



Original Article

The Role of Women's Self-Help Groups in Empowering Rural Women in India

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Manuscript ID:

IBMIIRJ -2025-021031

Submitted: 12 Sept. 2025

Revised: 17 Sept. 2025

Accepted: 17 Oct. 2025

Published: 31 Oct. 2025

ISSN: 3065-7857

Volume-2

Issue-10

Pp. 138-143

October 2025

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Quick Response Code:



Web: <https://ibrj.us>



DOI: [10.5281/zenodo.17621322](https://doi.org/10.5281/zenodo.17621322)

DOI Link:

<https://doi.org/10.5281/zenodo.17621322>



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Abstract

Self-Help Groups (SHGs) have emerged as an effective mechanism for addressing challenges and fostering women's empowerment. The Self-Help Group (SHG) movement in India began in the early 1980s as an informal credit and savings for poor women. As of 2024, over 8 million SHGs involving more than 90 million women exist across the country. India has witnessed a substantial growth in SHG numbers, especially women-led SHGs in last few decades. By fostering collective action and shared responsibility, SHGs offer women an opportunity to pool their resources, save regularly, and access credit for various income-generating activities such as tailoring, animal husbandry, small trade, and agriculture. Several studies have reported that SHG participation enhances women's self-esteem and social networks. Recent research has also focused on how SHGs are fostering entrepreneurship among rural women. SHGs in India involve more than 17.75 crore rural households across the country. Empirical data reveals that SHG loans were primarily used for income-generating activities and nearly two-thirds (63%) of SHGs borrowing is invested productively-supporting livelihoods rather than merely consumption. Economic evidence firmly indicates that SHGs substantially uplift women's economic power. However, despite their positive contributions, SHGs continue to face several structural, financial, socio-cultural, and market-related challenges. Several impact evaluation studies demonstrate that SHG exposure raises household incomes, boosts savings, and reduces dependence on high-cost informal debt.

Keywords: Self-Help Group, Women, Credit, Savings, Financial inclusion

Introduction

Women's empowerment, especially in rural India, remains a critical area of social and economic development. Traditionally, rural women have been marginalized in decision-making processes, both at the household and community levels. They face constraints such as illiteracy, limited access to financial resources, lack of livelihood opportunities, and socio-cultural barriers. Over the past few decades, Self-Help Groups (SHGs) have emerged as an effective mechanism for addressing these challenges and fostering women's empowerment across multiple dimensions-economic, social, political, and psychological (NABARD, 2017). The Self-Help Group (SHG) movement in India began in the early 1980s as an informal credit and savings mechanism for poor women, largely inspired by microfinance models operating in other developing countries, such as the Grameen Bank model in Bangladesh (Yunus, 2007). The formalization and nationwide spread of SHGs began with the launch of the Self-Help Group-Bank Linkage Programme (SHG-BLP) by the National Bank for Agriculture and Rural Development (NABARD) in 1992. This initiative aimed to provide microcredit to women through organized groups linked to banks, thereby promoting financial inclusion among the rural poor (NABARD, 2017). By fostering collective action and shared responsibility, SHGs offer women an opportunity to pool their resources, save regularly, and access credit for various income-generating activities such as tailoring, animal husbandry, small trade, and agriculture. This access to financial capital often translates into enhanced household incomes, improved savings behavior, and asset creation (Puhazhendhi & Satyasai, 2000). Moreover, the SHG platform provides women with a space to build leadership skills, engage in community development activities, and voice their concerns, leading to social and political empowerment (Singh & Jain, 2016). The Government of India has also recognized the potential of SHGs in driving rural development and women's empowerment. Flagship programs such as the National Rural Livelihood Mission (NRLM), launched in 2011 (now renamed as Deendayal Antyodaya Yojana - NRLM), have institutionalized the SHG model.

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How to cite this article:

Borah, C. (2025). The Role of Women's Self Help Groups in Empowering Rural Women in India. *InSight Bulletin: A Multidisciplinary Interlink International Research Journal*, 2(10), 138-143. <https://doi.org/10.5281/zenodo.17621322>.

