

# WOMEN EMPOWERMENT THROUGH SELF-HELP GROUPS IN NORTH KARNATAKA: AN EMPIRICAL STUDY

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## Abstract

Self-Help Groups (SHGs) have become a cornerstone of rural development and women empowerment in India. In economically vulnerable regions such as North Karnataka, SHGs promote financial inclusion, income generation, and social transformation. This study empirically examines the impact of financial inclusion, access to credit, skill development, and SHG participation on women empowerment, with income generation as a mediating variable. Primary data were collected from 300 SHG members across selected districts of North Karnataka using a structured questionnaire. The data were analyzed using correlation, multiple regression, and mediation analysis. The findings indicate that financial inclusion, access to credit, and skill development significantly enhance income generation and women empowerment. Income generation partially mediates the relationship between economic participation and empowerment. The study recommends strengthening digital literacy, market linkages, and entrepreneurship training to enhance SHG sustainability.

**Keywords:** Self-Help Groups, Women Empowerment, Financial Inclusion, Income Generation, North Karnataka

## 1. Introduction

Self-Help Groups (SHGs) are informal, community-based associations of women who voluntarily unite to promote savings, access institutional credit, and engage in income-generating activities. These groups function on principles of mutual trust, collective responsibility, and financial discipline, enabling women—particularly from economically weaker sections—to build financial resilience and social solidarity. The SHG movement in India gained structured institutional backing through the pioneering efforts of National Bank for Agriculture and Rural Development (NABARD), which launched the SHG–Bank Linkage Programme in the early 1990s to integrate informal savings groups with formal banking systems. This initiative significantly expanded access to affordable credit for rural women and reduced dependence on informal moneylenders.

Subsequently, the National Rural Livelihoods Mission (NRLM) strengthened the SHG ecosystem by providing capacity-building support, revolving funds, skill development training, and market linkage assistance. Through a structured framework of federations and cluster-level institutions, NRLM enhanced the sustainability and scalability of SHG operations across rural India.

North Karnataka, however, continues to face socio-economic challenges compared to the relatively developed southern districts of the state. Persistent drought conditions, agrarian distress, limited industrial growth, migration, and low female workforce participation characterize the region's development landscape. In such a context, SHGs serve as a critical instrument for financial inclusion, livelihood diversification, and women empowerment. Although prior studies have documented the positive impact of SHGs in various parts of India, region-specific empirical research focusing on North Karnataka remains limited. This study seeks to bridge that gap by examining the role of SHGs in enhancing income generation and women's empowerment within the unique socio-economic setting of North Karnataka.

## 2. Review of Literature

Kabeer (2005) examined whether microfinance acts as a “magic bullet” for women's empowerment and concluded that access to financial resources enhances women's agency, bargaining power, and participation in household decision-making. However, the study emphasized that financial services alone are insufficient without supportive social and institutional frameworks.

Puhazhendhi and Satyasai (2001) conducted an impact assessment of SHGs supported by the National Bank for Agriculture and Rural Development and found significant improvements in income levels, savings habits, and social awareness among rural women. The study highlighted that SHGs contribute not only to economic gains but also to social empowerment and leadership development.

Swain and Wallentin (2009) empirically investigated SHGs in India and reported that microfinance participation significantly enhances women's self-confidence and mobility. Their findings demonstrated that SHG membership improves both economic independence and intra-household decision-making capacity, thereby strengthening empowerment outcomes.

Sinha (2005) analyzed the sustainability of microfinance institutions and SHGs, emphasizing the importance of financial discipline, proper bookkeeping, and institutional support. The study pointed out that long-term sustainability depends on effective monitoring systems and market linkages rather than mere credit distribution.

A study by the World Bank (2022) highlighted that women's economic participation is directly linked to poverty reduction and inclusive growth. The report emphasized that financial inclusion programs, when combined with skill development and market access, significantly enhance women's socio-economic status.

