

Empowerment through Collaboration: An Analysis of Growth Patterns of SHGs in Rural India

By

Sagarika Goswami

Research Scholar, Tezpur University, Tezpur, Assam

Abstract

Self Help Groups act as an instrument for the economic betterment of rural people, especially by empowering women by providing them access to credit. Since the establishment of these groups, large numbers of women have been getting financial assistance from banks through SHGs. Economic development and upliftment of rural areas largely depend on these groups. Over the years the number of groups formed is increasing indicating the rising importance of these groups. This study analyses the pattern of savings done by these groups, the distribution of loans among groups, the amount of loan outstanding and the level of NPA and tries to interpret them by using secondary data for the period of 10 financial years.

Keywords: Loan disbursement; Loan outstanding; NPA, SHGs; Savings.

Introduction:

Rural India, which is home to a significant portion of the country's population, faces numerous challenges that hinder economic growth, social equity, and individual empowerment. People in these areas encounter issues such as poverty, inadequate infrastructure, limited access to financial services, and gender inequality. Despite India's rapid economic development, rural communities often find themselves isolated from the opportunities and resources that could improve their living standards. In this context, initiatives like Self-Help Groups have emerged as effective instruments of change, promoting collaboration, self-reliance, and mutual support..

Self-Help Groups, commonly known as SHGs are voluntary collaborations of 10-20 members. SHG is an informal association in which individuals with similar backgrounds come together to collaboratively enhance their living conditions, often with the support of a government

agency or NGO (Ahemad & Katoch,2022). These groups are predominantly self-governed and play a vital role in improving the economic status of their families while fostering women's empowerment. These groups are grassroots-level collectives mostly composed of women, focusing on pooling savings, providing access to credit, and empowering members socially and economically. This community-based approach is especially relevant in areas where formal banking and financial services are limited, providing a lifeline for those in need of financial stability. The National Bank for Agriculture and Rural Development (NABARD) defines SHGs as "small, economically homogenous affinity groups of rural poor, voluntarily formed to save and mutually contribute to a common fund to be lent to its members as per the group members' decision"

In India, SHGs become an essential tool for community development, particularly in rural regions. With many people in rural areas lacking access to formal financial institutions, SHGs offer an alternative that encourages savings and responsible borrowing. These groups often work in connection with government programs like the National Rural Livelihood Mission (NRLM), which supports SHGs in scaling their efforts and expanding their reach.

Micro-finance provided by Self-Help Groups (SHGs) is crucial for combating exploitation and fostering confidence and economic independence among rural populations, especially women who often go unnoticed in social frameworks. SHGs provide micro-finance to the rural poor to empower women to become entrepreneurs and motivate them to engage in business activities (Venkatesh,2009). SHGs offer workshops for women that are directly applicable to their needs, along with training in finance management, enterprise development, product packaging, branding, and pricing, all of which assist women in launching their businesses (Mathur & Agarwal, 2017). Self-help groups (SHGs) can also engage in contracts for supplementary services like childcare, extracurricular activities for school-aged children, and vocational training programs. They can act as a forum to tackle community challenges such as domestic abuse, substance abuse, the dowry system, the quality of education, and insufficient infrastructure (Desai & Joshi, 2014).

This paper attempts to study the growth of self-help groups (SHGs), their saving patterns, trends in loan disbursement, outstanding loans to SHGs, and the status of non-performing assets (NPA) for SHGs in rural India.

Literature review:

Ahemad & Katoch (2022) studied the role of self-help groups in Jammu and Kashmir and found that SHGs played a crucial role in enhancing income and employment opportunities of rural women.

Saha (2019) studied how self-help groups (SHGs) affect the lives of poor people in the Pandua Block of Hooghly district, West Bengal. She found that SHGs provide financial help by giving access to credit. They also play an important role in reducing poverty to some extent.

Kondal (2014) studied the impact of SHGs on women's empowerment in Gajwel Mandal, Medak district, Andhra Pradesh. The study found that SHGs played a significant role in enhancing women's financial strength and self-reliance, enabling them to save and invest for further development. Additionally, SHGs fostered confidence among members in the villages through awareness programs and loan policies.

