International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Evaluating the Role of Self-Help Groups (SHG) in Enhancing Women's Livelihoods and Rural Development in India: A Study of Socio-Economic Outcomes and Empowerment

Anoushka Singh[1], Dr. K.L. Maurya[2]

[1]Assistant Professor, Department of Economics, Govt. Girls PG College, Ratlam, M.P.
[2]Professor & Head, Department of Economics, PMCOE Shaheed Padmadhar Singh, Govt. PG College, Satna, M.P.

Abstract

India's rural economy is primarily dependent on agriculture and livelihood activities largely in informal sector. SHGs have become one of the most effective and successful grassroots organizations for advancing women's empowerment, social capital production, and financial inclusion in the changing field of rural development. Originally created as savings and microcredit systems, they have now developed into active platforms for comprehensive rural transformation, particularly when combined with creative livelihood alternatives. Rethinking the livelihood patterns inside SHGs is both necessary and appropriate as India anticipates a more resilient and inclusive economy under the Viksit Bharat @2047 agenda. Empowering rural women, who make up a sizable share of SHG members, is not only a social justice issue but also a strategic requirement for sustainable development. Microfinance gained momentum in 1992 with the introduction of the Self-Help Group Bank Linkage program (SBLP) by the National Bank for Agriculture and Rural Development (NABARD). This paper aims to study the socio-economic outcomes and analyze the role of SHG delivery model of microfinance in enhancing women's livelihoods and rural development in India

Keywords: Self-Help Group Bank Linkage program (SBLP), Microfinance, Rural Development.

Introduction

Self-Help Groups (SHGs) have been recognized as a crucial grassroots institution in promoting socio-economic development. It plays a critical role in enhancing women's, who constitutes significant proportion of SHG membership, livelihoods and driving rural development in India by mobilizing women from marginalized communities to build economic resilience and foster social change. Functioning as grassroots collectives, SHGs operate on the principles of mutual aid and self-reliance, with significant support from government initiatives like the National Rural Livelihoods Mission (NRLM) and microfinance efforts**.**

India's rural economy is primarily dependent on agriculture and livelihood activities largely in informal sector. Self Help Groups (SHGs) and microfinance institutions (MFIs) have become essential tools in tackling challenges hindering economic mobility. SHGs encourage collective action, mutual trust, and peer accountability by organizing people into small, cooperative organizations, while microfinance gives people who have historically been shut out of formal banking institutions vital access to financial services including savings, credit, and insurance. Studies suggest that women, business, SHGs, microfinance, and agriculture are related. It also highlights that SHG interventions have positive implications for community development and sustainable growth by providing access to financial resources, fostering skill development, independence, enabling women to overcome traditional barriers of poverty and gender inequality (Dutta, B. 2015).

The expansion of SHG operations into unconventional and novel livelihood approaches, might improve resilience, raise income levels, and promote all-encompassing empowerment. Thus, rethinking livelihood methods is necessary to maintain continued empowerment due to shifting socioeconomic landscapes, technological breakthroughs, and new market opportunities. By boosting members' agency, self-assurance, and collective bargaining power—especially among women—diversification not only increases SHGs' financial independence but also sparks societal change. Through the economic and social empowerment of women, the Lakhpati Didi Initiative and the SHG movement are revolutionizing rural India. SHGs are essential to attaining equitable growth and Viksit Bharat by 2047, even though obstacles like financial access and market connections still exist. Strategic interventions in skilling, loan availability, and policy support can amplify their influence.

Review of Literature

Ray (1975) argued that more emphasis should be given to rural development, in part because of the serious issues faced by many people who still live in rural regions. The potential for rural development to address some of the world's most urgent issues makes it in the country's best interests. The demand for human resources among rural residents and the connection between rural development and significant domestic and global issues make rural development crucial.

