chronic physical and mental disabilities, are still operating in various parts of the world. Nonetheless, some members of self-help groups focus on other issues than health, e.g., single parents, sexual minorities or ethnic minority representatives who assert their inalienable rights in self-help groups. Throughout time, occasional examples of such groups have emerged in virtually all countries under some name or other, but they were known by different names and at different times. The creation of these groups is a group desire to identify with something, claim an identity and provide legitimate expression to collective experiences. In Germany, self-help groups also offer part time jobs to their women members. However, these groups are very different in nature as compared to their Indian counterparts. Unlike SHGs in the western countries and other Asian countries like China and Japan, which focus on health-related issues or identity politics and are aligned to one issue, SHGs in India are multidimensional in nature. They became known in India in the 1980s, when the microfinance movement acquired a transformative nature due to a number of reasons, and SHGs began to be seen as an efficient microfinance delivery vehicle in the nation. Indian SHGs cover a wide range of relevant issues concerning economic, political and social life of the members.

The best help is self-help, God helps those who help themselves. These words have gone beyond being moral teachings in folktales. Now they are the main drive of rural societies trying to minimize, probably to get rid of, the poverty burden in their lives. The economically sidelined communities have united themselves willingly to save small sums of money on a regular basis, deposit these funds in a common pool and meet the emergency demands in terms of mutual assistance. Such groups are known as self-help groups, which use collective wisdom and peer pressure to see that credit is used appropriately and repayment is made on time. By so doing, they have played a significant role in making the simple banking services available to individuals who have till now been locked out of the so called formal financial sector.

2. Background of the Study

Self-Help Groups in India are small, economically homogenous and harmonious groups of people who live in economically disadvantaged groups of society. Members do unite and determine to pull a set amount on a regular basis and contribute towards a shared corpus. The basic aim of such groups is to serve the emergency requirements of the group members and offer credit without security at a rate agreed on by both parties, which is usually less than the current market rates. They embrace group decision making and address conflicts via group leadership. These organizations strive to establish social and economic empowerment of the once marginalized and disenfranchised groups and especially women. SHGs focus on the importance of social interaction and personal responsibility.

Women are the main component of the developing state, and they equally hold the critical role in society as men. Demographically, women constitute half of the population of the country and have equal needs and significance in society. Their abilities should not be underestimated due to gender factors and the same opportunities and appreciation should be given to them as to men. Men and women are the two wheels of the same vehicle and have the same significance but the problem is that women are not given rights on equal footing as men. Women in our society are not in a satisfactory position. The illiteracy of women is very high in rural areas, especially, and most of the women cannot support themselves. This issue is further exacerbated in other economies such as India, although women labor is highly contributing to the economy. It is common knowledge that, in order to have holistic development in the country, it is necessary to empower women by giving them economic independence.

3. Role of Self-Help Groups in Rural Development

Self-Help Groups is a concept that is now well established, and has been around almost 20 years. SHGs are nowadays a key player in poverty reduction in the rural regions and are known to be the vehicle of national economic growth. They have grown to become a movement in itself. Because the membership of SHGs is mainly constituted of women, their involvement in the economic development of the country has been gradually increasing. They play a key role in uplifting the economic status of their families. Women make about half the total human resource base of the economy and their participation via SHGs has strengthened the women empowerment process. However, women have remained subordinate to men due to many socio-economic and cultural restrictions, a fact that is more pronounced in the rural and backward regions. Activities that are oriented towards women should be prioritized in reducing poverty, economic development and improvement of living standards. SHGs promote small savings among its members and offer a new avenue where women can actively participate in the development process by managing natural resources and other livelihood practices.

The main role of SHGs in rural development can be described as follows:

Credits Access: It is not an easy task to access individual loans in formal banking institutions when the economically disadvantaged are considered; membership in a SHG gives the economically disadvantaged a significant chance of getting bank credit without any security.

SHGs enable self-employment: SHGs create micro-enterprises, which provide members the opportunity to engage in income-generating activities.

- **Skill Development:** SHGs and skill enhancement programs under their supervision enhance the employability of their members and provide them with market-relevant skills.

Rural Poverty Reduction: SHGs have become a powerful tool to get people out of the poverty trap, create awareness on government welfare and development programs, and make them happen.

- **Better Living Standards:** With more jobs, more people have more income and the income is used to enhance access to food and health services as well as quality of life.

- **Women Empowerment:** SHGs help to improve the position of women and produce awareness regarding their roles and duties as well as providing livelihood opportunities and financial and social security as highlighted in the Second Administrative Reforms Commission Report.

Literacy rate: The level of literacy has increased significantly with the increasing role of women with the participation of SHGs.

Social Capital: SHGs offer an avenue through which people can congregate weekly and discuss the diverse issues and problems they face in their everyday life as a source of social capital formation.

4. Review of Related Literature

Many research organizations, agencies and implementing bodies have carried out various studies, evaluations, impact studies and appraisals of SHGs and their federations in the country. It is not the aim of the present paper to review all the past studies. Nevertheless, a short description of recent research on the topic that was published is provided below.

N. Rajeswari (July 2023), Manimegalai.

In this research, the title was Self-Help Groups in India: A Study of the Bright and Dark Sides which reviewed all the relevant facts of SHG operation such as membership, exclusion, dropout rates, group record maintenance, intra-group equity, default and recovery mechanisms, role of SHGs in local politics, their part in solving the social justice and goodwill issues as well as sustainability of SHGs- with clear aims of deriving The authors used 214 SHGs in nine districts in four states namely Andhra Pradesh, Karnataka, Odisha and Rajasthan.

