

# A Study on Role of Self Help Group in Economic Empowerment of Women

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## **Abstract**

*The economic empowerment of women has emerged as a central concern in development discourse across the world, particularly in developing countries where gender disparities in income, assets, education, and decision-making remain deeply entrenched. Among the various grassroots mechanisms designed to address these inequalities, Self-Help Groups (SHGs) have proved to be one of the most effective and sustainable instruments for enhancing women's economic status and overall social empowerment. A Self-Help Group is typically a small, informal, voluntary association of 10–20 individuals—predominantly women—who come together to save small amounts of money regularly, create a common fund, and use it to meet their credit needs through mutual lending. Over time, SHGs have evolved beyond savings and credit institutions into powerful platforms for collective action, skill development, entrepreneurship, and socio-political participation. The role of SHGs in the economic empowerment of women is multidimensional, encompassing access to financial resources, income generation, capacity building, confidence enhancement, social capital formation, and improved bargaining power within households and communities. At the most fundamental level, SHGs play a crucial role in providing women with access to financial services, particularly savings and credit, which have historically been denied to them due to lack of collateral, low literacy levels, and social constraints.*

**Keywords:** *Self Help Group, Economic, Empowerment, Women*

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## **I. Introduction**

The core of a Self-Help Group is voluntary association. Typically comprising 10–20 women from similar socio-economic backgrounds, these groups operate on the principle of "Panchsstras": regular meetings, regular savings, internal lending, timely repayment, and meticulous bookkeeping. By pooling small amounts of money, women create a collective cushion that replaces the predatory interest rates of local moneylenders with a supportive, community-led credit system. (Datta, 2022)

SHGs act as a crucial link to formal banking systems. Through programs like the SHG-Bank Linkage Project, informal groups gain the legitimacy needed to open bank accounts and access larger loans. This "doorstep banking" model provides collateral-free credit, allowing women to invest in income-generating activities such as tailoring, livestock rearing, or small-scale manufacturing.

Economic empowerment is measured by more than just income; it is defined by agency. Research indicates that women in SHGs experience a significant shift in household dynamics. When a woman contributes to the family income, her voice carries more weight in decisions regarding children's education, healthcare, and asset purchases. This shift moves her from a "passive beneficiary" to an "active stakeholder."

Modern policy, such as India's Lakhpati Didi initiative, seeks to push SHGs beyond mere subsistence. The goal is to scale these micro-enterprises so that each member earns a sustainable annual income of at least ₹1,00,000\$ (approx. \$1,200). This represents the maturation of the SHG movement—from poverty alleviation to wealth creation.

SHGs don't just empower an individual; they create a ripple effect. An empowered woman invests in her children's education and health, which eventually uplifts the entire community and strengthens the national GDP. (Menon, 2020)

Capacity building and skill development constitute another vital dimension of the economic empowerment facilitated by SHGs. Many SHGs, in collaboration with government agencies, non-governmental organizations, and financial institutions, provide training in technical skills, financial literacy, bookkeeping, marketing, and enterprise management. These training programs enhance women's productivity, efficiency, and competitiveness in the market.

Financial literacy initiatives help women understand savings, interest rates, repayment schedules, and investment options, enabling them to manage their finances more effectively. Skill development not only improves income prospects but also fosters a sense of competence and self-worth among women. As women acquire new

skills and knowledge, they become more confident in negotiating with buyers, suppliers, and financial institutions, thereby strengthening their economic agency. (Richards, 2021)

Formal banking institutions often perceive poor women as high-risk borrowers, resulting in their exclusion from institutional finance. SHGs bridge this gap by promoting a culture of regular savings, even in small amounts, thereby inculcating financial discipline and self-reliance among women. The pooled savings of group members form a revolving fund that can be used to provide loans for productive, consumption, or emergency needs. This access to credit enables women to avoid exploitative moneylenders, reduce indebtedness, and invest in income-generating activities. Through linkage programs such as the SHG–Bank Linkage Programme, SHGs gain access to larger loans from banks, further expanding their economic opportunities. The availability of timely and affordable credit empowers women to take financial decisions independently, enhancing their control over economic resources.

