



# Economic Impact of Self-Help Group Members in Lucknow and Basti District, Uttar Pradesh: An Analytical Study

Pallavi Rai Chandra Shekhar

IGNOU, Mahat Research and Advisory Pvt Ltd

**Abstract** – This study explores the economic impact of Self-Help Group (SHG) membership on individuals in two districts of Uttar Pradesh, India—Lucknow (urban) and Basti (rural). The study evaluates the impact of SHGs on income, savings, access to credit, and livelihood diversification among 300 participants—200 SHG members (100 from each district) and 100 non-members. Both quantitative data (survey) and qualitative data (interviews and focus group discussions) were collected. The results show a notable improvement in economic outcomes for SHG members in both districts, although members in Lucknow experienced a significantly higher increase in income and livelihood diversification. The rural district of Basti faces challenges such as market access, digital illiteracy, and infrastructural limitations, which hinder the full potential of SHGs. Recommendations emphasize infrastructural improvements, digital literacy, and financial inclusion programs, particularly for rural SHGs, to enhance their long-term sustainability and impact.

**Keywords** – Self-Help Groups (SHGs), Economic Impact, Income Increase, Livelihood Diversification, Savings, Credit Access, Rural Development, Urban Development, Financial Inclusion, Uttar Pradesh, Basti District, Lucknow District, Microfinance, Women's Empowerment, Infrastructure, Financial Literacy, Poverty Alleviation, Market Access, Socio-Economic Impact, Rural-Urban Disparities, Development Policy

## I. INTRODUCTION

### 1. Background

Uttar Pradesh (UP), the most populous state in India, with a population exceeding 220 million people, represents a microcosm of India's socio-economic diversity. UP contributes significantly to the national GDP, yet the disparities between urban and rural areas are stark. Rural UP, where over 75% of the population resides, is marked by lower levels of industrialization, suboptimal infrastructure, and high dependency on agriculture. Despite its agricultural predominance, the sector is underdeveloped, plagued by low productivity, climate vulnerabilities, and lack of access to modern techniques and markets. Rural poverty is a pervasive issue, and although economic growth has been witnessed in urban areas like Lucknow, rural areas like Basti continue to lag behind.

At the same time, women in rural India face significant barriers to economic participation due to deep-rooted patriarchal norms, limited access to education and resources, and lower participation in the formal economy. Women often remain confined to informal sectors, with precarious employment conditions and limited control over household finances. However, these challenges also present an opportunity for transformative change, and interventions aimed at empowering women have gained momentum, especially through financial inclusion and collective action models like Self-Help Groups (SHGs).

SHGs have emerged as one of the most successful tools for empowering rural women economically, socially, and politically. These groups, which typically consist of 10-20

women from marginalized communities, provide a platform for mutual support and collaboration. The aim is to help women pool their resources to improve their financial and social standing through collective savings, small loans, and entrepreneurial activities. SHGs have been particularly transformative in rural settings, where access to formal financial institutions and services is limited, and they also serve as important spaces for women's voice and decision-making.

The National Rural Livelihood Mission (NRLM), a flagship program by the Government of India, has played a pivotal role in scaling SHGs across rural India. Under NRLM, these groups are trained to manage their own savings and loans, access microcredit, and develop local businesses that reduce dependence on agriculture. SHGs in Uttar Pradesh, a state with considerable rural poverty and limited market infrastructure, have benefited immensely from such programs, although challenges persist.

Lucknow, a relatively urbanized city, contrasts sharply with Basti, a more rural and underdeveloped district in UP. These differences in urban and rural environments provide a unique opportunity to examine how SHGs function in different settings. Urban settings tend to offer better infrastructure, access to markets, and improved educational opportunities, which may make it easier for SHG members to scale their businesses. In contrast, rural areas like Basti face challenges like lack of connectivity, poor market linkages, and infrastructural deficits, which may hinder the success of SHGs and the economic upliftment of their members.



## 2. Research Objectives and Questions

This study seeks to assess the economic impact of SHG membership in two diverse districts— Lucknow and Basti—in Uttar Pradesh. It aims to compare the benefits of SHG membership for women in both urban and rural settings, evaluating the financial outcomes, livelihood diversification, and socio-economic empowerment that come with participation in SHGs.

The specific research objectives are as follows:

### **To assess the economic impact of SHG membership on women's income, savings, and credit access in Lucknow and Basti.**

This will examine whether SHG membership helps women in these districts improve their economic conditions compared to non-members, focusing on measurable outcomes such as income stability, savings habits, and ability to access credit.

### **To evaluate the role of SHGs in enabling livelihood diversification for women in both districts.**

This objective seeks to understand whether SHG members are better able to expand their sources of income, diversify their businesses, or engage in entrepreneurial activities beyond traditional agricultural work, particularly in the rural context of Basti versus the urban setting of Lucknow.

To identify the challenges and barriers faced by SHG members in urban and rural contexts, focusing on infrastructure, access to resources, and social factors. This will explore how the specific challenges of urban and rural environments shape the experiences of SHG members and affect their ability to succeed in their enterprises.

To understand the broader impact of SHGs on women's empowerment, including social, political, and decision-making power, in both urban and rural settings. The study will examine how SHG participation affects the autonomy of women, their social capital, and their participation in community and household decision-making processes.

These objectives will be addressed by answering the following research questions:

- What is the economic impact of SHG membership on income, savings, and credit access for women in Lucknow and Basti?
- How has SHG membership contributed to livelihood diversification among women in both districts, particularly in terms of business expansion or income diversification?
- What challenges do SHG members face in rural versus urban settings, and how do these challenges influence the outcomes of SHG participation?
- How has SHG membership empowered women socially, economically, and politically in both urban and rural districts?

## 3. Significance of the Study

The significance of this study lies in its potential to inform policy decisions aimed at enhancing the effectiveness of SHGs in diverse contexts. By comparing the impact of SHG membership in Lucknow (an urban district) and Basti (a rural district), the study provides critical insights into the factors that contribute to the success of SHGs in different socio-economic and infrastructural environments.

The findings of this research could serve to:

Guide policymakers and program implementers in designing interventions that address the specific needs of SHG members based on their geographic and socio-economic contexts. For example, rural SHGs may need additional support in terms of market access, infrastructure, and digital literacy, while urban SHGs may require more emphasis on formalization, scaling up enterprises, and access to higher-value markets.

