

The Socio-economic Impact of Self-Help Groups in South India

This brief presents findings from an ongoing study at IFMR LEAD that evaluates the impact of a self-help group program on the socio-economic outcomes of households in rural Tamil Nadu, India.

The Self-Help Group Bank Linkage Program (SBLP) in India, a flagship grassroots movement since 1992, promoted by National Bank for Agriculture and Rural Development (NABARD) has over 4.4 million Self-Help Groups (SHGs) with outstanding bank loans and 7.7 million SHGs¹ with a savings bank account as per latest estimates. Today, SHGs are seen as more than just a conduit for credit- they also act as a delivery mechanism for various other services ranging from entrepreneurial training, livelihood promotion activity and community development programs. There is an increased emphasis on routing livelihood programs like the National Rural Livelihood Mission and financial inclusion programs focused on closing the last mile gap through the SHG channel. It is crucial to understand the impact of SHG membership on the overall welfare indicators of individuals and associated households.

An on-going study at IFMR LEAD, titled 'Inclusive growth through microfinance and entrepreneurial training: An Impact Evaluation of the Hand in Hand Program' aims to broadly test whether SHG-based microfinance and entrepreneurship training programs improve the overall well-being of rural poor in 315 Panchayats in three selected districts of Tamil Nadu, in collaboration with the self-help group promoter, Hand in Hand India. The study uses a randomized control trial approach to analyze the impact of the SHG program on a broad set of socio-economic indicators such as consumption, expenditure, income, credit and savings patterns, business creation and profitability, health, education, food security, etc. While final results are forthcoming, this brief captures some interesting insights from a

midline survey of representative 1,500 households carried out in 2014, four years after the intervention was implemented.

Key Observations

1. Women in SHGs are more likely to save money

While 52% of households in our sample had savings accounts, treatment households (with women who were a part of SHGs) were **5% more likely to have savings accounts at a formal institution**. Moreover, over time, households in the treatment sample were found to be directing their savings towards accounts in banks and SHGs as compared to control households where the distribution of the savings pool did not substantially alter over time. Despite this encouraging trend, there is no significant change in the value of savings over time for households with SHG members

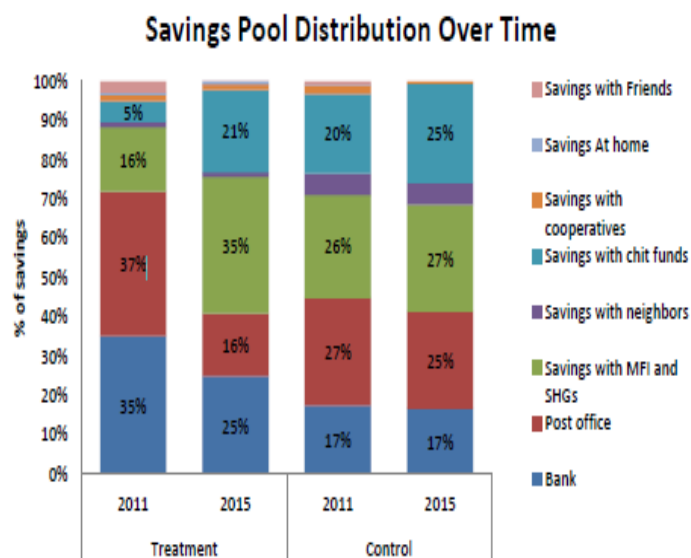


Figure 1: Savings Pool Distribution over Time

¹ NABARD Annual Report, 2016

2. Households with SHG membership are more likely to borrow from formal sources

Households with SHG members are 8% more likely to have outstanding loans of any kind. Treatment households are also found to be significantly more likely to have loans from formal sources and similarly less likely to have loans from informal sources. Over time, this difference in borrowing behavior can be attributed to households approaching SHGs instead of moneylenders and social networks for loans.

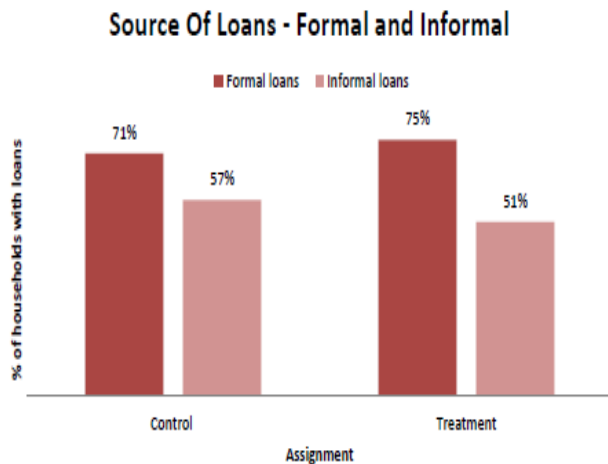


Figure 2 : Source of Loans

3. Women in SHGs score higher on the empowerment index

Women in SHGs are more likely to have physically visited bank branches, government offices or panchayat offices. They are also more likely to have approached a governmental official to raise issues of importance. These are crucial insights and form part of our women empowerment index which is higher for women in treatment households who are part of SHGs. That the dynamics of an SHG play a contributing role in engineering agency for women stands testament to the need for a community based

Further Reading:

1. Digitizing Self-Help Groups in India, September 2016, <https://cfi-blog.org/2016/09/12/digitizing-self-help-groups-in-india/>
2. Revitalizing the Self-Help Group Movement in India, June 2016, <http://www.cgap.org/blog/revitalizing-self-help-group-movement-india>

financial empowerment movement targeted towards women.

Looking ahead

Self-help groups have the potential to transform lives and empower women – with grassroots level community support, women in self-help groups are found to be changing their financial and social behaviors over time, by actively engaging in the formal financial ecosystem and the local political environment. The groups however are often threatened by internal structural issues that can be surmounted with additional handholding support from SHG promoting institutions.

It is argued that continued handholding though beneficial in the long run is a costlier model to follow. To overcome this concern, NABARD is driving efforts towards digitizing SHG records with its E-Shakti program in order to encourage transparency, accountability and self-reliance among members, possibly improving the longevity of these groups.

The Central Government is also taking steps to leverage the self-help group platform to expand the financial inclusion agenda of the country by using SHG members to influence take up and usage of financial services. Recent pilots on leveraging self-help group members as bank agents showed some encouraging results in terms of number of transactions and percentage of active accounts. Similar innovations are needed to reshape the SHG movement and help advance financial inclusion for the poor.

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