



Financial Inclusion Through Self-Help Groups (SHGs): A Catalyst for Women-Led Development

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Abstract

As per the vision of Viksit Bharat @ 2047, women-led development is a critical driver of inclusive and sustainable progress. Financial inclusion is a vital element for empowering women, particularly in rural and semi-urban areas where access to formal financial services is limited. Self-Help Groups (SHGs) have evolved as an effective means of bridging this gap, connecting underprivileged women to banking and financial systems. SHGs foster financial discipline and encourage women to participate in income-generating enterprises by offering collective savings, financing, and mutual assistance. This financial autonomy not only improves their economic condition but also enhances their confidence, decision-making power, and social status. The integration of SHGs with official banking institutions and government programs has increased their impact. This study is based on secondary data, and it finds that SHGs are playing a significant role in financial inclusion, grassroots entrepreneurship, and poverty reduction. Furthermore, the use of Digital Public Infrastructure (DPI), such as digital payments, is increasing financial access and inclusion. Overall, SHGs serve as a powerful catalyst for women-led development and are critical to achieving the Sustainable Development Goals and to creating a developed India by 2047.

Keywords: Financial Inclusion, Self-Help Groups (SHGs), Women-led Development, Viksit Bharat @2047, Digital Public Infrastructure (DPI).

1. Introduction

Financial inclusion has emerged as a key driver of economic growth and poverty reduction in India. It refers to the process of providing every aspect of society with the ability to use formal financial services, including banking, credit, insurance, and savings, with a focus on the poor and low-income. The Reserve Bank of India defines financial inclusion as providing inexpensive and on-time financial services to underprivileged populations, hence encouraging inclusive and sustainable development. However, despite multiple governmental attempts, a considerable segment of the rural population is still excluded from the official financial system due to socioeconomic and institutional obstacles.

Women's empowerment is a vital part of inclusive development. Basera and Bhatt (2025) emphasise that it involves expanding women's ability to make independent decisions, develop economic independence, and enhance their social position. However, in rural India, women usually have restricted access to financial resources and decision-making power, affecting their overall growth. Boosting women's economic status is critical for

boosting household welfare and achieving balanced socioeconomic progress. In this situation, Self-Help Groups (SHGs) have emerged as a powerful tool for increasing financial inclusion and empowering women. SHGs are small, community-based groups that allow women to save money jointly, obtain loans, and engage in income-generating activities. According to studies, affiliation in SHGs increases women's economic status, confidence, and decision-making capacity. Ramesh (2023) underlined that SHGs function as grassroots institutions that encourage financial inclusion, skill development, and collective decision-making among women. As well as institutional help, the use of Digital Public Infrastructure (DPI), which includes UPI and digital banking, has boosted SHG development by allowing for easier, more transparent, and accessible financial transactions in rural areas.

Furthermore, the significance of SHGs has grown in light of Viksit Bharat @2047's vision. According to Sharma (2025), women-led SHGs play an important role in attaining equitable growth by increasing financial access, entrepreneurship, and social empowerment at the grassroots level. However, despite these efforts, financial exclusion among rural women persists, emphasising the importance of critically investigating SHGs' performance in fostering financial inclusion and women-led development in India.

2. Literature Review

The existing research focuses on the transformative influence of Self-Help Groups (SHGs) and digital initiatives in promoting financial inclusion and women's empowerment in India. The review is organized into three main sections based on the study objectives:

1. Role of SHGs in Promoting Financial Inclusion

Sakshi Kumari (2025) examines the historical growth of financial inclusion in India, following the transition from physical banking to digital-led solutions. The report highlights that, while governmental interventions such as PMJDY are effective, SHGs remain the primary means of reaching the ultimate goal. **Basera and Bhatt (2025)** highlight this further by emphasising that SHGs serve as an important link between formal financial institutions and rural women, considerably increasing their access to financial services and general financial literacy. Similarly, **Patel and Mistry (2024)** suggest that the SHG-Bank Linkage Programme is an important tool for integrating previously excluded people into the national financial structure, hence contributing to the expansion of household savings.

