

# Impact Analysis of the SHG - Bank Linkage Model on Empowerment of Women in Dehradun

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## Abstract

The SHG - bank linkage model of microfinance is the dominant model of microfinance in India. In this paper, using a sample survey data of 400 women respondents in Dehradun, we examined the political and economic impact of microfinancial activities on the SHG members. We looked at a broader set of indicators for political participation of women. Using Poisson regression, we found that SHG membership led to economic and political empowerment of members in Dehradun. In particular, the impact was more pronounced in Sahaspur as compared to Chakrata. The intercept term in the Poisson regression was found to be significant for both economic and political empowerment for both the regions. We found that this differential impact was due to various factors such as infrastructure and role of NGOs in handholding support such as training of members and access to markets. Our study suggested that mere dispersal of loans should not be the objective of the authorities under the bank - linkage program ; rather, supporting infrastructure and services are very essential for the end use of credit. The purpose of loans to create micro-entrepreneurs who can run their businesses by using the loan money on a sustainable basis should be fulfilled.

**Keywords :** self-help groups, micro-finance, women's empowerment, economic and political impact

**JEL Classification :** C21, G21, J15, J16, P16

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In India, the dominant model of microfinance for credit delivery to the poor is through informal self - help groups (SHGs). Despite the phenomenal expansion of the organized banking system, a very large number of the poor continue to remain excluded from the formal banking system. Thus, a step ahead in the direction of financial inclusion was taken by NABARD in 1992 by introducing the SHG - Bank linkage model which is based on the principle of self help. Under the bank - linkage model, both government and non - government organizations form these SHGs. A group consists of 10 - 20 members. These groups determine their own rules for saving and lending. Once these groups mature (i.e. have sufficient savings), they are entitled to borrow from commercial banks, which are included in the priority sector lending of the latter's loan portfolio. The SHG - bank linkage program is the largest micro finance program of the world with 87.44 lakh savings linked SHGs as on March 31, 2018 with the savings outstanding at ₹ 19,592 crore (NABARD, 2018).

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Various studies have been conducted to explore the economic and social impact of SHGs on its members (Sreenivas & Sarma, 2012 ; Swami, 2014). So far, the focus of research on female participation has been on their voting behaviour and representation as elected representatives in the Panchayat. In this paper, we measure political empowerment in a broader way to include collective action, attendance in Gram Panchayat, etc. Also, we are interested in highlighting the role of networks formed by SHG participation on greater involvement of women in politics, which is manifested through an increase in confidence, skills, awareness, and motivation to join politics. Very few studies have looked at these aspects of SHG participation. So, the objective is to understand the role of social networks, which promote the formation of political capital leading to greater involvement of women in politics.

## Literature Review

It has been empirically found that SHGs also provide non - credit benefits apart from credit benefits to its members. Baland, Somanathan, and Vandewalle (2008) and Casini, Vandewalle, and Wahhaj (2015) reported that SHGs engage in a variety of social activities, apart from the provision of credit. The study by EDA Rural Systems and APMAS (2006) found in their sample that the SHGs dealt with cases of drunken violence, bigamy, dowry, and so on. In all these instances, the NGOs play an important role in undertaking awareness programmes such as educating women about their rights and on issues such as dowry, domestic violence, property, and so on and guiding women on possible actions, helping in interacting with the police and government officials. These groups have also been found to be taking collective actions to improve community services such as water supply, education, health care, veterinary care, village roads, and so on by contributing finance and labour. This paper is an attempt to measure one of those benefits: its impact on the political participation of its members.

Empirically, it has been seen that very few women are elected without reservations. Members of lower caste and women are underrepresented in political parties in India (Chhibber, 2002). A recent study by Prillaman (2017) looked at the gender gap in political participation and found that SHG participation had no robust impact on indicators of income and economic security, but a strong significant impact on all indicators of all non - voting political participation.

**(1) Political Empowerment :** The World Bank defines empowerment as the process of increasing assets and capabilities of individuals or groups to make purposive choices and to transform these actions into desired actions and outcomes. Political empowerment refers to the ability to make political choices and the freedom to act on it.

Political empowerment is measured in terms of the following indicators :

**(i)** Political awareness, which can be measured by the level of awareness about the publicly provided goods and services, on the performance of the elected government representatives, on the rights and tools available to citizens to hold government officials accountable. It also entails demanding goods and services from them.