Improve the sustainability and scalability of SHGs, especially in rural areas, by identifying the structural and operational challenges that hinder their success. Recommendations from the study could inform strategies to overcome these barriers, ensuring that SHGs are more resilient to external shocks such as economic downturns, climate change, and market disruptions.

Enhance women's socio-economic empowerment by understanding the broader social impact of SHG participation. This research will explore not only the financial benefits but also the transformative effects of SHGs on women's roles in households and communities, giving them a greater voice in decision-making, both at the family level and within local governance.

Contribute to academic literature on SHGs, financial inclusion, and rural development, adding depth to the existing body of knowledge regarding the dynamics between financial inclusion, women's empowerment, and poverty alleviation in rural India. The study will bridge gaps in literature concerning the contextual differences in the effectiveness of SHGs, providing a nuanced understanding of their impact.

Provide actionable recommendations for enhancing the performance of SHGs, particularly in addressing the challenges faced by women in rural areas. For example, the study may suggest strategies for improving access to technology, financial literacy, and social capital for rural SHG members, which can help build long-term resilience and economic stability.

In sum, this study aims to contribute valuable insights into the effectiveness of SHGs in improving the economic and social well-being of women in both rural and urban contexts. The findings will support future efforts to design



context-sensitive interventions that empower women, reduce poverty, and foster inclusive development.

## II. LITERATURE REVIEW

The concept of Self-Help Groups (SHGs) as a mechanism for women's empowerment has gained significant attention in academic and policy circles, especially in developing countries like India. This literature review synthesizes various theoretical frameworks, key findings, and debates surrounding SHGs and their role in socio-economic empowerment, with an emphasis on women's participation and the specific challenges they face in rural and urban settings.

### 1. Theoretical Foundations of SHGs and Women's Empowerment

The concept of empowerment has been central to understanding SHGs' potential to transform women's lives. Empowerment is often defined as the process of gaining control over one's life, including access to resources, decision-making power, and the ability to influence both personal and community-level outcomes. In the context of SHGs, empowerment is viewed as a multifaceted process encompassing economic independence, social inclusion, and political participation.

Kabeer's (1999) work on empowerment provides a useful lens for examining the effectiveness of SHGs. Her framework suggests that empowerment consists of three core dimensions: access to resources, the development of agency (the capacity to make independent decisions), and achievements (the outcomes of empowerment, such as improved well-being). In this context, SHGs function as a vehicle for economic resources (loans, savings), agency (decision-making in the family and community), and tangible outcomes (increased household income, educational access).

In addition, Sen's (1999) Capability Approach emphasizes the expansion of individual freedoms and capabilities. By providing access to financial resources and fostering a supportive social network, SHGs increase women's capabilities to pursue their goals. The Capability Approach extends beyond material wealth, focusing on the individual's freedom to choose and act. SHGs provide the tools for women to exercise their freedom, particularly in gendered spaces, where traditional norms may restrict women's autonomy.

Moreover, Social Capital Theory (Putnam, 2000) has also been applied to SHGs, emphasizing the role of networks, social relationships, and community-based trust. Bourdieu's (1986) social capital theory extends this by exploring how individuals use social ties to access economic, cultural, and symbolic capital. SHGs are thus seen as key facilitators of bonding social capital (trust and mutual support among members), bridging social capital (connections with external resources and markets), and

linking social capital (connections to formal institutions and governmental schemes). These forms of social capital enable women to overcome systemic barriers and access opportunities that were previously unavailable to them.

### 2. SHGs and Economic Empowerment

Economic empowerment remains the most studied and celebrated aspect of SHGs. At its core, economic empowerment refers to the capacity of women to make decisions related to money, employment, and wealth generation, thereby improving their financial independence. Access to credit is often seen as the starting point for this empowerment, as it enables women to invest in small businesses, save for emergencies, and manage household expenses more effectively.

Studies by Pitt & Khandker (1998), Morduch (1999), and Rutherford (2000) have underscored the role of microfinance in economic empowerment. SHGs, by facilitating access to microloans, often serve as an alternative to formal banking institutions, especially in rural areas where financial inclusion is limited. Through savings and credit programs, SHGs reduce the financial barriers that women face in starting and sustaining small businesses. Kumar & Kaur (2016) found that SHGs in rural areas significantly contributed to income growth by enabling women to diversify into non-farm livelihoods such as dairy farming, handicrafts, and small-scale entrepreneurship.

However, as Banerjee et al. (2009) pointed out, the benefits of SHGs are not guaranteed. While some SHGs help women build a sustainable economic foundation, others struggle with financial mismanagement, lack of training, and poor market access. Morduch (1999) highlights the paradox that while SHGs increase access to finance, their financial viability is often dependent on external factors such as the availability of market opportunities, skills training, and access to infrastructure.

### 3. SHGs and Livelihood Diversification

Beyond simple income generation, SHGs can act as instruments for livelihood diversification, which is vital in reducing dependence on agriculture, especially in rural areas. Carter & Barrett (2006) argue that livelihood diversification through SHGs is a crucial coping strategy, especially in the face of risks such as climate change, crop failure, and market volatility. SHGs facilitate the entry of women into non-agricultural sectors by providing small loans for diversified activities, ranging from animal husbandry and handicrafts to poultry farming and retail businesses.

Livelihood diversification not only offers economic resilience but also shifts the gendered nature of labor. In many rural areas, women are traditionally confined to domestic chores, while men engage in farming and other productive activities. SHGs provide women with the opportunity to break away from these constraints and



participate in new economic activities. Nair (2012) suggests that SHGs are crucial in helping women achieve economic autonomy, thus improving their bargaining power in household and community decisions. However, Bardhan (2004) raises concerns that some SHGs might not be able to offer substantial economic returns if women remain confined to low-profit activities or face severe market constraints.

#### 4. SHGs and Social Empowerment

In addition to economic outcomes, social empowerment is a critical but often overlooked aspect of SHGs. Social empowerment in this context refers to the ability of women to challenge patriarchal structures, voice their concerns, and participate in community decision-making. SHGs create a platform for women to engage in collective action, allowing them to address social issues such as gender discrimination, domestic violence, child marriage, and healthcare access.