2. Impact on Women's Economic Empowerment and Decision-Making

Umesha (2022) examines the economic empowerment of women through SHGs, noting that these groups allow members to realize economic benefits through mutual solidarity and shared responsibility. **Sarawagi and Singh (2024)** argue that financial autonomy attained through SHGs greatly increases women's socioeconomic position. **Ramesh (2023)** adds an important layer to this, noting that while financial availability is critical, the true empowerment of women is found in the communal decision-making process formed inside the group. Furthermore, new research indicates that this participation leads to improved confidence and a larger role in household administration, which were formerly male-dominated domains.

3. Contribution of Digital Public Infrastructure (DPI) and Fintech

The integration of technology into the SHG ecosystem has transformed financial access. **Aiswarya and Sangeetha (2023)** investigate the influence of Fintech, concluding that ease of use and convenience are the major motivators for rural women to use digital financial services. According to **Sharma (2025)**, the integration of Digital Public Infrastructure (DPI) has emerged as a

significant achievement because it permits seamless financial transactions and promotes the growth of SHG-led micro-enterprises. **Naidu (2026)** focuses on the influence of digital financial literacy, discovering that smartphone ownership and specialized training programs greatly improve the economic sustainability of SHG women. Furthermore, **Sarawagi (2024)** assesses Project E-Shakti, noting that digitizing SHG records has increased transparency and improved the creditworthiness of female members.

RESEARCH GAP Existing research has mostly focused on the function of Self-Help Groups (SHGs) in financial inclusion and women's empowerment separately, with little consideration paid to their combined impact in the current rural context. Furthermore, there is a scarcity of studies on how Digital Public Infrastructure (DPI) complements SHGs in improving financial access and fostering grassroots business among rural women.

3. Objectives of the Study

- To evaluate the role of Self-Help Groups (SHGs) in promoting financial inclusion among rural women in India.
- To assess the impact of SHG-led financial autonomy on women's economic empowerment and decision-making capacity.
- To examine the role of Digital Public Infrastructure (DPI) in strengthening SHGs for enhancing grassroots entrepreneurship and financial access.

4. Research Methodology

This study used a **descriptive and analytical** research design to investigate the function of SHGs in fostering women-led development. The methodology focuses entirely on secondary data from reliable sources, including government publications like the Ministry of Rural Development (**DAY-NRLM**), institutional studies like **NABARD's** 'Status of Microfinance in India', and regulatory insights from RBI bulletins. The data was examined using Trend and Content Analysis to determine the influence of Digital Public Infrastructure (DPI) on rural women's financial independence and decision-making abilities, giving a clear framework for the study's goals

Data Analysis & Interpretation

1. To evaluate the role of SHGs in promoting financial inclusion among rural women in India

To analyse the role of Self-Help Groups (SHGs) in promoting financial inclusion, secondary data has been collected from NABARD reports. The following table presents the year-wise progress of the SHG-Bank Linkage Programme in terms of the number of SHGs, savings, and credit linkage with banks.

Table 1.1: Year-wise Progress of SHG-Bank Linkage Programme (2018–2024)