**(ii)** Political participation, which takes place when citizens are included in agenda setting and decision making of the government. Apart from voting turnout, which may understate the extent to which the poor can participate in public decision making, other indicators such as participation in community organizations, campaigning, contacting, protesting, litigating should also be considered.

**(2) Possible Channels Through which SHGs Impact Participation in Local Politics :** Economic theory suggests that repeat interactions can help build and maintain social capital. The SHG regular meetings give an opportunity to women to meet regularly. Three types of social capital that are particularly important in the study of collective action (Ostrom & Ahn, 2007) are : (a) trustworthiness, (b) networks, (c) formal and informal rules or institutions, (d) due to repeated interactions of the SHG members in the meetings held at fixed intervals, members of the group

develop strong network, trust, and confidence in one another. Since the group members are self-selective, the members find each other more trustworthy. Trust is the core link between social capital and collective action (Ostram & Ahn, 2007).

**(3) Information Sharing :** Individuals in the group get an opportunity to share their problems with each other and also ways to solve them collectively since they might find it difficult to raise their voice individually. The members acquire knowledge about power structures, rights, and duties both as citizens and as members within a family, finances, political processes, awareness about implications of oppression, and social mobilization necessary for greater political participation.

**(4) SHG - Training Ground for Participation in Politics :** To ensure the smooth functioning of the group, members are elected for the posts of president /vice president / treasury and so on. Sometimes, the leaders of the SHGs are often invited to attend and speak in the local village meetings (APMAS, 2005). Those members who take up these responsible posts, it helps them acquire certain traits conducive for political participation such as leadership, decision making, confidence, responsibility, high self esteem, communication skills, problem solving, and financial skills. These office bearers interact with the members, NGOs, and banks on a regular basis.

**(i) Support to Contest Elections :** A study by EDA Rural Systems and APMAS (2006) found that SHGs can play a crucial role in greater participation of members in local politics by nominating members to contest elections, campaigning for them, and providing funds for contesting elections.

**(ii) SHGs as Potential Vote Banks :** The study by EDA Rural Systems and APMAS (2006) showed that SHG group meetings are rallying points for political parties. These groups are brought in large numbers to the political meetings and local supporters of the political parties interact closely with the SHG members and leaders. The SHG groups demand funds and benefits in lieu of providing support.

## **Objectives of the Study**

The primary objectives of this study are :

**(1)** To examine the impact of SHG membership on economic and political empowerment of women in the Sahaspur and Chakrata villages of Dehradun district using survey data.

**(2)** To explore the possible channels through which the SHG - bank linkage model affects the political empowerment of women in India.

The survey was done in the Sahaspur and Chakrata villages of Dehradun in the year 2015 in the months of January to March. The earning opportunities are limited especially for women in the hill areas due to which the emergence of self - help groups comes with a huge financial respite. Women members of the SHGs enjoy benefits accruing from group membership and collective action, which leads to their economic and political empowerment.

## **Research Methodology**

To understand the impact of SHG membership, a survey of 400 respondents from various SHGs in villages of Sahaspur and 100 respondents of Chakrata village of Dehradun was conducted. A structured questionnaire along with personal interviews and focus group discussions were used to collect the data on various indicators of

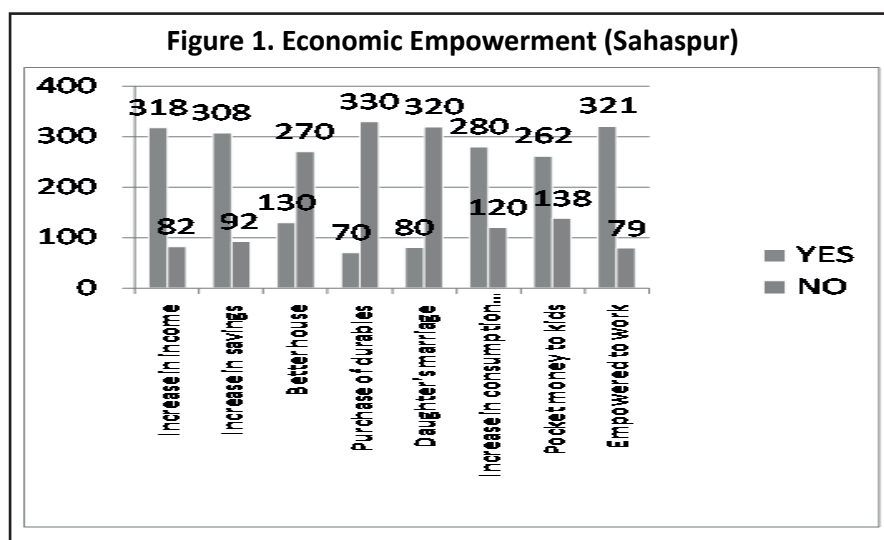
economic and political empowerment. The sample survey data were analyzed to study the impact of SHGs on their members. Use of histograms has been made to understand various economic and political empowerment indicators in both Sahaspur and Chakrata villages. Poisson regression has been used in the analysis both for economic and political empowerment.