Bhattacharyya (2004), explained that rural development is an ongoing process that tries to provide the advantages of development to individuals whose future depends on pursuing a living in rural areas. He promoted rural development through the growth of agriculture and related businesses, as well as the revitalization of village enterprises using labor and raw materials that are readily available locally. **Balakrishnan (April 2001),** opines that an SHG is a small, homogenous, affinity group of the poor. It voluntarily decides to save small amounts regularly to create a common fund. Small loans are given to members from their common funds to meet their emergent needs. The system thus creates a sense of belongingness, trust and confidence among the group members. It also empowers them both financially and socially.

Ben and Yadav (2025), in “Women Empowerment – A Study of SHGs in Satna & Maihar District of Madhya Pradesh,” found that SHGs improved financial independence, entrepreneurial participation, and social inclusion among rural women. The study also observed that access to microfinance through SHGs strengthened economic growth and improved women’s participation in community activities.

Preeti Singh Chouhan and Anubhuti Bauskar (2025), in “An Empirical Analysis of Microfinance as a Catalyst for Women’s Empowerment in Madhya Pradesh,” studied SHG-Bank Linkage Programmes across two districts of Madhya Pradesh. Using stratified multi-stage sampling, Exploratory Factor Analysis (EFA), and paired sample t-tests, the researchers found significant improvements in financial stability, mobility, legal awareness, household decision-making, and family governance among SHG women members.

Some scholars point to a rise in women's household status, decreased dependence on male family members or moneylenders for credit, redistribution of gender relations within a household, increased mobility and participation in dialogue in both the public and private domains as well as greater self-efficacy through training in technical skills **(Mohindra, 2003**). Some studies point to a rise in women's self-confidence, recognition, freedom, dignity and personality development **(Amma, Panicker and Sumi 2008).** Positive impact is also reported on health, nutrition, children's education and greater gender equity within the households (**Kabeer and Noponen, 2005**). Research also shows that SHGs provide women an effective platform to share information and raise awareness about their rights **(Alemu, Kempen and Ruben, 2018).**

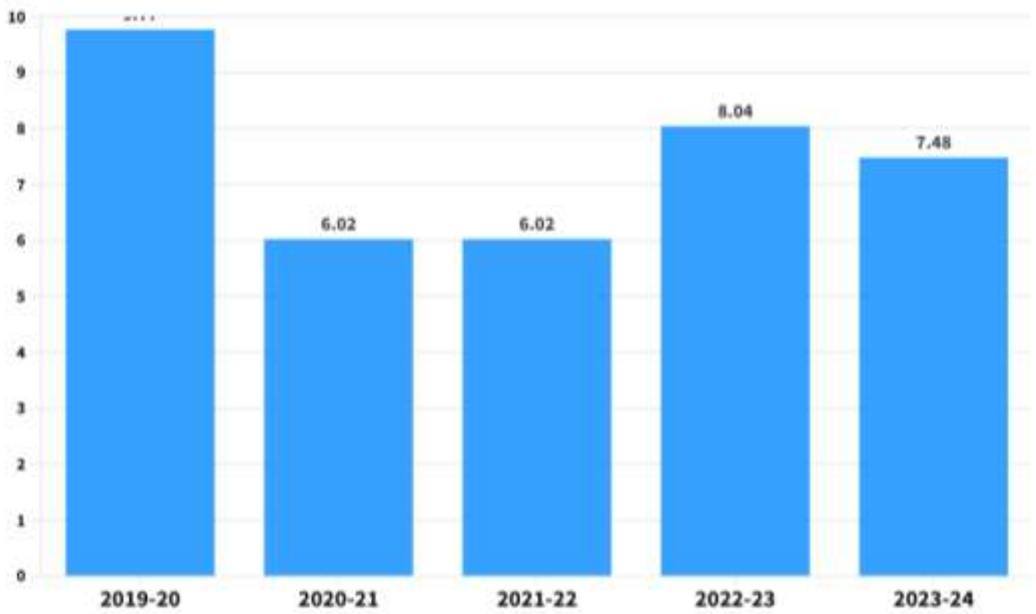
Objectives

This paper aims to evaluate and understand the role of Self-Help Groups (SHG) and microfinance availed by them in enhancing women's livelihoods and in rural India as long-term models for social and economic empowerment, especially for women.

