



# AGRI MAGAZINE

(International E-Magazine for Agricultural Articles)

Volume: 03, Issue: 04 (April, 2026)

Available online at <http://www.agrimagazine.in>

© Agri Magazine, ISSN: 3048-8656



## Role of Self-Help Groups (SHGs) in the Rural Economy

Harkesh Kumar Balai<sup>1</sup> and \*K. Sneha<sup>2</sup>

<sup>1</sup>Assistant Professor, Faculty of Agriculture, Jagannath University, Jaipur, India

<sup>2</sup>B.Sc. Student, Faculty of Agriculture, Jagannath University, Chaksu, Jaipur, India

\*Corresponding Author's email: [snehakadavath53@gmail.com](mailto:snehakadavath53@gmail.com)

In recent years, Self-Help Groups (SHGs) have emerged as a powerful instrument for rural development and economic empowerment in India. These small, voluntary groups—usually consisting of 10–20 members—are formed to promote savings, credit access, and collective decision-making. SHGs are especially significant in agriculture-based rural economies, where financial inclusion and livelihood opportunities are often limited. Their role goes beyond finance, influencing social change, women empowerment, and sustainable development.

### Concept and Structure of SHGs

A Self-Help Group is a community-based organization where members regularly save small amounts of money and use the pooled fund to provide loans among themselves. Over time, SHGs are linked with banks and financial institutions, enabling access to larger credit facilities.

The structure of SHGs is simple and democratic:

- Members belong to similar socio-economic backgrounds
- Decisions are taken collectively
- Leadership rotates among members
- Regular meetings ensure transparency and accountability.

**Table 1: SHGs in India: The Current Landscape**

Metric	Current Status (as of Dec 2025/Jan 2026)
Total Number of SHGs	90.91 Lakh (9.1 million)
Households Mobilized	10.05 Crore (100.5 million)
Bank Credit Accessed	₹12.18 Lakh Crore (Cumulative since 2013-14)

Source: Press Information Bureau (PIB) - Ministry of Rural Development, Feb 2026

### Financial Inclusion and Credit Access

One of the most important contributions of SHGs is improving access to credit in rural areas. Farmers and rural households often face difficulties in obtaining loans due to lack of collateral and formal documentation. SHGs bridge this gap by:

- Encouraging savings habits
- Providing small, interest-based loans internally
- Linking members with formal banking systems

This reduces dependence on moneylenders and helps rural families meet agricultural and personal expenses more sustainably.

**Table 2: Financial Outlay: Last Five Years (Budget Allocations)**

Financial Year	Amount Allotted (₹ in Crores)	Status
2021-22	₹9,470	Actuals
2022-23	₹13,336	Actuals

2023-24	₹14,129	Actuals
2024-25	₹14,705	Revised Estimate
2025-26	₹19,200	Budget Estimate

Source: Union Budget Document 2026-27; PRS Legislative Research India

### Promotion of Agricultural Activities

SHGs play a crucial role in strengthening the agricultural sector by supporting small and marginal farmers. They contribute by:

- Providing credit for seeds, fertilizers, and irrigation
- Encouraging group farming and collective purchase of inputs
- Promoting modern farming techniques and training programs

Through these activities, SHGs enhance productivity and reduce production costs, leading to better farm income.

### Women Empowerment and Social Change

A majority of SHGs in rural India are women-led. These groups empower women economically and socially by:

- Giving them financial independence
- Enhancing decision-making power within households
- Building confidence and leadership skills

Women involved in SHGs often take initiatives in education, health, sanitation, and nutrition, thereby improving overall rural living standards.

### Employment Generation and Income Diversification

SHGs help in creating alternative livelihood opportunities beyond agriculture. Members engage in activities such as:

- Dairy farming and poultry
- Handicrafts and small-scale industries
- Food processing and local enterprises

These activities generate additional income, reduce unemployment, and decrease migration from rural to urban areas.

### Poverty Alleviation

By promoting savings, credit access, and income-generating activities, SHGs contribute significantly to poverty reduction. They help rural households:

- Meet emergency financial needs
- Invest in productive assets
- Improve their standard of living

SHGs also support government poverty alleviation programs by acting as effective implementation channels.

### Strengthening Rural Institutions

SHGs act as grassroots-level institutions that strengthen rural governance and participation. They:

- Encourage collective action
- Promote awareness about government schemes
- Improve access to public services

Their presence enhances community bonding and local problem-solving capacity.

### Challenges Faced by SHGs

Despite their success, SHGs face certain challenges:

- Lack of proper training and capacity building
- Limited access to larger markets
- Irregular participation of members
- Dependence on external support in early stages

Addressing these challenges is essential for their long-term sustainability.

## Conclusion

Self-Help Groups have become a cornerstone of rural economic development by promoting financial inclusion, agricultural growth, and social empowerment. Their collective approach not only improves individual livelihoods but also strengthens the rural economy as a whole. With proper support, training, and policy backing, SHGs can play an even greater role in achieving inclusive and sustainable rural development in the future.

## Key Takeaway

SHGs are not just financial groups—they are engines of transformation that uplift rural communities through unity, self-reliance, and shared progress.

## References

1. Hoffmann, V., Rao, V., Surendra, V., & Datta, U. (2021). Relief from usury: Impact of a self-help group lending program in rural India. *Journal of Development Economics*, 148, 102567.
2. Ministry of Finance. (2026). Union Budget 2026-27: Expenditure profile and budget estimates. Government of India.
3. Ministry of Rural Development. (2026, February). Progress under Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM). Press Information Bureau, Government of India.
4. Raghunathan, K., Kannan, S., & Quisumbing, A. R. (2019). Can women's self-help groups improve access to information, decision-making, and agricultural practices? The Indian case. *Agricultural Economics*, 50(5), 567–580.
5. Sahu, S., & Singh, R. K. (2020). Role of SHGs in enhancing financial literacy and promoting entrepreneurship among rural women. *Journal of Rural Development and Agriculture*, 15(2), 45–58.