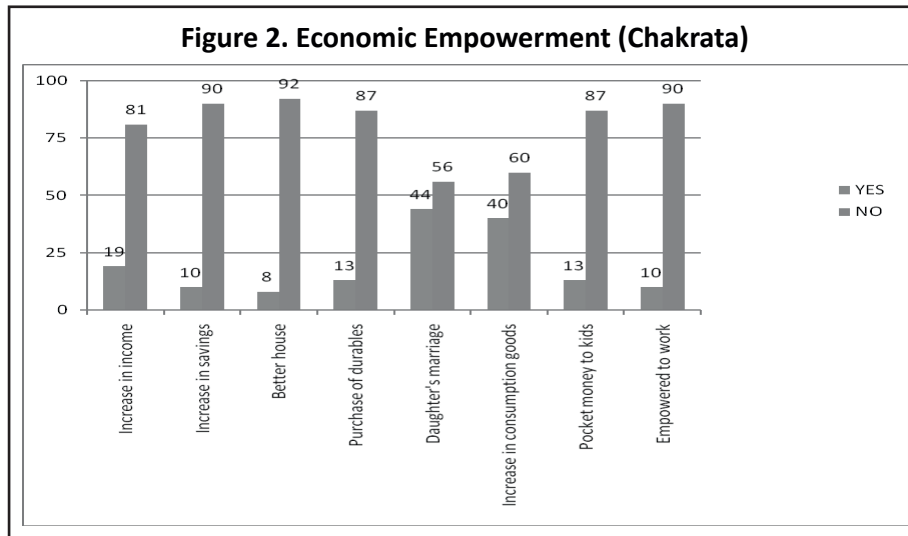
All the respondents in our sample were women. A large fraction of women in our sample were illiterate in both Sahaspur as well as Chakrata ; 70% of the respondents in Sahaspur and 90% of the respondents were illiterate in Chakrata. Also, majority of the women members were not wage earners. They were either unemployed or worked in farms or as entrepreneurs in microfinance enterprises of the SHG groups formed with the help of NGOs. Women in Chakrata reported to be spending almost all their time in getting access to basic amenities such as water, etc.

## Analysis and Results

**(1) Economic Impact of SHG Membership :** We, while conducting field study in the villages of Sahaspur and Chakrata, found that women members of SHGs were more empowered economically. The economic impact of joining a SHG was manifested through an increase in income, increase in savings, better house, purchase of durables, expenditure on daughter's marriage, increase in consumption goods, pocket money to kids, and empowerment to work.

As Figure 1 shows, 79.5% of the respondents in Sahaspur village reported an increase in income, and 77% reported an increase in savings. This was reported by those members who had started a micro enterprise after availing the loan from their SHGs or bought some income producing asset. Also, these were those who took part in training provided by the NGOs, for example, members in Sahaspur reported training in food processing, organic composting, and mushroom cultivation ; 20.5% of the respondents reported no increase in income, and 23% reported no increase in savings due to lack of training and not using the credit in income generating opportunities. Around 32.5% of the respondents reported that they could better their houses by spending money on repairs, etc., and 20% of the respondents said that they used some of the funds for daughter's marriage. Around 70% of the respondents could increase their spending on consumption goods, and 65.5% could give more pocket money to their kids. Those SHG members who were actively involved in some income generating activity could make better use of SHG loans in increasing their income and improving their standards of living ; 80.25% of the respondents felt more empowered to work after joining the SHG due to greater say in the family and more opportunities.

