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Role of Self-Help Groups in Economic Development in Bihar: Opportunities, Challenges and Policy Implications

ORIGINAL ARTICLE

Authors
Dr. Sudhir Kumar
Senior Assistant Professor of Economics
D. C. College, Hajipur
B. R. A. Bihar University
Muzaffarpur, Bihar, INDIA

Rajendra Saw
Research Scholar
Department of Economics
B. R. A. Bihar University
Muzaffarpur, Bihar, INDIA

Abstract

Self-Help Groups (SHGs) have emerged as an effective instrument for poverty alleviation, women's empowerment, financial inclusion, and rural economic development in India. In Bihar, where a large proportion of the population depends on agriculture and rural livelihoods, SHGs have significantly contributed to improving household income, promoting entrepreneurship, increasing savings, and enhancing social participation. The Bihar Rural Livelihoods Promotion Society (BRLPS), popularly known as JEEViKA, has played a pivotal role in organizing rural women into SHGs and linking them with financial institutions. This paper examines the role of SHGs in Bihar's economic development by analyzing their contribution to income generation, employment creation, financial inclusion, women's empowerment, and sustainable rural development. The paper also identifies major challenges faced by SHGs and suggests policy recommendations for strengthening their effectiveness.

Key Words

Self-Help Groups (SHGs), Economic Development, JEEViKA (BRLPS), Women's Empowerment, Financial Inclusion Rural Livelihoods, Poverty Alleviation.

Introduction

Bihar is one of India's predominantly rural states, with a significant proportion of its population dependent on agriculture and allied activities. Poverty, unemployment, low industrialization, and limited access to formal financial services have historically constrained economic development. Self-Help Groups (SHGs) have emerged as a community-based model to overcome these barriers.

SHGs consist of 10–20 members, mostly women, who regularly save small amounts, provide loans to members, and undertake income-generating activities. Through collective action and financial discipline, SHGs improve livelihoods and strengthen rural communities.

The launch of JEEViKA under the Bihar Rural Livelihoods Promotion Society has expanded SHGs across the state, enabling millions of rural women to access credit, skill development, and livelihood opportunities.

Review of Literature

Datta (2015) evaluated the socio-economic impact of the JEEViKA project in Bihar and found that participation in SHGs significantly improved women's empowerment, reduced dependence on informal moneylenders, increased household assets, and enhanced food security. However, the study observed limited short-term changes in livelihood diversification, indicating that sustained support is necessary for long-term economic transformation.

Hazra; et al. (2020) investigated the impact of integrating health awareness programmes with JEEViKA SHGs. The researchers found that combining livelihood activities with health education improved reproductive, maternal, newborn, and child health behaviours, demonstrating that SHGs can function as effective community institutions for multidimensional rural development.

Mondal; et al. (2025) examined the effectiveness of health and nutrition interventions delivered through women's SHGs in Bihar. Their findings showed that SHGs served as an effective platform not only for financial inclusion but also for improving maternal and child health, nutrition awareness, and access to public services, thereby contributing to broader human development.

Kumar and Sinha (2026) analyzed the relationship between SHG participation and women's empowerment in Bihar using Structural Equation Modelling. The study concluded that SHG membership significantly enhanced economic independence, social participation, decision-making ability, and psychological confidence among rural women.

Objectives

1. To examine the role of SHGs in Bihar's economic development.
2. To analyze the contribution of SHGs towards poverty reduction.
3. To evaluate the impact of SHGs on women's empowerment.
4. To study the role of SHGs in financial inclusion.
5. To identify challenges faced by SHGs and suggest policy measures.

Hypothesis

H_{01}: Self-Help Groups (SHGs) have no significant impact on the economic development of rural households in Bihar.

H_{02}: Self-Help Groups do not significantly enhance financial inclusion among rural households in Bihar.

H_{03}: Participation in Self-Help Groups does not significantly improve women's economic empowerment in Bihar.

