

## A Study on Evaluating the Impact of Self-Help Groups on Socio-Economic Development in Karnataka with Special Reference to Bangalore Rural District

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### ABSTRACT

Asset ownership is closely linked to the financial stability and potential for economic growth among SHG members. It provides them with the resources and tools to improve their livelihoods, engage in entrepreneurial activities, and achieve economic empowerment. The concept of SHGs is rooted in the principle of collective savings and microcredit, where members, predominantly women, contribute to a common fund and extend small loans to each other to meet their entrepreneurial or personal needs. Originating from the Grameen Bank model in Bangladesh, SHGs in India have evolved into a widespread movement, especially after the active involvement of the National Bank for Agriculture and Rural Development (NABARD) post-1991-92. In Karnataka, SHGs have not only contributed to the economic upliftment of rural households but have also played a significant role in addressing social issues and enhancing quality of life.

**KEYWORDS:** Economic Development, Self-help groups, NABARD, Micro credit.

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### 1. INTRODUCTION

In the quest to alleviate poverty and empower marginalized communities, Self Help Groups (SHGs) have emerged as a pivotal instrument for socio-economic development in India. Particularly in Karnataka, SHGs have been instrumental in fostering grassroots economic growth and social empowerment. This study aims to evaluate the impact of SHGs on the socio-economic fabric of the Bangalore Rural District, a region that mirrors the diverse socio-economic dynamics of Karnataka.

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The research paper delves into the transformative role of SHGs in Bangalore Rural District, examining their contribution to income generation, savings, and overall household welfare. It also explores the broader implications of SHGs on social parameters such as education, health, and political participation. The study is grounded in both qualitative and quantitative analyses, drawing from secondary data sources to paint a comprehensive picture of the SHGs' impact.

Through this examination, the paper seeks to underscore the importance of SHGs in the socio-economic landscape of Karnataka and provide insights into the mechanisms through which these groups

facilitate development. The findings aim to inform policymakers and stakeholders about the efficacy of SHGs and suggest pathways for their enhanced contribution to rural development.

## **2. REVIEW OF RELATED LITERATURE**

SHGs promoted by different NGOs in India significantly contribute to inclusive and sustainable rural development by enhancing rural poor's capabilities, economic well-being, and financial inclusion. Self-help groups (SHGs) have significantly improved the economic and social empowerment of rural SC/ST women in the Gulabaga district of Karnataka. Self-help groups in Majjigepura, Karnataka, India, effectively contribute to rural development by addressing poverty and empowering women through various social and economic activities. Self-help groups for persons with disabilities in rural Karnataka, India, improve socialization, self-esteem, and empower them to lead independent lives. Self-Help Groups (SHGs) play a crucial role in improving the socio-economic status of rural women in Hooghly district, West Bengal. Self Help Groups in Shimoga district, Karnataka, play a crucial role in empowering rural women through microfinance, transforming them from Grameen Ladies to women entrepreneurs and improving their confidence and status in the community. In response to the problems of high coordination costs among the poor, efforts are underway in many countries to organize the poor through "self-help groups" (SHGs) -- membership-based organizations that aim to promote social cohesion through a mixture of education, access to finance, and linkages to wider development programs. The authors randomly selected 32 of 80 villages in one of the poorest districts in rural India in which to establish SHGs for women. Two years of exposure to these programs increased women's participation in group savings programs as well as the non-agricultural labor force. Compared to women in control villages, treated women were also more likely to participate in household decisions and engage in civic activities. The authors find no evidence however, that participation increased income or had a disproportionate impact by women's socio-economic status. These results are important in light of the recent effort to expand official support to SHGs under the National Rural Livelihood Mission. Generally self help groups (SHGs) are formed to alleviate poverty. Groups of individuals who are below the poverty line are given micro credit for generating income through small income-generating activities. This is based on the largely successful model developed by Muhammad Yunus of the Grameen Bank in Bangladesh which had spread widely in the mid 1990s giving promise of alleviating rural poverty at the same time increasing empowerment of women through income-generating activities. This paper presents information about a programme for generating womens self-help groups (SHGs) in rural Bellary district in eastern Karnataka.