Thangjam Ravichandra et al.(2022) found that self-help groups greatly improve women's empowerment, especially in the critical areas of decision-making and leadership. This empowerment helps women business owners engage effectively with their communities, which can lead to higher income for self-help groups.

Minimoi and Makesh (2012) discussed the role of Self-help groups in empowering women in the Karela district. They found that while SHGs have been beneficial, they have not fully achieved their goals regarding rural women's empowerment, indicating that further efforts are necessary.

Mathur & Agarwal (2017) studied the role of Self-Help Groups (SHGs) in empowering Indian rural women and found that these groups provide the essential support needed to improve their circumstances. They noted that SHG participants often see better outcomes for their children as well.

Objectives of the study:

1. To analyse the trend of bank loan disbursement to SHGs.
2. To analyse the progress of SHG savings in the bank.
3. To study the pattern of outstanding loans and NPA levels of SHGs in India.

Methods and Materials:

The study is both analytical and descriptive in nature. It relies on secondary data gathered from various sources, including books, research papers, articles, journals, and reports from NABARD. The analysis covers a period of ten financial years, from 2013-14 to 2023-24.

Interpretation:

The study has highlighted the number of Self-Help Groups (SHGs) established, along with their respective savings and the corresponding percentage of growth. The data also encompasses the trends in loan disbursement and outstanding loans for SHGs from the financial years 2013-14 to 2023-24. Furthermore, it analyses the status of non-performing assets (NPA) among SHGs in rural India.

Table-1: SDGs savings with banks

Year	no of SHGs (in lakh)	saving amount (in crore)
2013-14	74.30 (1.53%)	9897.42 (20.45%)
2014-15	76.97 (3.59%)	11059.84 (11.74%)
2015-16	79.03 (2.68%)	13691.39 (23.79%)
2016-17	85.77 (8.53%)	16114.23 (17.69%)
2017-18	87.44 (1.95%)	19592.12 (21.59%)
2018-19	100.14 (14.52%)	23324.48 (19.05%)
2019-20	102.43 (2.29%)	26152.05 (12.12%)
2020-21	112.23 (9.57%)	37477.61 (43.31%)
2021-22	118.93 (5.97%)	47240.48 (26.05%)
2022-23	134.03 (12.7%)	58892.68 (24.67%)
2023-24	144.22 (7.60%)	65089.15 (10.52%)

Source: Compiled from NABARD report: Status of Microfinance in India

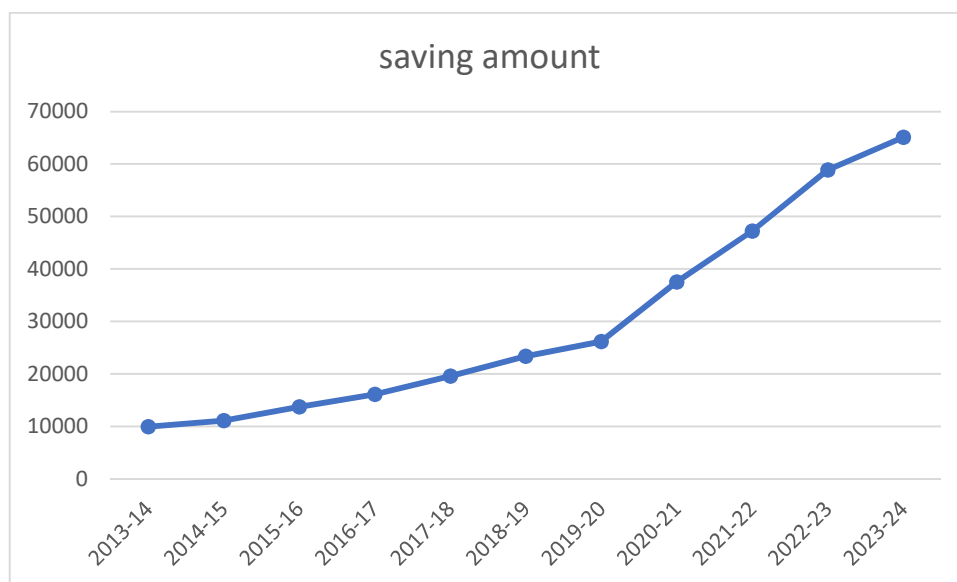
The table-1 illustrates the number of Self-Help Groups and their corresponding savings amount for the year 2013-14 to 2023-24 along with their growth rate percentage for both the number of SHGS and their savings. The data reveals that the number of SHGs steadily increased from 74.30 lakh in 2013-14 to 144.22 crore in 2023-24, indicating significant growth over the decade. In the financial year 2018-19, the growth rate of the number of Self-Help Groups (SHGs) was the highest at 14.52%.