As of 2024, over 8 million SHGs involving more than 90 million women exist across the country (Ministry of Rural Development, 2024). States like Kerala (through Kudumbashree), Odisha (Lakhpati Didi Initiative), and Maharashtra have witnessed remarkable success in leveraging SHGs for poverty alleviation and women's empowerment (Kudumbashree, 2022; Government of Odisha, 2023). Academic research on SHGs has consistently shown positive impacts on women's economic status, psychological well-being, decision-making abilities, and social capital (Desai & Joshi, 2013; Mahato & Jha, 2023). For instance, a study conducted in Odisha revealed that participation in SHGs significantly improved women's savings habits, access to credit, and self-confidence (Chaudhury & Patnaik, 2023). Similar findings emerged from studies in Andhra Pradesh, Haryana, and Jharkhand, where SHG participation was linked with increased household income, improved health awareness, and enhanced political participation (Singh & Jain, 2016; Mahato & Jha, 2023).

This research paper aims to critically examine the role of SHGs in empowering rural women in India by analyzing empirical data from various states and published literature. It focuses on multiple dimensions of empowerment-economic, social, psychological, political, and health-while highlighting success stories, best practices, and existing challenges.

Literature Review:

The concept of Self-Help Groups (SHGs) has garnered substantial attention from policymakers, researchers, and development practitioners due to its potential in transforming the socio-economic status of rural women in India. Over the past three decades, several studies have analyzed the multifaceted impact of SHGs, including economic, psychological, social, political, and health-related empowerment. This section reviews significant findings from existing literature on the role of SHGs in empowering rural women.

Economic Empowerment:

Economic empowerment is often viewed as the most tangible and measurable outcome of SHG participation. Access to microfinance through SHGs helps rural women to initiate income-generating activities, increase household income, and develop savings habits (Puhazhendhi & Satyasai, 2000).

Moreover, the **National Rural Livelihood Mission (NRLM)** has facilitated financial inclusion by linking SHGs with formal banking institutions. This linkage has provided women access to credit for livelihood activities, thereby reducing their dependency on informal credit sources with high-interest rates (Ministry of Rural Development, 2024).

Social Empowerment:

Several studies have reported that SHG participation enhances women's self-esteem and social networks. A study conducted in Haryana found that 78% of SHG members felt an increase in self-confidence, and 76.7% reported improved family cooperation in decision-making (Vineet, 2023). SHGs often act as forums for women to discuss social issues, access government schemes, and resolve local conflicts (Desai & Joshi, 2013). In Odisha women reported enhanced literacy levels, better awareness of health and sanitation, and improved environmental consciousness after joining SHGs (Chaudhury & Patnaik, 2023). The formation of SHGs also fosters collective identity among rural women, enabling them to challenge traditional gender roles and social taboos (Mahato & Jha, 2023).

Political Empowerment:

SHGs also empower women politically and help in capacity building. SHGs create platforms for women to engage with political processes by participating in Panchayat Raj Institutions (PRIs), attending Gram Sabha meetings, and contesting local elections (Singh & Jain, 2016).

Mahato and Jha (2023), in their study on tribal women in Jharkhand, found a positive correlation between SHG membership and increased political awareness. Women who were part of SHGs were more likely to participate in village-level governance, attend political rallies, and exercise their voting rights.

Entrepreneurship and Market Linkages:

Recent research has also focused on how SHGs are fostering entrepreneurship among rural women. The **Lakhpati Didi Initiative** in Odisha and Kerala are notable examples where SHG members are engaged in diverse business activities ranging from handicrafts to food processing and agri-business (Government of Odisha, 2023; Kudumbashree, 2022).

These entrepreneurial activities not only provide income but also enhance women's visibility in the market, create employment opportunities, and promote leadership at the community level (Sajesh et al., 2022). However, challenges such as inadequate market linkages, lack of business skills, and insufficient infrastructure continue to limit the scalability of such initiatives (Puhazhendhi & Satyasai, 2000).