Sharma & Singh (2014) found that women involved in SHGs in rural Uttar Pradesh began to participate in local governance through the Panchayati Raj Institutions (PRIs), helping to increase their political visibility and influence. In some cases, SHGs also serve as advocacy groups that can mobilize around social issues, raise awareness, and demand public services. For instance, women in SHGs have been instrumental in improving access to clean drinking water, education, and healthcare in their communities.

However, despite these successes, social empowerment through SHGs can be constrained by deeply rooted patriarchal norms and cultural barriers. According to Nair (2012), social empowerment outcomes are uneven, with rural women often facing more significant social barriers than their urban counterparts. In patriarchal societies, the acceptance of women's leadership within SHGs may take time, as resistance from male family members and the wider community may undermine the full realization of women's agency.

#### 5. Urban vs. Rural Contexts

There is growing recognition of the differential impact of SHGs across urban and rural areas. Urban SHGs benefit from better infrastructure, access to formal financial systems, and proximity to markets, enabling members to engage in more profitable business ventures. In contrast, rural SHGs face significant challenges related to infrastructure deficits, poor road connectivity, market access, and educational gaps.

A key difference is the level of entrepreneurial orientation and skill development in urban areas, where women tend to be more educated, entrepreneurial, and connected to various development programs. In rural areas, illiteracy, limited market knowledge, and lack of business acumen pose

additional challenges for SHG members. Mohan et al. (2015) have argued that SHGs in urban areas are more likely to participate in high-value services and manufacturing industries, whereas rural SHGs are often constrained to low-profit activities such as weaving and small-scale agriculture.

Additionally, the presence of NGOs and government programs can shape the success of SHGs. In urban areas, where there is more access to such programs, SHGs may receive higher levels of support, training, and exposure to market linkages. However, rural SHGs may face institutional gaps, poor outreach by government agencies, and limited support structures.

#### 6. Conclusion

This literature review demonstrates that Self-Help Groups have a profound impact on women's empowerment, both economically and socially. SHGs enable women to gain financial independence, diversify livelihoods, and challenge social norms, especially in rural areas where opportunities are scarce. Theoretical frameworks such as Kabeer's empowerment theory and Sen's capability approach provide useful perspectives on understanding the multi-dimensional nature of empowerment.

While SHGs have made significant strides in improving women's lives, their effectiveness is contingent on addressing challenges such as poor market access, insufficient infrastructure, and gendered barriers. As social capital theory suggests, SHGs are an essential tool for building women's social networks and enhancing their agency. However, context-specific interventions are crucial to ensuring that SHGs thrive in both urban and rural settings. Thus, policymakers must address the unique needs of rural and urban SHGs, facilitating targeted support, better infrastructure, and market linkages to ensure long-term sustainability and empowerment.

### III. METHODOLOGY

This study adopts a mixed-methods approach to provide a comprehensive understanding of the economic impact of Self-Help Groups (SHGs) on their members in both rural (Basti) and urban (Lucknow) districts of Uttar Pradesh. By combining both quantitative and qualitative methods, the study captures the broader economic outcomes as well as the personal experiences, challenges, and opportunities faced by SHG members. This allows for a nuanced comparison between the impacts in urban and rural contexts, considering socio-economic, infrastructural, and cultural differences.

#### 1. Research Design

The research design employs a comparative analysis framework, focusing on two distinct geographic areas: one urban (Lucknow) and one rural (Basti). This approach allows for a direct comparison of the outcomes of SHG





membership in differing socio-economic environments, highlighting the disparities and similarities in economic impacts. The study design consists of the following key components:

- **Cross-sectional Survey:** A snapshot of the current state of SHG members' economic conditions, with a focus on income levels, savings behavior, access to credit, and livelihood diversification. This design is particularly suited for understanding the immediate impacts of SHG membership.
- **Case Study Approach:** In-depth qualitative case studies are used to illustrate the lived experiences of SHG members in both urban and rural areas. These case studies provide rich, contextual insights into how SHG membership influences women's empowerment and economic outcomes.
- **Mixed-Methods Integration:** The combination of both quantitative and qualitative data helps to triangulate findings, thereby ensuring that the conclusions are not only statistically significant but also reflective of the participants' real-world experiences.

## 2. Sampling

The sampling strategy for this study is based on stratified random sampling, ensuring that both urban and rural areas are adequately represented in the sample, and that the sample reflects various socio-economic categories (such as age, income level, education, and type of SHG). The sample consists of 300 participants:

- **200 SHG Members:** 100 members from each district (Lucknow and Basti). The members are selected from various SHGs formed under the government programs like NRLM (National Rural Livelihood Mission) and UPSRLM (Uttar Pradesh State Rural Livelihood Mission).
- **100 non-Members (Control Group):** 50 non-members from each district who are not affiliated with any SHGs. These participants serve as a comparison group to understand the differences in economic outcomes between SHG members and non-members.

The participants are selected based on several strata:

- **Age:** Ensuring representation from different age groups (young, middle-aged, and elderly women).
- **Income Level:** Capturing a wide range of income levels to assess the economic impact across socio-economic strata.
- **Type of SHG:** Members from different types of SHGs, such as those involved in agriculture, handicrafts, and small businesses, to understand the diversity of economic activities.
- **Marital Status and Family Structure:** Since family composition and marital status can influence women's decision-making power and economic autonomy, these factors are considered in the sample.

This stratified sampling approach ensures that the findings are generalizable and that key subgroups within both urban and rural contexts are represented.

## 3. Data Collection

The data collection process involves both quantitative and qualitative methods to capture a holistic picture of the impact of SHGs on economic outcomes.

### Quantitative Data Collection

The quantitative data is collected through structured surveys administered to both SHG members and non-members. These surveys are designed to capture information on key economic indicators, which include:

#### Income Levels

Before and after joining the SHG: Participants are asked about their income before they joined the SHG and their current income. The difference between the two is used to measure income growth.

- Income is classified into monthly household income brackets, allowing for a more precise comparison.

#### Savings Behavior

Frequency and amount of savings: SHG members are asked how often they save and how much they save monthly. Non-members are also asked about their savings habits, providing a comparative baseline.

- The analysis captures the proportion of income that is saved, which is an indicator of financial discipline and security

#### Access to Credit

Types of loans accessed: Participants are asked about the loans they have accessed through SHGs and other financial sources (formal or informal).

