

# The Role of Self-Help Groups (SHG's) in Poverty Alleviation of Women Entrepreneurs and Farmers in India

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## *Abstract*

*India is not an exception to the global trend of over a billion people living in poverty. There is a significant economic divide in this nation with diverse regions and growing economies—the rich and the poor. In India, more than 19 crore individuals lack access to banking. People have the capacity to develop and contribute to the developing economy; what they lack, however, is a network of support, a helping hand, and the drive to do so. Microfinance has arisen with the intention of giving these people access and opportunity. The use of microfinance as a potent tool to reduce poverty in the new economy is expanding. Most microfinance initiatives have established the specific objective of reducing poverty and empowering women. Furthermore, more and more microfinance institutions (MFIs) favor female members because they think they are more trustworthy and responsible. Through bank-affiliated savings and credit clubs called self-help groups (SHGs), India has been able to create its own kind of microfinance organizations. SHGs and their links to banks dominate the Indian microfinance landscape. Women farmers are less impoverished thanks to SHGs. This study aims to investigate the efficaciousness of self-help groups as a means of alleviating poverty among women farmers.*

**Keywords:** *Women Entrepreneurs, Women farmers, Micro Finance, Self-help groups, Poverty Alleviation.*

## **1.1 Introduction:**

The art of supplying the means of payment is the definition of finance. This stage accurately reflected the state of finance at the start of the twenty-first century. Finance acts as a bridge between savings and investments by offering a system through which the savings of many different people are combined and given to those who are ready and willing to make investments with the goal to acquire their lifetime comforts and/or assets.

There is widespread agreement throughout the world, but particularly in developing countries, that microfinance and microcredit have the ability to reduce poverty and are associated with the socioeconomic

empowerment of those who receive them. Many studies have shown that access to microfinance empowers female participants and alleviates poverty in both rural and urban settings. However, there are additional challenges that can limit the effectiveness of microfinance. The socioeconomic empowerment of beneficiaries is often hindered by various obstacles in their environment. It has been noted that adjustments may be required to enhance the success of microfinance programs.

## **1.2 Objective of the Study:**

1. To know about the micro finance
2. To Study the conceptual background of SHGs

3. To know the documents which are necessary to get the loan from SHG.
4. To understand the Role of SHGs in poverty alleviation.
5. To know how SHGs help to women farmers.

### 1.3 Research Methodology:

The data for the present study was collected through a secondary data.

### 1.4 Women Entrepreneurs:

A woman or group of women who start, plan, and manage a business venture is known as a women entrepreneur. According to the Indian government, women entrepreneurs are defined as individuals who own and operate a business with a minimum financial stake of 51% in the capital and create at least 51% of the jobs in the business for women. Women entrepreneurs are innovative women who start or take up business activities. Women's participation in equity and employment of a business enterprise is the foundation of women entrepreneurship.

### 1.5 Women Farmers:

A woman who manages and labors on a farm is known as a farmer. While some farmers keep dairy cows and sell their milk, others grow a range of food crops. Farmers cultivate vegetables and engage in other agricultural tasks.

### 1.6 Micro Finance:

The delivery of financial services to low-income customers, such as consumers and independent contractors, who typically do not have access to banks and associated services, is known as microfinance. More generally, it is a movement whose goal is to develop a society where as many low-income and near-low-income households as possible have continuous access to a suitable array of

high-quality financial services, such as fund transfers, savings accounts, insurance, and credit.

Giving the underprivileged access to basic financial services is known as microfinance. Poor farmers and entrepreneurs can start and expand small businesses with the aid of loans, savings, and insurance. In the beginning, microfinance was mostly gender-neutral and aimed to give credit to the underprivileged who lacked assets to use as security. However, it soon became apparent that women used their business income to make investments that would benefit their families and communities in the long run. As a result, women were essential to the microfinance model's effectiveness as a means of reducing poverty.

For entrepreneurs and small enterprises without access to banking and associated services, microfinance is a type of financial service.

