

## Digitalisation of Self-Help Groups (SHGs) in India

The Government of India and various state Governments have been implementing several programs for the development of rural areas. However, rural poverty and unemployment are still rampant in the country, with the latest statistics showing that 26% of the total population constitute the rural poor and the unemployment rate in rural areas has increased to 7.9% in 2020.<sup>1</sup>

A little more than 48% of the Indian rural population is female.<sup>2</sup> Given this and the fact that they make up one-third of the national labour force<sup>3</sup>, women are unquestionably an important part of the Indian economy, both at national and household level. Further, research shows that, in comparison to their male counterparts, women contribute a much larger share of their earnings to basic family maintenance.<sup>4</sup> Read together, these data points build a compelling case for focusing on the employment and empowerment of women as a means of poverty alleviation.

It is towards this goal that the national government has introduced many schemes and policies. In the 1980s, the Development of Women and Children in Rural Areas (DWCRA) was launched a sub-scheme of Indian Rural Development Program (IRDP) and was directed at improving the living conditions of women (and thereby, children). This was primarily through the provision of self-employment opportunities and access to basic social services.<sup>5</sup> Over the years, government policies on women's development have evolved from a welfare-oriented approach to a focus on development and empowerment; the approach most prevalent today.

Apart from government schemes and policies, another important tool aimed at the empowerment of rural women through the provision of livelihoods has been Self Help Groups (SHGs). Self Help Groups are informal associations of people who come together to improve their living conditions.<sup>6</sup> Membership in these collectives often accord women with the benefits of social integrity, gender equity, financial inclusion and banking literacy. Today, 67 million Indian women are members of 6 million SHGs.<sup>7</sup>

The benefits of SHG membership for rural women has been recorded by many over the years. A study conducted by IFMR<sup>8</sup> pointed out that households with SHG members are 10% more likely to save on a daily basis than households without SHG members. Moreover, households with SHG members are 8% more likely to have formal loans (largely driven by loans from SHGs) and 9% less likely to have informal loans (driven by drop in loans taken from friends and shopkeepers).<sup>9</sup>

While SHGs have been a popular means of empowerment in India since 1980's, recent developments in the sector has resulted in increased digital technology usage. This is particularly relevant in the area of digital financial inclusion. Given that Indian women are 8% less likely to own a formal financial account and 12% less likely to use digital services<sup>10</sup>, the popularization and democratization of digital

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<sup>1</sup> <https://www.financialexpress.com/economy/rural-unemployment-skyrockets-jobs-lost-or-more-workers-joined-labour-market-employment-workers/2098566/>

<sup>2</sup> <https://secc.gov.in/stateSummaryReport>

<sup>3</sup> <https://www.hindustantimes.com/india-news/women-s-participation-in-labour-market-reflects-a-declining-trend/story-5Lj9PvtVpiVu6rvu9JHlZP.html>

<sup>4</sup> <https://ncert.nic.in/textbook/pdf/keec107.pdf>

<sup>5</sup> <https://niti.gov.in/planningcommission.gov.in/docs/plans/mta/mta-9702/mta-ch6.pdf>

<sup>6</sup> <https://www.drishtiiias.com/to-the-points/Paper2/self-help-groups-shgs>

<sup>7</sup> <https://www.worldbank.org/en/news/feature/2020/04/11/women-self-help-groups-combat-covid19-coronavirus-pandemic-india>

<sup>8</sup> <https://www.nabard.org/demo/auth/writereaddata/tender/2009161457SHGasAgentsofChangeFMRReport.pdf>

<sup>9</sup> <https://www.cgap.org/blog/revitalizing-self-help-group-movement-india>

<sup>10</sup> <https://www.centerforfinancialinclusion.org/digitizing-self-help-groups-in-india>

technology for rural populations could help bridge this gap and contribute to the financial empowerment of rural women. These technologies could help in recording financial information digitally and facilitating transactions using digital, paper-less modes like debit cards, ATMs, Epos machines, mobile wallets, and mobile money.<sup>11</sup> Apart from this, access to technology could help in better monitoring of SHGs functions, easier and more cost-effective bookkeeping, more secure allocation of resources to regions with weak outreach and increased trust for SHGs due to access to live data.<sup>12</sup>

While the advantages of increased digital adoption are many, this shift is not without its challenges. Lack of reliable data, poor internet connectivity, inadequate capacity building, low mobile ownership and lack of cooperation among banks and credit bureaus are factors that could prevent SHGs from capitalizing on the benefits of digital technologies.<sup>13</sup>

However, despite these challenges, there are some SHG networks around the country that have taken significant strides in adopting digital services for improved financial inclusion. Amongst these networks is Kerala's Kudumbashree. Launched in 1998, the group was started to empower women and eradicate poverty. It is now the largest women-empowerment project in the country. In October 2019, Kudumbashree received the Digital Transformation Award from Governance Now for the development of a mobile application and website. This technology allowed them to focus on monitoring the development of their 21,696 micro enterprises, ensuring the sustainability of these organisations. Through this application, the micro enterprises updated their monthly turnover, marketing plans, program participation, and convergence details amongst other data points onto the application, allowing the central network to analyse and act upon this data.<sup>14</sup> The Kudumbashree example remains one of the most powerful to illustrate the strength of digital adoption amongst SHG networks.

As illustrated by Kudumbashree, digitization of SHGs helps in not only increasing accountability and transparency but also enables the groups to minimize their dependency on cash by moving towards digital financial transactions. Apart from these organizational benefits, digitization of SHGs can be a valuable tool to bridge the gap of financial access and inclusion amongst rural women, enabling them to be on boarded onto digital financial products.<sup>15</sup> At the household level, it can become a platform for low-income families to access formal financial services at affordable costs and greater convenience. Adoption of digitization by SHGs, thus, would result in individual, household as well as systemic gains. Hopefully, Kudumbashree is only the first of many across the country.

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<sup>11</sup> <http://ifmrlead.org/wp-content/uploads/2016/12/Digitization%20of%20SHGs.pdf>

<sup>12</sup> <http://ifmrlead.org/wp-content/uploads/2016/12/Digitization%20of%20SHGs.pdf>

<sup>13</sup> <https://www.centerforfinancialinclusion.org/digitizing-self-help-groups-in-india>

<sup>14</sup> <https://www.kudumbashree.org/pages/524>

<sup>15</sup> <http://ifmrlead.org/wp-content/uploads/2016/12/Digitization%20of%20SHGs.pdf>