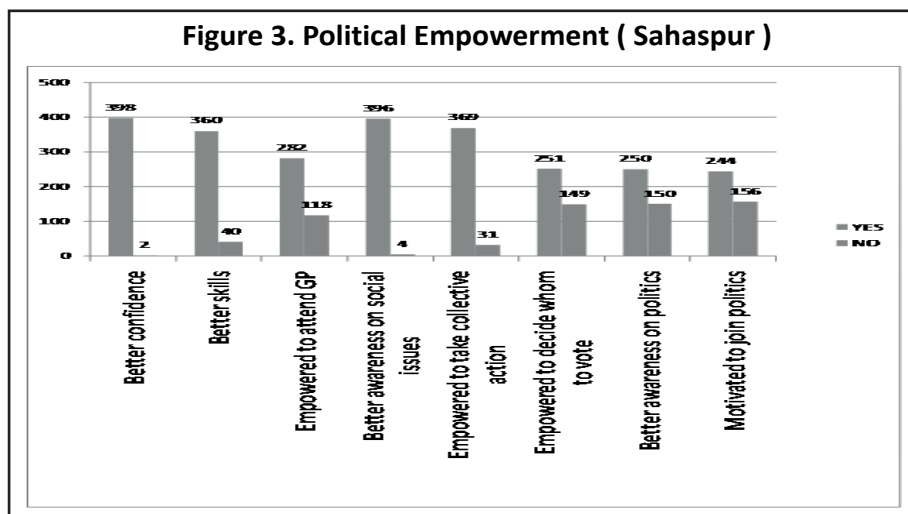


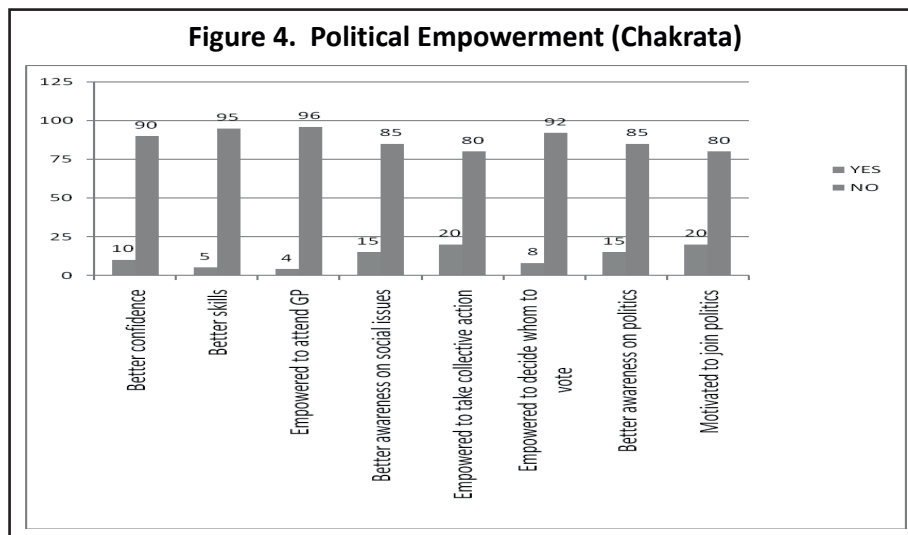


From the Figure 2, we can see that in Chakrata village, only 19% respondents reported an increase in income, 8% reported that they were able to better the condition of their houses with repairs, etc., and 10% reported an increase in savings; 44% of the respondents reported spending on daughter's marriage, and 40% on an increase in the consumption goods. It is surprising that the women members in this village were not aware of the empowering process of the SHG loans and, therefore, never used the funds productively and, therefore, only 10% reported to have felt empowered to work. They thought of these loans as merely consumption loans provided by the banks. Merely 13% of the respondents spent the SHG loans on purchase of durables. Also, only 13% said they could afford to provide higher pocket money to their kids.

**(2) Political Impact of SHG Membership :** The impact on political empowerment of women members of the SHGs is manifested through better confidence, better skills, empowerment to attend Gram Panchayat, better awareness on social issues, empowerment to take collective action, empowerment to decide whom to vote for, better awareness on politics, and higher motivation to join politics.