The savings amount has shown a consistent growth trajectory, beginning at Rs. 9,987.42 crore in 2013-14 and reaching Rs. 65089.15 crore in 2023-24. Notably, in 2015-16, there was a significant increase of 23.79%, highlighting the enhanced savings capacity of Self-Help Groups (SHGs). The financial year 2020-21 experienced the highest growth rate, at 43.31%, likely due to the heightened reliance on SHGs during the COVID-19 pandemic.

This growing number of SHGs and their increasing savings highlights the effectiveness of SHGs in fostering financial independence and inclusion within rural communities.

The following figure (1) shows the graphical representation of growth of savings amount with bank.

Figure-1: Graphical representation of Growth of savings



Source: Compiled from NABARD report: Status of Microfinance in India

Table-2: Status of bank loan disbursed to SHGs

Year	No. of SHGs	Total loan disbursement(in lakh)	Average loan disbursement
2013-14	1366421	2401736	175768
2014-15	1626238	2758231	169608
2015-16	1832323	3728690	203495
2016-17	1898120	3878116	204314
2017-18	2261132	4718587	208683

2018-19	2698400	5831763	216119
2019-20	3146002	7765935	246851
2020-21	2887394	5807068	201118
2021-22	3398267	9972923	293471
2022-23	4295521	14520023	338027
2023-24	5482152	20928587	381758

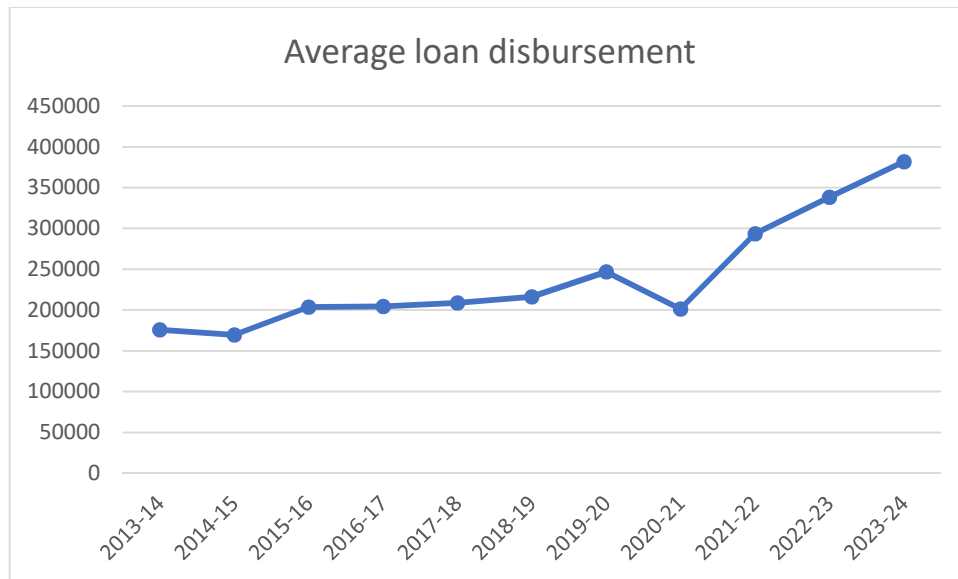
Source: Compiled from NABARD report: Status of Microfinance in India

The table-2 provides data on the performance of Self-Help Groups in terms of loan disbursement during the financial year 2013-14 to 2023-24. Since 1992, credit agencies like commercial banks, regional rural banks and cooperative banks have been helping women by providing loans through SHGs. According to the table above, the number of SHGs availing bank loans has increased over the years. In FY 2013-14, only 1366421 SHGs were receiving loans from banks, which increased to 5482152 SHGs in FY 2023-24. Although this figure is increasing only 54.82 lakh out of 144 lakh SHGs have got institutional credit during 2023-24. That means only 38.06% of SHGs are getting loans from banks.