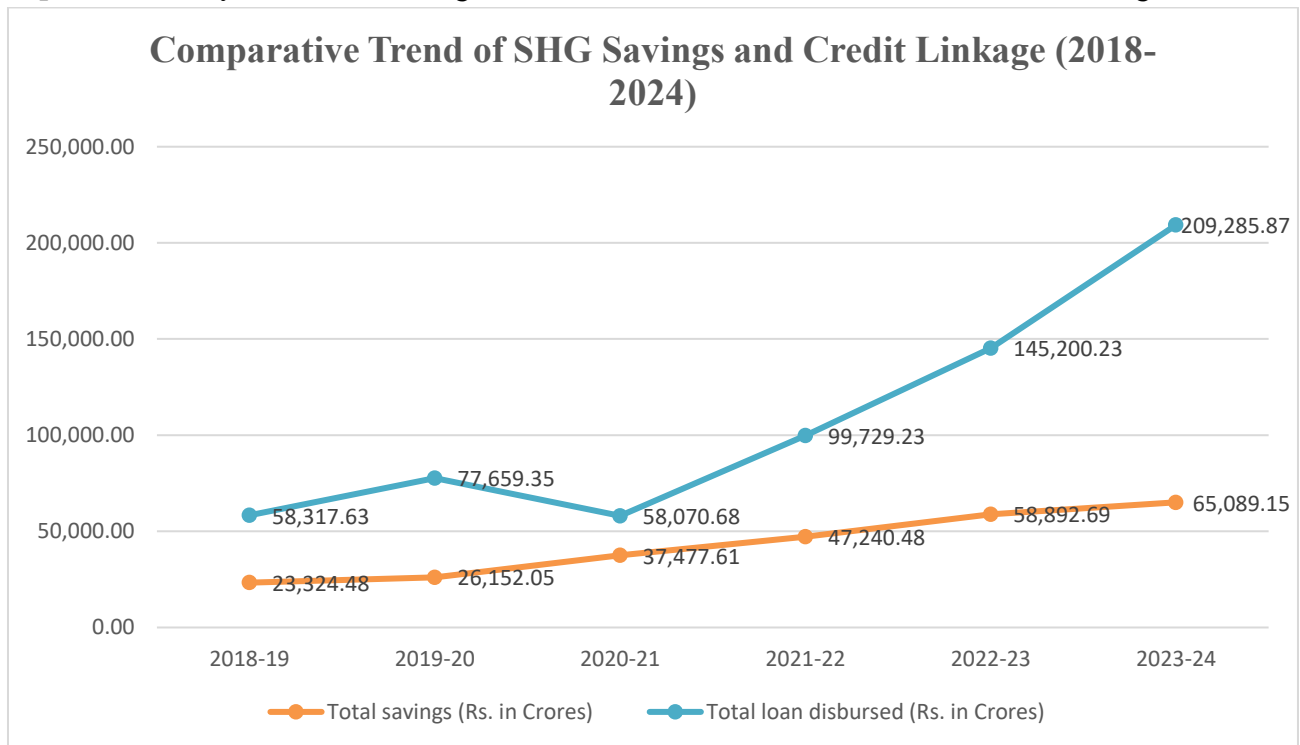
Financial year	No of SHGs (in lakhs)	Total savings (Rs. in Crores)	Total loan disbursed (Rs. in Crores)
2018-19	100.14	23,324.48	58,317.63
2019-20	102.43	26,152.05	77,659.35
2020-21	112.23	37,477.61	58,070.68
2021-22	118.93	47,240.48	99,729.23
2022-23	134.01	58,892.69	1,45,200.23
2023-24	144.22	65,089.15	2,09,285.87

Source: Compiled from NABARD Reports (status of microfinance)

The findings in Table 1 show a strong rising trend in rural women's financial inclusion through the SHG-Bank Linkage Programme. Between the fiscal years 2018-19 and 2023-24, the overall number of SHGs increased by

around 44%, reaching 144.22 lakhs, indicating a major expansion in formal banking's institutional reach and last-mile connectivity to the unbanked people. SHGs' savings with banks increased by almost 179%, from ₹23,324.48 crores to ₹65,089.15 crores. This development demonstrates a greater sense of financial discipline and capital accumulation among rural women. Annual loan disbursements increased from ₹58,317.63 crores to a record high of ₹2,09,285.87 crores in 2023-24. Despite a brief slowdown during the COVID-19 pandemic (2020-21), credit linkage has recovered quickly, demonstrating the SHG model's durability and formal financial institutions' growing confidence in the creditworthiness of women-led groups. These metrics cumulatively validate the role of SHGs as a vital catalyst in realizing Viksit Bharat @2047's goal of equitable financial access at the grassroots level.

Comparative Analysis of SHG Savings and Loan Disbursement Trends (2018-2024) diagram1.0



Source: Data compiled from NABARD Status of Microfinance Reports

Between 2018-19 and 2023-24, loan disbursements increased from ₹58,317 crore to ₹2,09,285 crore under the SHG-Bank Linkage Programme. This significant development demonstrates rural women's increasing creditworthiness and financial reliability within the formal banking system. At the same time, the constant expansion of about 179% in SHG savings indicates the establishment of strong financial discipline and a developing savings culture at the grassroots level. Although the COVID-19 epidemic momentarily impacted credit flow, the fast "V-shaped" rebound demonstrates the SHG model's resilience and adaptability. Overall, these patterns show that SHGs are effective in bridging the gap between formal financial institutions and the rural non-banking population, thus increasing financial inclusion.

