



Empowering Women through Self-Help Groups in Karnataka: An Economic Analysis of Impact and Challenges

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ABSTRACT

Self-Help Groups (SHGs) have emerged as a powerful tool for women's empowerment and rural development in Karnataka. This research paper critically examines the specific role of SHGs in Karnataka in enhancing women's socio-economic status, their impact on income generation, decision-making, and social empowerment, while also highlighting the persistent challenges. The study is based on secondary data from Karnataka government reports, NGOs, and peer-reviewed studies focused on the state. Findings reveal that SHGs in Karnataka significantly contribute to financial inclusion, skill development, and gender equality, though structural barriers remain. The paper concludes with suggestions to strengthen SHGs within Karnataka for sustainable development.

1. Introduction

Rural women in Karnataka, like in many parts of India, have historically faced exclusion from mainstream socio-economic frameworks due to entrenched patriarchal norms, limited access to education, and economic dependency. In response, Self-Help Groups (SHGs) have emerged as viable mechanisms to bridge this gap, fostering collective strength, financial autonomy, and enhanced social participation. Karnataka holds a prominent place in India's SHG movement, thanks to flagship programs such as Stree Shakti, implemented through the Department of Women and Child Development. These



groups, typically consisting of 10–20 women, operate on principles of mutual support and regular savings, gradually evolving into strong economic units capable of undertaking entrepreneurial ventures.

The state's commitment to SHG-based development, combined with support from NGOs and financial institutions, makes Karnataka a compelling case for focused study. The empowerment model here is not limited to economic gains but extends to behavioural change, community leadership, and access to institutional resources. This paper endeavours to understand the broader implications of SHGs in Karnataka by assessing their socio-economic impact and exploring the ongoing challenges they face in fostering holistic empowerment.

2. Literature Review

A substantial body of literature attests to the positive correlation between SHG participation and women's empowerment in Karnataka. NABARD's (2021) comprehensive report on microfinance outlines the operational success of SHGs in the state, indicating their role in facilitating credit access and promoting income-generating activities. Similarly, reports by the Karnataka State Women's Development Corporation (KSWDC) highlight enhanced savings behaviour, increased bank linkages, and elevated self-confidence among SHG members.

Research by academicians has documented the social ripple effects of SHG involvement: improved mobility, heightened participation in local governance, better negotiation skills within the family, and a shift in gender roles. However, these gains are not uniform across the state. Studies also reflect challenges such as group discontinuity, inadequate skill-building, and male resistance, especially in backward districts like Koppal and Raichur. These contradictions point to the need for a contextualized analysis that addresses regional disparities within Karnataka.

3. Objectives of the Study

The study seeks to:

- Analyse the socio-economic impact of SHGs on rural women in Karnataka.
- Examine the contribution of SHGs to financial inclusion and entrepreneurship.
- Identify the systemic and structural challenges that restrict SHG effectiveness in the state.
- Recommend strategies to enhance the sustainability and impact of SHGs in Karnataka.

3. Methodology

The study employs a qualitative approach based on secondary data collected from official government reports (NABARD, KSWDC), peer-reviewed academic journals, NGO field reports, and



published evaluations of SHG programs across Karnataka. A comparative district-wise analysis has been applied to understand variations in SHG performance and challenges. Data has been organized thematically to align with the research objectives, ensuring relevance and comprehensiveness.

5. Findings and Discussion

5.1 Economic Empowerment

SHGs have significantly altered the economic landscape for women in Karnataka. By availing of microcredit, women have been able to launch and sustain small businesses, including tailoring units, dairy enterprises, petty shops, and agricultural ventures. According to NABARD (2021), Karnataka hosts over 2.5 lakh functioning SHGs with loan disbursements exceeding ₹3,000 crore annually. These funds not only support entrepreneurial activities but also act as buffers during emergencies, reducing dependency on exploitative moneylenders.

In areas such as Mandya and Tumakuru, SHG-led women entrepreneurs have successfully integrated with government schemes like the Pradhan Mantri MUDRA Yojana (PMMY), thereby scaling up their businesses. Additionally, these income-generating activities have translated into better household consumption, improved access to healthcare, and educational opportunities for children, thus establishing a cycle of intergenerational upliftment.

5.2 Social Empowerment

Economic progress has been paralleled by notable social changes. Women active in SHGs report higher self-esteem and better participation in family and community decision-making. Initiatives like Stree Shakti have trained women in leadership, enabling them to contest elections to Gram Panchayats and other local bodies. According to the KSWDC, over 35% of elected women representatives in Karnataka's local governance bodies are affiliated with SHGs.

Furthermore, SHG meetings serve as platforms for awareness about health, domestic violence, legal rights, and child welfare. In districts like Dharwad and Udupi, SHG collectives have taken up community sanitation and educational campaigns, displaying the potential for social transformation beyond financial realms.

