

Collective Action for Change: SHGs as Catalysts of Social and Financial Inclusion

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Abstract: Self-Help Groups (SHGs) are now transformative institutions of grassroots, promoting social and financial inclusion of rural women in India. Through the strength of collectivity, SHGs enable women to generate benefits through provision of a system of savings pool, access to credit, participative income generating activities, and decision making in community affairs. The chapter under consideration discusses the versatile nature of SHGs as the agents of social and financial empowerment, emphasizing the role of such small groups in the inclusive rural development. Using both primary and secondary sources, the chapter discusses how SHGs contribute to agency building in women, financial independence, and social cohesion. SHGs achieve financial inclusion by establishing a platform to access savings, internal lending, and formal banking services, which allow women to invest in household goods, entrepreneurial capital and livelihoods. There is also evidence that SHGs participation increases household income, helps create assets and increases economic resilience to external shocks. In addition to economic benefits, SHGs provide social inclusion through confidence, leadership and mobility of the rural women so they can participate in community activities and local forms of government. Mutual support, peer monitoring, and trust in SHGs strengthen the social capital and collective problem-solving enables women to deal with health, education, and sanitation challenges in their communities. Although these gains are immense, SHGs are not without their problems such as access to the market, skills deficiencies, cultural influences and institutional bottlenecks that could pose challenges to the sustainability and long-term effectiveness. The chapter provides the necessity of capacity-building initiatives, skills development, digital literacy, and favorable policy frameworks to enhance the performance of SHGs and guarantee long-term social and financial empowerment. The case studies in different regions demonstrate how SHGs can transform lives of individuals and show that collective action is not only beneficial in enhancing individual livelihoods but also community development. Having combined the financing services with social empowerment, SHGs also show a comprehensive idea of inclusive rural development, which emphasizes the role of women as change agents. The final part of the chapter reiterates the importance of collective action in the process of systemic change, policy interventions, and innovative approaches in order to amplify the beneficial effect of SHGs on rural women and their communities.

Keywords: SHGs, Community activities, Rural women, Economic benefits, Skills development.

Introduction

Self-Help Groups (SHGs) have assumed a new center of attention in the direction of facilitating social and financial inclusion of rural women in India and this is a key tool whereby action by a group of women is considered to be empowerment and community change. Initially, SHGs were designed as informal savings and credit groups: however, they have now transformed into spaces in which women can gain to a greater extent agency, leadership, and inclusion in socioeconomic spaces more generally.

SHGs in essence promote habitual saving, lending to one another and connections with the formal financial systems, therefore promoting financial inclusion of women who are traditionally shunned by formal financial systems [9,11]. Empirical research is pointing to the importance of SHG membership in terms of improving financial stability and economic resilience through improvement of savings behavior, access to credit, and income generating activity [5,8]. An example is a study in rural Andhra Pradesh, which revealed that SHG members had a significantly higher score on financial inclusion indices, who showed that the groups were effectively creating access points to financial services previously afflicted by rural marginalized women [8]. Similarly, a mixed-method study of Maharashtra demonstrates that the participation in SHGs can result in more monthly savings and better economic well-being among women working in entrepreneurship, which supports the association between microfinance use and economic empowerment [5]. These results are consistent with more general evidence indicating that SHGs seal financial literacy and education, access to credit as well as economic access gap in women living in rural environments [9,11].

Other than financial inclusion, SHGs provide a social empowerment tool. Women learn to be confident, acquire leadership abilities and a sense of agency that spill over into domestic and community life through frequent contacts in group meetings and during collective decision making [12,14]. It is these social aspects that are important in inclusive rural development since it allows women to be more involved in community programs, break the limiting social conventions and work together around issues in health, education, and diversification of livelihood. This is also evident in policy efforts in India; such as programs in Uttar Pradesh are actively supporting SHG networks to develop economic self-reliance and substantive livelihood opportunities to women, through specific training, financial literacy and technical assistance [6,10]. This popular article aim to highlight the role of Self-Help Groups (SHGs) as powerful instruments for promoting social and financial inclusion among marginalized communities. It seeks to demonstrate how collective action through SHGs enhances empowerment, livelihood opportunities, and equitable access to financial services.