Methodology

The study in qualitative and descriptive in nature. In that it intends to explore and describe the subject under consideration with adequate interpretation. It is primarily based on secondary sources of data such as journals, research articles, newspapers, official and non-official reports, magazines and websites.

Fig1.1: Rural Households Mobilized and SHGs under DAY-NRLM from 2019-2024 (in lakhs)



Source: Rajya Sabha Unstarred Question No. 3018 dated 20 December 2024

Role of SHGs in enhancing women's livelihoods

SHGs directly improve women's livelihoods through financial inclusion, skill development, and entrepreneurial support.

1. Financial empowerment

- **Credit and savings**: SHGs encourage a culture of savings among members, creating a pooled fund for internal lending at reasonable interest rates. This provides easy, collateral-free microcredit to meet personal needs, expand businesses, or handle emergencies.

- **Formal banking access**: Initiatives like the NABARD-led SHG-Bank Linkage Programme have connected millions of women to the formal banking system. This improves their financial literacy and creditworthiness, allowing them to access larger loans and other banking services.
- **Reduced debt**: By providing accessible credit, SHGs reduce the dependence of rural women on informal moneylenders who charge exorbitant interest rates, helping to break the cycle of debt.

Table 1.1: Cross Tabulation showing significant association between microfinance availed by SHG and economic empowerment of women.

Cross Tabulation: Credit × Social Status

Credit Availed	No Change	Improved	Total
Yes	57	185	242
No	58	0	58
Total	**115**	**185**	**300**

Chi-Square Test

Test	Value
Chi-Square (χ^2)	112.455
p-value	< 0.001

Interpretation

A significant association exists between microfinance participation and improvement in social status. This suggests that microfinance contributes to economic and social empowerment.

2. Skill development and entrepreneurship

The goal of the small business planning and financial management training programs for self-help groups is to provide members with the necessary knowledge and abilities to run their small companies successfully and improve their financial literacy. These training courses help SHG members become economically independent, self-sufficient, and grow sustainably so they may have a positive influence on their communities and lead satisfying lives.

- **Training and capacity building:** SHGs provide a platform for members to receive training in various skills, including tailoring, handicrafts, dairy farming, and food processing. This helps them find employment or start micro-enterprises.
- **Entrepreneurial support:** SHGs support women in launching and scaling businesses by providing market linkages, branding, and packaging assistance. Successful examples, like the mustard oil expeller unit run by the Shree Ji SHG in Uttar Pradesh, showcase how these groups enable women to generate steady income.
- **"Bank Sakhis" and "Pashu Sakhis":** Under government schemes, SHG members are trained as community resource persons. Roles like "Bank Sakhis" offer doorstep banking services in remote

areas, while "Pashu Sakhis" provide livestock care services, creating employment and addressing local service gaps.

Table 1.2: Details of Training Report in Satna District

S.No	Title Of Training	Number of Participants
1	VO BOOK KEEPER	30
2	MBK	29
3	FL CRP Training	48
4	PM FME	51
5	BANK SAKHI TRAINING	50
6	PRODUCER GROUP FORMATION	30
7	FOOD PROCESSING UNIT ESTABLISHMENT AND MANAGEMENT TRAINING	47
8	NEW PG AND BUSSINES PLAN	38
9	BANK SAKHI	32
10	ECRP TRAINING	53
11	I CRP Training	34
12	VO BOOK KEEPER	30
13	REFRESHER I CRP TRAINING	15
14	FL CRP TRAINING	52
15	COMMUNITY MONITORING SUB COMMITTEE	27
16	PASHU SAKHI	23
17	NEW PG FORMATION	39
18	SOP VO CLF	18
19	MCP TRAINING	30
20	AGRICULTURE MIS TRAINING	50
21	I CRP training	27
22	COMMUNITY MONITORING	26
23	ECRP TRAINING	51
24	CLF SOP GOVERNANCE AND ACCOUNTING	26
25	ECRP TRAINING	50
26	MONITORING SUB COMMITTEE	27
27	13 SUTRA	46
28	E CRP	32
29	I CRP Training	34
30	VO BOOK KEEPER	32