The National Rural Livelihoods Mission (NRLM) framework report (2022) documented that SHG federations strengthen collective bargaining power, enhance access to institutional credit, and improve livelihood diversification. The report underlined the role of training, digital inclusion, and cluster-level federations in sustaining SHG performance, particularly in rural and semi-arid regions.

## 3. Objectives of the Study

1. To examine the impact of financial inclusion on women empowerment.
2. To analyse the influence of credit access and skill development on income generation.
3. To test the mediating role of income generation.
4. To provide policy suggestions for strengthening SHGs in North Karnataka.

## 4. Conceptual Model and Hypotheses

### Independent Variables:

- Financial Inclusion
- Access to Credit
- Skill Development
- SHG Participation

### Mediating Variable:

- Income Generation

### Dependent Variable:

- Women Empowerment

### Hypotheses

H1: Financial inclusion positively influences women empowerment.

H2: Access to credit positively influences income generation.

H3: Skill development positively influences income generation.

H4: SHG participation positively influences women empowerment.

H5: Income generation mediates the relationship between access to credit and women empowerment.

H6: Income generation mediates the relationship between skill development and women empowerment.

## 5. Research Methodology

**Research Design:** Descriptive and analytical

**Sample Size:** 300 SHG members

**Sampling Method:** Random sampling from selected districts of North Karnataka

**Data Collection Tool:** Structured questionnaire (5-point Likert scale)

### Statistical Tools Used:

- Descriptive Statistics
- Correlation Analysis
- Multiple Regression
- Mediation Analysis

## 6. Results and Data Analysis

### 6.1 Reliability Test

Cronbach’s Alpha values ranged from 0.79 to 0.90, indicating acceptable reliability (>0.70).

Cronbach’s alpha values for all constructs exceed 0.70, confirming internal consistency. Composite reliability values are above 0.80, indicating measurement stability. Average Variance Extracted (AVE) values exceed 0.50, establishing convergent validity. Overall, the measurement model demonstrates acceptable reliability and validity.

### 6.2 Correlation Analysis

**Table 1: Correlation Matrix**

Variables	FI	AC	SD	IG	WE
Financial Inclusion (FI)	1				
Access to Credit (AC)	.512**	1			
Skill Development (SD)	.468**	.533**	1		
Income Generation (IG)	.601**	.648**	.572**	1	
Women Empowerment (WE)	.655**	.620**	.598**	.712**	1

**p < 0.01**

The correlation matrix indicates significant positive relationships among all study variables ( $p < 0.01$ ). Income generation shows the strongest association with women empowerment ( $r = 0.712$ ). Financial inclusion, access to credit, and skill development are moderately and positively correlated with both income generation and empowerment. These results confirm the interrelated nature of SHG economic and social outcomes.

### 6.3 Regression Analysis

**Table 2: Regression Results**

Hypothesis	Beta	t-value	p-value	Result
H1	0.284	4.215	0.000	Supported
H2	0.351	5.102	0.000	Supported
H3	0.298	4.587	0.000	Supported
H4	0.243	3.876	0.001	Supported

$R^2 = 0.58$

F-value = 45.32 ( $p < 0.001$ )

The regression results reveal that financial inclusion and SHG participation significantly predict women empowerment. Access to credit and skill development significantly influence income generation. The model

explains 58% of the variance ( $R^2 = 0.58$ ), indicating strong explanatory power. All hypothesized direct relationships (H1–H4) are statistically supported.

### 6.4 Mediation Analysis

**Table 3: Mediation Results**

Hypothesis	Direct Effect	Indirect Effect	Mediation	Result
H5	0.210	0.145	Partial	Supported
H6	0.195	0.132	Partial	Supported

Income generation partially mediates both relationships.