SelfHelp Groups (SHGs)

SelfHelp Groups (SHGs) are an important type of grassroots innovation in rural development and rural empowerment, especially in India, where they have become the focus of financial inclusion, poverty alleviation, and social changes. SHGs are fundamentally small, voluntary and informal groups of people who come together to share common socio economical issues and provide mutual support to each other by taking collective action. Most SHGs in rural settings typically consist of 10-20 members, and women groups, where development and operation are based on the similarity of socioeconomic backgrounds, and the groups develop a feeling of solidarity, cooperation, and collective responsibility [2,7].

The basic idea behind SHGs is simple, the members save small sums of money and that are deposited into a central fund. It is this common pool which is subsequently used as the foundation of internal lending and credit facilities so that members can address their household consumption requirements as well as productive investment requirements without turning to the exploitative moneylenders. This culture of saving on a regular basis and internal loaning will facilitate financial discipline, credit availability, and financial robustness on the local level [2]. Both the non governmental and the governmental efforts have influenced the conceptual development of SHGs in India. Even though informally linked community-based groups existed in the 1980s, the institutionalization of SHGs gained momentum with the initiation of the SHG, Even though similar community-based groups were present in the 1980s in an informal manner, the institutionalization of SHGs was boosted with the introduction of SHG Indexed Bank Linkage Programme (SBLP) by the National Bank of Agriculture and Rural Development (NABARD) in the early 1990s. This programme linked the grassroot organizations with the formal banking institutions, so that they could access loans without providing any security and increase access to financial services for households that were previously unbanked. Later, government programs like the National Rural Livelihoods Mission (NRLM) enabled the ecosystem of SHGs by offering formal assistance of capacity building, financial connections, as well as improvement of livelihoods [3].

Theoretically, SHGs may be considered as collective action institutions which mobilize social capital to fulfill an economic as well as social goal. Unlike the conventional microfinance models which only center their activities on credit provision, SHGs make their operation to incorporate mutual support, democratic governance, and joint decision making. This social aspect strengthens the group cohesion, accountability, and trust, which stand out as the distinguishing features between SHGs and alternative types of financial collectives [2,7]. Besides, SHGs are avenues of wider empowerment, other than financial inclusion. Membership of SHGs tends to contribute to increased confidence, leadership and involvement of women members in the community. Teamwork and social gatherings allow the women to build social networks, participate in the arena of discussion and be involved in community development programs. Because of this, SHGs not only boost the economy, but also social inclusion and agency [6,7].

Financial Inclusion through SHGs

Financial inclusion can be defined as the ability and reliance of financial services like savings, credit, insurance and payment systems by all sectors of the population, especially those who have been traditionally excluded because of poverty, gender or location. Historically, rural women in India had a low score in access to financial inclusion, such as not having formal banking access, reliance on informal lenders, and low financial literacy [4]. The Self-Help Groups (SHGs) have become one of the best forms of grassroots systems that close these gaps by connecting the rural marginalized populations (particularly women) to financial systems that were previously inaccessible. The central element of the SHG model is periodic savings and mutual accumulation of resources. SHG members are usually small groups of 10-20 rural women of similar socio-economical background who make small contributions on a regular basis to a shared fund. This corpus is used to provide the group with the source of internal credit, so the members can borrow cheaply to engage in productive activities, emergency requirements or smoothing consumption [2]. With time savings behaviour and financial discipline become better thus it not only increases financial base of the group but also creates familiarity among members to simple financial practices.

The SHG-Bank Linkage Programme (SBLP) is one of the most important programs that promote financial inclusion by using SHGs. According to this model, formal banking institutions are associated with mature and stable SHGs allowing them to open group accounts, to have access to bank credit and to be a part of mainstream financial ecosystems. A rural-based research demonstrates that SHGs have successfully used formal banking services in the SBLP, which has enhanced members mobilization of savings and accessibility to reasonable loans at low costs and minimized the reliance on moneylenders [1]. It is also this connection that develops banking behavior in women including keeping accounts and knowing how loans work- a vital move in becoming more financially included. Empirical evidence also points to the fact that SHG membership has a great impact in improving financial inclusion indices among members. The score on financial inclusion was higher among the SHG members compared to the nonmembers in Andhra Pradesh, which represented increased access to financial services, credit and savings mechanisms [8]. On the same note, a study in the state of West Bengal established an increased asset possession, business ownership, and household income among women respondents who had access to SHG-bank programs. In addition to savings and credit, SHGs can be a space of financial literacy and empowerment. Members get to know about banking products, budgeting, and responsible borrowing through regular meetings and capacity building activities. This growth in financial literacy enhances women confidence in and decision making in their household finances, which help in enhancing individual economic security and development of the community at large. Furthermore, SHG programs become more integrated with government and NGO programs in training digital finance, which expands the potential of using modern financial instruments, such as mobile banking and digital payments, which is an essential element of modern inclusion policies.