Beyond financial inclusion, SHGs serve as catalysts for income generation and livelihood diversification among women. Many SHGs engage in micro-enterprises such as agriculture, dairy farming, poultry, handicrafts, food processing, tailoring, retail trade, and service-based activities. By pooling resources, sharing risks, and leveraging collective bargaining power, women are able to undertake economic activities that would be difficult to pursue individually. SHGs often act as incubators for entrepreneurship, providing women with the confidence and support needed to start and sustain small businesses. (Carlson, 2020)

### **Objectives of the study**

- i) To study the role of Self Help Group
- ii) To study the role of Self Help Group in Economic Empowerment of Women

## **II. Literature Review**

Meinzen et al. (2021): Income generated through SHG activities contributes directly to household welfare by improving nutrition, healthcare, education of children, and housing conditions. As women begin to contribute financially to their families, their status within the household improves, challenging traditional gender roles that confine women to unpaid domestic labor.

Drukker et al. (2021): The role of SHGs in building social capital is central to their success in empowering women economically. Social capital refers to the networks, relationships, trust, and norms that facilitate collective action and mutual support. SHGs create a safe and supportive space where women can share experiences, discuss common problems, and collectively seek solutions.

Foster et al. (2021): Regular meetings promote solidarity, cooperation, and mutual accountability among members. This collective strength enables women to overcome social barriers such as mobility restrictions, caste discrimination, and gender-based exclusion. Through SHGs, women develop leadership skills, communication abilities, and organizational capacities, which are essential for economic participation and advancement. The sense of belonging and mutual trust fostered within SHGs enhances women's resilience to economic shocks and crises.

Warnock et al. (2022): Another significant challenge is limited access to markets and marketing support. While SHGs often succeed in mobilizing savings and facilitating small-scale enterprises such as handicrafts, food processing, tailoring, dairy farming, or agriculture-based activities, members frequently face difficulties in selling their products at fair prices. Lack of market information, poor transportation facilities, inadequate branding, absence of quality control, and exploitation by middlemen restrict their earning potential.

Heise et al. (2022): Many SHGs operate in rural or remote areas where access to urban markets is limited. Consequently, women are forced to sell products locally at low prices, reducing profitability and discouraging sustained participation in economic activities. Without strong market linkages and institutional support for marketing, SHGs remain confined to subsistence-level operations rather than becoming engines of economic growth.

## **III. Results and Findings**

Self-Help Groups (SHGs) have emerged as one of the most significant grassroots institutions for promoting women's economic empowerment, particularly in developing countries like India. Rooted in principles of collective action, mutual trust, savings, and self-reliance, SHGs aim to enhance women's access to credit, build entrepreneurial capacity, and strengthen their socio-economic position within households and communities.

**Table: Pre-SHG vs. Post-SHG Status**

Based on empirical studies of SHG members, there is a clear upward shift in economic indicators after joining a group.

Economic Indicator	Pre-SHG Condition	Post-SHG Impact
Primary Income Source	Mainly wage labor or dependent	Micro-entrepreneurship & small business
Monthly Savings	Negligible or "hidden" cash	Systematic bank-linked deposits
Access to Credit	Local moneylenders (High Interest)	Internal loans & Bank Linkage (Fair Interest)
Decision Making	Limited to kitchen/household	Significant say in assets, education, & health
Financial Literacy	Very Low	Understanding of banking, interest, & budgeting
Asset Ownership	Nil (Assets usually in male names)	Ownership of livestock, tools, or land shares

**Data Trends: Key Empowerment Metrics**

Statistical reviews typically show significant percentage increases in the following areas after 18–24 months of SHG participation:

Metric	Growth Range (Typical)	Key Driver
Household Income	20% – 45% Increase	Diversification into non-farm activities.
Reduction in Debt	30% – 50% Decrease	Payoff of high-interest loans from moneylenders.
Employment Days	15% – 30% Increase	Involvement in seasonal micro-enterprises.
Self-Confidence Score	High Improvement	Public speaking and interaction with bank officials.

