



## **Capital Building at the Grassroots Institutions: A Self-Help Group Approach**

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### **Abstract**

Self-Help Groups (SHGs) are a powerful agent in transforming the capital of rural grassroots institutions. However, the role of SHGs in fostering the formation of comprehensive forms of capital remains unsynthesized. This review of literature aims to synthesise the seven forms of capital presented in the community capital framework. The findings reveal that SHGs serve as an important platform for converting the capital of rural grassroots institutions. Regular savings and credit among the SHGs build financial capital; training and collaborative action improve human capital; trust and network create social capital; conservation of natural resources, watershed management, and water reservoir quality through collaborative action build natural capital; preserving indigenous knowledge and practices, social inclusion, raising awareness of their rights, and shifting gender roles promote cultural capital, active participation in governance, village meetings, and community matters enhance their political capital. The literature review concludes that SHGs are a powerful platform for forming and converting capitals of the rural grassroots institutions. To maximise the impact of SHGs in forming and converting capitals of rural grassroots institutions, the implementing agencies should prioritise their focus on the integrated development of all seven capitals (Financial or economic, human, social, cultural, natural, built, and political capital) presented in the community capitals framework.

**Keywords:** SHGs, Financial capital, human capital, social capital, cultural capital, natural capital, built capital, political capital, capital building, grassroots institutions.

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### **1. Introduction**

The development of rural communities depends on the ability of grassroots-level institutions to accumulate, leverage, and sustain different forms of capital. Capital can be defined as stocks of assets (physical or non-physical) that provide a stream of benefits for the functioning and sustainability of a community (Piachaud, 2002). The Community Capitals Framework (CCF) (Flora & Flora, 2008; Green & Haines, 2002) emphasises seven core community capitals that are important for the sustainable development of a community.

**Natural/Environmental Capital:** Those assets that abide in a location are natural or environmental capital (Deller, n.d.). According to Flora & Flora (2008), natural or environmental capital

“Includes the air, water, soil, wildlife, vegetation, landscape, and weather that surround us and provide both possibilities for and limits to community sustainability” (Flora & Flora, 2008, p. 15).

**Cultural Capital:**

“Cultural capital determines a group’s worldview, how it sees the world, how the seen is connected to the unseen, what is taken for granted, what is valued, and what things a group thinks are possible to change” (Flora & Flora, 2008, p. 16).

**Human Capital:** Human Capitals are

“The skills and abilities of people, as well as the ability to access outside resources and bodies of knowledge to increase understanding and to identify promising practices” (Deller, n.d.). It includes education, skills, health, and self-esteem (Flora & Flora, 2008)

**Social Capital:** Social capital refers to the set of resources inherent in social relations. It includes trust, norms, and network (Hustedde, 2009).

**Political Capital:** Political capital refers to the ability of a community to influence standards, rules, regulations, and their enforcement (Deller, n.d.).

**Economic/Financial Capital:** The Financial capital refers to the financial resources available (Deller, n.d.). It includes savings, income generation, fees, loans and credit, gifts and philanthropy, taxes, and tax exemptions (Flora & Flora, 2008).

**Built/Physical Capital:** Built or Physical Capital refers to those human-constructed infrastructures. It includes information technologies, chemicals, bridges, railroads, oil pipelines, factories, daycare centres, and wind farms (Flora & Flora, 2008).

The sustainable development of rural communities depends on their capacity to increase, influence, and retain various types of capital. Self-Help Groups (SHGs) have emerged as a potent platform for forming, influencing and retaining various forms of capital in rural India. Conceptually, SHG is a group of 10-20 homogeneous classes coming together to address their socio-economic problems through voluntary savings (Tankha, 2012). It functions as a collective institution that mobilises financial resources (financial capital), fosters social networks and trust (social capital), and enhances individual skills and knowledge (human capital) (Tankha, 2012, p. 24). These capitals interact together to enhance women’s socio-economic and political empowerment (K. & Aithal, 2024; Mahato, 2023).

## 2. Research Gap

Despite extensive investigations, a comprehensive amalgamation of research on these diverse forms of capital has not been attempted. There is an extensive body of knowledge that informs us about the role of SHGs in forming economic and social capital (Anderson et al., 2002; Mistry & Patel, 2024), evidence on the formation of political capital remains mixed (Brody et al., 2013), and the role of SHGs in the formation of natural, cultural, and built capital is underexplored.

