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Impact Assessment of Self-Help Groups towards Rural Development: A Case Study of Madhya Pradesh, India

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Abstract

This article is based on primary and secondary information and examines the premise that Self Help Groups (SHGs) have significant positive impacts on rural development and women's empowerment in Madhya Pradesh, India. The context for this paper derives from the current emphasis on microfinance in rural finance discourse and its increasing importance as a development tool in the fight against poverty. The methodology of the present study relied on primary data collected from 1,500 SHG members through structured surveys and interviews in Nalchha, Tirla, and Umarban blocks of Dhar District, Madhya Pradesh, supplemented by review of relevant literature. The paper concludes that SHGs play a vital role in livelihood development, women's empowerment, and community transformation when supported with appropriate training and enterprise development interventions.

Keywords: Microfinance, Self Help Group, Livelihood, Poverty Alleviation, Women Empowerment, Rural Finance, Sustainability,Hub-and-Scope Model

Key Statistics

Significant Outcomes

- 100% training coverage in selected blocks
- 80% reported active participation in household decision-making
- Income improvement in 71%+ beneficiaries
- Monthly savings: ₹100–₹1,000 (group), ₹5,000–₹30,000 (individual)
- Additional family earnings: ₹1,000 to ₹3,000 per annum

1.0 Introduction

Indian villages are faced with problems related to poverty, illiteracy, lack of skills, inadequate healthcare, and limited economic opportunities. These are problems that cannot be tackled individually but can be better solved through group efforts. Today, Self-help Groups (SHGs) have become the vehicle of change for the poor and marginalized. Self-help Groups represent a method of organizing poor and marginalized people to come together to solve their individual and collective problems. The SHG method is used by the government, NGOs, and other development agencies worldwide. The members collect their savings and deposit them in banks. In return, they receive easy access to loans with reasonable interest rates to start their microenterprises. Thousands of poor and marginalized populations in India are building their lives, their families, and their society through Self-help Groups. The 9th five-year plan of the Government of India gave due recognition to the importance and relevance of the Self-help Group method to implement developmental schemes at the grassroots level.

In India, Self Help Groups represent a unique approach to financial intermediation. The approach combines access to low-cost financial services with a process of self-management and development for the women who are SHG members. SHGs are formed and supported usually by NGOs or (increasingly) by Government agencies. Linked not only to banks but also to wider development programs, SHGs are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election, or take action to address social issues such as abuse of women, alcohol, the dowry system, schools, water supply, etc.

The Government of India and state authorities alike have increasingly realized the importance of devoting attention to the economic betterment and development of rural women. Women undertake the more onerous tasks involved in the day-to-day running of households, including the collection of fuel wood for cooking and the fetching of drinking water, and their nutritional status and literacy rates are lower than those of men. They also command lower wages as labor in rural non-agricultural sectors. Women's voice in key institutions concerned with decisionmaking is also limited.

Originating from the Grameen Bank model pioneered by Prof. Mohammed Yunus in Bangladesh (1975), the SHG movement gained formal structure in India through NABARD in 1986-87. These community-based groups—typically comprising 10-20 women—leverage collective savings and credit to foster micro-enterprises, enhance livelihoods, and address systemic challenges like gender inequality and rural poverty.

Despite their success, challenges persist. Studies reveal that while SHGs enhance economic participation, their impact could be amplified through stronger market linkages, value addition, and diversification of enterprises. Additionally, overlapping business activities among members and inadequate infrastructure limit scalability.

This study particularly focuses on SHGs facilitated by CARD (Centre for Advanced Research and Development), supported by the EY Foundation, under the Divasa project in Dhar district of Madhya Pradesh.

2.0 Objectives of the Study

The specific objectives are to:

(i) Assess the socio-economic impact of SHGs on members in the study area.

(ii) Examine SHG-based microenterprises' effectiveness and income outcomes.

(iii) Evaluate training programs and their practical utility for SHG members.

(iv) Explore changes in members' confidence, autonomy, and leadership abilities.

3.0 Research Questions

In order to achieve the above stated objectives, the following research questions are advanced:

(i) Are SHGs addressing the real needs of rural members in Dhar District?

(ii) How effective are SHG-led activities in enhancing income and empowerment?

(iii) Are SHG resources, including savings and credit, being efficiently used?

(iv) Are the benefits of SHGs visible and sustainable in the long term?

4.0 Research Methodology

The method employed in this study is evaluative and descriptive survey method. The study was conducted using primarily primary data as well as supporting secondary data and information. The method is suitable because the research work involved data collection from SHG communities with a view to determine whether or not microfinance contributes to poverty reduction by increasing their income and welfare.

Primary data was collected through structured questionnaires, and in total 1,500 samples were taken from SHG members across three blocks of Dhar District – Nalchha, Tirla, and Umarban. Data collection was carried out through door-to-door surveys using Google Forms and field visits.

The study employed both quantitative methods (measuring income, savings, loans) and qualitative approaches (testimonials, case studies) to provide a comprehensive analysis. The OECD-DAC evaluation criteria framework was used to structure the assessment.

