

# **Self Help Groups – A Key Driver for Financial Development of Rural Women**

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## **Abstract**

India is a country with huge amount of diversification in all the segments. In a country like India, where the population is vast and is widely spread, providing financial services is not an easy task for the Government. Indian Banking Sector has taken an initiative to provide financial services to huge untapped population of the country by introducing the concept of Microfinance. Thereafter, Indian Microfinance Industry emerged as a driving vehicle in providing financial services to the rural population of the country. Microfinance services in the country are providing through two main channels a) SHG-Bank Linkage Programme (SHG-BLP) and JLG bank lending programme and b) Micro Finance Institutions (MFIs). Since its inception, many challenges are faced by the industry and yet the growth seems to be inescapable. This paper is an attempt to a detailed analysis of financial services provided by Self Help Groups during the past ten years.

## **Keywords**

Microfinance, Self help groups, SHG – Bank Linkage programme.

## **1. Introduction**

Indian financial system has its roots in banking industry which provides majority of the financial services in the country. The country is having a greater percentage of rural population that represents its vulnerability because of unequal access to financial services. Financial Inclusion is a programme envisioned to address this gap and make the country have growth that results in Inclusive development. RBI and NABARD are working collectively to bring in the excluded population into the formal banking system. One such initiative is Self Help Group Bank Linkage Programme (SHGBLP).

It's been 26 years that this programme is initiated in the country and since inception; there is a good amount of improvement seen in the living standards of the rural population. With more than 5000 channel partners and 8.7 Million groups touching more than 100 Million rural households, it is probably the world's most widely participated grassroots oriented microfinance programme. Even with a remarkable growth seen since inception of this programme there are many challenges that hinder the overall performance of SHGBLP. Several innovative practices are being added to the basic model to make the Self Help Group members empower themselves.

Inspite of several studies conducted by researchers in the area of Microfinance, there is a scope for further study created because of constantly changing environment that is making innovation inevitable in this industry. The past ten years gave major challenges to Microfinance industry in the form of covid pandemic which hit the industry on a large scale in between. The study period covers 5 years before the pandemic and 5 years post pandemic, thus

providing a means to make a better analysis of the role of SHG as a key driver for financial development of rural women.

### **1.1 Objectives**

- To study the growth pattern of Self Help Group Bank Linkage programme since its inception.
- To analyze the performance of Self Help Group Bank Linkage Programme during the past ten years using trend analysis.

## **2. Literature Review**

In the global south, social impact investment for microfinance has taken the lead in regulating poverty. The goal of these investments is to help the world's poor, especially smallholder farmers, by providing them with financial services like credit. Majority of the microfinance borrowers are affected because of Duplicitous debt scapes resulting to migration as observed by Green et al. (2023). Microfinance institutions (MFIs) stand out within the financial sector due to their unique dual mandate encompassing both financial and social objectives, as highlighted by Gutiérrez-Nieto et al. (2009). Balancing these two roles effectively poses a distinct challenge for MFIs, requiring efficiency in both realms. Thai-Ha (2021) in the study reveals that Microfinance helps the beneficiaries by showing high financial efficiency, while supporting them to attain their social goals. The literature review helped the researcher to identify that the studies conducted in the state were clustered around few districts which have become the hub for microfinance activities like Nalgonda, Nizamabad etc. The focus needs to be shifted to the districts where Microfinance activity is passive.

One cannot undervalue the significance of creating an environment that supports microfinance. If microcredit is used in conjunction with other interventions, it may be a more effective means of addressing poverty and vulnerability. Donor funding can play a role in helping new microfinance institutions grow their capital bases and build the technical expertise necessary for long-term organizational viability Zaman (2004).

According to Lal et al. (2023), Microfinance helps build assets and broaden livelihood options. It reduces the vulnerability by increasing the income and contributes to the reduction of economic stress. Microfinance as an intervention covers facility of credit, deposits, insurance, payment and remittance services for the low-income population, marginal farmers and workers, and micro-enterprises in rural, semi-urban and urban areas. With a goal to examine the effect of microfinance and micro insurance services on the standard of living of low-income borrowers and how they contribute to the eradication of poverty, Jain et al. (2022) studied 66 financial institutions, including public sector banks and microfinance Institutions. Savings are used as a measure of the living standard and are depending on employment prospects, income, education, access to healthcare, and e-services. The Researcher found that the level of living is closely related to employment prospects that result in income and money saved for the needs like healthcare and education.