This research paper aims to critically examine the role of SHGs in empowering rural women in India by analyzing secondary data from various states and published literature. It focuses on multiple dimensions of empowerment-economic, social, psychological, political, and health-while highlighting success stories, best practices, and existing challenges.

Methodology:

This study adopts a **mixed-method approach**, combining both **quantitative** and **qualitative** research methods to assess the role of SHGs in empowering rural women. Secondary data was collected from government reports such as the **Ministry of Rural Development**, **NABARD**, and **DLHS-3**, along with published academic journals and previous research studies.

Overview of the National SHG Scale and Financial Linkage:

Self-Help Groups (SHGs) have emerged as one of India's largest community-based approaches for women's empowerment and rural poverty alleviation. The National Rural Livelihoods Mission (NRLM), now renamed as Deendayal Antyodaya Yojana-NRLM (DAY-NRLM), plays a central role in scaling and financially linking SHGs with formal banking institutions.

National SHG Coverage and Growth

As of March 31, 2024, India has witnessed a substantial growth in SHG numbers, especially women-led SHGs. According to NABARD's Status of Microfinance Report 2023-24, there are 144.2 lakh (14.42 million) SHGs linked with banks and of these, 120.4 lakh (12.04 million) are Women SHGs (WSHGs), accounting for over 83.5% of the total SHG coverage. These SHGs involve more than 17.75 crore (177.5 million) rural households across the country (Ministry of Rural Development, 2024).

Financial Linkage: Savings and Credit Access

SHGs in India have established strong linkages with the banking sector through two main financial channels:

1. Savings Mobilization:

- The cumulative savings of SHGs stood at ₹65,089 crore by the end of March 2024.
- Of this, Women SHGs alone contributed ₹56,129 crore, showing their dominant participation in micro-savings and financial inclusion (NABARD, 2024).

2. Bank Credit Linkage:

- During the financial year 2023-24, 54.8 lakh SHGs availed fresh loans from banks.
- Out of these, 53.2 lakh were Women SHGs, receiving a record ₹2.03 lakh crore in total loan disbursement.
- The average loan per SHG increased to ₹3.82 lakh, compared to ₹3.32 lakh in the previous year.
- The total outstanding loan for SHGs reached ₹2.60 lakh crore, showing the increasing credit absorption capacity of SHGs (NABARD, 2024).

Table-1: SHG-Bank Linkage-Key National Indicators

Indicator	Value (FY 2023-24)	Sources
SHGs savings-linked with banks	144.22 lakh	NABARD (2024)
Cumulative SHG savings (₹ crore)	65,089	NABARD (2024)
SHGs credit-linked during year	54.82 lakh	NABARD (2024)
Total disbursement to SHGs (₹ crore)	209,285.90	NABARD (2024)
SHGs with loans outstanding	77.42 lakh	NABARD (2024)
Total outstanding (₹ crore)	259,663.70	NABARD (2024)
Average loan disbursed per SHG (₹ lakh)	3.82	NABARD (2024)
Portfolio NPA (%)	2.05%	NABARD (2024)

Source: NABARD (2024) Status of Microfinance in India 2023-24.

Role of NRLM and Banks

DAY-NRLM has worked extensively with public sector banks, regional rural banks (RRBs), and cooperative banks to scale up SHG-bank linkages. The government offers interest subvention schemes, enabling SHGs to access credit at subsidized interest rates (often between 7% and 9%). SHGs are also linked with various livelihood programs, market initiatives, and capacity-building workshops facilitated by State Rural Livelihood Missions (SRLMs).

Income Generation and Savings Outcomes of SHGs in India:**1. Impact on Household Income and Savings**

A comprehensive 2019 evaluation by the International Initiative for Impact Evaluation (3ie), covering 27,000 households across nine states-Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Uttar Pradesh, and West Bengal-found statistically significant economic benefits for households involved in SHGs. Specifically:

- An additional 2.5 years of SHG membership led to a 19% increase in total household income, on average.
- Household savings rose by 28%, indicating stronger financial resilience.
- Reliance on informal loans declined by about 20%, reducing exposure to high-interest debt sources.