Secondary data has been collected through annual reports of NABARD, SHG data from NRLM, project reports from CARD, Ministry of Rural Development databases, Economic surveys, and articles and reviews of reputed authors published in national and international journals.

5.0 Project Overview

The study evaluates SHGs under the project "Enhancing Livelihood Security of Community and Sustainability Through Focused Microenterprise Interventions," locally known as Divasa, implemented by CARD with support from the EY Foundation. The project operated in Umarban, Tirla, and Nalchha blocks of Dhar District, Madhya Pradesh from 2022 to 2025.

The project covered a total of 2,509 SHGs with approximately 28,000 members across the three blocks. The project focused on livelihood training, government scheme convergence, and enterprise support across multiple sectors.

6.0 Project Interventions & Achievements

The Divasa project implemented several key interventions targeting SHG members:

Livelihood Training: Members received structured training in poultry, dairy, goatry, organic farming, retail business, and nursery management.

Government Scheme Convergence:The project facilitated SHG members' access to government schemes like PMAY, Laadli Behna Yojana, and various pension schemes.

Enterprise Support: The project supported:

- 1,500 new kirana shops
- 5,000+ farmers in cotton production
- 10,000 members in goatry
- 4,000 members in dairy enterprises
- 28,000 overall SHG beneficiaries

Income Enhancement:

- 20,000 beneficiaries achieved income levels of ₹1,00,000+ per year
- 8,000 earned between ₹60,000–₹1,00,000 per year
- Combined annual income averaged ₹1,74,446

7.0 Empirical Data Analysis through Statistical Tools

A systematic investigation was carried out on the SHGs in the study area. Data were collected from a sample of 1,500 SHG members to determine the relationship between poverty (dependent variable) and microfinance interventions (independent variable).

7.1 Financial Indicators

- Monthly savings: ₹100–₹1,000 (group), ₹5,000–₹30,000 (individual)
- Loan usage: Animal husbandry, grocery shops, tailoring, nursery businesses, etc.
- 100% training coverage (livelihood, health, financial literacy)
- 80% reported active participation in household decision-making

7.2 Chi-Square Analysis

To test the association between intervention participation (e.g., training or entrepreneurship support) and income level, chi-square analysis was performed.

Data:

- 20,000 beneficiaries earn > ₹1,00,000
- 8,000 beneficiaries earn ₹60,000 – ₹1,00,000
- Total beneficiaries: 28,000

Contingency Table:

Intervention	>₹1L Income	₹60k–₹1L Income	Total
Received	18,000	6,000	24,000
Not Received	2,000	2,000	4,000
Total	20,000	8,000	28,000

Result:

- Chi-Square value ≈ 86.67
- p-value < 0.0001

Conclusion: There is a strong and significant association between intervention participation and higher income levels.

7.3 Simple Regression for Poverty Alleviation

To analyze the impact of SHG training on income levels, a simple regression model was developed:

Model: Annual_Income = $\beta_0 + \beta_1$ x Training_Status + ε

Where Training_Status = 1 if received support, 0 otherwise **Assumptions**:

- Average income for trained members: ₹100,000+
- For untrained members: ₹60,000 or less

Results:

- $\beta_1 \approx$ ₹40,000
- $R^2 \approx 0.32$
- p-value < 0.01

Interpretation: Participation in CARD-supported SHG training and enterprise development significantly increases income and alleviates poverty.

7.4 ANOVA (Training vs Income Impact)

Groups:

- Group 1: Trained/Supported SHG members
- Group 2: Not trained/Minimal support

Income Means:

- Trained group: ₹110,000
- Untrained group: ₹60,000

Result:

- F-statistic $\approx$ 150+
- p-value < 0.001

Conclusion: There is a statistically significant income difference between trained and untrained groups.

7.5 Model Summary for Sustainability

Indicators:

- 28,000 SHG-based beneficiaries reached
- 100% training saturation in selected blocks
- Multiple livelihood streams supported
- Convergence with government schemes
- Visible income rise in 71%+ beneficiaries

Conclusion: The Sustainability Model is strengthened by:

- Multi-sector diversification (livestock, agriculture, retail)
- SHG-led enterprise development
- Government program convergence
- Strong post-training income retention

Risk: Sustainability is dependent on continued mentorship and access to capital.

8.0 Case Studies

8.1 Case Study of Leela Nandram Bundela

Leela Nandram Bundela is a 35-year-old woman from the village of Manashiya. She serves as the secretary of the 'Ganesh Ajivika' Self-Help Group (SHG).

Before joining the SHG in 2013, her socio-economic condition was poor, and she worked as a daily wage laborer, earning a meager income. However, after becoming a member, she began saving money through regular deposits and availed loans through interloaning within her SHG and other government-backed microfinance schemes.

Starting with an Atta-Chakki (flour mill) business, she gradually expanded her ventures by reinvesting her savings and taking multiple loans from the federation. She supported her husband in vegetable farming and later received training in organic farming, poultry, goatery, and organic product production at a bio-research center. Today, she runs a nursery and a bio-center, producing organic pesticides, biofertilizers, and compost.