In Indian states and Union territories, there is a noticeable interstate difference in the outreach concerning the dispersion index and access index of money as observed by Samineni & Ramesh (2023). Thus, there is a shift in the perspective of the development approach for rural India. It is no longer a development initiative but has become more specific as inclusive rural development. The addition of the word inclusive has a lot of weightage and contribution to designing the development schemes for rural India. Inclusive rural development has three dimensions; Economic, Social and Political. Though there is an improvement in the income levels significantly, Goel (2020) found that majority of the participants lack a regular source of income, and women participants failed to repay the required amount of microcredit.

In the fight against the pandemic, where they not only defend themselves but also help the economy and try to resuscitate the economy on a large scale from depression, the efforts of these women working in self-help organizations have been extraordinary R. Sharma et al. (2021). Beneficiaries of the self-help groups also experienced significant improvements in their living standards, according to the report of Meena & Prasad (2021).

Through a variety of services, microfinance services play a critical role in promoting women's entrepreneurship and may help lessen the harmful effects of COVID-19. With an aim to examine the role of microfinance in women-led businesses, Akula & Singh (2022) found that Microfinance plays a positive role in encouraging female entrepreneurs. Microfinance has the capacity to boost women's financial stability, which will eventually lead to a

rise in female entrepreneurship. Based on Mayoux's Feminist Empowerment Theory, Akula & Singh (2022) proposed that through women making decisions, microfinance institutions can support women's entrepreneurship activities through lending, saving, and insurance.

With an aim to find out the role of micro finance in empowering women during several financial crisis, Velivala et al. (2021) conducted a study in the rural areas of Telangana and found that the micro finance plays the significant role in living standard of the women by getting the small amount of money which reduces their burden to some extent and it helps in improvement of mental and social well-being of the women in rural areas. Budampati et al., (2022) in their research found that microfinance has led to economic development and finally it is concluded that microfinance plays an important role in rural development.

### **3. Methods**

Trend analysis was performed to bring out the role of Self Help Groups in the rural development of Telangana from the lender perspective. In order to analyze the secondary data regarding the number of SHG loans sanctioned and the amount of SHG loan extended among the select districts of Telangana over the past 10 years, Trend Analysis was done. Trend analysis stands as a versatile instrument that aids decision-making, strategic planning, forecasting, risk management, and overall enhancement across diverse sectors. This tool empowers individuals and organizations to make informed, data-driven decisions, enabling them to stay proactive and competitive in dynamic and evolving environments.

Among all the districts of Telangana, the selection of districts for collecting the sample required for the study was based on Normal Distribution of SHGs among various villages within the specified district. It was observed that Nalgonda, Nirmal, Medak, Kamareddy, Mulugu, Wanaparthi and Medchal Malkajgiri have mean deviation less than other districts. Hence, they are chosen for further study.

### **4. Data Collection**

Secondary data was used in various sections of the study that was obtained by referring various journals, Government reports, NRLM reports and internet sources. The Ministry of Rural Development, Government of India, initiated the NRLM in 2011 with the aim of reducing poverty by facilitating access to self-employment and skilled wage opportunities for impoverished households. This endeavor seeks to substantially enhance livelihoods in a sustainable manner through the establishment of robust grassroots institutions. The website is updated with all the SHG related statistics and information which was helpful for the researcher to obtain secondary data required for the study.

The Potential Linked Credit Plan (PLP) represents NABARD's effort to produce a comprehensive document outlining the current state of infrastructure and exploitable potential across various sectors. This report was made available by NABARD annually and the report is specifically prepared to every district of every state in India. This report was of great support in extracting required secondary data for the study.

### **5. Results and Discussion**

The contribution of SHGs to the rural development was measured through the amount of loan extended to rural population. Analyzing trends in loan portfolios allows microfinance institutions to understand the performance of different types of loans, borrower segments, and geographical areas. This insight helps in optimizing portfolio management, adjusting lending strategies, and diversifying risk. Secondary data related to the Number of SHG Loans sanctioned and the Amount of SHG Loans sanctioned was collected year wise for a period of 10 years to observe the underlying trend.

The results from trend analysis of Microfinance activity in the selected districts over the past 10 years revealed that the number of loans sanctioned were at its peak during 2020-21 across all the select districts of Telangana. This was a period of lockdown and the trend shows a remarkable upward movement due to the increase in demand for SHG loans during the pandemic period (Figure 1- Figure 2).