Over the past few decades, government initiatives, non-governmental organizations, and financial institutions have actively promoted SHGs as vehicles of poverty alleviation and women’s empowerment. While SHGs have undoubtedly contributed to improved financial inclusion, enhanced confidence, and collective bargaining power among women, their functioning is beset with numerous challenges that limit their effectiveness and sustainability. These challenges arise from structural, institutional, socio-cultural, economic, and organizational factors that often undermine the transformative potential of SHGs in achieving genuine and long-term economic empowerment of women.

One of the foremost challenges faced by Self-Help Groups is the issue of limited financial literacy and managerial skills among members. Many women who join SHGs come from marginalized backgrounds with low levels of formal education and limited exposure to financial systems. As a result, they often lack adequate knowledge of bookkeeping, accounting, budgeting, interest calculations, and financial planning. This deficiency hampers effective management of group funds and credit operations. Poor record-keeping can lead to mistrust among members, misallocation of funds, and difficulties in accessing bank loans. Without sufficient financial literacy, women may also struggle to assess the profitability of income-generating activities, leading to poor investment decisions and low returns. This challenge highlights the need for sustained capacity-building initiatives, which are often inadequate or inconsistently implemented.

Credit-related challenges also pose major obstacles to the economic empowerment of women through SHGs. Although SHGs are promoted as instruments of financial inclusion, access to adequate and timely credit remains uneven. Banks and financial institutions often impose stringent conditions, lengthy procedures, and collateral requirements that are difficult for SHG members to meet. Delays in loan disbursement can disrupt planned economic activities and erode trust in formal institutions. Moreover, the size of loans is often insufficient to support meaningful entrepreneurial ventures, forcing women to rely on informal moneylenders who charge exorbitant interest rates. In some cases, repeated borrowing without adequate income generation leads to indebtedness, defeating the very purpose of empowerment and reinforcing cycles of poverty.

Socio-cultural constraints represent another major challenge in the functioning of Self-Help Groups. Deep-rooted patriarchal norms, gender stereotypes, and unequal power relations within families and communities often limit women’s participation and decision-making autonomy. In many households, women’s involvement in SHGs is tolerated only as long as it does not interfere with domestic responsibilities. Male family members may exert control over women’s earnings or loans obtained through SHGs, thereby restricting women’s financial independence. In extreme cases, women face resistance, suspicion, or even violence for participating in group

activities or attending meetings. Such socio-cultural barriers undermine the empowerment objectives of SHGs by reinforcing women's subordinate status rather than transforming gender relations.

Time poverty is another critical challenge that affects women's effective participation in SHGs. Women, particularly in rural and low-income households, shoulder a disproportionate burden of unpaid care work, including household chores, childcare, elder care, and agricultural labor. Balancing these responsibilities with SHG meetings, training sessions, and income-generating activities can be overwhelming. As a result, attendance at meetings may be irregular, leadership roles may remain concentrated among a few members, and group activities may suffer from lack of commitment. Without addressing the unequal distribution of domestic labor, SHGs risk placing additional burdens on women rather than alleviating them.

Organizational weaknesses within SHGs also hinder their effectiveness. Many groups suffer from poor leadership, lack of transparency, internal conflicts, and unequal participation among members. Dominance by a few influential individuals can marginalize weaker members and erode democratic functioning. Conflicts over loan distribution, repayment responsibilities, or leadership positions can weaken group cohesion and even lead to group dissolution. Additionally, frequent turnover of members and lack of long-term vision affect continuity and sustainability. Without strong institutional frameworks and mechanisms for conflict resolution, SHGs may struggle to maintain trust and collective solidarity.

Economic empowerment through SHGs is closely linked to women's empowerment within the household. As women gain access to income and financial resources, their bargaining power in household decision-making increases. Studies have shown that women who are members of SHGs are more likely to participate in decisions related to household expenditures, children's education, healthcare, and savings. Economic contribution enhances women's credibility and respect within the family, reducing their dependence on male members. This shift in intra-household dynamics contributes to greater gender equity and improved well-being for all family members. In many cases, SHG participation has been associated with a decline in domestic violence and greater recognition of women's rights, as economic independence strengthens women's ability to resist exploitation and abuse.