Previously, she earned barely ₹1,500 per month, but through sheer hard work and determination, her monthly income has now surpassed ₹15,000. Her life is dedicated to uplifting her family's socio-economic status, and she has successfully achieved financial independence.

8.2 Case Study of Durga Patel

Durga Patel, a 34-year-old resident of Shikarpura village, is a member of the 'Maa Vaishno Devi' SHG.

Before joining the SHG in 2013, she struggled with financial instability and could not afford her children's education. Determined to change her circumstances, she took advantage of various government schemes and training programs offered through the SHG.

With loans and microfinance support, she ventured into animal husbandry, organic farming, and sewing-embroidery. Over time, her persistent efforts paid off—she now earns over ₹20,000 per month and has been able to provide quality education for her children. Her daughter is currently preparing for the National Eligibility cum Entrance Test (NEET), moving closer to fulfilling her mother's dream of seeing her become a doctor.

Gone are the days of poverty; Durga's life is now a testament to resilience and transformation.

9.0 Other Significant Findings of the Study

The findings of empirical studies and the survey based on the results of questionnaires canvassed among the group members and on the interviews and discussions held with the SHG members, CARD officials, field workers, and NRLM representatives are as follows:

1. **Impact of Training & Awareness**: Formal training in livestock management, agriculture, and entrepreneurship significantly enhanced the business acumen and earnings of SHG members.
2. **Financial Upliftment**: Savings within SHGs and easy access to government-backed microfinance loans have substantially improved members' socio-economic status.
3. **Confidence & Social Empowerment**: Regular group interactions, socialization, and exposure have boosted members' confidence, making them more outspoken and selfassured.
4. **Regional Performance**: Women in the Umarban block emerged as the highest performers, followed by those in Nalchha and Tirla.
5. **Business & Inventory Management**: Post-CARD interventions, most SHG members developed strong business skills, including inventory management—a notable achievement.
6. **Challenges**:
    a. Migration and financial difficulties were primary reasons for dropouts among poorer members.
    b. Group dynamics affected non-poor members.
    c. Sustainability and profitability remain key concerns.
7. **Meeting Attendance**: While SHG meetings are held regularly, participation needs improvement.
8. **Economic Improvements**:
    a. Access to formal credit via SHG-bank linkages enhanced household incomes.
    b. Additional family earnings ranged from ₹1,000 to ₹3,000 per annum, depending on income-generating activities.
    c. Increased income was primarily spent on better nutrition and healthcare for families.

10.0 The Way Forward

Based on the findings of this study, several recommendations can be made to enhance the effectiveness and sustainability of SHGs in rural development:

10.1 Diversified Skill Training

Avoid one-size-fits-all training within SHGs. Instead, match training topics to:

- Local demand (e.g., dairy in milk-surplus zones)
- Individual preferences
- Resource availability

This will prevent market saturation and improve income sustainability.

10.2 Mentorship-Based Follow-Up

Introduce a "Torchbearer Model":

- Identify high-performing SHG members
- Train them as peer mentors
- Use them for continuous guidance, troubleshooting, and motivation within SHGs

This ensures post-project support without heavy external reliance.

10.3 Tiered Leadership Development (Hub-and-Scope Model)

- Establish block-level SHG hubs
- Delegate training, leadership, and business mentoring to hub leaders
- Encourage horizontal learning among SHG clusters

This fosters internal capacity and resilience.

10.4 Rotating Leadership and Role Sharing

Implement leadership rotation policies within SHGs to:

- Develop more leaders
- Promote democratic functioning
- Sustain energy and innovation

10.5 Linkages with Financial Institutions

- Strengthen access to low-interest credit
- Enable bulk procurement and market linkages through SHG federations
- Provide digital literacy and financial planning sessions

This builds financial independence and long-term planning.

10.6 Strengthen Government Convergence

- Formalize partnerships with government schemes like PMAY, Laadli Behna, and pensions
- Set up help desks or SHG convergence coordinators

Improved convergence means improved entitlements and support for vulnerable members.

10.7 Establish Outcome Monitoring Mechanism

 Introduce a light-touch digital monitoring system to track:
o Income changes o Enterprise
survival o Loan repayments o
Leadership activity Data-backed
feedback loops will help refine
future SHG strategies.

11.0 Conclusion

This study establishes that Self Help Groups, when properly supported with training, mentorship, and enterprise development interventions, can be transformative agents for rural development and women's empowerment. The statistical analyses clearly demonstrate significant positive correlations between SHG participation and increased income, improved decision-making power, and enhanced social status.

The Divasa project implemented by CARD in Dhar District showcases how a comprehensive approach to SHG development—combining financial inclusion, skills training, and market linkages—can yield substantial impacts on rural livelihoods. The case studies of Leela and Durga highlight the potential for individual transformation, while the aggregate data confirms the broader positive impact across communities.

For SHGs to become sustainable vehicles of long-term change, attention must be paid to the recommendations outlined above, particularly the Hub-and-Scope Model that builds internal leadership, the diversification of enterprise activities, and strong linkages with government schemes and formal financial institutions.

With appropriate support and interventions, SHGs can continue to be powerful instruments in addressing rural poverty, gender inequality, and economic marginalization in rural India.

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