Ashok Kumar Gupta, Shobhana Goyal (2024)

This paper has analyzed how SHGs work and they are defined as informal groups such as individuals with common problems that come together to solve their common problems and raise their living standards. The members belong mostly to the same socio-economic status and they make joint savings in a shared bank account. The study revealed that over 50 percent of SHG members were members of families living below poverty line, mostly SC and ST families. SHG leaders were more likely to have a better-off household. SHG membership was only in 29% of the households in selected villages. Membership eligibility criteria imposed by SHGs were cited as the main reason why some were not members.

5. Research Design

The research design in the study is pre-post experimental research design where the pre-intervention factor is estimated. The study specifically focuses on how SHG membership and pre-membership socio-economic status affect members of three representative development blocks Ratlam, Jaora and Sailana. The mode of sampling that has been used in order to select representative samples is multi-stage sampling methodology that is combined with random sampling. The personal interviews with the members of SHG (both leader and ordinary member) were conducted in the mentioned areas of study using a fully structured interview schedule. The data analysis has been done using statistical tools to help in interpreting the results obtained.

After joining the groups, the members registered positive economic statuses.

After joining SHGs, women have gained a lot of horizontal and vertical social capital. They develop new relationships with government and non-government officials, bureaucrats, other SHG leaders and so on. The degree of trust - amongst members and between members and non-members - also indicates an improvement after having been involved in SHG activities.

6. Research Methodology

(i) Research Area

In the context of the current research, the researcher analyzed the SHGs located in the rural regions of Ratlam district, namely, in the village of Ratlam, Sailana, and Jaora.

(ii) Data Collection

In this study, the researcher used a survey of the research area as the primary source of collecting the data, primarily based on secondary data.

(iii) Research Objectives

The aims of the research are:

- To identify the changes in the economic condition of members both before and after joining the groups.

(iv) Research Hypotheses

The researchers developed the following hypotheses and tested them with the help of the t-test to investigate the effect on income after joining Self-Help Groups:

H0: There is no significant increase in the income of women after joining Self-Help Groups.

H1: There is a significant increase in the income of women after joining Self-Help Groups.

(v) Data Analysis

The researcher also took a survey of the rural regions of Ratlam district to collect data. In conducting the survey, an effort was made to determine changes in the level of economic status of women who were members of SHGs in the sampled villages. The survey indicated that the participants had a positive change in their economic situation after joining SHGs hence providing a tangible meaning to the term of economic development in rural settings.

Table 1: Income of Self-Help Group Members (Annual Income in ₹)

S.No.	Occupation of SHG Members	Ratlam SHG Income (₹)	Sailana SHG Income (₹)	Jaora SHG Income (₹)	Total Income (₹)
1	Tailoring, Embroidery, Papad/Pickle/Murabba Making	47,872	36,344	28,534	1,12,750
2	Daily Wage Workers	67,789	59,784	52,653	1,80,226
	Total Income	1,15,661	96,128	81,187	2,92,976

As witnessed by Table 1, SHG members in Ratlam took to tailoring, embroidery, and papad/pickle/murabba making that earned them 47,872 per annum upon joining the groups. Their counterparts in Sailana and Jaora would make 36,344 and 28,534 per year respectively out of the same occupational classes. On the other hand, daily wage workers in Ratlam, Sailana and Jaora received ₹67,789, 59,784 and 52,653 annually after joining SHGs.

The analysis above shows clearly that the level of income rose in practically all classes of occupations that the members pursued, which means that the funds were used in all the activities that they undertook, including tailoring, embroidery, and the preparation of food products, and in new livelihood opportunities. This was a two-fold impact; it increased the minimum wage level, and at the same time created certain jobs to other women members. Based on the results of this research study, it is clear that the null hypothesis is completely rejected, and the directional hypothesis is completely accepted.

7. Research Findings

Income Benefit due to SHG Membership.

The greatest reason why women join SHGs is to access a stable and stable income source through participation in activities conducted by the group. To some women, this is their only livelihood and to some it is a source of supplementary income. Empowerment of women is a holistic process, which involves making an enabling environment to promote female involvement especially in areas that were in the past dominated by men. Based on this view, it is mainly attained by educating women and creating awareness about their rights in general. Women and men have varying priorities and in this regard, they will always exercise their rights in a manner that reflects the priorities. SHGs are informal groups where people facing similar issues join together to create a group with the aim of solving their mutual problems and enhancing their living standards. They are highly attracted on similar socio-economic backgrounds and share in common savings deposited into a shared account.

This source of finance is used as a corpus by the SHG and is used to provide credit to its affiliates. It is an essential tool of ensuring that people below the poverty line can come out of economic distress and rise their social status by encouraging self employment. Income Enhancement as a Result of SHG Membership

8. Recommendations

Social-economic development and empowerment of rural women is being actively implemented through Self-Help Groups. There has been an attempt to collect and measure information to determine how successful these groups have been in alleviating poverty through increased household-level capital and asset formation, increased household and enterprise income, increased domestic entrepreneurial activity, increased rural women employment, women empowerment and better community access to other financial services.

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