From the Figure 3, it is clear that all the respondents in the Sahaspur village reported higher levels of confidence and 90% reported having better skills after joining the SHGs. The women members said they felt more





confident in interacting with the women members of the group and also with family members and others in the village. The women members who occupied posts within the group of the leader, treasurer, etc. also gained financial know how since they were supposed to maintain books of accounts and conduct banking transactions. These women discussed a wide variety of issues in the monthly meetings including the performance of the current Pradhans and whom to vote for in the elections. As a result, all the women reported to be better aware about the social issues and 90.25% reported to be empowered to take collective action ; 60.75 % women members reported to decide on their own as to whom to vote and around the same proportion said they were better aware about politics ; 59% women reported to be motivated to join politics. They said that after joining the SHG, frequent interactions with the members and the NGO officials motivated them to join politics.

As shown in Figure 4, in Chakrata village, the positive impact of SHG membership on the political participation of the women members seemed to be quiet less. Only 10% of the women members reported higher levels of confidence and 5% reported better skills. Only 4% reported to attend the Gram Panchayat meetings. Almost all the women reported that women were not allowed to attend the Gram Panchayat meetings and their male counterparts attended the Gram Panchayat meetings. Majority of the women (92 %) voted for the candidates whom their husbands asked them to vote for. However, 85% of the women reported that their awareness level regarding social issues had increased. Only 15% reported that they became more aware about politics after joining the SHG ; 20% of the respondents said that they felt empowered to take collective action.

One of the Pradhan SHG women said it was brought to her notice that for marketing their agricultural produce, a vegetable market in the Charka village in the Chakrata block was highly desirable and she further communicated this to the Block Development Officer.

One of the major reasons why SHGs in the villages in the Chakrata block of Dehradun did not perform well on the political participation indicators as compared with Sahaspur village is that Chakrata is a hill station largely cut off from the markets with lack of basic amenities and infrastructure.

**(3) Econometric Analysis :** Multivariate analysis has been done to analyze the impact of the independent variables on the dependent variable. Poisson regression analysis has been used to find out the impact of predictor variables on the economic empowerment of the SHG members.

**Ä Null Hypothesis (H<sub>0</sub>) :** Individual predictor's regression coefficients = 0, given the rest of the predictors are held constant.

The relationship between the variables can be expressed as:

*Economic Empowerment* = *C* + *Increase in income* + *Increase in savings* + *Better house* + *Purchase of durables* + *Expenditure on daughter's marriage* + *Increase in consumption goods* + *Pocket money to kids* + *Empowerment to work*

**Regression Equation:**

$$\text{Log}(Y) = a_0 + a_1X_1 + a_2X_2 + a_3X_3 + a_4X_4 + a_5X_5 + a_6X_6 + a_7X_7 + a_8X_8$$

**Dependent variable :** Economic Empowerment (*Y*)

**Independent variables :** Predictor variables

- (1) Increase in income (*X*1)
- (2) Increase in savings (*X*2)
- (3) Better house (*X*3)
- (4) Purchase of durables (*X*4)
- (5) Expenditure on daughter's marriage (*X*5)
- (6) Increase in consumption goods (*X*6)
- (7) Pocket money to kids (*X*7)
- (8) Empowerment to work (*X*8)

We get the following results :

The Table 1 represents the regression results obtained from the regression analysis. The coefficients can be interpreted as : for a one unit change in the predictor variable, the difference in the logs of expected counts is expected to change by the respective regression coefficient, given the other predictor variables in the model are held constant. When all the variables in the model are evaluated at 0, we get the intercept. The intercept is - 0.833 with a *p* - value of 0.00, which shows that it is significant at 5% and even at 1% level of significance. Therefore, we reject the null hypothesis that an individual's predictor regression coefficient is zero, given the rest of the predictors are held constant at 5% and 1% level of confidence. The coefficients of the predictor variables : increase in income, increase in savings, better house, purchase of durables, expenditure on daughter's marriage, increase in consumption goods, pocket money to kids, and empowerment to work are 1.3, 0.37, 0.17, 0.17, 0.21, 0.25, 0.20, and 0.34, respectively. One can conclude that membership of SHG had a highly significant positive impact on income, savings, house, purchase of durables, expenditure on daughter's marriage, consumption goods, pocket money to kids, and empowerment to work, which implies enhancement in the economic empowerment of the SHG members in the Sahaspur village of Dehradun.

