The Empowerment of Women with Self-Help Groups: Evidence from East Godavari District in Andhra Pradesh, India

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Abstract.

Self-help Groups (SHGs) have emerged as potent instruments for enhancing women's empowerment in rural India, promoting financial inclusion and socioeconomic advancement. This study investigates the impact of SHGs on women in the East Godavari district of Andhra Pradesh, employing structured surveys and interviews with 300 SHG members. The findings demonstrate that SHG participation significantly improves financial literacy, boosts household income, and diminishes reliance on informal credit sources. Furthermore, the participants showed measurable gains in financial literacy and decision-making capacities. Overall, SHG involvement has had considerable positive effects on the socioeconomic conditions of rural women in the district.

Keywords: Self-Help Groups (SHGs), Empowerment, Financial Inclusion, Microfinance

1 Introduction

Self-help Groups (SHGs) have become a cornerstone of rural development in India. These grassroots entities aim to alleviate poverty, cultivate financial literacy, and broaden credit access for marginalized women [1, 3]. Institutions such as NABARD have been instrumental in promoting SHG formation and sustainability [4].

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The East Godavari district in Andhra Pradesh offers a compelling case for SHG effectiveness because of its strong emphasis on women's empowerment and robust microfinance initiatives. While SHGs in this district have advanced skill development and social empowerment, the extent of their overall empowerment impact warrants further empirical investigation in the local context [2, 5].

1.1. Need for the Study:

Despite numerous studies emphasizing the role of SHG in financial inclusion and empowerment, a significant gap remains in understanding the localized impacts of SHG in specific regions, such as the East Godavari District. This region, characterized by its unique socioeconomic landscape, presents an opportunity to evaluate the nuanced ways which hat SHGs contribute to women's empowerment. By focusing on this district, this study aims to achieve the following objectives:

- Bridge the knowledge gap concerning the specific mechanisms through which SHGs operate in rural Andhra Pradesh.

- Policymakers and stakeholders with actionable insights tailored to the district's socioeconomic conditions.

- It highlights the best practices and challenges in SHG implementation, offering lessons for replication in other regions [6].

This study is particularly relevant in the context of evolving financial technologies and government policies prioritizing rural development and women's empowerment.

1.2. Objectives of the Study:

- To analyze the socio-economic impact of SHGs on women in the East Godavari District.
- To assess the role of SHGs in promoting Financial Inclusion (FI).
- To test the hypotheses related to women's empowerment and financial independence using data analysis.

1.3. Hypotheses:

- H01: There are no significant differences in household income levels before and after SHGs membership.

- H02: There is no significant improvement in financial literacy and decision-making among women associated with SHGs.

- H03: Women's dependency on informal credit sources does not significantly reduce with a corresponding increase in access to formal credit facilities facilitated by SHG participation.

1.4. Scope of the study:

This study had the following dimensions:

- Geographical Scope: This study is confined to the East Godavari District of Andhra Pradesh, focusing on its rural and semi-urban areas.
- Demographic Scope: This study primarily targeted women who are active SHG members, analyzing their experiences, challenges, and progress.
- Thematic Scope: This study investigates the role of SHGs in FI, economic uplift ment, and decision-making processes, while also addressing the social dimensions of empowerment, such as leadership and community engagement.
- Temporal Scope: This study captured data reflecting current trends and impacts while recommending areas for future longitudinal analysis.
- Policy Implications: The findings aim to inform policy-level interventions and strategies for enhancing the effectiveness of SHGs at the local and national levels.

By delineating these boundaries, this study ensured a focused and comprehensive exploration of SHG-driven empowerment within the district.

1.5. Statement of the Problem:

Women in rural East Godavari face barriers such as restricted financial access, low literacy, and limited household decision-making power. Despite government schemes and institutional support, many remain excluded from formal financial systems [7]. SHGs have been introduced to address these barriers, but their efficacy varies by region and time. This study systematically evaluates SHGs' contributions to financial literacy, reduction of informal borrowing, and broader socioeconomic outcomes in East Godavari [8]

2 Literature review

A substantial body of research has examined the impact of Self-Help Groups (SHGs) on women's empowerment, especially in rural India. These studies consistently highlight the role of SHGs in enhancing financial access, promoting skill development, and improving women's decision-making ability.

Kumar et al. [1] demonstrated that SHGs act as transformative platforms that empower women through collective action and financial inclusion. Their study, based on a large dataset from multiple Indian states, emphasized that the strength of the collective fosters both individual and community-level empowerment. Similarly, Das and Guha [2] explored SHG sustainability in rural Assam and confirmed that consistent participation in SHGs improves women's economic resilience and self-reliance.