### 1.7 Self-Help Groups (SHGs):

SHGs are committees that act as financial intermediaries and are often made up of 10 to 25 local women between the ages of 18 and 50. They can be created for any kind of social or economic reason. Most Self-Help Groups (SHGs) are formed to assist their members in achieving greater financial security. These social groups may be registered or unregistered. In India, SHGs often work in partnership with banks.

Over the course of several months, members gradually increase their savings until the organization has enough money to start lending. After that, members or other villagers may borrow the focus for whatever reason. In India, a large number of SHGs are connected to banks in order to provide microcredit.

### 1.8 History of SHGs:

The founding of the Self-Employed Women's Association (SEWA) in 1972 is when SHGs first appeared in India. With the intention of increasing their earnings, Ela Bhatt, the founder of SEWA, organized low-income and independent women workers, including hawkers, potters, weavers, and others in the unorganized sector. India's SHG movement began in 1985, with special attention to the International Fund for Agricultural Development's (IFAD) involvement. The National Bank for Agriculture and Rural Development (NABARD), other banks, non-governmental organizations (NGOs), and the federal and state governments all play a part in the success of the SHG program.

1. The origins of SHGs in India and how they developed after the big cooperatives of the Mysore Resettlement and Development Agency (MYRADA) broke up
2. The initial SHG phase, which lasted from 1987 to 1992, during which NABARD concentrated on assisting NGOs in their efforts to advance SHGs and evaluating their performance and potential.
3. The second stage, known as the SHGs bank linking program, began in 1992.
4. The contribution of SHGs to on-farm credit and agriculture.
5. Factors contributing to the SHG movement's quick growth.
6. Elements that made the SHG movement weaker.
7. IFD's contribution to the Indian SHG movement's promotion.

### 1.9 Why SHGs:

1. To organize women.
2. Enhance participation level.
3. To inculcate saving habits.
4. Based on principles of coop.

5. Suitable platform for women.
6. Enhance capacities of women.
7. Successful base.

### 1.10 Objectives of SHGs:

1. To create an appropriate and sensitive forum for addressing the need of people
2. To inculcate saving habits in the community
3. To generate the sense of collective action
4. To improve socio-economic status
5. To access the outside resources

### 1.11 Advantages of SH programs:

1. Initiative
2. Responsibility
3. Ownership
4. Capacity building
5. Self-confidence and self esteem
6. Mutual help
7. Access to larger pool of resources
8. Channel of functioning.

### 1.12 Role of SHGs:

1. Income generation for poor
2. Access to banks for poor, financial inclusion
3. Against dowry, alcoholism etc
4. Pressure group in gram panchayats
5. Social upliftment of marginal sections
6. Upliftment of women

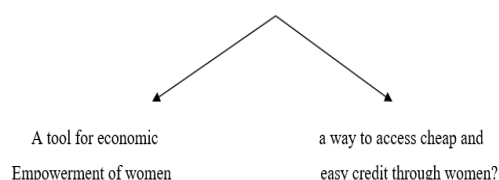
### 1.13 Limitations of SHGs:

1. Lack of financial inclusion
2. Poor market linkages
3. Lack of resources
4. Lack of training
5. Lack of stability and unity
6. Dependency on external aid
7. Poor infrastructure
8. Political interference

### 1.14 Statistics of SHGs in India:

1. India has around 1.2 crore SHGs, with 88% being all women SHGs
2. In 2022, SHG savings with banks in India were around 472 billion, up from 261 billion in 2020.
3. As of march 31, 2022, 67 lakh SHGs had outstanding collateral free loans of Rs. 1,51,051.3 crore.
4. The number of SHGs credit linked has grown at a CAGR of 10.8% during the last ten years.
5. SHGs bank repayment is more than 96%.
6. In 2022, around 1.27 million SHGs were digitized under project EShakthi.
7. Women Self Help Groups in India played a key role in the on-ground response to COVID-19.

#### Self-Help Groups



### 1.15 Impact of Self-Help Group on Rural Development:

The Self-Help Group makes the following contributions to rural development. By increasing income and improving the standard of living for rural residents, Self-Help Groups are playing a significant role in promoting self-employment. The savings initiatives within Self-Help Groups (SHGs) encourage group members to adopt better saving practices, enhance women's self-confidence, and provide support during emergencies or abnormal financial needs. These efforts contribute to increased income and improved standards of living.

