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## Women, Wealth, and the \$5 Trillion Dream: SHGs as Engines of Inclusive Economic Growth in India

**Kokila H S**

Assistant professor. Dept of Commerce. GFGC Vamadapadavu, Kokilahs456@gmail.com

**Rajesh Naik**

Research Scholar, Tumkur University. Rajesh24045@gmail.com

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### ABSTRACT

India's ambition to become a \$5 trillion economy requires inclusive growth strategies that integrate marginalised communities into the formal economy. Self-Help Groups (SHGs), largely composed of women, have emerged as vital grassroots institutions promoting financial inclusion, enhancing livelihoods, and fostering microenterprise development. This study adopts a descriptive and theoretical research design, relying exclusively on secondary data from institutional reports, government publications, and peer-reviewed literature to examine the role of SHGs in advancing inclusive economic growth. The analysis synthesises trends in SHG membership, credit linkages, and enterprise activities, drawing on data from NABARD, RBI, and the Ministry of Rural Development. Findings indicate that SHGs not only improve access to credit and savings mechanisms but also act as catalysts for women's empowerment, local employment generation, and poverty reduction, factors that align closely with macroeconomic objectives. The paper argues that integrating SHG-led enterprises into national value chains, enhancing digital capabilities, and strengthening policy support are strategic imperatives for realizing India's \$5 trillion economic vision

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## Introduction

India's ambition to achieve a \$5 trillion economy is not solely dependent on industrial expansion or foreign investment but equally on inclusive growth that uplifts marginalized and underrepresented sections of society (NITI Aayog, 2020). Financial inclusion, defined as the process of ensuring access to appropriate financial products and services at affordable costs to all individuals and businesses, plays a pivotal role in this growth trajectory (Reserve Bank of India [RBI], 2021). In this context, Self-Help Groups (SHGs) have emerged as transformative community-based institutions that empower women, enhance household income, and foster micro-entrepreneurship (NABARD, 2022).

The SHG movement in India, initiated in the 1990s through the SHG–Bank Linkage Programme, has evolved into one of the largest microfinance networks in the world, involving over 12 million groups and impacting more than 100 million rural women (Ministry of Rural Development [MoRD], 2023). SHGs function on the principles of mutual support, collective savings, and peer accountability, thereby addressing barriers to formal credit access such as collateral requirements and complex documentation (Swain & Varghese, 2009).

By promoting financial literacy, encouraging productive investments, and enabling women to participate in local governance, SHGs contribute not only to poverty alleviation but also to the broader macroeconomic objective of inclusive economic growth (Kabeer, 2012). Given that women's economic empowerment has been linked to higher GDP growth rates and improved community welfare indicators (World Bank, 2020), strengthening the SHG ecosystem represents a strategic lever for achieving India's \$5 trillion economic goal. This paper examines the multifaceted role of SHGs in enhancing financial inclusion and their potential to act as engines of inclusive economic growth in India.

## Literature Review

The concept of financial inclusion has been recognized globally as a driver of sustainable economic development. According to Demirgüç-Kunt et al. (2018), access to formal financial services enables households to invest in education, health, and productive enterprises, thereby fostering long-term growth. In the Indian context, the Reserve Bank of India (2021) emphasizes that financial inclusion is integral to reducing poverty and achieving equitable growth, especially in rural areas where formal banking penetration remains limited.

**Self-Help Groups (SHGs)** have been identified as an effective mechanism for promoting financial inclusion and women's empowerment in India. The SHG–Bank Linkage Programme, initiated by



NABARD in the early 1990s, has connected millions of rural women to the formal financial system (NABARD, 2022). Studies by Puhazhendhi and Satyasai (2001) reveal that SHG membership significantly improves access to credit, enhances savings habits, and builds social capital.

Research further indicates that SHGs play a dual role in economic and social empowerment. Swain and Wallentin (2009) found that participation in SHGs increases women's decision-making power within households and communities. Similarly, Kabeer (2012) highlights that women's collective action through SHGs not only contributes to household income but also challenges gender-based social norms.

The link between SHGs and entrepreneurship development has also been documented. Sinha (2014) notes that microfinance and group-based lending enable women to start microenterprises, leading to local job creation and community-level economic development. Furthermore, the World Bank (2020) emphasizes that women's economic participation has a direct positive correlation with national GDP growth.