## **3. STATEMENT OF THE PROBLEM**

Lakshmi Narayana (1973) found that in the Ambala district of Haryana a major portion of the Self Help Groups (SHGs) have been recognized as a significant conduit for promoting socio-economic development, particularly among rural communities. In Karnataka, and more specifically in the Bangalore Rural District, SHGs have been instrumental in catalyzing economic empowerment and social transformation. Despite their potential, there is a dearth of comprehensive studies that critically assess the extent of SHGs' impact on socio-economic parameters. This research aims to fill this gap by systematically evaluating the effectiveness of SHGs in improving the economic status and social well-being of their members. It seeks to understand the challenges and opportunities presented by SHGs, their contribution to income generation, savings, and empowerment, and the overall change they bring about in the socio-economic landscape of the Bangalore Rural District. The study will provide empirical insights into the functioning and outcomes of SHGs, thereby informing policy decisions and future interventions.

## **4. OBJECTIVE OF THE STUDY**

- To assess the economic empowerment of individuals participating in Self Help Groups (SHGs) in Bangalore Rural District, focusing on income generation, savings enhancement, and financial literacy improvement.
- To evaluate the social upliftment facilitated by SHGs, examining changes in education, health awareness, and community engagement among members.

- To analyze the sustainability and scalability of SHGs as a model for socio-economic development, identifying best practices and challenges in the Bangalore Rural District context.

These objectives aim to provide a comprehensive understanding of the multifaceted impact of SHGs on the socio-economic development of individuals and communities within the targeted region. They are designed to guide a thorough investigation into the effectiveness of SHGs in promoting economic self-sufficiency and social progress.

## 5. RESEARCH QUESTIONS

- How do Self Help Groups (SHGs) influence the economic stability and income-generating capacity of their members in the Bangalore Rural District?
- In what ways have SHGs contributed to the social empowerment of individuals, particularly women, in terms of education, health awareness, and political participation?
- What are the key factors that determine the sustainability and success of SHGs in the socio-economic development of the Bangalore Rural District?
- How do the outcomes of SHG participation differ across various demographic groups within the Bangalore Rural District, and what implications does this have for policy formulation?

## 6. IMPACT OF SELF-HELP GROUPS ON SOCIO-ECONOMIC DEVELOPMENT

**Activity Status Choice and Occupational Choice:** All respondents were classified into four broad categories based on the type of agency promoting Self-Help Group (SHG) activity in Bangalore, namely government (Govt), non-government (NGO), Microfinance Institutions (MFI), and other remaining agencies (Other). The percentage shares of Govt, MFI, NGO, and other agencies in the sample were 51.38%, 32.56%, 15.97%, and 0.09% respectively. Also, it is noted that the relative shares of SHG members according to activity status choice and type of SHG Promoting Institution (SHPI). Considering the total number of respondents from the Govt agency, i.e., out of 579 respondents, 44.56%, 11.74%, 18.48%, and 25.22% were observed to have “Active”, “Failed”, “Latent”, and “Passive” as their activity status, respectively.

The relative shares of the total 367 respondents from MFI were 68.94%, 7.63%, 4.90%, and 18.53% for the “Active”, “Failed”, “Latent”, and “Passive” categories, respectively. Similarly, out of 180 respondents from NGOs, 35.00%, 16.67%, 14.44%, and 33.89% were observed to have “Active”, “Failed”, “Latent”, and “Passive” as their activity status, respectively. A single SHG member belonging to a political party, therefore categorized under Other agency, was observed to have an “Active” status.

***The activity statuses of Self-Help Group (SHG) members, such as “Active,” “Failed,” “Latent,” and “Passive,” have various implications for the individuals involved and the broader community:***

- ✓ **Active:** Members who are actively participating in SHG activities tend to benefit from increased social support, economic activity, and empowerment. They are more likely to engage in income-generating activities and have a positive impact on their communities.
- ✓ **Failed:** Members with a “Failed” status may have experienced setbacks that could affect their confidence and economic stability. This status could indicate the need for additional support and resources to help these members recover and re-engage with the SHG.