Source: PIB

Role of SHGs in rural development

Beyond individual livelihoods, SHGs act as catalysts for broader rural development by addressing social, health, and governance issues.

1. **Social empowerment**

- **Increased confidence and status:** Participation in SHGs enhances women's self-confidence, communication skills, and social standing within their families and communities. Case studies confirm that women gain a greater voice in household decisions, such as a child's education or healthcare.
- **Community action:** SHGs have collectively addressed social issues like dowry, alcoholism, and gender-based violence. By fostering unity, they function as powerful pressure groups that can hold local authorities and panchayats accountable.
- **Disaster response:** During times of crisis, like the COVID-19 pandemic, SHGs have demonstrated immense resilience by setting up community kitchens, producing masks, and disseminating health-related information through their networks.

2. **Economic and infrastructural development**

- **Implementation of government schemes:** SHGs enhance the efficiency of government poverty alleviation and development schemes by serving as a delivery mechanism for services. Their close community ties help ensure that benefits reach marginalized households.
- **Creation of rural infrastructure:** Through collective action and government support through collective action and government support, SHGs have been involved in managing community assets, such as custom hiring centers for agricultural equipment and rural transport centers, which boost local economic activity.
- **Digital and market access:** Government and private sector collaborations—such as "SARAS Collection" on Government e-Marketplace, Amazon Saheli, and Flipkart Samarth—are helping SHG products gain access to national markets, boosting profitability and employment opportunities.

Table1.3: Cross Tabulation showing a significant association between microfinance availed and rural development.

Cross Tabulation: Credit × Standard of Living

Credit Availed	No Effect	Increased	Total
Yes	31	211	242
No	58	0	58
Total	**89**	**211**	**300**

Chi-Square Test

Test	Value
Chi-Square (χ^2)	170.462
df	2
p-value	< 0.001

Interpretation

The Chi-square test is highly significant ($p < 0.001$), indicating a strong association between access to microfinance availed by SHGs and improvement in the standard of living. Therefore, the null hypothesis is rejected and the research hypothesis is accepted. Among respondents who availed microfinance, 87.2% reported improvement in their standard of living. The statistical evidence strongly supports the positive impact of microfinance on living standards.

Challenges and the path forward

Despite their successes, SHGs face several challenges that must be addressed for sustained impact such as simplifying financial procedures is essential otherwise bank linkages can hinder the growth of SHG-led enterprises. Deep-rooted patriarchal attitudes in some rural areas can limit women's full participation in SHGs, restricting their mobility and decision-making power. The way forward for SHG movement is that it needs to expand into credit-deficient and underserved regions to include the most vulnerable families. For sustainable development continued government and institutional support to build advanced skills, strengthen market linkages, and address persistent social and cultural barriers is needed, so that SHGs realize their full potential. Many SHGs remain dependent on promoter NGOs or government agencies. Improving their capacity for self-management is crucial for long-term sustainability. While e-commerce links are promising, SHGs require ongoing training in market trends, quality control, and business management to compete effectively in broader markets.

Conclusion

One of the nation's top goals is to promote "Nari Shakti," which advocates for a change from women's development to women-led development. By creating sustainable business models that are tailored to the different capacities of SHG women with appropriate business mentorship and bank support, SHG-BLP, a proven platform for economic empowerment for resource-poor rural women, can be further reinforced. Additionally, SHG women might be encouraged to consider higher-value livelihood opportunities like the services sector in addition to their conventional livelihood pursuits. Even while advanced technological tools increase financial inclusion, issues including unregulated lending, low literacy, inadequate connectivity, low trust, and cybersecurity threats still exist.

