From Development of Women to Development Led by Women

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Introduction

Few institutional innovations in independent India have reshaped rural life as quietly and comprehensively as the Self-Help Group (SHG). What began four decades ago as a modest experiment to get poor women to save a rupee a day has grown into the world's largest network of community-based institutions, touching the lives of millions of households. The story of the SHG movement is, at its heart, a story of a shift in framing: from women being treated as passive beneficiaries of development schemes to women becoming the agents who lead development themselves. This essay traces that journey — the concept and internal workings of SHGs, their evolution in India and in neighbouring countries, their rich history in Southern States, with a particular focus on Telangana and Andhra Pradesh, the achievements that mark the movement today and the challenges.

The Concept and Operational Framework of Self-Help Groups

A Self-Help Group is a small, voluntary association of women from similar socio-economic backgrounds who come together to save regularly, lend to one another, and support each other through collective discussion. Thus, they are thrift and credit groups, and typically each group has ten to twenty members who meet on a fixed schedule to contribute savings to a common bank account. What began in the 1980s as a contribution of one rupee per member per day has, over the decades, grown to about a hundred rupees, reflecting members' rising economic capacity. From this pooled corpus, members can borrow small amounts at interest rates of around twelve percent — a fraction of what informal moneylenders typically charge — to meet personal or family needs.

The functioning of an SHG rests on five guiding principles, often called the *Panchasutras*: regular meetings, consistent savings, internal lending, timely repayment, and accurate bookkeeping. As the groups mature, their financial base grows beyond member savings to include government grants such as Revolving Funds and Community Investment

Funds, bank loans issued in the group's name, interest income, fines, and returns from small enterprise activities etc. The guiding philosophy is often summarised in a simple phrase: savings first, credit later — a principle that embodies self-help and stands in deliberate contrast to conventional lending models.

Beyond finance, SHGs function as forums for mutual support. Members jointly decide on loan approvals and repayment schedules, collectively manage cases of default, and use their regular meetings as a safe space to discuss personal and family difficulties, from health emergencies to domestic conflict, and social issues, working together toward solutions.

The Evolution of the SHG Movement in India

The roots of the movement trace back to 1972, when Ela Bhatt founded the Self-Employed Women's Association (SEWA) in Ahmedabad to organise women in the informal economy. SEWA Bank later pioneered microcredit for small enterprises. Throughout the 1980s, the SHG idea took shape informally in rural India, with non-governmental organisations such as MYRADA and PRADHAN playing a pioneering role, sometimes with support from international agencies like IFAD. A turning point came in 1987, when NABARD, the National Bank for Agriculture and Rural Development, launched pilot projects to test informal, group-based savings and lending models, which proved highly successful. The 1990s saw explosive growth, propelled by government, NABARD, and NGOs, with the southern states of Andhra Pradesh, Tamil Nadu, Kerala, and Karnataka emerging as early leaders.

Alongside this organisational growth came a parallel evolution in financial products. The most revolutionary being: SHG Savings Bank Account which allowed an unregistered group to open a zero-balance account, and the SHG Bank Linkage Programme (SBLP), that allowed collateral-free, purpose-neutral loans to unregistered groups. By the late 1990s, the inclusion of SBLP within rural priority-sector lending had given the model- national reach.

Government policy to tackle poverty also witnessed a significant shift from an individual approach to a group-based approach and recognised the potential of the evolving women's SHG ecosystem. From the Development of Women and Children in Rural Areas scheme (DWACRA) in the 1980s to the *Swarn Jayanti Gram Swarozgar Yojana* (SGSY) in 1999, there were efforts to use these institutions for poverty alleviation. The Government of India declared 2006 the Year of Microfinance, and in 2011, the National Rural Livelihood Mission, also called *Aajeevika*, replaced SGSY's target-based approach with a universalmobilisation approach aimed at bringing every poor rural woman into an SHG. From 2015 onward, the mission — renamed the *Deen Dayal Antyodaya Yojana*-NRLM (DAY NRLM) — has woven together complementary programmes such as the *Jan Dhan Yojana* and digital financial literacy drives, deepening convergence across schemes.

An International Perspective: Bangladesh and Pakistan

India's experience did not develop in isolation, and a brief comparison with its neighbours is instructive. In Bangladesh, following independence in 1971, group-based microcredit initiatives, and in 1976 Professor Muhammad Yunus began lending to poor women in Jobra village, an experiment that matured into the Grameen Bank in 1983. The Grameen model is built on joint-liability lending within small groups of five to seven members. Organisations such as BRAC, ASA, and PROSHIKA etc later broadened the approach and a range of additional initiatives such as livelihoods, education, and health, were converged. The model's global recognition culminated in the 2006 Nobel Peace Prize, shared by Yunus and Grameen Bank. While the Indian approach can be summarised as savings first, credit later, the Bangladeshi model is often described in the reverse: credit first, savings later.