- Loan amounts: Information on loan sizes, terms, and the purposes for which loans are taken is also collected.

#### Livelihood Diversification

Types of businesses or income sources: Respondents are asked about the different types of income-generating activities they are involved in, and how many distinct sources of income they have.

- This helps assess whether SHG membership has enabled individuals to diversify their livelihoods, moving away from a single, often volatile, source of income.

### Qualitative Data Collection

To provide deeper insights into the personal experiences of SHG members, semi-structured interviews and focus group discussions (FGDs) are conducted. The qualitative data collection methods involve:

#### Semi-structured Interviews

- 20 SHG members (10 from each district): These in-depth interviews capture individual stories and provide insights into how SHG membership has affected participants' lives, both economically and socially. Interview questions focus on personal growth, challenges in accessing financial resources, and the influence of SHG participation on household dynamics.



- **10 key Stakeholders:** These include local NGO representatives, bank officials, and SHG leaders. Their perspectives provide valuable insights into the operational aspects of SHGs, challenges in accessing credit, and the role of SHGs in fostering women’s entrepreneurship.

**Focus group discussions (FGDs)**

FGDs are conducted with small groups of SHG members in both Lucknow and Basti to allow participants to share their experiences in a group setting. Discussions focus on:

- Access to resources (financial and otherwise)
- Challenges in running small businesses
- Social dynamics within the SHG (such as group cohesion and support)
- Barriers to success, particularly in rural areas

**Ethical Considerations**

In conducting both surveys and interviews, special care is taken to ensure ethical standards are upheld:

- **Informed Consent:** All participants are informed about the study's objectives, and their consent is obtained before participation.
- **Confidentiality:** The identities and responses of all participants are kept confidential. No personal or identifying information is published.
- **Voluntary Participation:** Participation is entirely voluntary, and participants can withdraw from the study at any time without penalty.

**4. Data Analysis**

The analysis of both quantitative and qualitative data allows for a comprehensive assessment of the economic impact of SHGs.

**Quantitative Data Analysis**

**Descriptive Statistics:** Descriptive statistics are used to summarize the survey data. This includes the calculation of means, percentages, and standard deviations for each key indicator (income, savings, credit access, livelihood diversification).

**Regression Analysis:** To measure the relationship between SHG membership and various economic outcomes, regression analysis is employed. This helps to understand whether membership in an SHG is a significant predictor of:

- Increased income
  - Higher savings rates
  - Greater access to credit
  - Livelihood diversification
- Regression models will control for potential confounding variables such as age, education level, and previous income levels.

**Comparative Analysis:** A t-test or analysis of variance (ANOVA) is used to compare the economic outcomes between SHG members and non-members, as well as

between members in urban (Lucknow) and rural (Basti) settings.

**Qualitative Data Analysis**

**Thematic Analysis:** The qualitative data from interviews and FGDs is analyzed using thematic analysis. This involves identifying recurring themes and patterns within the data. Themes such as:

- Empowerment through financial independence
- Barriers to accessing resources
- The role of SHGs in fostering social networks and community support
- Differences in economic opportunities between urban and rural areas are categorized and examined to understand the nuances of SHG membership.

**Content Analysis:** In addition to thematic analysis, content analysis is used to quantify the frequency of certain topics or issues discussed during interviews and FGDs. This helps identify prevalent challenges and success factors shared by SHG members across both regions.

**IV. Results and Analysis**

This results and analysis delves deeper into the economic impact of Self-Help Groups (SHGs) on their members in rural (Basti) and urban (Lucknow) districts of Uttar Pradesh. We will explore the findings in terms of income levels, savings behavior, access to credit, livelihood diversification, and social empowerment. These aspects were analyzed both quantitatively and qualitatively, with detailed case studies, statistical tables, and further discussion on the outcomes observed in the target districts.

**1. Quantitative Results**

**Income Levels**

The analysis of income levels seeks to understand the financial upliftment of SHG members by comparing their income before and after joining an SHG. The following table presents the average income levels in both urban (Lucknow) and rural (Basti) districts.

District	Income Before SHG Membership (INR)	Income After SHG Membership (INR)	% Change in Income	Reasons for Change
Lucknow	5,000 - 10,000	15,000 - 25,000	50% - 150%	Access to loans, business ventures, small-scale services
Basti	3,000 - 7,000	12,000 - 18,000	71% - 157%	Agricultural input loans, organic farming, livestock
District	Income Before SHG Membership (INR)	Income After SHG Membership (INR)	% Change in Income	Reasons for Change
Non-members (Lucknow)	8,000 - 15,000	8,000 - 15,000	0%	Limited access to resources and opportunities
Non-				Dependence on



members (Basti)	4,000 - 8,000	4,000 - 8,000	0%	seasonal, low-income agricultural practices
-----------------	---------------	---------------	----	---

**In-depth Analysis**

- In Lucknow, SHG members saw an increase in income of up to 150%. Many SHG members accessed loans for small business ventures such as tailoring, handicrafts, food processing, and retail. The improved access to finance and entrepreneurial training facilitated a higher-income threshold.
- In Basti, the rise in income was even more significant. Rural members leveraged loans to improve agriculture, invest in livestock, and set up small-scale agribusinesses like poultry farming and organic crop production. Agricultural interventions and access to credit lines contributed substantially to the higher percentage increase in income.
- Non-members, both in urban and rural areas, showed no improvement in income, reinforcing the importance of SHG membership in driving economic growth.

**Savings Behavior**

An analysis of savings behavior highlights the extent to which SHG membership fosters financial discipline. This is crucial for understanding how group savings mechanisms contribute to financial inclusion. The table below presents a comparison of savings habits before and after joining an SHG:

District	Savings Before SHG Membership (INR)	Savings After SHG Membership (INR)	Average Monthly Savings (INR)	Reasons for Change
Lucknow	500 - 1,500	2,000 - 5,000	2,500	Regular group savings, better
Basti	300 - 1,000	1,500 - 3,000	1,800	Group savings, credit facilities, insurance schemes
District	Savings Before SHG Membership (INR)	Savings After SHG Membership (INR)	Average Monthly Savings (INR)	Reasons for Change
Non-members (Lucknow)	1,000 - 2,000	1,200 - 2,500	1,500	Lack of structured savings plans, informal saving habits
Non-members (Basti)	500 - 1,500	600 - 1,500	800	Limited income, no access to group savings programs

**In-depth Analysis**

- SHG members in Lucknow significantly increased their monthly savings from an average of INR 500 to INR 2,500. The structured savings approach within SHGs helped urban members establish regular savings habits, and the revolving fund system enhanced financial security and resilience. Members often reported saving for both personal needs and business expansion.
- Basti members saved an average of INR 1,800 per month, indicating a positive shift toward formalized savings. The group's collective savings model provided them with an alternative to informal lending and borrowing, thus creating a safety net.
- Non-members in both districts saved less and with fewer structured goals, making it clear that SHG membership helps establish stronger financial habits.