The total loan disbursement amount has shown a consistent increase over the years. Initially recorded at ₹2401736 lakh in the financial year 2013-14, it rose to ₹20925887 lakh by 2023-24. The average loan disbursement per Self-Help Group (SHG) has exhibited a varied trend. In 2013-14, this average was ₹175768 and reached its peak at ₹381758 in the financial year 2023-24; however, it experienced a minor decline during 2020-21 in comparison to the previous year. The steady growth in both the number of SHGs and the amount of loan disbursements underscores the vital role these groups play in enhancing financial inclusion and empowering women in rural regions. Despite this positive trend, it is important to note that the percentage of women accessing loans remains unsatisfactory.

The following figure (2) illustrates the trend of average loan disbursement per SHGs by banks.

Figure-2: Graphical representation of average loan disbursement To SHGs by banks



Source: Compiled from NABARD report: Status of Microfinance in India

Table-3: Status of bank loan outstanding to SHGs

Year	No of SHGs (in lakh)	Amount (in crore)
2013-14	41.97	42927.52
2014-15	44.68	51545.46
2015-16	46.73	57119.23
2016-17	48.48	61581.3
2017-18	50.2	75598.45
2018-19	50.77	87098.58
2019-20	56.77	108075.07
2020-21	57.8	103289.71
2021-22	67.4	151051.3
2022-23	69.57	188078.8
2023-24	77.42	259663.73

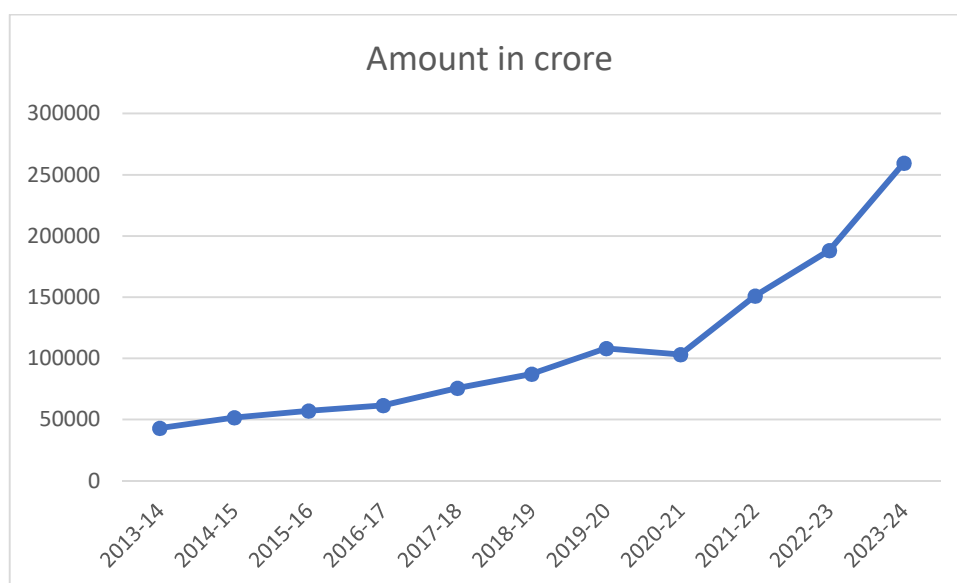
Source: Compiled from NABARD report: Status of Microfinance in India

The table above presents data on the number of Self-Help Groups (SHGs) and the corresponding amounts of outstanding loans for the years 2013-14 to 2023-24. From this data, we can see that the number of SHGs with outstanding bank loans rose from 41.97 lakh in 2013-14 to 77.42 lakh in 2023-24.

The total outstanding loans have significantly increased from 42927.52 crore in 2013-14 to 259663.73 crore in 2023-24. This growth in the number of Self-Help Groups (SHGs) accessing loans is directly related to the rise in the total loan amount, indicating that more groups are engaging with formal financial institutions.