Pakistan's journey has been comparatively modest. The Aga Khan Rural Support Programme, launched in Gilgit-Baltistan in the 1980s and 1990s, introduced women's SHGs and village organisations built around savings and credit. Rural Support Programmes subsequently expanded with backing from international donors. The Pakistan Poverty Alleviation Fund, formed in 2000, implemented similar community institutions. From 2010, SHGs were linked to the Benazir Income Support Programme for cash transfers. Even so, the movement in Pakistan remains largely NGO- and donor-driven, with limited government ownership and a much smaller footprint than in India or Bangladesh.

Set side by side, the three countries illustrate three distinct paths: India's savings-first, government-anchored, nationwide model; Bangladesh's credit-first model driven by Grameen Bank and large microfinance institutions; and Pakistan's donor-dependent, geographically limited model.

The Telugu States: A Living Laboratory for SHGs

In the early 1990s, the UNDP-backed South Asia Poverty Alleviation Programme tested a simple but powerful hypothesis: that people living in poverty could lift themselves out of it through collective effort. Its operating cycle — savings, internal lending, capitalisation through government and bank funds, on-lending for income-generating and emergency needs, and disciplined repayment — ran for a decade across twenty mandals spanning one district of Telangana and two districts of Andhra Pradesh.

The pilot proved several things at once: that SHGs could be promoted to saturation rather than remaining in scattered pockets, that poor rural women, when organised, saved and repaid loans reliably on time; and that a village-level federation was an administratively workable way to manage thousands of groups.

Building on this foundation, the period from 2000 to 2009 saw the birth of a statewide SHG programme through the Andhra Pradesh's District Poverty Initiatives Project (DPIP) and the Andhra Pradesh Rural Poverty Reduction Project (APRPRP), both funded by the World Bank. These initiatives made SHG promotion the central rural development strategy, pursued the saturation of thrift-and-credit groups, and created a dedicated institutional vehicle, the Society for Elimination of Rural Poverty (SERP), to build capacity among members, elected leaders, and paid functionaries. Capitalisation accelerated through grants such as Revolving Funds and Capital Investment Funds. The most important catalyst was the cadre of Bank Mitras, who demystified bank linkage. Bank Mitras were mostly semiliterate members of SHGs or their children, acting as a bridge between the lonee (SHG) and the loner (Bank). They facilitated accurate filing of loan applications on behalf of SHGs and ensured timely repayment, which pleased banks. This created a "Win-Win", and the gates to the effective flow of institutional credit towards groups were wide open.

A three-tier federation structure at the village, mandal, and district levels was institutionalised, alongside special attention to the most vulnerable — to include poorest of the poor (POP), differently abled — and social action campaigns against child labour and domestic violence, supported by a corps of Community Resource Persons. This three-tier federation model, refined in the Telugu states, served as the blueprint for the national DAY-NRLM programme, in later years.

State Success Stories

Kudumbashree in Kerala, the Corporation for the Development of Women in Tamil Nadu, *Jeevika* in Bihar, *Stree Shakti* in Karnataka, Mission Shakti in Odisha, and *Umeed* in Jammu and Kashmir are the most successful SHG lend models in India.

The Role of NABARD, the Reserve Bank, and the Banking System

None of this growth would have been possible without a supportive financial architecture. NABARD and the Reserve Bank of India shaped pro-poor financial products — the SHG savings account, the Bank Linkage Programme, and the inclusion of SHG credit within priority-sector lending — while also funding early NGO pioneers such as MYRADA. Over time, dedicated vehicles such as the Micro Finance Equity Development Fund, the Micro-Enterprises Development Fund, NABFINS, and the Joint Liability Group scheme were established, alongside the Business Correspondent model introduced in 2006 to extend branchless banking into rural areas. A Centre for Microfinance Research was set up for continuous learning, and NABARD's annual" Status of Microfinance in India" report has become something of a gold standard for tracking the sector's health.

Benefits and the Scale of Impact

The benefits attributed to the SHG movement span the economic and the social. Members report gains in asset ownership, financial inclusion, and diversified livelihoods, alongside economic and political empowerment, greater resilience during crises, wider access to awareness and education, and stronger social networks.