**Access to Credit**

Access to formal credit is a key benefit of SHG membership. The table below provides data on the type of credit accessed by SHG members compared to non-members.

District	Credit Access Before SHG Membership (INR)	Credit Access After SHG Membership (INR)	Loan Type	Loan Purpose	% Increase in Access to Credit
Lucknow	5,000 - 10,000	15,000 - 30,000	Micro-loans, business loans	Business expansion, education	
Basti	2,000 - 5,000	10,000 - 25,000	Agricultural loans,	Agriculture, small businesses	
District	Credit Access Before SHG Membership (INR)	Credit Access After SHG Membership (INR)	Loan Type	Loan Purpose	% Increase in Access to Credit
Non-members (Lucknow)	8,000 - 15,000	8,000 - 15,000	Personal loans, informal sources	Personal expenses	
Non-members (Basti)	4,000 - 7,000	4,000 - 7,000	Personal loans	Personal expenses	

**In-depth Analysis**

- SHG members, particularly in Lucknow and Basti, demonstrated a significant increase in access to formal credit. The ability to pool resources and act as a collective group provides members with social



collateral, enabling them to secure loans that they would not be able to access individually.

- Lucknow SHG members used loans for business ventures, such as setting up small retail businesses or expanding existing services, while Basti SHG members used loans primarily for agricultural ventures (e.g., livestock, organic farming). Both groups used their loans to invest in activities that generated sustainable income and created economic resilience.
- Non-members had limited access to credit, relying on informal sources such as friends, family, or moneylenders, with higher interest rates and unregulated terms.

### Livelihood Diversification

Livelihood diversification is a critical outcome of SHG membership, as it contributes to economic resilience and reduces dependency on a single income source. The table below shows the number of income-generating activities SHG members and non-members engage in before and after SHG membership:

District	Number of Income Sources Before SHG Membership	Number of Income Sources After SHG Membership	Diversification Level (1-5)	Reasons Diversification
Lucknow	1 – 2	3 - 5	4	Small businesses, service-based enterprises,
District	Number of Income Sources Before SHG Membership	Number of Income Sources After SHG Membership	Diversification Level (1-5)	Reasons Diversification
Basti	1 – 2	2 - 4	3	Agricultural products, animal husbandry, small-scale businesses
Non-members (Lucknow)	2 – 3	2 - 3	2	Limited options due to lack of resources
Non-members (Basti)	1 – 2	1 - 2	2	Dependence on seasonal income from agriculture

### In-depth Analysis

Lucknow SHG members exhibited the highest levels of livelihood diversification, with the average number of income sources increasing from 1-2 to 3-5. These activities ranged from small businesses (retail, tailoring, handicrafts) to services like food processing and urban tailoring. Access to micro-loans, entrepreneurial training, and market linkages enabled urban members to explore multiple avenues for income generation.

Basti SHG members also saw an increase in diversification, though to a lesser degree. In rural areas, members diversified from primarily agricultural work into activities like poultry farming, animal husbandry, and agricultural processing. The SHG's role in facilitating credit and training was crucial in expanding members' business horizons.

Non-members showed limited diversification, mostly relying on single-source income streams like household labor or seasonal agricultural work, which left them more vulnerable to economic shocks.

## 2. Qualitative Results

### Case Study 1: Suman from Lucknow (SHG Member)

**Background:** Suman, a 35-year-old woman from Lucknow, joined an SHG that focused on food processing and tailoring. Before joining the SHG, she earned INR 6,000 per month from tailoring alone. After joining the group, she took out a loan of INR 25,000 and invested in expanding her tailoring business and starting a small food processing venture.

#### Outcome

- **Income:** Suman's income increased to INR 18,000-20,000 per month from multiple sources (tailoring and food processing).
- **Savings:** She now saves INR 2,500 every month compared to the INR 500 she saved before joining the SHG.
- **Social Empowerment:** She gained confidence through group meetings and benefited from shared knowledge within the SHG.

### Case Study 2: Rama from Basti (SHG Member)

**Background:** Rama, a 45-year-old woman, was struggling with seasonal agricultural income. She joined an agricultural-focused SHG in Basti that helped her access loans for better seeds and fertilizers.

#### Outcome

- **Income:** Her income grew from INR 5,000 per month to INR 12,000-15,000 after investing in organic farming and poultry.
- **Savings:** She increased her savings from INR 300 to INR 1,500 per month.
- **Social Impact:** She became a source of inspiration in her village, encouraging others to join SHGs for financial independence.

### Case Study 3: Neelam from Lucknow (Non-member)

**Background:** Neelam, a 40-year-old woman from Lucknow, has not joined an SHG due to lack of awareness. She works as a housemaid, earning INR 7,000 per month.

#### Outcome

- **Income:** Neelam's income has remained the same for years, with no significant changes in her livelihood.





- Savings: Neelam does not save regularly due to her low and inconsistent income.

### 3. Summary of Key Findings

- **Income Growth:** SHG members experienced substantial income increases, particularly in Basti where agricultural interventions had the largest impact.
- **Savings:** SHG membership strongly enhanced savings habits, with members saving significantly more than non-members.
- **Credit Access:** SHG members benefited from improved access to formal credit, enabling business growth and agricultural improvement.
- **Livelihood Diversification:** SHG membership enabled both rural and urban members to diversify their livelihoods, thus enhancing economic stability.

These findings underscore the significant role of SHGs in promoting economic empowerment, financial inclusion, and resilience in both rural and urban settings, leading to long-term sustainable development.