It was found that the overall number of loans sanctioned and the amount of loans sanctioned were comparatively lower in the districts of Medchal Malkajgiri, Mulugu and Wanaparthi. In spite of being geographically equivalent to Nirmal and Kamareddy districts and having a larger population than Kamareddy, the SHG activity in Mulugu was

dormant as compared to the other two districts. This clearly brings out a scope to spread the SHG activities to Medchal Malkajgiri, Mulugu and Wanaparthy districts in the upcoming years (Table 1- Table 2).

### 5.1 Numerical Results

Table 1. SHG Loans sanctioned District wise for 10 years

S. No	District Name	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1	Kamareddy	11807	12811	17548	18545	11294	19571	20980	10294	18645	20159
2	Medak	6395	6682	9323	11627	10138	14066	10064	6042	9856	11214
3	Mulugu	2237	1332	2082	2986	2337	3620	3675	2460	3245	3521
4	Nalgonda	9419	11337	17080	21705	23455	26473	17964	10812	16542	19826
5	Nirmal	6530	7070	8678	10230	8863	11931	12522	10148	11537	14517
6	Wanaparthy	3228	4372	5401	6982	5008	5316	4260	2672	4129	5095
7	Medchal Malkajgiri	3759	4569	6087	8369	7955	10185	5693	2292	5783	8597

(Source: <https://www.streenidhi.telangana.gov.in/SNTG/UI/GeneralReportsPage.aspx>)

Table 2. District wise Amount of SHG Loans sanctioned for 10 years

S. No	District Name	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
1	Kamareddy	534641 678	632784 261	766128 735	845104 924	605608 274	878864 367	1378939 903	999652 848	125893 9735	139193 9121
2	Medak	414450 405	512358 352	651457 090	757503 660	718912 514	819412 465	1055872 598	759579 003	102848 7259	125748 7217
3	Mulugu	119189 052	772016 05	119902 502	176148 166	148087 744	227855 668	3777973 17	306049 515	353197 37	379197 23
4	Nalgonda	510785 979	721491 759	114099 6922	139588 9231	165386 4682	175394 4247	1774491 834	130113 3173	142449 1231	156149 2514
5	Nirmal	324658 953	399606 584	540799 232	630604 415	643713 715	813884 964	1037182 963	980193 327	953718 214	953718 458
6	Wanaparthy	149857 052	242945 113	292161 464	397969 633	314481 653	346626 047	3723381 47	270544 979	324533 851	334533 153
7	Medchal Malkajgiri	161436 212	263108 293	377078 473	465117 110	476803 827	499113 686	5269786 70	259342 824	514975 793	525775 397

(Source: <https://www.streenidhi.telangana.gov.in/SNTG/UI/GeneralReportsPage.aspx>)