The scale of what has been built is striking. From roughly thirty lakh SHGs reaching seven crore households in 2008, the movement grew to sixty lakh groups by 2019, and to about 1.44 crore SHGs reaching 17.8 crore households by 2024 — a trajectory that has accelerated sharply over the past decade.[1] The financial numbers tell a similar story: total savings deposits of roughly Rs 65,089 crore, cumulative credit linkage of Rs 2.09 lakh crore, and outstanding loans of about Rs 2.59 lakh crore, with an average loan disbursement of Rs 3.8 lakh. Loan repayment rates exceeding 98 percent testify to the credit discipline of the groups. Between FY13 and FY22, the number of credit-linked SHGs grew at a compound annual rate of 10.8 percent, credit disbursement per SHG grew at 5.7 percent, and savings grew by around 11 percent between 2022–23 and 2023–24, according to NABARD's reporting.

Beyond the numbers, the movement's deeper significance lies in having demonstrated that low-income women are creditworthy, in building substantial social capital, in advancing women's economic and political standing, and in giving development programmes a ready-

[1] This article draws on the statistical data published by the National Bank for Agriculture and Rural Development (NABARD) in its report, *Status of Microfinance in India 2023–24* (Mumbai: NABARD, 2024).

made grassroots platform to build upon. It is this rare convergence of factors that has made Indian SHGs, the world's largest network of community institutions, the largest poverty alleviation programme, and the largest microfinance programme anywhere.

Challenges

- Despite bank linkage programs, many SHGs still struggle with delayed loan disbursement, collateral requirements- often disguised as savings held in banks as Fixed deposits
- Members often take loans from multiple sources (SHG + moneylenders + microfinance institutions), leading to debt stress.
- **Low literacy and numeracy**: Makes bookkeeping, loan tracking, and financial management difficult without external support.
- **Weak entrepreneurial and managerial skills**: Many SHGs struggle to move from savings-credit groups into viable income-generating enterprises.
- **Limited market linkages**: Products made by SHGs (handicrafts, food processing, textiles) often lack access to larger markets, branding, and quality standardization, so they get stuck in low-value local sales.
- Limited digital literacy: Restricts access to e-commerce platforms, digital payments, and government e-governance schemes meant to support them.
- Seasonal and low-value livelihoods: Many SHGs are engaged in traditional, low-margin activities rather than diversified, high-growth enterprises.
- **Elite capture**: In some SHGs, more educated or influential women dominate decision-making, sidelining weaker or marginalized members (especially Dalit, tribal, or minority women).
- **Group cohesion -the urban challenge**: frequent migration, Conflicts among members, unequal participation, and trust deficits can cause groups to become dysfunctional or collapse. Urban / Semi Urban area are particularly susceptible.
- **Dependency on NGOs/government**: Many SHGs remain dependent on external facilitators rather than becoming self-sustaining, raising sustainability concerns once support is withdrawn.

Conclusion:

Looking across this history, a handful of design choices stand out as the true game changers of the SHG movement: organising women into small, cohesive, homogenous groups of ten to twenty; anchoring them to a savings account and, later, to formal bank linkage and priority-sector credit; building administratively feasible multi-tier federations; providing dedicated institutional support and a cadre of Community Resource Persons; and fostering synergy among women, financial institutions, NGOs, and government at every level, with successful models cross-learned and replicated across states.

What began as an effort to develop women has, over five decades, matured into development led by women. Millions of rural households that today count on their own institutions rather than outside charity.

Given India's demographic scale, enterprise-focused SHGs can become a genuine engine of rural GDP growth and women's economic empowerment, not just a poverty-alleviation safety net. Without a strong push toward enterprise, India risks having millions of SHGs that are financially included but economically stagnant — a missed opportunity given the scale of investment already made.

List of Acronyms and Abbreviations

APRPRP: Andhra Pradesh Rural Poverty Reduction Project

ASA: Association for Social Advancement

BRAC: Bangladesh Rural Advancement Committee

DAY-NRLM: *Deendayal Antyodaya Yojana* – National Rural Livelihoods Mission

DPIP: District Poverty Initiatives Project

DWCRA: Development of Women and Children in Rural Areas

FY: Financial Year

GDP: Gross Domestic Product

IFAD: International Fund for Agricultural Development

MYRADA: Mysore Resettlement and Development Agency

NABARD: National Bank for Agriculture and Rural Development

NABFINS: NABFINS Limited (Formerly NABARD Financial Services Limited)

NGO: Non-Governmental Organisation

POP: Poorest of the Poor

PRADAN: Professional Assistance for Development Action

PROSHIKA: *Proshika Manobik Unnayan Kendra*

SBLP: SHG Bank Linkage Programme

SEWA: Self-Employed Women's Association

SERP: Society for Elimination of Rural Poverty

SGSY: *Swarnajayanti Gram Swarozgar Yojana*

SHG: Self-Help Group

UNDP: United Nations Development Programme