### 3. Statement Of Purpose

The purpose of this literature review is to examine the role of SHG in developing natural or environmental, cultural, human, social, political, economic or financial, and built or physical capital in rural India. This literature review attempts to synthesise the fragmented findings and provide valuable insights for policymakers, community development practitioners, and researchers seeking to optimise SHG interventions for inclusive grassroots transformation.

### 4. Objective Of the Study

The literature review aims to critically examine and synthesise the role of SHGs in developing natural or environmental, cultural, human, social, political, economic or financial, and built or physical capital at the grassroots level.

### 5. Theoretical Framework

This study is grounded on the Community Capital Framework (CCF) (Flora & Flora, 2008). It conceptualises SHGs as an intervention that influences the capital assets of the rural poor and grassroots communities, thereby creating a means for securing their basic necessities.

### 6. Research Methodology

The review utilised secondary sources, including empirical and review findings, mostly searched through Google Scholar, to synthesise the role of SHGs in developing various forms of capital. The literature included for synthesis is limited to empirical findings and reviews related to India. The syntheses are presented thematically below.

## 7. Synthesis Of Evidence: The Role of Shgs in Forming Various Forms of Capital

### 7.1. Financial or Economic Capital Formation

*Voluntary Savings and Internal Lending:* A regular small amount of savings, which is a fundamental activity of SHGs in India, fosters financial discipline among participating women and creates a pool of financial resources accessible to group members through low-interest internal lending (Deininger & Liu, 2013; Tankha, 2012). The availability of financial capital through SHGs enables the group members to participate actively in income-generating activities (Kumari, 2024) and entrepreneurship (S. Mishra & Mishra, 2024). SHG helps the group members accumulate financial capital to utilise it for livelihood expansions.

*Linkage to Formal Finance:* SHG-Bank Linkage initiated by NABARD in 1991 as a pilot project has turned out to be one of the most effective mechanisms of bringing the informal groups to a formal banking system, where SHGs can access formal financial bank loans with collateral (Tankha, 2012), significantly reducing the dependence on moneylenders (Kumari, 2024). This expands the financial resources of the SHG members beyond internal savings.

*Asset Acquisition:* Savings and Credit through SHGs enable its members to accumulate productive assets such as livestock, sewing machines, agricultural tools, irrigation pumps, etc., (Desai & Joshi, 2014).

### 7.2. Human Capital Formation

*Knowledge and Skill Acquisition:* SHGs act as a platform for enhancing human capital through enhancing literacy, skills, and knowledge (Babu, 2024). They gain livelihood skills such as tailoring, handicrafts, financial literacy, health and hygiene awareness, legal rights, and digital literacy (Sanyal, 2009).

*Confidence and Agency:* SHG members' regular participation in group meetings, including democratic participation in discussions, leading meetings, speaking during

meetings, managing finances, and undertaking collective action, significantly boosts their confidence, communication skills, and self-efficacy.

### **7.3. Social Capital Formation**

**Bonding Capital:** SHGs as an Affinity Group, meeting regularly as a group, and sharing individuals' problems with the group members, build strong bonds of trust, mutual understanding, solidarity, and reciprocity among the participating members (Fernandez, 2007). These factors are the essential glue that holds the group together and enables collective action.

**Bridging Capital:** SHGs not only fostered mutual ties among members but also connected them with external institutions, such as the government, NGOs, Banks, and other stakeholders (Jyoti & Bharti, 2024). This formation of ties between the SHGs and external institutions enhances empowerment by providing social support, access to information, resource exchange, and opportunities that extend beyond the immediate group.

### **7.4. Natural Capital Formation**

The bonds between SHG members and the linkages of SHGs with external institutions empower the SHGs to take collective action. SHGs participate in collective action to preserve and strengthen natural capital by conservation of natural resources, watershed management, and water reservoir quality (Dube et al., 2025).

### **7.5. Built Capital Formation**

By mobilising financial capital and human labour (human capital), SHGs have played a significant role in infrastructural development in rural areas (Sundaram, 2012). However, infrastructural development within the SHGs framework remains limited and undocumented (Dube et al., 2025).