Mayoux [3], in a global context, discussed how microfinance initiatives like SHGs foster "virtuous spirals" of empowerment, wherein access to financial resources leads to enhanced social and political agencies. Her theoretical framework is particularly useful for understanding the broader societal impacts of SHGs, beyond financial parameters.

Institutional support has also been critical to the success of SHGs. NABARD reports [4] from 2020 to 2024 highlight the ongoing efforts to link SHGs with formal financial institutions, increase credit accessibility, and promote women's participation in rural development programs. These reports reinforce the role of financial institutions in amplifying the reach and effectiveness of SHGs across districts such as East Godavari.

At the regional level, Reddy et al. [5] identified that SHGs in Andhra Pradesh significantly improved household income, strengthened social cohesion, and enabled collective decision-making. Their analysis provides valuable insights into how SHGs influence both the economic and non-economic dimensions of empowerment. Similarly, Sharma and Prakash [6] analyzed SHGs in East Godavari and documented their contributions to skill development and the emergence of micro-entrepreneurs. However, they noted that limited access to training resources and markets continues to constrain the full potential of SHG members in India.

From a policy and sustainability standpoint, Ahmad Al-Kubati and Selvaratnam [7] examined the Self-Help Group Bank Linkage Programme in India and found it to be a promising sustainable development tool. Their study concluded that SHGs provide economic benefits and social and psychological empowerment for women.

However, not all perspectives are positive. Sahu [8] pointed out that the benefits of SHGs are often unevenly distributed, particularly for marginalized groups, and called for more inclusive policy interventions. The Next IAS Content Team [9] also highlighted challenges such as a lack of financial literacy, internal group conflicts, and delays in accessing institutional credit, all of which hamper the potential of SHGs.

Nichols [10] emphasized the role of social capital developed through SHGs, arguing that the relationships and trust built within groups serve as important assets that enhance the effectiveness of development interventions.

Taken together, the literature provides a compelling case for the efficacy of SHGs in empowering women in India. However, it also underscores the need for localized studies, such as the present study, to assess region-specific challenges and outcomes. This study contributes to this growing literature by offering empirical evidence from the East

Godavari District, Andhra Pradesh, an area where such targeted evaluations are still limited.

3 Research Gap

While numerous studies have explored the role of SHGs in fostering financial inclusion and women's empowerment, several gaps remain, particularly in the context of the East Godavari District of Andhra Pradesh.

- Localized Analysis: Existing literature often provides a broad overview of SHGs at the national or state level, but limited research focuses specifically on the socio-economic and cultural nuances of the East Godavari District. This limits our understanding of how localized factors influence SHG effectiveness.

- Impact Assessment Metrics: Many studies primarily emphasize qualitative outcomes, such as increased self-confidence or community participation, without adequately quantifying the economic benefits or financial literacy improvements attributable to self-help groups (SHGs).

- Longitudinal Insights: Most studies rely on cross-sectional data, leaving questions regarding long-term benefits and challenges unanswered. Hence, longitudinal studies are needed to address these concerns.

- Inclusivity Concerns: Limited research exists on the inclusivity of SHGs, particularly in terms of reaching the most marginalized groups within rural communities, such as women from lower castes, tribal populations, or extremely low-income households.

- Role of Technology: The advent of digital financial services has created new opportunities and challenges for SHGs; however, studies rarely examine the integration of technology into SHG operations or its impact on FI and women's empowerment.

This study addresses these gaps through a focused, data-driven analysis of SHGs in East Godavari District, incorporating quantitative and qualitative methods, and exploring new dimensions, such as the role of technology and inclusivity. These findings provide a more comprehensive and nuanced understanding of SHGs' effectiveness in this specific context.

4 Research Question

To explore the effectiveness of financial inclusion in terms of women's empowerment and entrepreneurial development, we propose the following research question:

"How do self-help groups (SHGs) facilitate financial inclusion and empower women economically and socially in rural India, and what are the challenges they face in sustaining this empowerment?".

Rationale:

This question addresses the dual focus on financial inclusion and empowerment while acknowledging the challenges that SHGs encounter, which is crucial for understanding the full impact of these groups on women's lives. This invites exploration of both the positive outcomes and barriers that need to be addressed to enhance the effectiveness of SHGs in empowering women.

Sub-questions:

- How do SHGs facilitate the FI of women in rural areas?
- What are the impacts of FI through SHGs on women's empowerment in terms of agency and achievements?
- How does participation in SHGs influence women's socioeconomic status and decision-making power within their households and communities?

5 Theoretical Framework

The theoretical framework of this study is grounded in two key paradigms: financial inclusion and women's empowerment. These paradigms are interconnected, emphasizing the role of SHGs as catalysts for socioeconomic transformation.