In the context of India's \$5 trillion economy goal, scholars argue that scaling up SHG-based enterprises could play a crucial role in expanding the rural economy. NITI Aayog (2020) identifies women-led micro and small enterprises as a high-potential sector for achieving inclusive growth. Recent evidence suggests that integrating SHGs into national value chains, improving digital literacy, and expanding market access could multiply their economic impact (MoRD, 2023).

Overall, the literature consistently supports the view that SHGs are not merely microfinance platforms but strategic instruments for advancing financial inclusion, gender equality, and economic growth. However, gaps remain in terms of policy integration, capacity building, and scaling operations, which require focused attention for SHGs to significantly contribute to India's macroeconomic aspirations.

### **Research Gap**

While the literature strongly establishes the role of Self-Help Groups (SHGs) in fostering financial inclusion, women's empowerment, and community-level economic growth, several gaps remain in understanding their direct contribution to India's \$5 trillion economy aspiration. First, existing studies largely focus on micro-level impacts such as increased savings, credit access, and individual income enhancement (Puhazhendhi & Satyasai, 2001; Swain & Wallentin, 2009), but fewer examine the macroeconomic implications of scaling SHG-led enterprises within national value chains.



Also, the potential of SHGs in entrepreneurship development is recognised (Sinha, 2014). there is limited empirical analysis linking SHG-driven microenterprises to GDP growth, employment generation, and export potential, critical indicators for achieving the \$5 trillion target (NITI Aayog, 2020).

The integration of digital finance and e-commerce platforms into SHG operations remains underexplored in the literature, despite being a key factor in expanding market access and operational efficiency (MoRD, 2023). And policy-level discussions tend to emphasise credit delivery mechanisms but often overlook capacity building, innovation support, and infrastructure linkages essential for large-scale economic transformation.

### **Research Objectives**

1. To review and synthesize existing literature on the role of Self-Help Groups (SHGs) in promoting financial inclusion and women's economic empowerment in India.
2. To analyze secondary data and institutional reports to assess the contribution of SHGs to rural and semi-urban economic development.
3. To examine the potential linkages between SHG-led economic activities and India's \$5 trillion economy goal.
4. To identify policy measures and strategic interventions required to strengthen the SHG ecosystem for inclusive and sustainable economic growth.

### **Research Methodology**

#### **Research Design**

The study adopts a descriptive and theoretical research design, relying exclusively on secondary data and existing scholarly work. It focuses on analysing documented evidence rather than collecting primary field data.

#### **Data Sources**

#### **Secondary Data**

- **Government Reports:** Ministry of Rural Development (NRLM reports), NABARD's Status of Microfinance in India, and RBI's Financial Inclusion Index.



- **Policy Documents:** NITI Aayog's Strategy for New India @ 75, state-level SHG program reports, and microfinance policy frameworks.
- **International Reports:** World Bank, UN Women, and IFAD publications on women's empowerment and inclusive growth.
- **Academic Literature:** Peer-reviewed journals, working papers, and conference proceedings related to SHGs, microfinance, and economic growth.

### **Data Collection Method**

- **Document Review:** Systematic collection of relevant literature, policy papers, and reports from credible sources.
- **Thematic Classification:** Organising reviewed material under key themes such as financial inclusion, women's empowerment, entrepreneurship, and macroeconomic growth.

### **Scope & Limitations**

The study is confined to the analysis of secondary data and theoretical perspectives, without field-based primary data collection. While this allows for a broad overview using credible national and international sources, it may not capture recent grassroots-level changes not yet reflected in published literature.

### **Data Analysis and Discussion**

This study draws upon published statistics and documented findings from NABARD, RBI, Ministry of Rural Development, and international development agencies to examine the role of Self-Help Groups (SHGs) in India's inclusive growth agenda. The analysis focuses on key performance indicators such as group formation, savings mobilization, credit linkages, and income-generating activities, all of which have macroeconomic relevance.

#### **1. SHG Growth and Membership Trends**

According to NABARD (2022), over 12 million SHGs are functioning in India, representing more than 100 million rural women. Membership growth over the last decade has been driven largely by government-backed programs such as the National Rural Livelihood Mission (NRLM). This expansion has created a vast network of grassroots economic actors who can collectively influence rural consumption, savings patterns, and microenterprise creation.