The mediation results indicate that income generation partially mediates the relationship between access to credit and women empowerment. A similar partial mediation effect is observed between skill development and empowerment. Both indirect effects are statistically significant ( $p < 0.05$ ). This confirms that economic improvement acts as a pathway toward empowerment

### 7. Discussion

The findings of the present study provide strong empirical evidence that Self-Help Groups (SHGs) function as effective instruments of socio-economic transformation in North Karnataka. The statistical results demonstrate significant positive relationships between financial inclusion, access to credit, skill development, income generation, and women empowerment. These findings are consistent with earlier research that highlights microfinance as a catalyst for enhancing women’s agency, decision-making power, and economic participation.

Financial inclusion emerged as a key determinant of women empowerment. Regular savings habits, access to formal banking services, and exposure to financial management practices significantly improved members’ confidence in handling monetary matters. In regions like North Karnataka, where rural women traditionally had limited interaction with formal financial institutions, SHG participation bridges this gap. The positive beta coefficient for financial inclusion indicates that economic security contributes directly to psychological and social empowerment, strengthening women’s role within households and communities.

Access to credit was found to significantly influence income generation. SHG-based credit enables women to invest in small-scale entrepreneurial activities such as dairy farming, tailoring, petty trade, and food processing. The regression results suggest that timely and affordable credit enhances productive capacity and reduces dependency on informal moneylenders. This finding is particularly relevant in drought-prone districts of North Karnataka, where financial vulnerability is common. Credit access not only stabilizes household income but also promotes self-employment and micro-enterprise development.

Skill development and training programs also showed a significant positive impact on income generation. Capacity-building initiatives equip women with technical, managerial, and entrepreneurial skills necessary for sustaining income-generating activities. Training in bookkeeping, digital banking, and product marketing strengthens the operational efficiency of SHGs. The results confirm that economic empowerment is not merely a function of credit access but also depends on the effective utilization of skills and knowledge.

One of the most important contributions of this study is the identification of income generation as a mediating variable. The mediation analysis revealed that income generation partially mediates the relationship between access to credit, skill development, and women empowerment. This implies that while financial and skill-based interventions directly influence empowerment, their impact is significantly enhanced when they translate into

tangible economic gains. In other words, economic independence acts as a pathway through which empowerment outcomes are realized.

Despite these positive outcomes, the study also highlights persistent challenges. Limited market access, inadequate branding of SHG products, and low digital literacy restrict growth potential. Many SHGs operate within local markets without broader supply chain integration, which constrains revenue expansion. Additionally, irregular income patterns due to climatic uncertainties affect repayment capacity and financial sustainability. These structural limitations indicate that policy interventions must go beyond credit provision and focus on holistic ecosystem development.

Overall, the discussion underscores that SHGs in North Karnataka function not only as financial collectives but also as platforms for social capital formation and community participation. By fostering collective action, peer learning, and leadership development, SHGs contribute to long-term rural transformation. Strengthening institutional support, digital infrastructure, and market linkages can further amplify their impact and ensure sustainable empowerment outcomes for rural women.

## 8. Policy Implications

1. Strengthen digital financial literacy programs.
2. Provide advanced entrepreneurship and marketing training.
3. Establish district-level SHG marketing hubs.
4. Promote e-commerce platforms for SHG products.
5. Encourage partnerships between SHGs and private sector firms.

## 9. Conclusion

Self-Help Groups in North Karnataka have emerged as a powerful instrument for promoting financial inclusion, income enhancement, and socio-economic empowerment among rural women. The empirical findings of this study confirm that access to credit, skill development, and active participation in SHG activities significantly contribute to income generation, which in turn strengthens women's decision-making capacity, self-confidence, and social recognition. The mediating role of income generation further highlights that economic participation serves as a critical pathway toward sustainable empowerment.

However, despite measurable progress, structural challenges such as inadequate marketing networks, limited digital literacy, irregular income in drought-prone areas, and dependence on external financial support continue to restrict the full potential of SHGs. Addressing these gaps through policy interventions, digital financial training, improved market linkages, and institutional strengthening can enhance the effectiveness of SHGs. In conclusion, SHGs not only function as microfinance units but also act as catalysts for social transformation, fostering inclusive growth and long-term rural development in North Karnataka.

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