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## Impact of Self Help Groups on the Economic Development of the India

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### **Abstract :**

Poverty in India is extensive with the nation estimated to have onethird of world's poor. Microfinance has been proposed as a possible solution for themaximum outreach and lessening of poverty in the people especially the disadvantageous sections of the society. The SHG helps people for fulfilling their financial needs. The people can empower themselves with the help of SHGs. The empowerment of the citizen will lead to the economic development of the nation.

Keywords : SHG, economy, development

### **Introduction**

India is the agricultural country 70% of population still live in villages(rural area)and also wholly depend on farming for their livelihood ,in India day by day population is increasing and hence that pressure has to bear by the agriculture sector. In agriculture sector problem like unemployment still not solved and so that the status of poor farmer is not at par, it may happen due to the unawareness among the farmers. In agriculture sector unemployment has burning question, major faults is that agriculture sector is contributing very less to the GDP, at the end now government take a help of traditional businesses and with the help of it employment rate has raised. But still because of lack of capital, inefficiency in business and lack of entrepreneurship all were economically weak in respect to development of India.

In the year 1991 liberalization, privatization and globalization (LPG) business has to compete internationally and fight with the other companies, due to it many big companies either merge or take over in other companies and again unemployment has increased. Today in India



unemployment rate is 3.8%.TO provide employment to the unemployed people one has to make them conscious regarding entrepreneurship, SHGs playing vital role in development of entrepreneurship if we think so it will not exaggeration. With the help of SHGs people can start their small business or personal business, for that SHGs giving microfinance to all people those are interested in it. We can see the specialty of SHGs is that it helps for citizen empowerment and through it development of economy can be done.SHGs also helps to poor and economically backward people and make them employable or decrease the poverty and also contribute to remove so many problems of rural areas regarding employment.

Through this study researcher will find out the SHGs and JLGs in District as well as in Talukas of Amravati and also make them employable and find out the solution for poverty, lack of entrepreneurship, unemployment this is the main aim of this research project.

The word Microfinance which means lending the finance to the small enterprises and agriculture sector. In the India it has seen that the richest become rich and poor became poorest, so far set the level and bridge to eliminate this gap micro finance system and policy necessary to remove this gap. There are various institutions which are supported for providing micro finance but they cover only 50 to 70%.It means that 30% still remaining and so that the new policy is important for the same. The microfinance is the facility credit and other financial services and product of very small amount to the poor and enabling to raise this income level and improving their standard of living. The micro financing are operated through small groups commonly referred to as a self help group

## **Research Objectives**

1. To study the important issues and problems in formation and financing SHGs and JLGs.
2. To study the economic impact of activities of SHGs and JLGs on their members comparatively.



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## Hypotheses of the Study

Economic empowerment leads to social empowerment in the form of better lives of SHGs and JLGs members.

## Scope of the Study

The proposed study will be conducted in respect to beneficiaries of SHG and JLG under microfinance.

According to the latest figures, about 25% of the Indian population belongs to the rural poor. People make up one-third of the Indian labour force. Though, social constraints have prevented them from having access to and making use of the available resources that may help them improve their living conditions. Self Help Group is seen by many as the substance for rural development, women and social empowerment. Its importance in the Indian economy is seen through many achievement stories like production and others.

## Self-Help Groups :

- Self Help Groups (SHGs) are unceremonious groups that consist of people who face similar problems.
- These people come together to form a group to overawed their common problems to improve their standard of living.
- They are mostly from a comparable socio-economic background and are involved in undertaking small savings amongst themselves in a bank.
- This amount acts as the fund for the SHGs and is used to offer loans to its members.
- It is a vital instrument to alleviate people from below poverty line and improve social status through the promotion of self-employment.



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## Functions of the SHGs :

Initiate and maintain savings within the group:

All members must frequently save at least a small amount. These funds allow them to get future credits for their group.

- Lending loans to the members: The savings made by the SHG must be used to offer loans to members of the group. Everything related to the loan must be obvious within the group.
- Solving common problems: SHGs mostly consist of persons who face similar problems. The grouping should essentially help the individual overcome these problems through deliberations and interactions within the group and overcoming the problems and finding a common and united solution to the problems.
- Bank Loans: SHGs must work on getting a cooperative guarantee system so that they can avail loans from official sources.

## Importance of SHG to India :

The prerequisite to solve problems at the ground level: India is a country that has diverse culture, traditions, historical backgrounds, etc. Thus, it is difficult for the government to solve the socio-economic problems by itself. Therefore, bringing together the people who face similar problems may be a game-changer for the Indian economy.