Let us look at the regression results pertaining to economic empowerment in Chakrata, which is summarized in the Table 2. The intercept is - 1.71 with a *p* - value of 0.00, which shows that it is significant at the 5% and even at the 1% level of significance. Therefore, we reject the null hypothesis that an individual's predictor regression coefficient is zero, given the rest of the predictors are held constant at 5% and 1% levels of confidence. The variables such as : increase in income, increase in savings, purchase of durables, expenditure on daughter's marriage, increase in consumption goods, and empowerment to work have a positive coefficient and are statistically significant. The coefficients of the predictors : better house and pocket money to kids have a negative value of the coefficients, that is, -0.219 and -0.37, which means that a one unit increase in these variables leads to

**Table 1. Regression Results of Economic Empowerment (Sahaspur)**

Independent Variables	Coefficient	z - value	P >  z
Intercept	-0.8331588 (0.114)	-7.27	0.00*
Increase in income (X1)	1.300156 (0.167)	7.76	0.00*
Increase in savings (X2)	0.3700697 (0.075)	4.92	0.00*
Better house (X3)	0.1689343 (0.006)	26.75	0.00*
Purchase of durables (X4)	0.1733217 (0.006)	27.20	0.00*
Expenditure on daughter's marriage (X5)	0.211387 (0.008)	3.69	0.000*
Increase in consumption goods (X6)	0.2492068 (0.0199)	12.5	0.00*
Pocket money to kids (X7)	0.2024297 (0.0138)	14.59	0.00*
Empowerment to work (X8)	0.3350344 (0.0294)	11.37	0.00*

**Note.** \*Significant at the 5% level of significance.

**Table 2. Regression Results of Economic Empowerment (Chakrata)**

Independent Variables	Coefficient	z - value	P >  z
Intercept	-1.71 (0.213)	-8.03	0.00*
Increase in income (X1)	1.71 (0.213)	8.03	0.00*
Increase in savings (X2)	0.45 (0.068)	6.56	0.00*
Better house (X3)	-0.219 (0.20)	-1.12	0.265
Purchase of durables (X4)	1.10 (0.300)	03.67	0.00*
Expenditure on daughter's marriage (X5)	1.46 (0.247)	5.89	0.00*
Increase in consumption goods (X6)	1.04 (0.091)	11.51	0.00*
Pocket money to kids (X7)	-0.135 (0.368)	-0.37	0.713
Empowerment to work (X8)	1.123 (0.383)	2.93	0.003*

**Note.** \*Significant at the 5% level of significance.



**Table 3. Regression Results : Political Empowerment (Sahaspur Village)**

Independent Variables	Coefficient	z - value	P >  z
Intercept	0.307 (0.137)	2.24	0.025*
Better confidence (X1)	0.137 (0.0006)	210.7	0.000*
Better skills (X2)	0.291 (0.027)	10.6	0.000*
Empowered to attend Gram Panchayat (X3)	0.194 (0.007)	26.8	0.000*
Better awareness on social issues (X4)	0.358 (0.131)	2.7	0.006*
Empowered to take collective action (X5)	0.304 (0.039)	7.8	0.000*
Empowered to decide whom to vote (X6)	0.174 (0.0138)	12.6	0.000*
Better awareness on politics (X7)	0.173 (0.01)	17.7	0.000*
Motivated to join politics (X8)	0.142 (0.0127)	11.3	0.000*

**Note.** \*Significant at the 5% level of significance.

fall in the expected log count of the dependent variable, that is, economic empowerment by 21% and 37%, respectively. However, these variables are not significant, which implies that these predictor variables do not have a significant impact on economic empowerment.

The regression results pertaining to political empowerment in Sahaspur are summarized in the Table 3. The intercept is 0.307 with a  $p$  - value of 0.025, which shows that it is significant at the 5% level of significance. Therefore, we reject the null hypothesis that an individual's predictor regression coefficient is zero, given the rest of the predictors are held constant at the 5% level of confidence. The coefficients of the predictor variables, that is, better confidence, better skills, empowerment to attend Gram Panchayat, better awareness on social issues, empowered to take collective action, empowered to decide whom to vote, better awareness on politics, and motivated to join politics are 0.137, 0.291, 0.194, 0.358, 0.304, 0.174, 0.173, 0.142, respectively. All the predictor variables' coefficients in the model are positive and statistically significant.