Microfinance plays a crucial role in rural development and poverty alleviation by promoting economic independence and reducing poverty. Microfinance for rural self-help groups is a means of raising rural residents' incomes and improving their quality of life.

Self-Help Groups (SHGs) have demonstrated the economic independence of rural women. To meet their financial needs, members often seek to transition from borrowing from friends and moneylenders to obtaining loans from SHGs. One of the primary goals of the SHG movement is to empower the rural poor, enhance their self-esteem, and reduce waste. By having savings in their names, SHG members experience an increase in self-worth and confidence. Consequently, as financial issues diminish, the overall strength of the family has improved within the SHG framework. Create opportunities for self-employment: The SHG program's implementation has given the impoverished access to self-employment options.

### 1.16 How women in India are able to help each other through self-help groups:

Only over 22% of the nation's 121 crore inhabitants are thought to fall below the poverty line, with 83.3 crore of them living in rural areas and the remaining population residing in urban areas. In fact, the ongoing urbanization has helped to give individuals greater options. However, other industries have also been negatively impacted, such as agriculture. But the question still stands: how can we help India become more self-sufficient?

I was able to thoroughly research pertinent data, government initiatives, and their effects. We are especially committed to educating women and encouraging the habit of saving. One such plan focuses on

microfinance, a topic that banks and economists have discussed extensively. It has, nevertheless, demonstrated significant benefits.

### **1.17 Documents required-availing SHG loan**

The following documents are required to be obtained/ verified from the SHG before extending credit:

### **1.18 KYC Documents:**

1. Constitution documents which can be used as KYC are:
  - a. Recommendation letter/sanction letter/ loan recommendation letter from block development office (BDO) or a class I gazette officer working in the same department.
  - b. Inter-se agreement (either registered or unregistered) executed by all members of the SHG communicating decision to open a saving account with the bank and identifying two or three members to jointly operate the account.
2. Identify proof of the SHG:
  - a. Letter of certification from empanelled SHPI certified by NABARD official empowered at the village or taluk level.
  - b. Recommendation letter/ sanction letter/ loan recommendation letter from block development officer (BDO) or a class I gazette officer working in the same department or,
  - c. SHG registration certificate (if registered) or,
  - d. Copy of passbook of existing account with a public sector bank; or scheduled commercial bank.
  - e. Original letter of introduction from a bank official of a public sector bank; or

- f. Copy of passbook/ statement of an existing account with a RRB/ co-operative bank/ systematically important NBFCs/ credit co-operative society along with a letter of introduction from SHPI/ the village sarpanch/ village administrative office (VAO)
  - g. KYC certification by duly empanelled business correspondent of the bank
  - h. In case of SHGs sourced under the direct sourcing mode who do not have an existing bank account, a letter of introduction from the village sapanch/ village administration office (VAO) in rural locations would be accepted.
3. Address proof of the SHGs:
    - a. Same as constitution documents or,
    - b. Same as identify documents if it contains the address.
    - c. Photographs of authorized signatories
  4. Identify and address proofs of authorized signatories:
    - a. Voter ID card
    - b. Bank pass book (bearing photograph of client) issued by SBI and its subsidiaries or nationalized banks where account has been opened at least 3 months prior, can be accepted along with an account opening cheque drawn on the same account.
    - c. Sarpanch letter.
  5. Documents required other than KYC:
    - a. Duly filled facility application form
    - b. Loan authorization letter

- c. Direct debit form/ ECS mandate/ PDC declaration
  - d. Inter se agreement executed by all members of SHGs
  - e. SHPI recommendation letter
  - f. Repayment track record if the SHG has credit linkage with any other bank or financial institutions.
3. Inclusive: SHGs prioritize marginalized groups, such as women, dalits, and tribal communities.
  4. Sustainable: SHGs focus on long-term viability, rather than short-term gains.
  5. Linked to external resources: SHGs access external funding, training, and technical support.