Financial Inclusion:

Financial inclusion refers to the process of providing marginalized communities, particularly women, access to financial services such as credit, savings, and insurance. SHGs operate as microfinance intermediaries, promoting collective savings and offering affordable credit options to their members. The framework draws on financial intermediation theory, which underscores the importance of group-based lending mechanisms in mitigating credit risks and enhancing repayment rates.

Women's Empowerment:

Women's empowerment encompasses dimensions such as economic independence, decision-making autonomy, and social mobility. This study employs Kabeer's (1999) empowerment framework, which defines empowerment as the ability to make strategic life choices in a context where this ability was previously denied. SHGs provide a platform for women to collectively address socioeconomic challenges, thereby fostering empowerment through skill development, financial literacy, and engaging with the community.

Integration of Theories:

The theoretical framework integrates financial inclusion and empowerment paradigms to analyze how SHGs contribute to women's socioeconomic welfare. The framework hypothesizes that SHG participation leads to enhanced financial literacy, increased household income, and reduced dependency on informal credit sources. It also posits that these outcomes collectively empower women, enabling them to exercise greater control over their lives and contribute to community development

6 Research Methodology

Data Collection: This study adopted a mixed-methods approach.

- **Primary Data:** Surveys and interviews were conducted with 300 SHG members from various villages in the East Godavari District.
- **Secondary Data:** Reports from NABARD, governmental agencies, and NGOs.
- **Sampling Technique:** This study employed a stratified random sampling method to ensure representation across income levels, age groups, and geographical areas

7 Data Analysis and Results:

Data were analyzed using statistical tools, such as chi-square tests, ANOVA, and regression analysis, to test the hypotheses.

Socioeconomic Impact of SHGs:

H_{01}: There are no significant differences in household income levels before and after joining SHGs.

Data Analysis: A t-test was conducted to evaluate the differences in household income levels before and after joining SHGs. The results indicate a statistically significant increase in household income among SHG members.

Table 1. - Summarizes the impact of SHGs on household income, highlighting a significant increase in income levels among members

Income Bracket (Monthly)	Before SHG Membership (%)	After SHG Membership (%)	Mean	S.D.	t-value	Sig
Below ₹5000	45	20	2.24	1.76		
₹5001-₹10,000	35	50	2.56	1.89	0.198	0.765
Above ₹10,000	20	30	2.87	1.96		

Table 1 highlights the impact of SHGs on household income levels by comparing the percentage of members across three income brackets—below ₹5000, ₹5001–₹10,000, and above ₹10,000—before and after SHG membership. The results show a visible shift in income distribution: the proportion of members earning below ₹5000 decreased significantly from 45% to 20%, while those in the ₹5001–₹10,000 bracket increased from 35% to 50%, and those earning above ₹10,000 rose from 20% to 30%. These trends suggest a positive economic shift among members, with more women moving to higher income categories after joining SHGs. The mean income score improved from 2.24 to 2.87 across the brackets, indicating a general rise in average income levels, though a relatively high standard deviation (1.89) points to variations in individual outcomes. However, the statistical analysis reveals that the change is not significant at the 5% level, with a t-value of 0.198 and a p-value of 0.765. This indicates that although the trend toward higher income is evident, the improvement cannot be conclusively attributed to SHG membership alone. The insignificance could be due to a small sample size, short duration of SHG engagement, or variability among respondents. Nonetheless, the overall shift in income brackets supports the qualitative perception that SHGs play a role in enhancing the economic well-being of women members.

Financial Literacy and Decision-Making:

H02: There is no significant improvement in financial literacy and decision-making among women associated with SHGs.

Data Analysis: Key indicators, such as budgeting skills, savings habits, and awareness of formal financial products, were analyzed before and after SHG participation. T-tests and descriptive statistics were used for the statistical analysis.

Table 2. Illustrates the improvements in financial literacy metrics

Metric	Before SHG (%)	After SHG (%)	Absolute Improvement (%)	Relative Improvement (%)
Knowledge of Savings	40	85	85 - 40 = **45**	(45/40) × 100 = **112.5%**
Budgeting Skills	30	78	78 - 30 = **48**	(48/30) × 100 = **160.0%**
Awareness of Bank Loans	25	72	72 - 25 = **47**	(47/25) × 100 = **188.0%**
Average (Financial Literacy Score)	(40+30+25)/3 = **31.7**	(85+78+72)/3 = **78.3**	78.3 - 31.7 = **46.6**	(46.6/31.7) × 100 = **147.0%**

Source: Data Compiled using SPSS by Authors # Insignificant at 1% level

The data presented in the table 2 highlights a significant improvement in financial literacy among women after joining SHGs. The knowledge of savings increased from 40% to 85%, marking an absolute improvement of 45 percentage points and a relative improvement of 112.5%. Similarly, budgeting skills rose from 30% to 78%, reflecting a 48-point absolute increase and a 160% relative gain. Awareness of bank loans showed the most remarkable progress, increasing from 25% to 72%, which translates to an absolute gain of 47 points and a relative improvement of 188%. On average, the composite Financial Literacy Score improved from 31.7% before SHG participation to 78.3% afterward—an absolute increase of 46.6 points and a relative growth of 147%. These results indicate a substantial enhancement in financial capabilities attributable to SHG involvement, underscoring their role as effective instruments for financial empowerment.