H_{04}: Self-Help Groups do not significantly contribute to employment generation and income enhancement in Bihar.

Research Methodology

The study is based on secondary data collected from:

1. Government of Bihar publications.
2. NABARD reports.
3. National Rural Livelihood Mission (NRLM).
4. Bihar Rural Livelihoods Promotion Society (JEEViKA).
5. Reserve Bank of India reports.
6. Ministry of Rural Development.
7. Research articles and journals.

Data Analysis

A Self-Help Group is a voluntary association of people with similar socio-economic backgrounds who save regularly and use pooled savings for internal lending and income-generating activities.

Characteristics

1. Voluntary membership.
2. Regular savings.
3. Internal lending.
4. Democratic functioning.
5. Collective decision-making.
6. Bank linkage.
7. Women-centered approach.

Growth of SHGs in Bihar

Groups	Numbers
Number of Self-Help Groups (SHGs)	10.47 lakh (1.047 million)
Rural households covered	1.3 Crore
Village Organizations (VOs)	69,257
Cluster Level Federations (CLF)	1,646 BRLPS

*[**Sorouce:** Bihar Rural Livelihoods Promotion Society (JEEViKA)]*

"As of 2025, Bihar has approximately 11.03 lakh Self-Help Groups (SHGs) under the JEEViKA programme, covering around 1.40 crore rural families. This makes JEEViKA one of the largest women's Self-Help Group networks in India."

Functions of Self-Help Groups (SHGs)

The main functions of Self-Help Groups (SHGs) are:

1. **Promoting Savings:** Encourage members to save regularly and build a common fund.
2. **Providing Credit:** Offer small loans to members at reasonable interest rates for personal and productive purposes.
3. **Financial Inclusion:** Link members with banks and other financial institutions for access to formal financial services.
4. **Income Generation:** Promote self-employment and small enterprises such as dairy, poultry, tailoring, handicrafts, and food processing.
5. **Women's Empowerment:** Improve women's decision-making power, leadership skills, and economic independence.
6. **Poverty Alleviation:** Help poor households increase income and reduce dependence on moneylenders.
7. **Skill Development:** Organize training programmes in entrepreneurship, financial literacy, and vocational skills.
8. **Employment Generation:** Create employment opportunities through micro-enterprises and livelihood activities.
9. **Social Development:** Raise awareness about education, health, sanitation, nutrition, gender equality, and social welfare schemes.
10. **Community Development:** Encourage collective action for village development and participation in local governance.
11. **Marketing Support:** Assist members in marketing and selling products through fairs, exhibitions, and cooperatives.
12. **Access to Government Schemes:** Help members benefit from government welfare programmes, subsidies, insurance, pensions, and livelihood schemes.

Products Produced by Self-Help Groups (SHGs)

1. Handicrafts and handicraft items

2. Handloom and textile products
3. Pickles and chutneys
4. Papad
5. Spices (turmeric, chili, coriander powder)
6. Honey
7. Jams and fruit squashes
8. Bakery products
9. Incense sticks (Agarbatti)
10. Candles
11. Soaps and detergents
12. Tailored garments and school uniforms
13. Jute and bamboo products
14. Dairy products (milk, ghee, paneer)
15. Mushroom cultivation products
16. Poultry products (eggs and chicken)
17. Goat rearing and livestock products
18. Fish farming products
19. Leaf plates (Dona and Pattal)
20. Organic vegetables and grains

These products help SHG members generate income, create employment, and improve rural livelihoods, contributing to economic development.

Loan Facilities for Self-Help Groups (SHGs) in Bihar

In Bihar, most SHGs receive loans through the JEEViKA (BRLPS) programme under the SHG–Bank Linkage Programme. Banks provide loans based on the SHG's savings, repayment record, and credit history.