In practical terms, if a household was earning ₹10,000 monthly before joining an SHG, that income rose to ₹11,900 after membership matured-an appreciable uplift for poor rural families.

2. Productive Utilization of SHG Loans

Data from the 3ie evaluation show that SHG loans were primarily used for income-generating activities. It was found that

- 43.9% of the loan went into agriculture (inputs, irrigation, seeds)
- Another 17.7% was used for purchasing cows and buffaloes
- 6.7% of the loan was used for purchasing other livestock; 6.3% for goats/sheep; 3.5% for pigs
- About 31.9% of loans were used for consumption, fulfilling health needs, or housing

These figures indicate that nearly two-thirds (63%) of SHGs borrowing was invested productively-supporting livelihoods rather than merely consumption. This strategic financial behaviour enables members to build assets that generate future income.

3. Revolving and Community Investment Funds

As of March 31, 2024, the National Rural Livelihoods Mission (NRLM) reported mobilizing around 10.04 crore households into about 90.83 lakh SHGs cumulatively. This shows the programme's deep reach into rural India's households.

Under DAY-NRLM, each SHG receives:

- A Revolving Fund of ₹20,000-₹30,000
- A Community Investment Fund (CIF) up to ₹2.5 lakh per SHG

Government capitalisation totalled about **₹48,290 crore** by late 2024, helping SHGs build institutional creditworthiness. With these funds, SHGs could access further **₹9.71 lakh crore** in formal bank credit, empowering them to undertake varied livelihood ventures.

4. Role in Crisis

During the **COVID-19 pandemic**, SHG households displayed greater resilience—consumption dropped by only **26.9% (₹2,000/month)** compared to non-members in May–July 2020. SHGs also facilitated faster access to government schemes, MGNREGA work, and other livelihood supports. This demonstrates SHGs' role as institutional buffers protecting families against shocks.

5. Broader Growth and Institutional Reach

As per the Ministry of Rural Development:

- Over **10.05 crore women are mobilized in 90.87 lakh SHGs** (as of December 2024).
- The **Start-Up Village Entrepreneurship Programme (SVEP)** has supported **3.13 lakh village enterprises**, many led by SHG members.

This demonstrates that SHG-based enterprise models extend beyond agricultural credit into diversified non-farm income streams—critical for long-term economic advancement.

Table-2: Economic Outcomes of SHGs

<u>Indicator</u>	<u>Result</u>	<u>Source</u>
Income increase	19%	3ie evaluation
Savings growth	28%	3ie evaluation
Informal loan decline	-20%	3ie evaluation
Loan usage for livelihoods	63% productive vs. 32% for consumption	3ie data
Formal credit leveraged	₹9.71 lakh crore via SHGs	PIB data
SHG resilience in crisis	-26.9% consumption drop vs. non-members	COVID-19 study
SHG women-led enterprises	3.13 lakh units under SVEP	Ministry data

Economic evidence firmly indicates that **SHGs powered by NRLM/DAY-NRLM** substantially uplift women's economic agency. Through increased incomes, heightened savings, formal credit access, labour participation, entrepreneurship, and resilience against crises, SHGs have emerged as **agents of sustainable rural economic empowerment**. They have successfully reduced reliance on informal finance and enabled women to build diversified livelihoods. Areas for enhancement include improved market access, capacity development, and strengthening institutional support to ensure scalability and sustained impact. These data-driven insights reinforce SHGs as a cornerstone of rural women's economic development.

Key Challenges

Women's Self-Help Groups (SHGs) in India have been widely acknowledged for their role in advancing financial inclusion and women's empowerment. However, despite their positive contributions, SHGs continue to face several structural, financial, socio-cultural, and market-related challenges that hinder their long-term sustainability and impact.

1. Institutional and Organizational Challenges

A major challenge lies in the weak institutional capacity of SHGs. Many groups lack proper leadership, internal cohesion, and financial management skills. Poor record-keeping, irregular meetings and limited awareness about group responsibilities affect their performance (Puhazhendhi & Satyasai, 2000). The dependence of SHGs on external agencies such as NGOs or government departments for training and facilitation also makes them vulnerable, as such support is often inconsistent and short-term (Singh & Jain, 2016).