#### **2. Credit Linkages and Financial Inclusion**



The SHG Bank Linkage Programme remains the largest microfinance outreach program globally. In FY 2021–22, total bank loans disbursed to SHGs crossed ₹58,000 crore (NABARD, 2022). This has brought previously unbanked women into the formal financial system, improving credit scores, reducing dependence on informal moneylenders, and enabling productive investments. These financial linkages are critical for integrating rural communities into national value chains, thereby supporting the \$5 trillion economy goal through inclusive growth.

### 3. Women’s Economic Empowerment and Productivity Gains

Secondary studies (Swain & Wallentin, 2009; Kabeer, 2012) indicate that SHG participation enhances women’s decision-making power, control over household finances, and entrepreneurial confidence. Empowered women reinvest a larger share of income in health, education, and nutrition, creating long-term human capital benefits — an indirect but crucial driver of sustained GDP growth.

### 4. SHGs as Rural Enterprise Hubs

Many SHGs have diversified into small-scale manufacturing, agri-processing, handicrafts, and service provision. Linking these enterprises to e-commerce platforms, government procurement programs, and export channels can significantly scale their economic footprint. This is aligned with NITI Aayog’s (2020) identification of women-led microenterprises as a high-potential sector for achieving the \$5 trillion economy.

### 5. Policy Implications for Economic Scaling

Analysis of government reports highlights several gaps that need addressing:

- **Digital Integration:** Limited digital literacy and access to e-banking tools constrain SHG competitiveness in emerging markets.
- **Market Linkages:** Many SHGs lack sustainable access to buyers beyond local markets, reducing their scaling potential.
- **Capacity Building:** Training in business planning, quality control, and packaging can enhance profitability. Strengthening these areas can convert SHGs from localised financial inclusion tools into significant contributors to the national GDP.

The secondary data suggests that SHGs are not merely social empowerment platforms but microeconomic engines with macroeconomic potential. With 100+ million active members, even a



modest increase in per-member income through market-oriented enterprise could inject billions into the rural economy. When multiplied across the country, these contributions align directly with India's \$5 trillion GDP aspiration, provided there is strong policy support, institutional coordination, and digital-market integration.

## Findings

Based on the review of secondary data and literature, the following key findings emerge:

1. **Massive Outreach Potential:** Over 12 million SHGs with more than 100 million women members form one of the largest community-based financial networks in the world (NABARD, 2022).
2. **Significant Credit Linkages:** The SHG Bank Linkage Programme disbursed loans exceeding ₹58,000 crore in 2021–22, contributing to rural credit expansion and reducing dependence on informal lending.
3. **Women's Empowerment:** SHG participation enhances decision-making, asset ownership, and leadership roles among women, which in turn improves household welfare and community development (Kabeer, 2012).
4. **Entrepreneurial Contribution:** SHGs are increasingly venturing into microenterprises in agriculture, handicrafts, food processing, and services, contributing to local employment generation.
5. **Policy and Infrastructure Gaps:** Limited digital literacy, inadequate market linkages, and insufficient capacity building remain barriers to scaling SHG-led enterprises into significant contributors to the national economy.

## Suggestions

1. **Digital Capacity Building:** Launch large-scale digital literacy programs for SHG members to integrate them with e-banking, e-commerce, and fintech platforms.
2. **Market Access Expansion:** Facilitate SHG participation in government procurement, public distribution systems, and export-oriented value chains.
3. **Skill Development:** Provide sector-specific training in quality control, packaging, marketing, and financial management to enhance business competitiveness.



4. **Policy Integration:** Align SHG development policies with national economic growth strategies to position SHGs as formal contributors to GDP.
5. **Cluster-Based Approach:** Develop SHG clusters specialising in specific products or services to improve economies of scale and bargaining power in markets.

## Conclusion

Self-Help Groups in India have evolved from being micro-savings and credit collectives to becoming potential microeconomic drivers capable of influencing macroeconomic outcomes. With their extensive outreach and demonstrated ability to promote financial inclusion, enhance women's empowerment, and stimulate local enterprise, SHGs hold a pivotal role in India's development story.

6. In the context of the \$5 trillion economy vision, leveraging SHGs as structured economic units rather than isolated community initiatives could significantly accelerate inclusive growth. By integrating digital tools, expanding market linkages, and embedding SHGs into formal value chains, their contribution could shift from localized welfare improvements to measurable GDP growth. Thus, strengthening the SHG ecosystem is not only a social development imperative but also a strategic economic necessity for achieving India's ambitious economic targets.

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