5.3 Financial Inclusion

A cornerstone of the SHG model is its role in financial inclusion. SHG members, most of whom were previously excluded from formal banking systems, now have savings accounts, access to credit, and



participation in digital banking. Banks such as Karnataka Vikas Grameena Bank and Canara Bank have partnered extensively with SHGs to provide zero-balance accounts, joint liability loans, and credit-linked subsidies.

Digital tools are slowly making inroads, with several SHGs adopting mobile banking for transactions. However, digital illiteracy remains a barrier, especially in northern districts. Financial inclusion has also fostered greater financial discipline, transparency in savings, and a culture of mutual accountability, which are critical for long-term economic security.

5.4 Challenges

Despite the promising achievements, multiple challenges impede the full potential of SHGs in Karnataka:

- **Organizational Irregularities:** Many groups suffer from irregular attendance, poor record-keeping, and leadership monopolization.
- **Training Deficits:** Limited training in business planning, digital tools, and market strategies hampers scalability.
- **Market Access:** SHG products often fail to reach competitive markets due to inadequate branding, packaging, and logistics support.
- **Patriarchal Barriers:** In conservative regions, male family members discourage women from participating in SHGs or utilizing loans independently.
- **Technological Divide:** Access to smartphones and internet connectivity remains skewed, isolating SHGs from digital financial ecosystems.

These constraints necessitate a multi-pronged strategy that goes beyond mere credit provision.

6. Recommendations

To ensure sustained impact, the following measures are proposed:

- **Capacity Building:** Launch structured training programs in Kannada focusing on digital literacy, bookkeeping, online marketing, and entrepreneurship.
- **Market Linkages:** Encourage tie-ups between SHGs and e-commerce platforms like Amazon Saheli, or state-run portals like Sanjeevini.
- **Monitoring Framework:** Develop a decentralized monitoring model involving local universities and NGOs for regular evaluation and feedback loops.



- **Male Sensitization Drives:** Organize village-level workshops targeting men to foster supportive household environments for SHG members.
- **Technology Integration:** Subsidize digital devices for SHGs and train members in their effective use for financial and business activities.
- **District-Specific Policy Interventions:** Implement customized SHG models based on district-level socio-economic indicators and challenges.

6.1 Institutional Support and Policy Interventions in Karnataka:

The success of SHGs in Karnataka cannot be evaluated in isolation from the state's institutional framework and targeted policy interventions. Government schemes such as Stree Shakti, Sanjeevini, and support from the Karnataka State Rural Livelihood Mission (KSRLM) have provided vital infrastructural, financial, and training support to rural SHGs. These interventions have not only encouraged the formation of new SHGs but have also improved the sustainability of existing ones by providing capacity-building modules, revolving funds, and technical know-how. NGOs operating at the grassroots level have supplemented government efforts by offering gender sensitization workshops, financial literacy programs, and facilitating access to government schemes. Karnataka's relatively progressive approach to SHG development sets it apart from many other states, as it includes convergence between multiple departments such as Women and Child Development, Panchayat Raj, and Rural Development.

6.2 Role of Digital Platforms and Technology in SHG Strengthening:

With digital inclusion becoming a national priority, Karnataka's SHGs have gradually begun to leverage digital tools for bookkeeping, accessing financial services, and marketing products. Initiatives like Digital SHG Training Modules and tie-ups with platforms like e-Shakti (launched by NABARD) are enabling SHGs in the state to reduce their dependence on manual record-keeping and access wider markets through e-commerce platforms. However, digital penetration remains uneven—urban and semi-urban SHGs benefit more compared to those in backward or tribal regions. Bridging this digital divide remains a critical step toward equalizing opportunities and expanding the scope of SHG-based entrepreneurship in Karnataka.

6.3 Case Examples from Karnataka Districts:

Several districts in Karnataka offer unique success stories in SHG implementation. For instance, in Mysuru and Mandya districts, SHGs have successfully collaborated with local cooperatives to market organic produce. In Kalaburagi, tailoring and garment-making SHGs have received state-level awards for



enterprise innovation. In coastal districts like Udupi and Dakshina Kannada, SHGs run by fisherwomen have diversified into hospitality and eco-tourism. These micro-level case studies highlight how local culture, administrative support, and active NGO participation can shape the effectiveness of SHGs in different socio-economic landscapes. Documenting and scaling such models could provide a replicable framework for underperforming regions within Karnataka.

7. Conclusion

SHGs in Karnataka have emerged not just as financial instruments, but as comprehensive platforms for empowerment, especially among rural women. Their role in catalysing economic independence, social mobility, and gender parity is well-documented, yet not without limitations. The future of SHGs lies in their ability to adapt to changing economic realities while retaining their grassroots essence. A nuanced, Karnataka-specific strategy - blending policy support, capacity enhancement, and digital integration - can help unlock the full potential of SHGs as engines of inclusive rural development.

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