2. Impact of SHG-led Financial Autonomy on Women's Empowerment and Decision-Making

To investigate the impact of Self-Help Groups (SHGs) on women's empowerment, secondary data from NABARD reports and current literature were evaluated, including income, savings, access to credit, decision-making power, and skill development. SHGs play an important role in poverty reduction and social upliftment by providing women with the financial and social platforms they require.

Table 2. Conceptual Impact of SHGs on Women’s Empowerment (Based on Literature)

Indicator	Pre-SHG Condition (Literature)	Post-SHG Outcomes (Literature)	Key Source
Income level	Low and irregular income	Increased and stable income	Singh & Ugrasen (2019); Kapoor (2019)
Savings Habit	Minimal or no savings	Regular savings and financial discipline	Thangamani & Muthuselvi (2013)
Access to credit	Dependence on informal moneylenders	Easy access through SHGs	Singh (2021); Naidu (2026)
Decision – making	Minimal participation	Active involvement in household decisions	Rai & Shekhar (2021); Ben & Yadav (2025)
Skill development	Limited skills	Improved skills through training programs (MEDPs & LEDPs)	Sharma & Varma (2008); Shambharkar et al. (2012)

Note: This table is a conceptual synthesis based on reviewed literature.

Interpretation of Table 2: Impact on Women's Empowerment and Decision-Making

The data in Table 2 shows that women's socioeconomic position improves significantly after joining Self-Help Groups. Prior to their engagement, women suffered a "resource constraint" and "financial paucity," which resulted in limited income, low savings, and limited access to formal credit (Kapoor, 2019). However, SHG membership has resulted in higher and more stable income from diverse income-generating activities, as well as the establishment of regular savings practices, which have significantly improved household financial stability (Singh & Ugrasen, 2019; Thangamani & Muthuselvi, 2013).

Access to institutional financing has greatly reduced members' reliance on informal, often exploitative sources, while also promoting small-scale entrepreneurial activities at the grassroots level (Naidu, 2026). Furthermore, as Naidu (2026) points out, the switch to digital financial literacy among SHG members has expanded their autonomy, ensuring long-term economic engagement in a modernising economy. More crucially, SHGs have boosted women's confidence and improved their active participation in home and financial decision-making, indicating deep social and psychological empowerment (Rai & Shekhar, 2021). Furthermore, skill development initiatives and training programs have increased women's functional skills and self-reliance, allowing them to contribute as productive members of society (Sharma & Varma, 2008). Overall, SHGs have turned women from financially dependent to economically independent and socially empowered contributors, achieving the goal of fostering "Women-led Development" in India.

3. Role of Digital Public Infrastructure (DPI) and e-Shakti in Strengthening SHGs and Grassroots Entrepreneurship.

Digital Public Infrastructure (DPI) has emerged as a game-changer in the Self-Help Group (SHG) environment. In line with the 'Digital India' vision, the integration of technology has solved long-standing issues such as manual bookkeeping errors and a lack of transparency. The most significant milestone in this journey is NABARD's 'Project e-Shakti', which has transformed paper-based SHG data into a comprehensive digital Management Information System (MIS).

1. Digitization through e-Shakti and LoKOS (Lok = People, OS = Operating System) e-Shakti Project:

Launched by NABARD, this project provides "one-click" availability of SHG financial data to banks. As of March 2022, data for over 12.74 lakh SHGs involving 146 lakh members has been onboarded onto the e-Shakti portal.

LoKOS Application: Developed under NRLM, this app ensures real-time data integrity and paperless record-keeping, making SHGs more "bankable" and credit-ready

2. Enhancing Financial Access through BC Sakhis:

DPI has successfully bridged the gap between formal banking and remote rural households.

Last-Mile Delivery: The deployment of over **51,313 BC Sakhis** (Business Correspondent Sakhis) equipped with biometric devices and micro-ATMs have facilitated doorstep banking. This has significantly reduced the credit-linkage gap and fostered a culture of digital transactions among rural women.

3. Strengthening Grassroots Entrepreneurship and Market Access: Digital infrastructure has empowered SHG members to scale up from subsistence activities to viable micro-enterprises.

Market Linkage (ONDC & E-Commerce): Through the integration with **ONDC (Open Network for Digital Commerce)** and platforms like Amazon and Meesho, SHGs are gaining direct access to national markets. This eliminates middlemen and ensures better price realization for their products.