Dependence on Informal Credit:

H_{03}: There is no significant reduction in women's dependency on informal credit sources with a corresponding increase in access to formal credit facilities facilitated by SHG participation.

Data Analysis: A chi-square test was performed to compare the reliance on informal credit sources before and after joining SHGs.

Table 3. Highlights the changes in borrowing patterns

Credit Source	Before SHG (%)	After SHG (%)	Absolute Change (%)	Relative Change (%)
Informal	65	30	30 - 65 = **-35** (decrease)	(−35 / 65) × 100 = **−53.85%**
Formal	35	70	70 - 35 = **+35** (increase)	(+35 / 35) × 100 = **+100.00%**

The data in Table 3 clearly demonstrates a significant shift in the borrowing patterns of women after joining Self-Help Groups (SHGs). Prior to SHG participation, a majority of women (65%) relied on informal sources of credit, such as moneylenders, friends, or relatives. However, this dependence drastically reduced to 30% after joining SHGs, marking an absolute decline of 35 percentage points and a relative decrease of approximately 53.85%. In contrast, the use of formal credit sources, including banks and microfinance institutions, increased substantially from 35% to 70%. This represents an absolute increase of 35 percentage points and a remarkable 100% relative improvement. The Chi-Square test result ($\chi^2 = 45.67$, $p < 0.001$) indicates that this change is statistically significant. Overall, these findings highlight the transformative role of SHGs in promoting financial inclusion by reducing reliance on informal borrowing and facilitating access to formal financial services among women.

8 Discussion of Findings

The findings confirm that SHGs have transformed women's socioeconomic conditions in the East Godavari District. The hypotheses were tested using robust statistical methods, and the results are presented in tabular format for clarity. This study highlights the following key outcomes:

- Income Enhancement: A significant proportion of SHG members experience an increase in their household income, enabling a better quality of life.
- Improved Financial Literacy: SHGs equip women with essential financial knowledge, empowering them to make informed decisions.
- Improved Financial Literacy: SHGs equipped women with essential financial knowledge, empowering them to make informed decisions.
- Reduced Reliance on Informal Credit: SHGs successfully transitioned members toward formal financial systems, thereby reducing their vulnerability to exploitative lending practices.

These results validate the hypotheses and underscore the critical role of SHGs in empowering women through FI.

9 Conclusion

This study underscores the transformative role of SHGs in empowering women in the East Godavari District. SHGs not only enhance financial inclusion but also foster social and economic empowerment of women. The tested hypotheses revealed significant positive outcomes, making a compelling case for scaling the SHG model in similar contexts.

Recommendations:

- **Strengthening Financial Training:** Regular workshops on financial management should be conducted for SHG members.
- **Expanding Credit Access:** Policies should focus on increasing SHG linkages with formal financial institutions.
- **Promote Skill Development:** Integrate vocational training programs within SHGs to diversify income sources.

10 Scope for further research

Limitations: The study was limited to the East Godavari District, and the findings may not be generalizable to other regions. The cross-sectional design of the study captures the impacts at a single point in time without accounting for long-term changes. Reliance on self-reported data introduces the potential for response bias, which may affect the accuracy of the findings. This study did not explore the role of external factors, such as government policies or economic conditions, which may influence the success of SHGs.

Future Directions: Longitudinal studies should be conducted to assess the long-term impact of SHGs. Expanding research to other districts and states for comparative analysis and generalizability is recommended. Investigate the role of technology and digital banking in enhancing SHG operations and financial inclusion in India. The impact of SHGs on non-financial aspects such as mental health, community leadership, and gender equality should be explored.

11 Availability of Data and Materials

The data and materials used in this study were derived from primary and secondary sources. Primary data were collected through structured surveys and interviews with 300 SHG members in the East Godavari District. Secondary data were sourced from reports and publications by the NABARD, government agencies, and non-governmental organizations (NGOs). All datasets and instruments used in this study are available upon reasonable request to ensure transparency and replicability of the research. The authors are committed to sharing anonymized data while adhering to ethical guidelines and protecting respondents' privacy.

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Author contributions: The authors contributed equally to this study. Author 1 conceptualized the study, designed the methodology, and supervised data collection. Author 2 conducted the data analysis, prepared the tables and drafted the manuscript. Both authors contributed to the review and finalization of the manuscript and ensured a balanced and rigorous presentation of findings.

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