- ✓ Latent: Those with a “Latent” status might be members who are not currently active but have the potential to become active again. They may require motivation or the right opportunity to rekindle their participation in SHG activities.
- ✓ Passive: “Passive” members may be less involved in the day-to-day activities of the SHG. While they might not contribute actively, they can still benefit from the group’s collective knowledge and resources. However, increasing their engagement could lead to better outcomes for the individual and the group (**Sivakami Nagarajan -2019**).

Overall, the activity status of SHG members can influence their level of empowerment, economic stability, and contribution to the group’s objectives. Active participation is generally associated with positive outcomes, while a lack of engagement may require intervention to ensure all members can benefit from the SHG’s support.

The study revealed the distribution of the sample based on occupational choice and affiliation with Self-Help Group Promoting Institutions (SHPI). Among the 1,127 SHG members surveyed, the affiliations were as follows: 418 (37.09%) with BMC, 161 (14.29%) with MAVIM, 50 (4.44%) with NGO-CH, 57 (5.06%) with NGO-AK, 69 (6.12%) with NGO-PV, 5 (0.44%) with Others, 247 (21.92%) with Suryoday, and 120 (10.65%) with Vandana. Of the 418 members associated with BMC, 35.17% reported owning a business. Among the 161 MAVIM members, 21.12% reported business ownership. Only 4% of the 50 members from Creative Handicrafts were actively involved in business. For Asha Kiran’s 57 members, 28.07% reported having a business.

From Parisar Vikas’s 69 members, 28.99% reported business ownership. A significant 50.61% of the 247 clients from Suryoday Microfinance reported active business involvement. Lastly, of the 120 Joint Liability Group (JLG) members surveyed, a notable 84.17% reported owning a business. None of the members categorized under ‘Others’ reported business ownership. Figure 5.4 illustrates the absolute numbers of SHG members based on their occupational choice and SHPI affiliation.

The sample distribution represents asset ownership, which includes a house, land, LPG connection, vehicle, computer, television, phone, and refrigerator. Approximately 85% of the interviewed SHG members reported owning a house in Mumbai. However, most of them resided in the slums of Mumbai, and the houses they referred to as owned were not well-built concrete structures but rather poorly constructed, congested tenements. About 53% of the SHG members claimed ownership of agricultural or non-agricultural land in their native places.

Nearly 87% of the members had access to an LPG/PNG connection. Only 21% of the respondents owned a vehicle. A mere 14% (155 out of 1127) of the members owned a computer, and among those, 61% (94 out of 155) reported having an internet connection. Almost 92% of the respondents possessed a television set, and 97% had a phone. Approximately 63% of the respondents owned a refrigerator.

***The asset ownership patterns among Self-Help Group (SHG) members significantly impact their economic well-being in several ways:***

- ✓ Home Ownership: Owning a house, even in the slums of Mumbai, provides a sense of security and stability. It can act as collateral for loans, potentially leading to better credit opportunities for business or personal needs.
- ✓ Land Ownership: Possessing agricultural or non-agricultural land can be a source of income through cultivation or renting. It also increases the members’ wealth and can be used as leverage for financial services.
- ✓ LPG/PNG Connection: Access to LPG/PNG connections improves the quality of life by providing cleaner energy sources. This can lead to better health outcomes and savings on medical expenses.
- ✓ Vehicle Ownership: Having a vehicle can enhance mobility, allowing members to access markets and services more easily, which can lead to increased economic activities.

- ✓ Computer and Internet Access: Ownership of a computer and internet access opens up opportunities for education, online businesses, and access to information, which can contribute to economic empowerment.
- ✓ Television and Phone: These assets provide access to information and connectivity, which are essential for staying informed and maintaining social and business networks.
- ✓ Refrigerator: Owning a refrigerator can lead to better food preservation, reducing waste and saving money, as well as enabling members to engage in food-related businesses.

Overall, asset ownership is closely linked to the financial stability and potential for economic growth among SHG members. It provides them with the resources and tools to improve their livelihoods, engage in entrepreneurial activities, and achieve economic empowerment

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