### **7.6. Cultural Capital Formation**

SHGs are a platform for preserving indigenous knowledge and practices (Mehra, 2024) particularly in the realm of medicinal plants, low-cost traditional health practices (Sannigrahi, 2014), food processing, handicrafts, and sustainable agricultural practices (NABARD, 2022).

SHGs also contribute to the enhancement of cultural capital by promoting women's social inclusion, raising awareness of their rights, and shifting traditional gender roles (Ningshen & Boraian, 2013).

### **7.7. Political Capital Formation**

SHGs enhance the political awareness and participation of women in rural areas. R. Mishra & Mehata (2024) demonstrated that participation in SHG confers considerable political empowerment for the participating members. By participating in SHGs, they become more engaged in social and political activities. Through their participation in SHG, members are able to access various resources and networks, which in turn improve their political position and promote active involvement in local governance and community matters. Deininger & Liu (2009) estimated impacts on political participation suggest that 5% women attended village meetings (gram sabhas) more frequently due to the SHG.

## **8. Results And Discussions**

The synthesis reveals that SHG is a potential platform for multidimensional capital formation in rural India and is interconnected with other. The key finding from the synthesis

reveals that SHGs are not merely a gatherer of capitals but they act as active platforms for converting it.

The major findings of the synthesis are:

1. Social → Financial Capital: The trust built through social bonding (Social capital) is the foundation for SHG's internal saving, group lending, and access to financial loans (financial capital) from banks and other stakeholders.
2. Financial → Human Capital: Access to credit (financial capital) enables SHGs members to engage in income-generating activities and accumulate assets. The improvement of SHG members' financial capital enables them to invest in skill training, which contributes largely to their human capital development.
3. Human → Political/Social Capital: Skill training of SHG members enhances knowledge, skills, and confidence (human capital), which further empowers the members to participate actively in leadership roles, governance (Political capital), and collective actions (Social capital).
4. Social → Built Capital: Strong networks and collective action (social capital) enhance leveraging power for demanding infrastructural development (built capital).
5. Political → Social/Financial or Economic Capital: Women's participation in local governance and their leveraging power (political capital) enhances their social and economic conditions.
6. Social → Cultural Capital: Ties between the SHGs members and with external institutions (social capital) enhance social inclusion, transmission of traditional knowledge (cultural capital) to other members of the group.

The synthesis of the literature suggests that social capital is the foundational reactor for SHGs' success, sustainability of the group and broader capital formation. Social ties (bonding capital) provide a safe platform and a mutual commitment necessary for SHG members to participate actively in financial activities and collective action. Linking with external institutions and stakeholders (bridging capital) connects the SHGs with essential resources and opportunities for the members and groups. This suggests that the development of other capital greatly depends on the quality of the SHGs' social network.

Initially, SHGs were promoted as a poverty alleviation strategy. However, the findings suggest that SHGs have emerged as a rural grassroots institution for simultaneously building financial security, enhancing individual capabilities, strengthening social bonds, and improving local governance capacity. This holistic role of SHGs as a platform for integrated capital development is a significant contribution towards sustainable rural grassroots development.

## **Conclusion**

The review of literature demonstrates that SHGs are a potent agent for forming and developing various forms of capital among the rural grassroots institutions (SHGs). They act as an important social institution for fostering financial capital through savings, credit, and linkage to formal financial institutions; human capital by facilitating skill development and confidence building; social capital by building a network of trust and collaborative actions; natural capital and built capital by leveraging with external institutions and

stakeholders; and political capital by providing a platform to participate in governance actively.

The SHG serves as a unique platform for transforming rural grassroots capital by converting social bonds into an economic channel, leveraging group members' skills into collective power, and utilising financial resources to enhance their livelihood. In SHGs, social capital serves as the catalyst upon which all other forms of capital are formed and converted.

Therefore, the SHGs promoters like the Deendayal Antyodaya Yojana - National Rural Livelihood Mission, Ministry of Rural Development, National Bank for Agricultural and Rural Development (NABARD), International Fund for Agricultural Development (IFAD), and other associated NGOs should move beyond microcredit and design intervention strategy that prioritises the integrated development of all the seven capital of community capitals framework to foster rural grassroot institutional development.

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