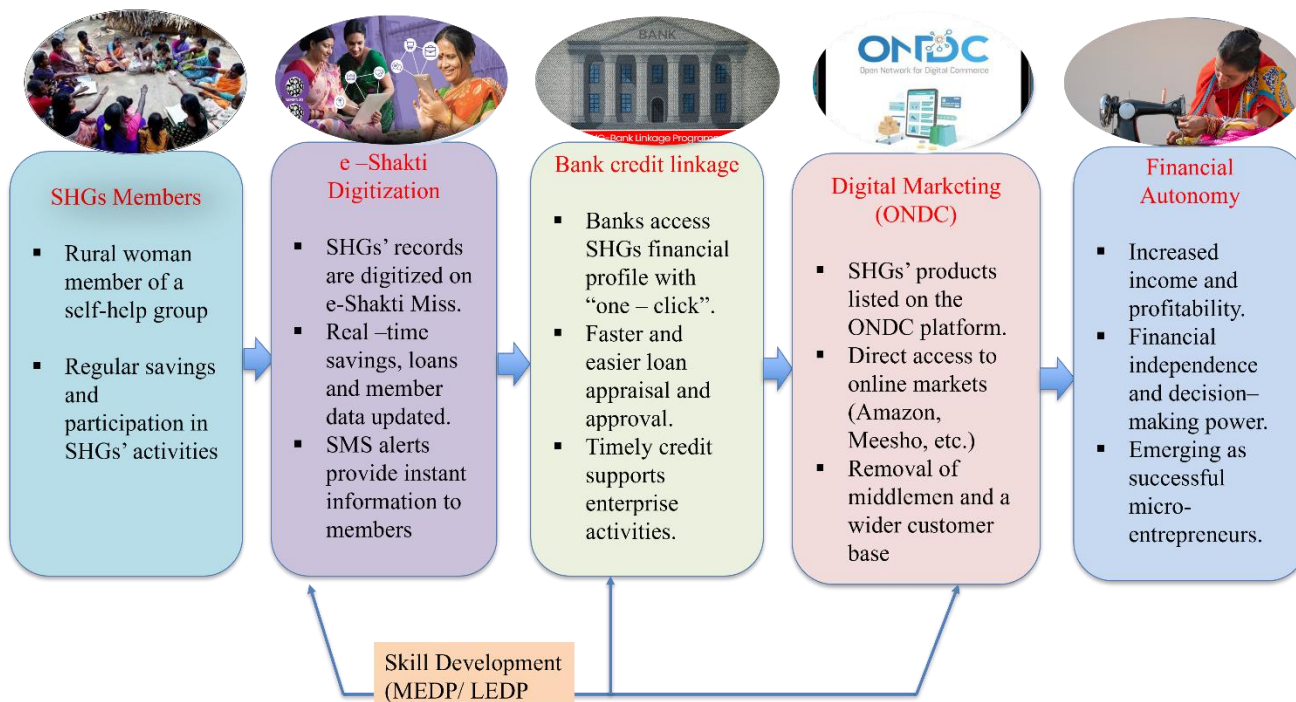
Skill Building (MEDP & LEDP): NABARD's skill development programs, Micro Enterprise Development Programme and Livelihood and Enterprise Development Programme (MEDP & LEDP), are now increasingly focused on digital marketing and branding, enabling women to operate as professional entrepreneurs.

Table 3. Impact of DPI Components on SHG Empowerment

DPI Component	Key Initiative	Outcome / Deliverables
Data Digitization	e-Shakti (NABARD)	Real-time credit history; improved bank grading
Digital Banking	BC Sakhis / Micro-ATMs	Financial services delivered in 1.73 lakh villages
Market Connectivity	ONDC & E-marketplaces	Transition from local sales to national e-commerce.
Social Convergence	Aadhaar & DBT	Seamless identity verification and benefit transfers.

Source: Compiled from NABARD Status of Microfinance Report (2022-23) and e-Shakti database.

Process Flow of Last- Mile Connectivity through DPI



This illustration shows how Digital Public Infrastructure (DPI) enhances the SHG ecosystem through digitization, digital banking, and market linkages. e-Shakti, BC Sakhis, and ONDC are all initiatives that promote rural women's credit access, transparency, and entrepreneurial prospects, ultimately fostering financial inclusion and women-led development.