## 5.2 Graphical Results

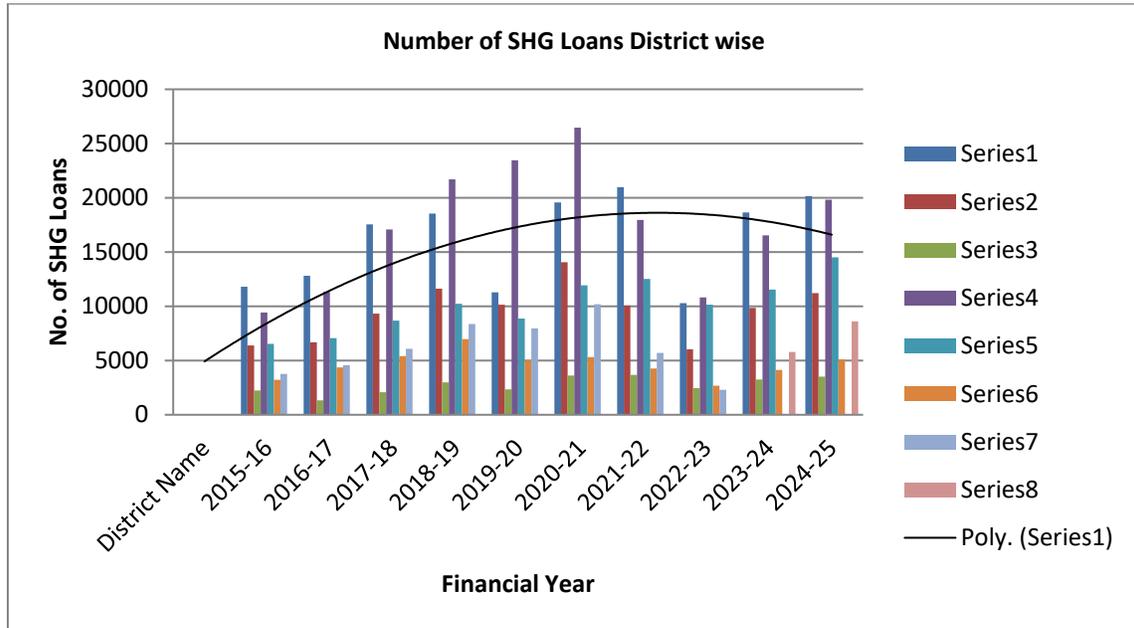


Figure 1. The number of SHG Loans sanctioned district wise

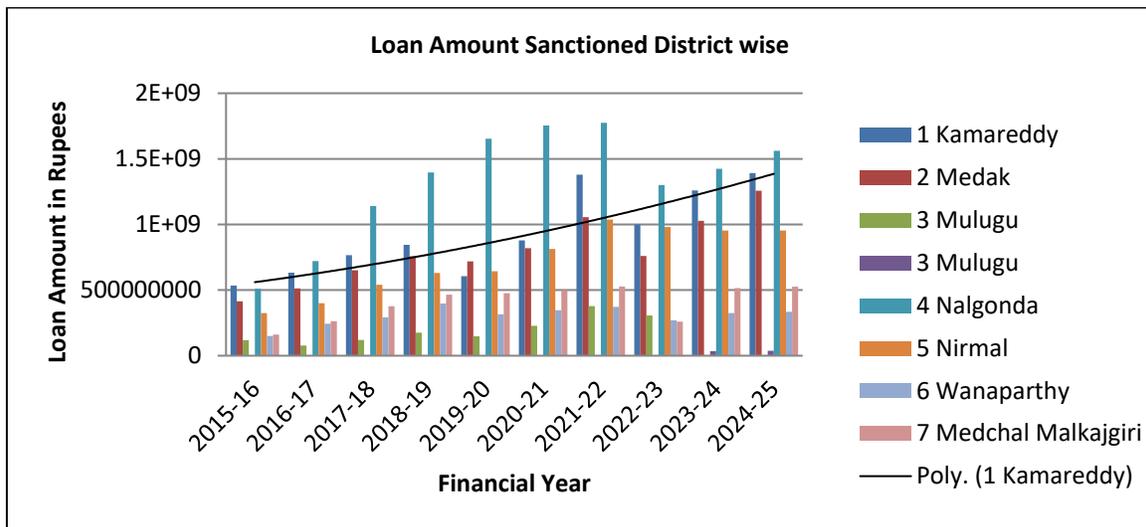


Figure 2. Loan amount sanctioned district wise

## 6. Conclusions

Microfinance has served as key economic conduit for enhancing credit access and promoting financial inclusion in India. Despite multiple waves in the growth pattern of Microfinance, it still stands to be the single largest source to include rural people financially. It can be clearly stated that in spite of reaching high targets in terms of reachability of services, microfinance is still able to record a set of new beneficiaries every year among all the selected districts of Telangana state which signified the demand for such financial services in the rural domain of the state. Though there was a tremendous growth of microfinance services in the selected districts, the activity appeared to be low in

Wanaparthy, Kamareddy, Mulugu and Medak Districts which is opening up the scope for further extension of these services in the above 4 districts.

Trend analysis of secondary data collected from NRLM reports indicated the extensive use of Microfinance services during covid-19 pandemic. There was a steep increase in the number of loans sanctioned during pandemic period in order to push up economic activity in the rural regions of Telangana. It can be concluded that Microfinance was significantly preferred as a source of finance for meeting emergencies especially when people had a draught for funds during pandemic. It was observed from the secondary data analysis that the amount of loans sanctioned was comparatively lower in the districts of Medchal Malkajgiri, Mulugu and Wanaparthy. Despite being geographically equivalent to Nirmal and Kamareddy districts and having a larger population than Kamareddy, the SHG activity in Mulugu is dormant as compared to the other two districts.

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### **Biography**

Dr. Budampati. V. S. Sowmya working as an Assistant Professor in School of Management Studies, Sreenidhi Institute of Science and Technology holds a doctorate degree from JNTU, Hyderabad in Management Sciences, an MBA (Finance) along with B.Tech degree in the field of Electronics and Communication Engineering. She is a UGC-NET and AP-SET qualified faculty with 16 years of teaching experience and varied set of subjects handled to her credit. She has coordinated Faculty Development Programs and Conferences organized by the department. She is member of two Internal Research Projects of the Institution. She published more than 10 research papers in various Scopus / ABDC (Q3) / UGC Care / peer reviewed journals.