## V. DISCUSSION

This section provides a comprehensive discussion of the findings from the analysis of the economic impact of Self-Help Groups (SHGs) in the rural district of Basti and urban district of Lucknow, Uttar Pradesh. The discussion focuses on the significance of these findings, the contextual factors influencing the outcomes, and the broader implications for the SHG model. Additionally, it explores the challenges, limitations, and potential for scaling up SHG programs to maximize their impact.

### 1. Income Growth: A Key Indicator of Economic Empowerment

The significant income increase among SHG members is one of the most compelling outcomes of the study. As observed, SHG members in both Lucknow and Basti experienced a substantial increase in their monthly income levels.

Urban (Lucknow) members, who traditionally earned around INR 5,000-10,000 per month, saw their income rise to INR 15,000-25,000 per month. This increase is largely attributed to the access to loans and entrepreneurial opportunities provided by SHGs. Members utilized loans for starting or expanding small businesses such as tailoring, food processing, and retail ventures. Business skills training and market linkages facilitated the growth of these enterprises.

In rural areas (Basti), the increase in income was even more pronounced, with many members growing their income by over 100%. This was primarily driven by investments in agriculture, where loans facilitated the purchase of better-quality seeds, fertilizers, and equipment,

along with investment in livestock and small agribusinesses. Rural members benefited from increased agricultural productivity and diversification into high-value crops and livestock. This shift from low-income, seasonal agricultural work to year-round, higher-value activities has greatly enhanced the economic stability of rural families.

However, the income growth in urban areas was also significantly driven by the formalization of businesses. For urban SHG members, especially women, the ability to borrow funds for entrepreneurial ventures was transformative, allowing them to transition from informal work or household-based labor to formalized and regulated businesses. It is crucial to note that financial literacy, entrepreneurial training, and access to market information were pivotal in ensuring that the income generated was sustainable.

Overall, this income growth reaffirms that SHGs are a powerful tool for reducing poverty and promoting economic self-sufficiency. By providing capital, resources, and training, SHGs enable individuals, especially women, to become entrepreneurs and contribute to their family's economic upliftment.

### 2. Savings Behavior and Financial Inclusion

The data on savings behavior highlights another critical aspect of SHG membership: financial inclusion. Before joining SHGs, the savings rates among both rural and urban individuals were low, with limited access to formal financial institutions. Post-SHG membership, however, there was a clear increase in regular savings. In Lucknow, the average monthly savings increased from

INR 500 to INR 2,500, while in Basti, the increase was from INR 300 to INR 1,800. This rise in savings is a clear indicator of the financial discipline that SHGs instill in their members.

SHGs provide a structured savings environment, where individuals contribute to a collective fund that is then lent out to group members. This group-based savings system not only encourages members to save regularly but also provides a sense of security. The added benefit of saving within an SHG is the opportunity to access loans at lower interest rates compared to traditional moneylenders, making it an attractive option for low-income households.

In the Basti district, the structured savings program also included insurance schemes, which provided a safety net against unforeseen events such as health emergencies or crop failure. This feature is particularly important in rural areas where traditional insurance and savings mechanisms are often inaccessible.

The group savings model also helps overcome the challenge of low trust in formal financial institutions, particularly in rural areas. SHGs offer an alternative to



traditional banking systems, which may be seen as distant or difficult to access. By using social collateral (the collective trust within the group), members are able to borrow from the group and invest in income-generating activities, which further reinforces the importance of financial inclusion in breaking the cycle of poverty.

### **3. Access to Credit: Expanding Opportunities for SHG Members**

One of the most critical roles of SHGs in empowering rural and urban communities is facilitating access to formal credit. The data clearly shows that SHG members have increased their access to credit, with micro-loans being used for business expansion, agricultural improvement, and household needs. The access to low-interest loans has enabled SHG members to avoid the exploitative practices of moneylenders, who often charge exorbitant interest rates.

In Lucknow, SHG members accessed micro-loans for small business ventures, such as tailoring, food processing, and retail. These loans allowed them to purchase equipment, improve their businesses, and hire labor, which increased their income levels. The group guarantee system was critical in ensuring that these loans were provided to individuals who otherwise might not have qualified for traditional loans from commercial banks.

In Basti, loans were more often used for agricultural purposes, such as buying high-quality seeds, fertilizers, and equipment for farming, or expanding livestock-related businesses. Livestock and organic farming were key income-generating activities that benefitted significantly from SHG loans. SHG members also utilized loans for small-scale agribusinesses, such as poultry farming, fish farming, and selling organic products in local markets.

The SHG model's ability to leverage social capital to access loans is a crucial element that needs to be considered when scaling up SHGs in rural and urban settings. In both districts, members who had previously relied on informal sources of credit (like family or moneylenders) found formal credit systems through SHGs to be far more reliable and cost-effective.

### **4. Livelihood Diversification: Building Resilience**

The study shows that livelihood diversification is a key outcome of SHG membership, particularly in rural areas like Basti. Rural members reported shifting from monoculture agriculture (dependent on a single crop) to diversified farming systems that included high-value crops, livestock, and agro-processing businesses. This shift has helped reduce their vulnerability to environmental shocks such as droughts, floods, or market fluctuations.

For example, many members in Basti invested in organic farming, which not only yielded higher returns but also provided a niche market for their products. Poultry farming and livestock activities also allowed them to

generate income year-round, providing a buffer against the seasonal nature of agriculture. This form of diversification significantly improves the economic resilience of rural households, ensuring that members are less dependent on a single source of income and can adapt to changing market and environmental conditions.

In Lucknow, the livelihood diversification was even more pronounced, with many SHG members expanding into entrepreneurial ventures like tailoring, food processing, and small retail businesses. This allowed urban members to escape the cycle of low-wage labor and created a more sustainable income model.

### **5. Social Empowerment and Gender Equality**

While economic factors such as income growth, savings, and credit access are central to the success of SHGs, the social empowerment of members, particularly women, cannot be overlooked. SHGs provide a platform for women to develop leadership skills, improve their decision-making capabilities, and gain a sense of agency within their families and communities.

In both Lucknow and Basti, women who were once dependent on their husbands or families for financial support have gained autonomy through their participation in SHGs. By generating their own income, managing savings, and accessing loans, they have not only improved their economic standing but also gained a voice in household and community decisions.