### 1.19 How do SHGs contribute to Poverty Alleviation?

1. Financial Inclusion: SHGs help members manage their money, make business investments, and deal with shocks by giving them access to microfinance, savings, and credit services.
2. Empowerment: SHGs encourage social and economic mobility by developing members' leadership, self-assurance, and decision-making abilities.
3. Income Generation: SHGs assist members in raising their incomes by promoting entrepreneurship, skill development, and livelihood improvement.
4. Social Protection: Self-Help Groups (SHGs) provide a safety net by offering counselling, emotional support, and group problem-solving.
5. Community Development: SHGs support neighbourhood development projects like infrastructure upgrades, healthcare, and education.

### 1.20 Key Features of Successful SHGs:

1. Community-led: SHGs are initiated and managed by community members.
2. Participatory: Members actively participate in decision-making processes.

### Examples of Successful SHG Initiatives

1. India's National Rural Livelihoods Mission (NRLM): Supports SHGs for poverty alleviation and rural development.
2. Bangladesh's Grameen Bank: Pioneer of microfinance-based SHGs.
3. Kenya's Women's Self-Help Groups: Focus on economic empowerment and health initiatives.

### 1.21 How SHGs helps in Developing Women Farmers:

Self-Help Groups (SHGs) significantly empower women farmers, fostering economic growth, social transformation, and food security. Here are ways SHGs support women farmers:

#### 1. Economic Empowerment:

1. Financing availability: SHGs offer reasonably priced financing for entrepreneurship, farming, and improving livelihoods.
2. Generating income: Women make money by farming, raising cattle, and related pursuits.
3. Savings mobilization: Consistent saving encourages independence and financial discipline.
4. Market links: SHGs increase women's negotiating power by facilitating produce market access.

## 2. Social Empowerment:

1. Group decision-making: Women take part in SHG meetings, which gives them confidence and develops their leadership abilities.
2. Networking: SHGs give women a forum to exchange best practices, knowledge, and experiences.
3. Social support: Participants offer group problem-solving, counselling, and emotional support.
4. Capacity building: Programs for training and capacity building help women become more knowledgeable and skilled.

## 3. Assistance for Agriculture:

1. Technical assistance: SHGs offer instruction in technology, crop management, and sustainable agricultural methods.
2. Input support: Availability of high-quality equipment, seeds, and fertilizer.
3. Crop insurance: By facilitating insurance coverage, SHGs reduce the risks associated with climate change.
4. Farm mechanization: Availability of reasonably priced farm tools and equipment.

## 4. Development of Leadership:

1. Training in leadership: Women gain leadership abilities that empower them to manage their own lives.
2. Community mobilization: SHG members influence local development by organizing community resources.
3. Advocating for gender-sensitive policies: Women's opinions are heard in policy forums.

## 1.22 Challenges faced by SHGs:

1. Limited access to resources (credit, markets, technology)
2. Patriarchal norms and social barriers
3. Climate change and environmental degradation
4. Limited scaling and replication of successful models

To address these challenges, it's essential to:

1. Strengthen institutional support
2. Enhance capacity building and training
3. Foster inclusive and participatory approaches
4. Leverage technology for efficiency and outreach

## 1.23 Conclusion

Nowadays, the idea of entrepreneurship is the one that is promoted and discussed the most globally to address economic difficulties. Being the most important gender in the population, women have a lot of potential to contribute to a country's overall economic growth. As a result, policies and initiatives must be tailored to not only promote farming and entrepreneurship but also to put measures in place that can assist young people's entrepreneurial culture. It is imperative that developing nations support women entrepreneurs since their workforce is readily available to reveal the untapped potential of economic endeavors. The development of women farmers and entrepreneurs should be the primary emphasis of entrepreneurial education programs in developed countries.

By developing and promoting all of these venues, the media may play the most important role in fostering an entrepreneurial culture in society by encouraging both men

and women to be creative and innovative. In general, the world's business community has recognized and is actively working to establish entrepreneurship as the ultimate solution to all kinds of market and business obstacles.

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