

ROLE OF SELF HELP GROUPS IN FINANCIAL INCLUSION AT BANDHAN BANK

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ABSTRACT: This paper looks into the extent to which Self Help Groups (SHGs) promote financial inclusion, with a focus on Bandhan Bank. Self-Help Groups (SHGs) have emerged as a significant source of formal financial services for low-income households, particularly women, in rural and semi-urban India. Bandhan Bank uses the SHG-Bank connection approach to give vulnerable people that have been excluded from the formal financial system access to deposits, credit, insurance, and other banking services. This is the topic of the paper. According to the report, Bandhan Bank's focus on financial education efforts, streamlined credit checks, doorstep banking, and group lending has improved credit discipline and reduced transaction costs for both the bank and its customers. The bank's support for SHGs has made it easier for women to obtain finance, as well as to expand their social capital and generate revenue. SHG members have been able to develop small businesses, make purchases more readily, and rely less on informal moneylenders as a result of their regular savings and capacity to acquire credit when needed.

Keywords: *Self Help Groups (SHGs), Financial Inclusion, Bandhan Bank, SHG–Bank Linkage Model, Microfinance, Women Empowerment*

1. INTRODUCTION

Self-Help Groups (SHGs) play an important role in financial inclusion since they connect individuals of underprivileged groups with official financial institutions. They accomplish this by instilling a culture of saving, providing credit, educating people about money, and granting collective guarantees to those without bank accounts.

A Self-Help Group (SHG) is a small group of people who have opted to work together owing to their similar social and economic conditions. They meet on a weekly basis to coordinate group activities, discuss local issues, and donate small sums of money to a community fund.

As of 2020, India had over 12 million Self-Help Groups (SHGs), serving around 100 million families. These statistics represent more than simply numerical data; they demonstrate the effectiveness of collaboration.

Self-help groups are small, neighborhood-based organizations that urge members to help each other financially, with an emphasis on saving and finance. The program is crucial because it provides financial assistance to marginalized individuals and assists them in establishing a sustainable means of livelihood. This paper will discuss all aspects of self-help organizations, including their definition, role, and contribution to economic and social development.

Self-help groups are associations of people who work together to earn revenue for all of them. Self-help organizations have been helpful in bringing about change in India and other



developing countries. These organizations operate on the ideas of self-sufficiency, assistance, and empowerment for all.

The fundamental goal of these groups is to encourage people to accept responsibility for their own personal, economic, and social development through collaboration. Self-help groups (SHGs) are organizations of people that work together to solve problems and improve each other's quality of life. They are informal and managed by the members themselves. They serve as an important model for the spread of microfinance and the promotion of social and economic development, particularly in India.

Self-Help Groups (SHGs) are tiny groups that band together to provide financial aid to one another. Their major goal is to accumulate and borrow money. These organizations are critical for the development of long-term revenue sources, ensuring universal access to financial services, and involving disadvantaged communities. This paper seeks to perform a thorough assessment of the structure, goals, and outcomes of self-help groups, with a focus on their role in socioeconomic development.

Financial inclusion refers to the process of ensuring that all persons, including businesses, have access to financial services that are responsible and inexpensive. These services include banking, credit, insurance, and payments, and they are tailored to meet the specific requirements of each individual participant. It is the intention of this project to eliminate the obstacles that prohibit persons with low incomes and marginalized backgrounds from using the official banking system. As a consequence of this, poverty and inequality can be affected less.

2. LITERATURE SURVEY

Pandey, A. (2025) This report presents a comprehensive review of the role of Self-Help Groups (SHGs) in increasing financial inclusion among India's rural and impoverished communities. The paper emphasizes the importance of Self-Help Groups (SHGs) as an institutional framework for integrating underbanked and unbanked people into the formal financial system. Individuals can now easily open savings accounts, access microcredit, and use banking services thanks to SHGs. As a result, the demand for unauthorized moneylenders and financial exclusion has decreased significantly..

Bora, A. (2024): This paper examines the ability of rural India's self-help groups to access financial and social resources. It demonstrates the ability of SHGs to serve a wide range of goals, including empowering individuals, giving financial assistance, and encouraging community engagement. According to the research, SHGs help members obtain loans, learn to save money, and participate in economic activities. The paper emphasizes the crucial function of SHGs in increasing women's economic involvement by encouraging financial independence and empowering decision-making. Individuals can acquire microcredit through SHGs, allowing them to raise their income while also improving the stability of their homes. SHGs not only provide financial assistance but also provide access to social resources, which strengthens community networks and social capital.

Gohil, A (2023): This paper looks at the various challenges that Self-Help Groups face in their goal of complete financial inclusion and long-term growth. It performs a critical paper



of the financial, social, and economic barriers that SHG members must overcome, stressing how these barriers limit the stability and effectiveness of SHGs. According to the report, the biggest hurdles to SHG expansion are inadequate infrastructure, restricted market exposure, and a lack of support services.

Al-Kubati, N. A. A. (2022): This paper provides a comprehensive analysis of the SHG-Bank Linkage Programme as a tactical framework for increasing financial inclusion and women's empowerment in India. The 2023 paper remains noteworthy because it provides a thorough evaluation of one of India's most major grassroots financial inclusion efforts. The program aims to connect Self-Help Groups with reputable banks in order to increase women's access to financial services. The paper shows how the SHG-Bank Linkage Program aids women in acquiring formal credit, allowing them to engage in productive activities and start small companies.