Social Inclusion and Empowerment

Although the most apparent part of Self-Help Groups (SHGs) is financial inclusion, it is equally important to note that they have become important in terms of social inclusion and empowerment. Social inclusion is the process through which individuals or groups of people, especially the marginalized ones in the society based on gender, caste, or economic ability, are allowed to access social, economic, and political opportunities that allow them to fully enjoy the community life. Women in Indian rural setting have traditionally experienced low mobility, lack of decision-making discretion and marginalization in local governance, which in many times constrains their capacity to affect domestic or community performance [13,15]. The SHGs serve as a platform to take collective action and therefore assist women to transcend these barriers and participate effectively in the social, economic, and political life.

Membership in SHGs leads to group identity and unity. The regular meetings give women a secure venue to deliberate about the issues at home, the community and means of livelihood. It is this interaction that fosters the feeling of agency and the women become able to express their needs, negotiate with the members of the family, and make informed choices. Research indicates that SHG membership will strengthen the voice of women and the confidence to be active in the household financial decisions, which include expenditures, investments, and education of children [8,1]. The peer support in SHGs also motivates the members to go against social norms that are constraining and this leads to greater mobility and interaction in the public spaces which also leads to social empowerment. SHGs also promote social inclusion at a community level in addition to empowerment at the household level. Through their collective involvement in the local development program, women have a say in the decision making in the village institutions such as Panchayati Raj institutions and school committees. As an example, a study in rural Odisha proves that women members of SHG have a higher likelihood to attend Gram Sabha meetings, express interest in sanitation, health, or education, and promote community welfare programs [5]. This kind of participation can fill the gap existing between the marginalized groups and the government systems, promoting inclusiveness and responsibility in the local developmental initiatives.

Capacity building and knowledge sharing through SHGs is also a means of empowerment. Women are empowered to navigate social, economic and political environments through health, nutrition, legal rights and entrepreneurship training programs which equip them with knowledge and skills to navigate these environments. SHGs have implemented digital literacy programs which have helped women to access government programmes, market data, and bank services, reaching out the empowerment to other groups beyond the immediate group [9]. SHGs have multidimensional effects of empowerment. Women who have been empowered economically are socially recognized and their counterparts who have been empowered socially are better placed to exploit economic opportunities. This interdependence of social and economic empowerment helps bring more rural development. SHGs empower women to become agents of change in their families and communities by improving decision making capacity, leadership and collective agency to move them beyond passive receivers of welfare.

Collective Action Mechanisms

SHGs are not only sources of mobilization and mobilization but also sources of collective action, rural women band resources, organize their activities, and solve common problems. Collective action is the act where people work together as a unit to accomplish shared interests which they can not effectively achieve as individuals. Regarding SHGs, it involves financial, social and political aspects, such as savings and credit activities, social problem-solving, mobilization of communities, and involvement in governance systems [8,12]. The application of SHGs in facilitating collective action is a complex process that is important to understand in order to assess the validity of SHGs as social and financial inclusion instruments.

1. Group Formation

A top-down approach may be effective in certain situations. SHGs consist of 10-20 women of similar socio-economic backgrounds that makes it easy to trust them, peer-monitor, and bind them. The groups are democratic and the members elect the office-bearers including a president, secretary and treasurer, keep records on meetings, savings and loans. Constant meetings are used to discuss, make decisions, and plan thus there is transparency and accountability. Such a systematic system of governance is essential in promoting common discipline, financial integrity, and responsibility [2,4].

2. Savings and Credit, as a foundation of Cooperation

Regular savings and making internal lends are the fundamental components of collective action. Participants will share small sums towards a common pool, where they provide loans amongst themselves on group decision. The system minimizes the use of the informal money lenders, fosters trust, and brings financial discipline. This gives the group a powerful reason to help each other, scrutinize loan usage, and deliver payments in time that binds the group together, and makes them more responsible [2,9].

3. Social Capital and Peer Support

SHGs develop social capital which is networks of trust and reciprocity that carry collective action. Members offer moral support, exchange knowledge and support each other during their personal or family crisis, including health crises and farming crisis. Group social activities also improve the confidence of the members, leadership abilities, and readiness to engage in community efforts, which also reinforce the strong agency of the group [5].