Financial Inclusion: Giving to the NSSO data, 51.4% of the farmer households are not able to have access to formal credit. This has led to numerous negative implications such as poverty, farmer suicides many in India are not able to obtain.



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## Role of SHG in the Economic Development

Development also means reduction in poverty and inequalities in the distribution of income and wealth in the society. Poverty is not to be redistributed; it is growth which ought to be redistributed. In the light of the above definition given by Professor Todaro, microfinancing has been used as the latest tool for an income generating activity by providing small loans to the poor families in order to set up or expand their own units. Furthermore, the idea of development can only be fulfilled if it is inclusive and reaches the most disadvantaged/deprived section of the society. Microfinance is being regarded as the latest panacea in the public policy of a welfare-cum-growth oriented economy.

SHGs are supposed to be the vehicle for women empowerment and poverty alleviation. According to the Planning Commission of India SHG is a self-governed, peer measured small and informal association of the poor, from socio-economically homogeneous families who are organised around savings and credit activities. Members of SHGs meet weekly or monthly and discuss common problems and share information to come at a solution. Group members make effort to change their economic and social problem through mutual assistance. Though the concept of SHGs was piloted by NGOs namely MYRADA in India in Mid 80's but the progress remained low until NABARD took over this project in 1992. What started as a pilot program has now become a movement for social Empowerment mainly for rural poor women. The no. of SHG's linked to banks has increased from about 500 in the early 1990s to more than 1.6 million in 2006. The SHG strategy has become an important component of the Government's overall thrust to mitigate poverty and has been included in every annual plan. Lot of research work has been undertaken to measure the impact of SHG movement on socio-economic empowerment.

SHG needs to

- To alleviate poverty
- To increase employment opportunity
- To accelerate economic growth



- To raise status in society is the major reason for respondents joining the SHG
- To promote income generating activities

### SHG and Employment :

The implementation of SHG has made Self-employment opportunities for the rural poor. The progress of the program since beginning assisted in formation of 35.7 lakh SHGs; assisted 1.24 Cr. Swarozgaris in establishing their own micro-enterprises. The Government of India released Rs.11, 486 Crore under this program; bank credit armament is Rs.19, 017; Total subsidy provided is Rs.9, 318 Cr. The program helped many participants in improving their economic conditions. Another good accomplishment of the program is that it has adopted the SHG strategy. The number of helped SHG/ group Swarozgaris has increased from 35,000 in 1999 – 00 to 1.15 million in 2007 – 08. At the same time the number of aided individual Swarozgar has declined from 586 thousand in 1999 – 00 to 254 thousand in 2007 – 08. The National Bank for Agriculture & Rural Development (Nabard) will create a Rs.15 billion fund to cater to women's Self-Help Groups in economically weaker districts in the country, After joining the self-help group the women are economically and socially empowered. This empowerment cannot be transformed or delivered it must be self-generated such that it enables those who are empowered to take control over their lives.

### Hypothesis Testing

$H_{01}$  : There is no significance association between Microfinance and economic empowerment of members of SHGs.

$H_{11}$  : Microfinance leads to economic empowerment of members of SHGs.

This hypothesis regarding microfinance and economic empowerment of members of SHG's is tested through the One Sample t-test using statistical software SPSS.



**One-Sample Statistics**

N	Mean	Std. Deviation	Std. Error Mean
50	2.6805	1.21460	.03137

**One-Sample Test**

Test Value = 2.68					
t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
				Lower	Upper
.014	50	.988	.00045	-.061	.062

To test this hypothesis; a Likert scale is used. Response of 50 member respondents are recorded and inputted in the SPSS software. The mean value generated is 2.68 and Standard Deviation is 1.2146. The test value is set as 5 as Likert scale is five level scale to record the responses. From the above One Sample t-test hypothesis is significant i.e. 0.988. So the NULL hypothesis is rejected and the alternate hypothesis 'Microfinance leads to economic empowerment of members of SHGs is accepted.

**Conclusion :**

SHG Programme plays a key role in the lives of the common people. The programme in various areas all seem to be very successful in reaching poor clients. Importantly; there is evidence of increased household income. Standard of living for the program participants have is improved. At the individual level, there is indication that the programme attracts already comparatively empowered people and that empowerment occurs among some clients through



programme participation. The process of empowerment establishes itself in increased self-esteem. Programme participation is also accompanying with changes in decision-making at the family level. The economic participation of individual will directly impacting on the nation economy. Thus the SHG helps in contributing in the economic development of the nation.

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