The presence of Digital Public Infrastructure (DPI) in the SHG ecosystem has boosted rural women from regular saving to empowered micro-entrepreneurs. Initiatives like e-Shakti, LoKOS, and BC Sakhis have increased financial inclusion, transparency, and operational efficiency. The digitization of financial profiles has enhanced formal financial institutions' trust in lending to SHGs, whereas the use of digital marketplaces such as ONDC is providing broader market access and nurturing a new generation of rural entrepreneurs. Collectively, these results illustrate the vital role of DPI as a catalyst for women-led development, promoting economic empowerment, grassroots entrepreneurship, and the broader vision of Viksit Bharat at 2047.

Findings

The study highlights the pivotal role of Self-Help Groups (SHGs) and Digital Public Infrastructure (DPI) in promoting women-led development.

Expansion of Financial Inclusion:

Between 2018-19 and 2023-24, SHGs grew by 44% (144.22 lakh groups), with loan disbursements increasing by nearly 259%, demonstrating their effectiveness in bringing rural women into the formal financial system

Digital Transformation and Efficiency:

Projects like e-Shakti and LoKOS have digitized records for over 12.74 lakh SHGs, providing banks with instant credit histories, improving transparency, and accelerating loan processing.

Socio-Economic Empowerment:

SHG membership has enhanced women's income stability, savings habits, and participation in household decision-making, fostering a shift from financial dependency to financial autonomy.

Promotion of Grassroots Entrepreneurship:

Integration with digital marketplaces like ONDC, Amazon, and Meesho has enabled SHG members to access national markets, bypass intermediaries, and convert traditional saving groups into competitive micro-enterprises.

Last-Mile Financial Delivery:

Deployment of over 51,313 BC Sakhis has ensured doorstep banking in 1.73 lakh villages, making financial services inclusive, transparent, and accessible even in remote rural areas

Overall, the findings underscore that SHGs, supported by DPI, are critical catalysts for financial inclusion, economic empowerment, and women-led grassroots entrepreneurship, aligning with the vision of Viksit Bharat @2047.

5. Conclusion

The study finds that Self-Help Groups (SHGs) are the most successful community-based method for promoting financial inclusion and women-led development in rural India. The transformation from traditional paper-based organizations to a digitally integrated ecosystem, aided by initiatives such as e-Shakti, has increased transparency, loan availability, and banking trust among millions of rural women. Beyond financial inclusion, SHGs have promoted socioeconomic transformation by allowing women to attain financial independence, actively participate in home decision-making, and engage in grassroots entrepreneurship. Digital platforms such as ONDC and e-commerce have increased members' ability to access national markets, avoid intermediaries, and

boost their income and social position. In line with the vision of **Viksit Bharat @2047**, SHGs supported by Digital Public Infrastructure serve as a sustainable catalyst for inclusive growth, making women both beneficiaries and drivers of India's development journey.

Suggestions And Recommendation

To further strengthen the impact of SHGs on women-led development, it is essential to focus on enhancing digital literacy through intensive training programs that build the digital confidence of rural women. Alongside literacy, promoting cybersecurity awareness via specialized workshops is critical to protecting SHG members from digital fraud and ensuring safe financial practices. To facilitate the transition of these groups into competitive micro-enterprises, the government and NABARD should provide robust support for scaling up through the Open Network for Digital Commerce (ONDC), focusing on professional branding, packaging, and standardized quality control to access national markets. Furthermore, providing incentives such as increased credit limits and lower interest rates for digitally mature SHGs will encourage financial discipline. Diversifying income sources into modern sectors like drone farming (Drone Sakhis) and solar energy under the "Lakhpati Didi" initiative, while institutionalizing the role of BC Sakhis with better incentives to serve as village-level financial counsellors, will ensure a sustainable and inclusive path toward achieving the vision of Viksit Bharat @2047.

Limitation of the Study

This study uses secondary data from NABARD, RBI, and government sources; the findings are contingent on the accuracy and availability of this information. It takes a broad approach, which may overlook geographical and socioeconomic differences in SHG performance. The study also assumes uniform digital usage, which may miss concerns such as poor connectivity and the rural gender digital divide. Furthermore, future longitudinal research is needed to determine the long-term impact of recent efforts like ONDC and "Lakhpati Didi" on grassroots entrepreneurship

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