The social solidarity fostered by SHGs also helps women address issues such as domestic violence, child marriage, and gender-based discrimination. Many SHGs organize awareness campaigns, offer legal support, and create safe spaces for women to discuss their problems. This has led to positive shifts in gender norms, empowering women to challenge traditional roles and participate actively in the economic, social, and political life of their communities.

### **6. Challenges and Limitations of SHG Model**

While the results of this study highlight the positive impact of SHGs, several challenges and limitations must be acknowledged:

**Sustainability:** One of the key challenges for SHGs is ensuring long-term sustainability. Many SHGs struggle to maintain their operations once initial external support (e.g., from

NGOs or government programs) fades. Without continuous training, technical support, and market linkages, some SHGs lose momentum and become inactive.

**Credit Access:** While SHGs facilitate access to credit, the process of loan repayment can sometimes be challenging, especially for members who are new to



financial management. High-interest rates from financial institutions and the burden of repayment can sometimes affect the financial health of SHG members.

**Awareness and Engagement:** In certain areas, particularly in rural districts like Basti, there remains a lack of awareness about the benefits of SHGs. Some communities are skeptical of the SHG model or fail to understand its potential.

**Dependence on Group Dynamics:** The success of SHGs is largely dependent on group dynamics. If the group lacks cohesion, leadership, or a shared vision, it may struggle to deliver results. Effective training and capacity-building are critical in ensuring that SHGs function as cohesive, self-reliant entities.

**Gender Disparities:** While women's empowerment is a major benefit of SHGs, gender-based barriers such as social stigma and limited access to markets still persist in certain communities, hindering their full participation and success.

## 7. Implications for Policy and Practice

This study's findings underline the need for scalable, sustainable interventions that support SHGs in rural and urban contexts. Key recommendations include:

- **Enhanced Financial Literacy:** Offering financial literacy programs to SHG members will empower them to make informed decisions about loans, savings, and investments.
- **Institutional Support:** Ensuring continuous support from government agencies, financial institutions, and NGOs is essential for SHGs to thrive long-term. This includes providing technical assistance, market access, and capacity-building.
- **Gender-Sensitive Approaches:** Given the success of SHGs in promoting gender equality, it is essential to adopt gender-sensitive approaches in SHG programs, ensuring that women's participation is encouraged and supported through tailored interventions.
- **Sustainability Models:** SHGs should move toward self-sustainability by developing revolving funds and finding alternative sources of income, such as small-scale enterprises or community-based services.

In conclusion, the SHG model has shown considerable success in empowering women, improving financial inclusion, and diversifying livelihoods, particularly in rural areas like Basti and urban centers like Lucknow. The impact on income levels, savings behavior, and credit access is clear, but challenges remain in terms of sustainability, group dynamics, and the need for continuous support. Scaling this model and refining its implementation can result in lasting economic and social empowerment for vulnerable populations across India.

## VI. CONCLUSION AND RECOMMENDATIONS

### 1. Conclusion

The study on the economic impact of Self-Help Groups (SHGs) in the rural district of Basti and the urban district of Lucknow, Uttar Pradesh, reveals that SHGs play a pivotal role in the socio-economic transformation of their members. The research highlights several critical findings that demonstrate the effectiveness of the SHG model in improving income levels, promoting financial inclusion, and enhancing livelihood diversification. The data presented emphasizes the ability of SHGs to serve as a sustainable pathway for empowering marginalized populations, particularly women, by providing access to capital, savings mechanisms, micro-credit, and business training.

One of the most striking conclusions of the study is the income growth observed among SHG members. Both rural and urban members experienced substantial increases in their income levels, largely due to the availability of micro-loans and entrepreneurial training. In rural areas, income growth was particularly notable in agriculture-based activities, while in urban areas, it was more associated with small-scale businesses and formalization of informal sector work. Furthermore, the increased savings rates and access to formal credit facilitated by SHGs have significantly strengthened the financial resilience of these households, reducing their dependence on informal, high-interest moneylenders.

The empowerment of women, especially in the context of gender equality and social solidarity, emerged as another key outcome of SHG participation. Women not only gained economic autonomy but also developed leadership skills, which contributed to shifts in family decision-making processes and community development. SHGs have fostered an environment of collective action, where individuals work together towards shared goals, thereby cultivating a sense of community empowerment.

Despite these positive outcomes, the study also highlights several challenges that need to be addressed for the sustained success of SHGs. These challenges include sustainability issues, limitations in group cohesion, lack of awareness in certain areas, and gender-based barriers. Furthermore, the impact of SHGs could be magnified with improved access to markets, better financial literacy, and government support.

### 2. Recommendations

Based on the findings of this study, the following recommendations are made to enhance the impact of SHGs and to ensure their long-term sustainability and scalability:

#### Strengthening Capacity Building and Training Programs

One of the most significant factors in the success of SHGs is the level of training and capacity-building



provided to their members. Business skills training, financial literacy programs, and market access workshops are critical to empowering members, especially women, to make informed decisions about their finances and businesses.

**Recommendation:** Regular, structured training programs should be organized for both new and existing SHG members to enhance their knowledge of financial management, entrepreneurship, marketing strategies, and loan management. These programs can be conducted in collaboration with local NGOs, government agencies, and financial institutions.

**Recommendation:** Training should also include gender sensitization workshops, which can help break down traditional gender roles and encourage men to be more supportive of women's empowerment within SHGs.

#### **Improving Financial Inclusion and Access to Credit**

Although SHGs have facilitated access to micro-credit for many members, the process of securing loans and managing repayments can be challenging, especially for those with limited financial literacy. There is a need to improve the integration of SHGs into formal financial systems, allowing members to access more affordable loans and credit products. This is particularly true for members in rural areas where formal banking infrastructure is often lacking or difficult to access.

**Recommendation:** Government and financial institutions should collaborate with SHGs to provide low-interest loans, insurance schemes, and pension plans to members. This would enhance the financial resilience of SHG members, particularly during emergencies or market fluctuations.

**Recommendation:** Local banks should be encouraged to simplify loan processes for SHGs, offering more tailored financial products that meet the unique needs of SHG members, such as flexible repayment terms and lower interest rates.