The figure below illustrates the graphical representation of the outstanding loan amounts to Self-Help Groups (SHGs).

Figure-3: Graphical representation of outstanding loan amount



Source: Compiled from NABARD report: Status of Microfinance in India

Table-4: NPA Position of Banks

Year	Amount of gross NPA (in crore)	NPA %
2013-14	2932.7	6.83
2014-15	2932.7	7.4
2015-16	3686.2	6.45
2016-17	4002.2	6.5
2017-18	4628.1	6.12
2018-19	4524.01	5.19
2019-20	5321.7	4.92
2020-21	4889.2	4.73
2021-22	5743.7	3.8

2022-23	5249.3	2.79
2023-24	5317.5	2.05

Source: Compiled from NABARD report: Status of Microfinance in India

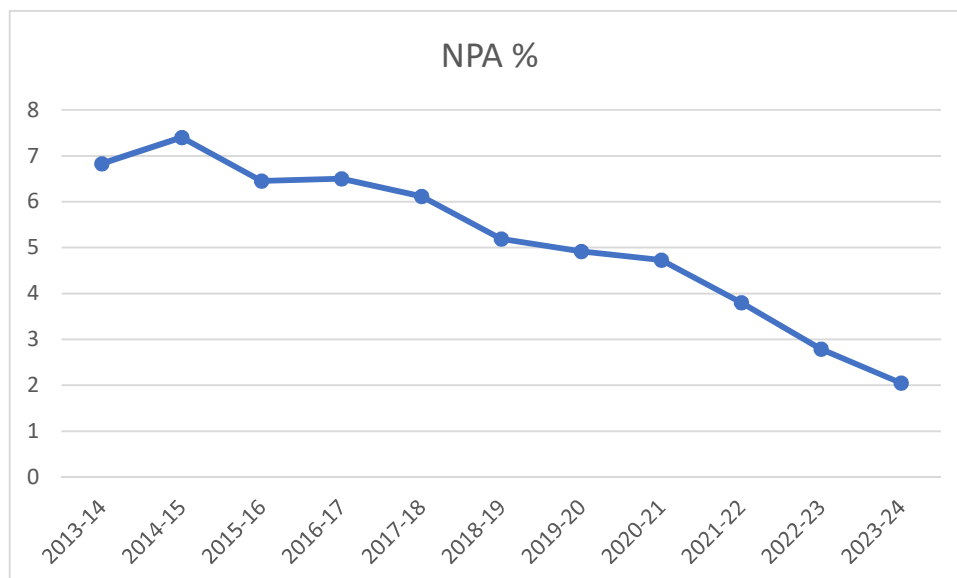
The table above presents data on the gross Non-Performing Assets (NPAs) of Self-Help Groups (SHGs) in India from 2013-14 to 2023-24. When SHGs repay their loans to banks within the stipulated time frame, they receive financial incentives. However, if they fail to repay the loan on time, it is classified as a Non-Performing Asset.

From the data, we can observe that the gross NPA amount steadily increased from ₹2,932.7 crore in 2013-14 to a peak of ₹5,743.7 crore in 2023-24. Following this peak, there has been a decline, with the NPA amount reaching ₹5,317.5 crore in 2023-24.

Moreover, the percentage of NPAs has significantly declined over the years. This consistent decrease in the NPA percentage indicates an improvement in loan repayment behaviour and better credit management among SHGs. The simultaneous drop in the NPA percentage, along with rising loan disbursement and savings, reflects a positive trend towards sustainable financial inclusion and enhanced empowerment of women through SHGs.

The following graph shows the falling trend of NPA % over the years.

Figure-4: Graphical representation of trend of NPA %



Source: Compiled from NABARD report: Status of Microfinance in India

Conclusion:

Over the last 10 years, the analysis of Self-Help Group (SHG) data has demonstrated the significant impact these groups have on enhancing financial inclusion, empowering rural women, and fostering rural development. The continuous rise in the number of SHGs, along with the corresponding increase in savings and improved access to institutional credit, indicates their effectiveness in addressing the financial challenges faced by the rural poor. Additionally, the declining trend in Non-Performing Assets (NPA) reflects better credit management and responsible use of bank loans among SHGs. The increased resilience shown by these groups during the COVID-19 pandemic further emphasizes their role in promoting financial stability. While these groups can contribute to improving living standards in rural areas, their reach remains limited.