2. Financial Challenges

Although the Self-Help Group-Bank Linkage Programme (SHG-BLP) has improved access to formal credit, challenges still persist in the adequacy and timely availability of loans. Many SHGs receive small credit amounts, which are insufficient for scaling up entrepreneurial activities (Desai & Joshi, 2013). Moreover, delays in disbursement, bureaucratic procedures, and low levels of financial literacy among members often result in ineffective utilization of funds. In some cases, women continue to depend on informal moneylenders for urgent needs despite being part of SHGs (NABARD, 2017).

3. Socio-Cultural Constraints

Patriarchal norms continue to restrict the decision-making power of women in many rural households. Even when women access loans, male family members may dominate financial decisions, undermining the empowerment goals of SHGs (Mahato & Jha, 2023). Social stigma in conservative areas, coupled with women's time poverty due to unpaid household and caregiving responsibilities, further reduces their ability to participate in SHG activities and capacity-building programs (Chaudhury & Patnaik, 2023).

4. Market and Livelihood Challenges

SHGs often struggle to translate access to credit into sustainable livelihoods. Products created by SHG members—such as handicrafts, textiles, or processed foods—face stiff competition from commercial enterprises. Weak marketing skills, lack of branding, inadequate quality control, and poor access to wider markets limit their profitability (Desai & Joshi, 2013). Furthermore, limited technical training and entrepreneurial exposure restrict SHG members from diversifying their income-generating activities.

5. Regional Disparities and Policy Implementation Issues

The performance of SHGs varies significantly across states. Many SHGs struggle with weaker structures, insufficient government support, and lack of monitoring mechanisms. The uneven quality of NGO facilitation and gaps in the

implementation of the National Rural Livelihood Mission (NRLM) highlight persistent challenges in policy execution (Ministry of Rural Development, 2024).

SHGs in India have been facing multiple challenges that constrain their ability to fully achieve their economic and social objectives. Many SHGs face issues such as limited market linkages, insufficient training, and continued male dominance in key economic decisions. Moreover, variations in SHG effectiveness are observed across regions due to socio-economic disparities, differing levels of government support, and the quality of facilitation by non-governmental organizations (NGOs) and state agencies (Puhazhendhi & Satyasai, 2000).

Weak institutional structures, inadequate and delayed credit, socio-cultural restrictions, poor market integration, and regional disparities remain major barriers. Addressing these challenges requires a comprehensive strategy involving capacity building, enhanced financial literacy, improved marketing linkages, and stronger policy support to ensure that SHGs continue to serve as effective instruments of women's empowerment in rural India.

Conclusion:

The SHG model in India represents a striking example of community-led financial inclusion scaled to national proportions. Administrative data show deepening bank linkages, large aggregate savings and growing formal credit flows; rigorous impact evaluation demonstrates that SHG exposure raises household incomes, boosts savings, and reduces dependence on high-cost informal debt. However, achieving the full promise of SHGs requires confronting heterogeneity-uneven market access, digital and skills gaps, governance risks, and sustainability questions. Policy measures that professionalise federation deepen market and digital linkages, and scale evidence-backed human-development modules can convert broad financial inclusion into enduring economic and social empowerment for rural women across India.

Acknowledgment

The author expresses sincere gratitude to the Department of Economics, Sapekhati College, Assam, for their academic guidance, encouragement, and institutional support throughout the development of this research paper. Heartfelt thanks are also extended to colleagues, mentors, and fellow researchers for their valuable feedback and suggestions that contributed to improving the depth and quality of this study.

The author gratefully acknowledges the use of secondary data and reports from the Ministry of Rural Development (Government of India), NABARD, and other national and international organizations, whose empirical insights and policy analyses have been instrumental in shaping this research.

Finally, deep appreciation is offered to all women's Self-Help Groups (SHGs) across India, whose resilience, collective spirit, and commitment to empowerment continue to serve as an inspiration and foundation for inclusive rural development and gender equity.

Financial Support and Sponsorship

Nil

Conflicts of Interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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