4. Sharing of Problems and Community Response

In addition to financially related activities, SHGs get involved in community mobilization and social problem-solving. Issues like health awareness, sanitation, education and women rights are dealt with collectively as a group so that they can speak with one voice to have a say in the local governance institutions. Group meetings can be discussed, planned, and coordinated, thus allowing SHGs to become agents of a larger social change [8,13].

5. Linkages and Networks

The SHGs enhance power of action through linking members with banks, government schemes, NGOs, and markets. These connections offer financial, technical and training support, which enhances the effects of group activities. Through federations or cluster-level networks, SHGs can obtain bargaining power, scale, and therefore be able to effectively advocate on resources and policy support [1].

Challenges and Constraints

Irrespective of the transformative nature of Self-Help Groups (SHGs), there are numerous challenges and limiting factors that act as barriers to the success of the organization in developing social and financial inclusion among rural women. The knowledge of these obstacles is crucial to the development of policies, capacity-building initiatives, and support systems to increase the sustainability and effectiveness of SHGs.

1. Restricted Access to and Durability of Markets

A lot of SHGs find challenges when marketing the produced goods and services under group enterprises. Income generation is usually limited by lack of access to organized markets, poor understanding of the pricing and

the weak connection with buyers. SHGs can enhance savings and internal lending, but to maintain income-generating operations, they need external resources, exposure to the market, and the inclusion into value chains [1,8].

2. Capacity and Skill Gaps

Members are usually deficient in technical knowledge, financial literacy and managerial skills that are necessary when running an enterprise and to make the best use of credit. The low training and guidance may lower the efficiency of SHGs, especially in the rural setting where education and vocational opportunities are not easily available [12,15]. This must be accompanied by continuous capacity-building interventions that will educate women on the knowledge of bookkeeping, marketing, and modern financial tools.

3. Socio-Cultural Barriers

Women may be limited by patriarchal norms and social hierarchies as to their involvement in SHGs and their decision-making processes. Mobility, leadership, and involvement in collective activities may be obstructed by opposition of family members, community gatekeepers, or institutional surroundings [4]. Social inclusion thus does not come automatically but has to be intervened upon so as to beat the barriers of gender-based and caste-based discrimination.

4. Limitations in institutions and policies

Whereas the government initiative and the non-governmental organisations have enhanced the SHG networks, the gaps in the banking services, surveillance, and institutions are still present. Late delivery of loans, insufficient follow-up, and lack of digital infrastructure have the potential to decrease the confidence in the SHG model and obstruct group operation [9]. Moreover, state-based fragmentation in policies leads to a lack of consistency in support mechanisms of SHG.

5. Internal Group Dynamics

Having conflicts within SHGs, inequality in participation or domination by select few members may influence the decision making process and destroy trust. To prevent group disintegration, it is important to ensure that governance, transparency, and inclusivity in groups are democratic, coherent, and transparent.

Conclusion

Self-Help Groups (SHGs) have been developed as revolutionary tools of facilitating financial and social inclusion of women in rural India. SHGs contribute to improving the household economic resilience of women by encouraging collective action, access to credit, and involvement in income-generating activities and hence decrease reliance on informal money lenders. In addition to financial empowerment, SHGs offer social inclusion, leadership, and involvement in the community decision-making process, which increase the agency and voice of women in their families and local governance institutions. The processes which support SHGs which include democratic governance, regular savings, mutual support and institutional linkages provide a strong foundation on economic and social empowerment. Through social capital and collectivism, SHG members can not only solve their financial problems but also social problems of health, education, and sanitation. The participation of SHG has been proven to enhance household income, financial literacy, confidence, and community engagement in different states, and this indicates a multi-faceted aspect of empowerment that is being enabled by these groups. Nevertheless, SHGs have some weaknesses, such as inability to access the market, skills, social-cultural restrictions, and institutional inefficiencies, which may also influence their sustainability and impact. To overcome these challenges, further policy support, capacity building initiatives, gender sensitive interventions and better connections with financial institutions and markets must be strengthened. To sum up, SHGs are an excellent example of how a small and local-level organization can lead to a major change and turn rural women into influential agents of social and economic progress. SHGs help not merely to enhance individual women but also the development of a wider community and the inclusive rural growth, by combining financial inclusion and the state of social empowerment. The further empowerment of SHGs networks, institutional reinforcement, and the spread of innovative policies can further enhance their transformational prospects so that the task of transforming rural development in a way that is inclusive, sustainable, and equitable can be accomplished.

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