Typical Loan Progression

Credit Linkage	Minimum Loan Amount
First loan	Rs. 1.5 lakh or up to 6 times the SHG corpus (whichever is higher)
Second loan	Rs. 3 lakh or up to 8 times the SHG corpus (whichever is higher)
Third loan	Rs. 6 lakh or more, based on the group's Micro Credit Plan and repayment performance

Purpose of SHG Loans

SHG members use loans for:

1. Agriculture and allied activities
2. Dairy farming
3. Goat rearing and poultry
4. Small businesses and shops
5. Tailoring and handicrafts
6. Food processing
7. Fisheries and other livelihood activities

Bank Linkage in Bihar

According to the State Level Bankers' Committee (SLBC), Bihar, during April–June 2025, banks completed 37,866 SHG credit linkages, with loans amounting to about [1] 1,610 crore, reflecting the expanding reach of SHG finance in the state.

These loans play an important role in women's empowerment, employment generation, poverty reduction, and rural economic development in Bihar.

Poverty Reduction

SHGs provide affordable credit for:

1. Agriculture
2. Dairy
3. Poultry
4. Goat rearing
5. Small businesses
6. Retail shops

This reduces dependence on moneylenders and increases household income.

Women's Empowerment

SHGs enhance:

1. Decision-making power
2. Financial independence
3. Leadership skills
4. Political participation
5. Social confidence

Women actively participate in Panchayati Raj Institutions and community governance.

Financial Inclusion

SHGs facilitate:

1. Savings accounts
2. Bank loans
3. Insurance
4. Pension schemes
5. Digital payments
6. Financial literacy

Employment Generation

SHGs generate employment through:

1. Mushroom cultivation
2. Dairy farming
3. Handicrafts
4. Food processing
5. Tailoring
6. Fisheries
7. Vegetable cultivation

Entrepreneurship Development

Training programs encourage women entrepreneurs in:

1. Honey production
2. Pickle making
3. Spice processing
4. Handloom
5. Bamboo crafts
6. Livestock enterprises

Agricultural Development

SHGs promote:

1. Organic farming
2. Improved seeds
3. Irrigation practices
4. Farmer Producer Organizations (FPOs)
5. Market linkages

Social Development

SHGs contribute to:

1. Girls' education
2. Sanitation
3. Health awareness
4. Nutrition
5. Immunization
6. Gender equality

Digital Financial Inclusion

Members increasingly use:

1. Mobile banking
2. UPI
3. Digital transactions
4. Online banking
5. Aadhaar-enabled payment systems

Economic Impact of SHGs in Bihar

Indicator	Impacts
Household Income	Increased
Saving	Improved
Employment	Expended
Women Empowerment	Significant
Financial Inclusion	High
Entrepreneurship	Increased
Rural Development	Improved
Poverty	Reduced

Major Challenges

1. Low literacy among members
2. Limited marketing opportunities
3. Inadequate business skills
4. Poor infrastructure
5. Limited access to technology
6. Weak value chains
7. Delayed bank credit
8. Climate-related risks affecting agriculture
9. Limited product diversification

Policy Recommendations

1. Strengthen skill development and entrepreneurship training.
2. Improve market access through e-commerce and cooperatives.
3. Ensure timely and affordable credit.
4. Promote digital financial literacy.
5. Develop storage, transport, and processing infrastructure.
6. Encourage SHG-based micro-enterprises.
7. Strengthen monitoring and capacity building.
8. Facilitate partnerships with the private sector and NGOs.
9. Promote sustainable agriculture and climate-resilient livelihoods.

Conclusion

Self-Help Groups have become a powerful mechanism for promoting inclusive economic development in Bihar. By enhancing savings, access to credit, livelihood opportunities, and women's participation in economic and social activities, SHGs contribute significantly to poverty reduction and rural transformation. The JEEViKA initiative has demonstrated that community-based institutions can drive sustainable development when supported by effective policies, financial institutions, and capacity-building efforts. Continued investment in skills, infrastructure, digital inclusion, and market linkages will further strengthen the contribution of SHGs to Bihar's economic growth.

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