The regression results pertaining to political empowerment in Chakrata are summarized in the Table 4. The intercept is -0.698 with a  $p$  - value of 0.042, which is significant at the 5% level of significance. Therefore, we reject the null hypothesis that an individual's predictor regression coefficient is zero, given the rest of the predictors are held constant at the 5% level of confidence. The coefficients of the predictors in the model, that is, better skills, better awareness on social issues, empowered to take collective action, better awareness on politics, motivated to join politics are 1.09, 1.56, 1.23, and 0.87, respectively. All these coefficients are positive and statistically significant. This implies that there is improvement in political empowerment of SHG members based on these predictor variables and they bring about a significant change in their political empowerment. The coefficients of the variables: Better confidence, empowered to attend Gram Panchayat, and empowered to decide whom to vote are 1.88, 0.29, and 0.302. The positive coefficients signify that these predictor variables have a positive impact on the political empowerment of SHG members, but since the  $p$  - values are less than 0.05, they do not necessarily bring a significant change in their political empowerment.

**Table 4. Regression Results : Political Empowerment (Chakrata)**

Independent Variables	Coefficient	z-value	P >  z
Intercept	-1.71 (0.154)	-11.11	0.00*
Better confidence (X1)	0.47 (0.248)	1.88	0.060
Better skills (X2)	1.09 (0.392)	2.78	0.005*
Empowered to attend Gram Panchayat (X3)	0.121 (0.419)	0.29	0.772
Better awareness on social issues (X4)	1.56 (0.159)	9.84	0.00*
Empowered to take collective action (X5)	1.23 (0.274)	4.49	0.00*
Empowered to decide whom to vote (X6)	0.302 (0.163)	1.85	0.064
Better awareness on politics (X7)	0.877 (0.223)	3.92	0.00*
Motivated to join politics (X8)	1.011 (0.135)	7.49	0.00*

**Note.** \*Significant at the 5% level of significance.

## Research and Policy Implications

The SHG - bank linkage model can be seen to have a variety of benefits both economic and non-economic including political empowerment of women. These benefits can be increased drastically by providing training and employment to these women. Groups in which members are trained in some productive work showed better political participation of members. Lack of training is one of the reasons for poor performance of the groups economically which also leads to lower levels of political participation. In Chakrata, the groups did not perform well because of lack of awareness among the SHG members regarding the purpose of loans provided by the banks. Therefore, the officials in Chakrata need to guide the loan taking SHG women regarding their proper use in productive activities. Also, basic facilities of transportation and electricity need to be provided to realize the full potential of SHG credit. Therefore, what is required is a dedicated NGO to provide landholding support to the groups as well as infrastructure development.

## Conclusion

The field survey in the Sahaspur and Chakrata villages showed that there exists a strong link between membership in the SHGs and economic and political empowerment. It can be concluded from the field survey that both economic and non-economic benefits accrued to the members of SHGs in both the Sahaspur and Chakrata villages. These benefits accrued due to membership of groups. The income of the group members increased due to participation in the income generating activities collectively by the SHG members. In the Sahaspur village, the intercept is significant as well as all the predictor variables have a positive and significant coefficient. In Chakrata, the intercept is significant but some of the predictor variables' coefficients are negative and insignificant. This shows that the SHGs should be promoted for promoting employment and generation of income through creation of self employment activities.

Participation in SHGs motivated and enabled women to be more active politically. The women were also seen to develop a variety of traits such as confidence, better communication skills, and so on which are conducive for political participation. The participation in the group led to creation of social capital which led to collective action. In the Sahaspur village, the intercept and all the predictor variables are positive and significant. In Chakrata village, the intercept is positive and significant. Though all the variables coefficients are positive, not all are significant. The variables which are insignificant are namely better confidence, empowered to attend Gram Panchayat, and empowered to decide whom to vote. The study thereby reveals that the non-credit benefits of SHG membership of political participation are present and that this impact is significant. This is of great importance since political participation of women is a strong indicator of their empowerment.

Also, the economic and political impact can be concluded to be more pronounced in Sahaspur village as compared to Chakrata. One of the major reasons why this is so is because Chakrata is a hill station largely cut off from the markets with lack of basic amenities and infrastructure.

## Limitations of the Study and Scope for Further Research

A limitation of the study is that convenient sampling was done due to paucity of time and resources. Further research should focus on the factors responsible for the disintegration of SHGs and how to make them sustainable, for example, a strong and dedicated NGO movement for providing handholding support to the self help groups such as training to the members, access to markets, etc.

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