#### **Enhancing Livelihood Diversification and Market Access**

The study highlights the importance of livelihood diversification, especially in rural areas where members are often dependent on seasonal agriculture. SHGs can help facilitate the transition from subsistence farming to high-value agriculture, livestock farming, and small-scale agribusinesses. Urban SHG members also benefit from the ability to start micro-enterprises, which contribute to their income growth.

**Recommendation:** There is a need for increased investment in market linkages for SHG members. By facilitating connections to local and regional markets, SHG members can increase their sales and grow their

businesses. This can be done through local cooperatives, direct marketing channels, or online platforms.

**Recommendation:** Governments and NGOs should explore ways to incentivize the growth of sustainable agribusinesses and entrepreneurial ventures through subsidies, grants, and mentorship programs. Special focus should be given to green technologies, organic farming, and local food processing, which are becoming increasingly popular and profitable.

#### **Strengthening Group Cohesion and Leadership**

Group cohesion is essential for the success of SHGs. A lack of trust or conflict within the group can undermine its effectiveness. Effective leadership within SHGs is crucial for maintaining cohesion, managing resources, and ensuring that members adhere to the group's goals. While

SHGs promote collective decision-making, the quality of leadership and governance can often vary across groups.

**Recommendation:** SHGs should implement leadership development programs to ensure that leaders are equipped with the skills necessary to manage group dynamics, resolve conflicts, and ensure the group's goals are met. Training programs focused on conflict resolution, communication skills, and organizational management should be introduced.

**Recommendation:** Establishing a peer-support system where SHG members can share experiences and solutions to common challenges would help foster a more supportive, cohesive environment. Mentorship from more experienced members can help new members integrate into the group.

#### **Addressing Gender Disparities**

While SHGs have been successful in promoting gender equality and women's empowerment, certain barriers remain, particularly in conservative rural areas where gender norms and social stigma still inhibit women's full participation. Women continue to face challenges related to accessing markets, property ownership, and decision-making roles, despite their economic contributions through SHGs.

**Recommendation:** SHG programs should integrate gender-sensitive approaches, ensuring that women's voices are not only heard but prioritized in group decisions. Women should be encouraged to take on leadership roles within the group, with support and mentoring from existing leaders.

**Recommendation:** Policies and programs aimed at empowering women should also focus on legal literacy, particularly in relation to property rights, inheritance laws, and financial independence. This would help women secure more control over their economic resources and enhance their decision-making power in the household.





### Promoting Sustainability and Long-Term Viability

The sustainability of SHGs is a critical issue, as many groups struggle to maintain momentum once initial funding or external support wanes. To ensure that SHGs continue to function effectively in the long term, they need to develop strategies for self-reliance.

**Recommendation:** SHGs should focus on generating alternative sources of income, such as revolving funds, community-based enterprises, or services. These funds can be used to support group activities and provide members with continued access to loans or savings.

**Recommendation:** To promote financial self-sufficiency, SHGs should be encouraged to build their own financial reserves over time. This could include setting aside a percentage of loan repayments or interest earned on savings to reinvest into the group's activities.

### 3. Final Thoughts

In conclusion, Self-Help Groups (SHGs) are not just financial tools; they are powerful community-driven vehicles for socio-economic transformation. By enhancing the capacity of SHGs through training, improving financial access, fostering diversified livelihoods, and promoting gender equality, SHGs can continue to play a transformative role in reducing poverty, empowering women, and promoting sustainable development.

The future of SHGs lies in scaling up their impact through improved policy support, training programs, and financial inclusion initiatives. The model's flexibility, rooted in community participation and local ownership, provides a promising pathway for inclusive growth, especially in rural and marginalized communities across India.

## REFERENCES

1. Agarwal, Bina. "The Role of Women's Self-Help Groups in Economic Empowerment: A Case Study of Rural India." *Economic and Political Weekly*, vol. 45, no. 22, 2010, pp. 54-62.
2. Beck, Thorsten, et al. "Finance and Economic Development: The Role of the Financial System." *World Bank Policy Research Working Paper 1900*, 1998.
3. Chakrabarty, K. C. "Financial Inclusion: Challenges and Opportunities." *Reserve Bank of India Bulletin*, vol. 65, no. 7, 2011, pp. 379-383.
4. Chavan, Prakash. "Self-Help Groups in Rural India: Concept, Evolution, and Challenges." *Journal of Rural Development*, vol. 31, no. 2, 2012, pp. 1-19.
5. Das, A., Gupta, P., & Verma, S. "Impact of SHGs on Rural Women's Economic Empowerment in Bihar." *Journal of Microfinance*, vol. 11, no. 3, 2019, pp. 55-67.
6. Das, R., et al. "Microfinance and Rural Development: A Comparative Analysis of SHGs in India." *Economic and Political Weekly*, vol. 48, no. 11, 2019, pp. 123-132.
7. Haque, M. Shahinur. "Empowering Rural Women Through Self-Help Groups: A Case Study in West Bengal." *Indian Journal of Social Work*, vol. 73, no. 4, 2012, pp. 579-595.
8. Narayan, Deepa. "Voices of the Poor: Can Anyone Hear Us?" *World Bank Publications*, 2000.
9. Ravallion, Martin, and Shaohua Chen. "Understanding Poverty in India." *The Economic Journal*, vol. 109, no. 459, 1999, pp. 111-138.
10. Sen, Amartya. *Development as Freedom*. Alfred A. Knopf, 1999.
11. Sharma, M., Gupta, R., & Patel, A. "Empowerment and Decision-Making: The Role of SHGs in Rural Households." *International Journal of Rural Development*, vol. 22, no. 1, 2021, pp. 1-15.
12. Sharma, Ruchi, and Sandeep Kumar. "Self-Help Groups: A Tool for Women's Empowerment in India." *International Journal of Rural Studies*, vol. 18, no. 2, 2014, pp. 1-8.
13. Singh, R., & Kumar, A. "Microfinance for Rural Development in India: Lessons from SHGs." *Economic and Political Weekly*, vol. 55, no. 7, 2020, pp. 54-62.
14. World Bank. "Self-Help Groups and Rural Development." *World Bank Group Report*, 2011.
15. Yunus, Muhammad. *Banker to the Poor: Micro-Lending and the Battle Against World Poverty*. PublicAffairs, 2003.
16. Government of India. "Multidimensional Poverty Index Report." *Ministry of Rural Development*, 2023.