REFERENCES:

- Ahemad, S., & Katoch, O. R. (2022). Role of Self-help Groups (SHGs) in Enhancing Incomes of Rural Women in J&K, India. *South Asian Journal of Social Studies and Economics*, 24–32. <https://doi.org/10.9734/sajsse/2022/v16i1602>
- Saha, S. (2019). Impact of Self-Help Groups in Rural Livelihood: A Case Study in Hooghly District of West Bengal. *International Journal of Social Science and Economic Research*, 4(6), 4748-4771.
- Minimol, M. C., & Makesh, K. G. (2012). Empowering rural women in Kerala: A study on the role of Self Help Groups (SHGs). *International Journal of Sociology and Anthropology*, 4(9), 270.
- Brody, C., de Hoop, T., Vojtkova, M., Warnock, R., Dunbar, M., Murthy, P., & Dworkin, S. L. (2017). Can self-help group programs improve women's empowerment? A systematic review. *Journal of Development Effectiveness*, 9(1), 15–40. <https://doi.org/10.1080/19439342.2016.1206607>
- Desai, R. M., & Joshi, S. (2014). Collective action and community development: Evidence from self-help groups in rural India. *World Bank Economic Review*, 28(3), 492–524. <https://doi.org/10.1093/wber/lht024>

- Galab, S., & Chandrasekhara Rao, N. (2003). *Women's Self-Help Groups, Poverty Alleviation and Empowerment*.
growth-of-shgs-and-empowerment-of-women-2301cpw7. (n.d.).
- Hoffmann, V., Rao, V., Surendra, V., & Datta, U. (2021). Relief from usury: Impact of a self-help group lending program in rural India. *Journal of Development Economics*, 148. <https://doi.org/10.1016/j.jdeveco.2020.102567>
- Kambali, U., & Panakaje, N. (2022). Google Scholar Citation: IJCSBE International Journal of Case Studies in Business, IT and Education (IJCSBE) A Refereed International Journal of Srinivas University. India. *International Journal of Case Studies in Business*, 6(1), 2581–6942. <https://doi.org/10.5281/zenodo.6513302>
- Kannan, E. (n.d.). Give to AgEcon Search Help ensure our sustainability. Relationship Between Agricultural Credit Policy, Credit Disbursements and Crop Productivity: A Study in Karnataka. In *Jn. of Agri.Econ* (Vol. 66, Issue 3).
- Kondal, K. (2014). Women Empowerment through Self Help Groups in Andhra Pradesh, India. In *International Research Journal of Social Sciences* (Vol. 3, Issue 1). www.isca.me
- Kumar, N., Raghunathan, K., Arrieta, A., Jilani, A., & Pandey, S. (2021). The power of the collective empowers women: Evidence from self-help groups in India. *World Development*, 146. <https://doi.org/10.1016/j.worlddev.2021.105579>
- Mathur, P., & Agarwal, P. (2017). Self-help groups: A seed for intrinsic empowerment of Indian rural women. *Equality, Diversity and Inclusion*, 36(2), 182–196. <https://doi.org/10.1108/EDI-05-2016-0039>
- Moyle, T. L., Dollard, M., & Biswas, S. N. (2006). Personal and economic empowerment in rural Indian women: A self-help group approach. *International Journal of Rural Management*, 2(2), 245–266. <https://doi.org/10.1177/097300520600200207>
- Ravichandra, T., Fajarini, U., Kumari, R., Singh, R., & Miah, S. (2022). A Study On Women Empowerment Of Self-Help Group With Reference To Indian Context. In *Webology* (Vol. 19, Issue 1). <http://www.webology.org>
- Sandhu, K. (2015). Women Empowerment through Self Help Groups. In *Indian Res. J. Ext. Edu* (Vol. 15, Issue 4).

Venkatesh, R. (2009). Micro-finance and self-help groups: Catalyst for rural transformation. *The Indian Journal of Political Science*, 131-138.

NABARD Annual Reports.