SHGs also play a significant role in promoting collective entrepreneurship and market access for women. Individually, women often face challenges such as limited capital, lack of market information, and low negotiating power. SHGs address these challenges by enabling collective procurement of raw materials, shared use of equipment, and joint marketing of products. Collective branding and participation in fairs, exhibitions, and cooperatives help women access wider markets and secure better prices for their products. Some SHGs have successfully scaled up their operations into federations and producer companies, demonstrating the potential of collective enterprises to generate sustainable livelihoods. Through these initiatives, women move from subsistence-level activities to more profitable and market-oriented enterprises, reinforcing their economic empowerment.

The role of SHGs in poverty reduction and inclusive growth is particularly significant in rural and marginalized communities. Women from socially and economically disadvantaged groups, including scheduled castes, scheduled tribes, and minority communities, often face multiple forms of exclusion. SHGs provide an inclusive platform that prioritizes the participation of the poorest and most vulnerable women. By facilitating access to credit, livelihoods, and social support, SHGs contribute to income stability and asset creation among poor households. This not only reduces poverty but also enhances women's resilience to economic shocks such as crop failure, illness, or loss of employment. In this sense, SHGs function as instruments of both economic empowerment and social protection.

Government policies and development programs have increasingly recognized the transformative potential of SHGs in women's economic empowerment. In India, for instance, initiatives such as the National Rural Livelihoods Mission (NRLM) have adopted SHGs as the primary vehicles for poverty alleviation and women's empowerment. Through institutional support, capacity building, and financial inclusion, such programs aim to strengthen SHGs and scale up their impact. SHGs also act as channels for delivering government benefits, subsidies, and welfare schemes directly to women, enhancing transparency and accountability. By engaging women as active participants rather than passive beneficiaries, SHG-based programs promote ownership, sustainability, and long-term empowerment.

The impact of SHGs on women's economic empowerment extends beyond individual and household levels to community development and local governance. Economically empowered women are more likely to participate in community decision-making, local institutions, and self-governance bodies. SHGs often take up community development activities such as sanitation drives, health awareness campaigns, and education initiatives. Economic empowerment provides women with the confidence and resources to voice their concerns and advocate for their rights. In many regions, SHG members have emerged as leaders in local governance, influencing development priorities and policies. This broader participation strengthens democratic processes and ensures that women's perspectives are integrated into development planning.

Despite their significant contributions, SHGs face several challenges that can limit their effectiveness in promoting women's economic empowerment. Issues such as inadequate training, poor market linkages, limited access to technology, and overdependence on credit can undermine the sustainability of SHG activities. In some cases, patriarchal norms continue to restrict women's control over income generated through SHGs, with male family members exerting influence over financial decisions. Additionally, variations in group quality, leadership, and institutional support affect the outcomes of SHG initiatives. Addressing these challenges requires a holistic approach that combines financial support with capacity building, market integration, gender sensitization, and policy reforms.

The transformative role of SHGs in the economic empowerment of women lies not merely in income generation but in the broader process of empowerment that they initiate. Economic empowerment is both a means and an end, enabling women to enhance their capabilities, exercise choice, and lead lives of dignity and autonomy. SHGs contribute to this process by creating opportunities for women to learn, earn, and lead collectively. The emphasis on mutual support and collective action distinguishes SHGs from conventional development interventions, making them particularly effective in addressing the structural barriers faced by women.

#### **IV. Conclusion**

Self-Help Groups have emerged as powerful instruments for the economic empowerment of women, particularly in contexts marked by poverty, inequality, and social exclusion. By providing access to financial resources, promoting income-generating activities, building skills and capacities, fostering social capital, and enhancing decision-making power, SHGs enable women to transform their economic and social realities. The ripple effects of women's economic empowerment through SHGs extend to households, communities, and broader development outcomes, contributing to poverty reduction, gender equity, and inclusive growth. While challenges remain, the continued strengthening and support of SHGs through policy, institutional frameworks, and community engagement can further enhance their impact. Ultimately, the role of Self-Help Groups in women's economic empowerment underscores the importance of collective, grassroots-driven approaches in achieving sustainable and equitable development.

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