The findings indicate that participation in SHGs has encouraged women to develop savings habits, undertake income-generating activities, and acquire productive assets. These changes have improved their confidence, self-reliance, and ability to participate in household and community-level decision-making. Microfinance has also contributed to improvements in social status of members of SHG. They reported greater recognition within their families and communities, increased participation in social activities, and enhanced awareness regarding financial management and livelihood opportunities. It can be concluded that creative livelihood options play a critical role in promoting long-term empowerment among self-help groups. SHGs can realize their full potential by eschewing conventional methods and embracing skill-based businesses, technology integration, a variety of revenue streams, and strong market connections. There is a need of continued assistance from financial institutions, NGOs, and government organizations in order to promote financial inclusion, market access, and skill development. In the end, creating an environment that encourages creativity inside SHGs is not only economically necessary but also a critical step toward attaining long-term socioeconomic empowerment for the women.

References

1. Shukla, S. K., & Bhargava, J. (2025). Innovative livelihood strategies for SHGs: A pathway to sustainable empowerment. *International Journal of Creative Research Thoughts (IJCRT)*, 13(5), Paper ID: IJCRT2505092**.**
2. Alemu, S. H., van Kempen, L., & Ruben, R. (2018). Women empowerment through self-help groups and its impact on rural livelihoods in India. *Journal of Rural Studies, 62*, 55–66.
3. Amma, T. T., Panicker, K. S., & Sumi, P. (2008). *Women empowerment through Kudumbashree: A study of Self-Help Groups in Kerala*. Centre for Development Studies.
4. Balakrishnan, R. (2001). Self-Help Groups: Concepts and practices. *Kurukshetra, 49*(6), 25–30.
5. Ben, A., & Yadav, R. (2025). Women empowerment: A study of SHGs in Satna and Maihar District of Madhya Pradesh. *International Journal of Research in Social Sciences*, 15(2), 45–58.
6. Bhattacharyya, B. (2004). *Rural Development: Theory and Practice*. New Delhi: Concept Publishing Company.
7. Dutta, B. (2015). Self-help groups and women empowerment in India: An analytical study. *International Journal of Applied Research, 1*(9), 145–148.
8. Kabeer, N., & Noponen, H. (2005). Social and economic impacts of PRADAN's Self Help Group microfinance and livelihoods promotion programme in rural India. *Journal of International Development, 17*(5), 599–611.
9. Mohindra, K. S. (2003). Women's participation in Self-Help Groups and empowerment in India. *Journal of International Women's Studies, 5*(1), 60–76.
10. National Bank for Agriculture and Rural Development. (2024). *Status of Microfinance in India 2023–24*.
11. National Rural Livelihoods Mission. (2024). *Annual Report 2023–24*. Ministry of Rural Development, Government of India.
12. Preeti Singh Chouhan, & Anubhuti Bauskar. (2025). An empirical analysis of microfinance as a catalyst for women's empowerment in Madhya Pradesh. *International Journal of Research in Commerce and Management Studies*, 7(1), 112–128.
13. Ray, G. L. (1975). *Extension Communication and Management in Rural Development*. Ludhiana: Kalyani Publishers.
14. Reserve Bank of India. (2022). *Master Direction – Regulatory Framework for Microfinance Loans (Updated).*
15. Shukla, S. K., & Bhargava, J. (2025). Innovative livelihood strategies for SHGs: A pathway to sustainable empowerment. *International Journal of Creative Research Thoughts (IJCRT), 13*(5), Paper ID IJCRT2505092.
16. Ministry of Rural Development. (2024). *DAY-NRLM Annual Report 2023–24.*
17. Microfinance Institutions Network. (2024). *Micrometer Report*.
18. Sa-Dhan. (2024). *The Bharat Microfinance Report 2024*.