Natung, B. (2021): The role of self-help groups in the development of social capital, which serves as a foundation for long-term financial inclusion and economic empowerment, is the subject of Natung, B. (2021). According to the survey, in addition to providing financial services, SHGs foster relationships and trust networks among their members, helping to improve rural communities. According to the paper, membership in SHGs increases mutual accountability, group learning, and teamwork, all of which benefit micro-entrepreneurship. Strong social capital in SHGs is critical for managing group credit and savings operations since it allows for collaboration and financial issue resolution.

3. THEORETICAL FRAMEWORK

SELF HELP GROUPS IN INDIA

Mahila Arthik Vikas Mahamandal in Maharashtra (MAVIM)

The amount of financial transactions exceeded the capabilities of Maharashtra's SHGs, demanding expert aid. MAVIM was founded to provide financial and employment support to self-help organizations. They guarantee that the requirements are met.

Kudumbashree of Kerala

Kerala launched the Kudumbashree initiative in 1998 to alleviate poverty via community engagement. Microcredit, entrepreneurship, and empowerment were among the nation's major collective measures to help women.

Amba Foundation

It was created in 2018 as a non-governmental, non-profit organization dedicated to assisting individuals. It currently operates across Punjab, Haryana, Uttar Pradesh, Uttarakhand, and Himachal Pradesh. So far, twenty events have taken place, providing low-income children with health exams, school materials, and books.



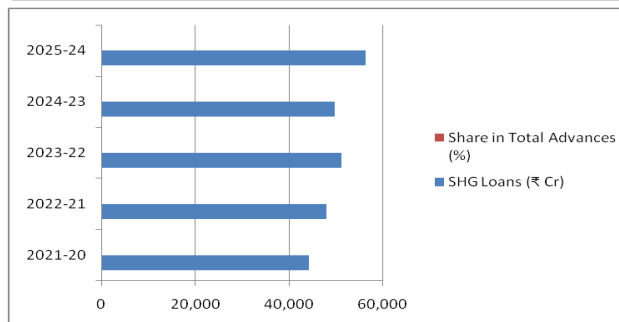
OPPORTUNITIES AND THREATS OF SELF-HELP GROUPS

Opportunities	Threats
Rural Poverty Alleviation: SHGs often play a crucial role in alleviating rural poverty.	Membership: Members of a group do not necessarily come from the poorest families.
Economic Empowerment: SHGs provide women with the confidence to participate in decision-making affairs at both the household and community levels.	Economic Gain: Despite social empowerment of the poor, the economic gain to bring about a qualitative change in their life has not been satisfactory.
Resource Mobilization: Unutilized and underutilized resources of the community can be effectively mobilized under different SHG initiatives.	Primitive Skills: Many of the activities undertaken by the SHGs are still based on primitive skills related mostly to primary sector enterprises.
Community Development: Leaders and members of successful SHGs have the potential to act as resource persons for different community developmental initiatives.	Lack of Qualified Personnel: There is a lack of qualified resource personnel in rural areas who could help in skill upgradation or acquisition of new skills by group members.
Leadership Skills: Active involvement in different SHG initiatives helps members to grow leadership skills.	Poor Accounting Practices: Poor accounting practices and incidents of misappropriation of funds are prevalent.
Political Influence: Women SHG leaders are often chosen as potential candidates for Panchayat Pradhans or representatives to Panchayati Raj Institution (PRI).	Marketing Resources: There is a lack of resources and means to market their goods.

4. RESULTS AND INTERPRETATION

SHG-LINKED MICROFINANCE /EEB ADVANCES

Year	SHG Loans (₹ Cr)	Share in Total Advances (%)
2021-20	44,295	53.7
2022-21	48,140	51.5
2023-22	51,203	47.2
2024-23	49,852	36
2025-24	56,384	36.8



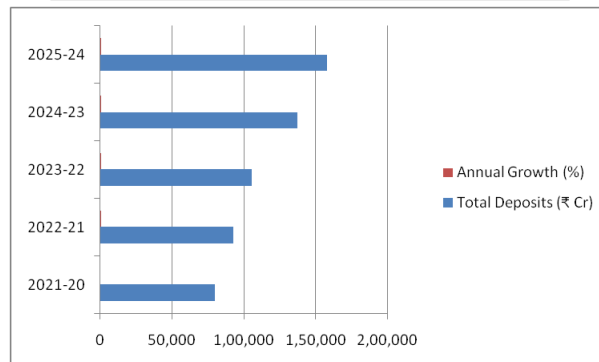
INTERPRETATION: The statistics show that SHG loans increased gradually between 2021-20 and 2025-24, with a little fall in 2024-2023 and a significant increase in 2025-2024.



Nonetheless, the share of SHG loans in overall advances has consistently declined, from 53.7% to around 36-37%. This shows that bank loans are expanding faster than SHG lending.

TOTAL DEPOSITS AND INCLUSION GROWTH

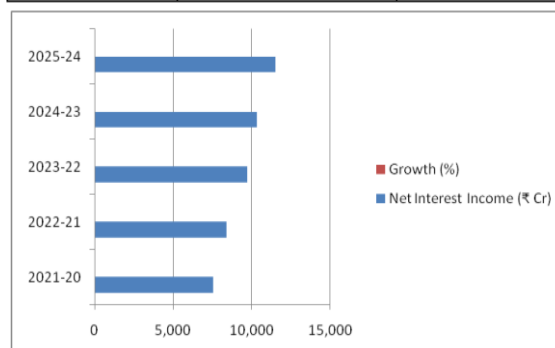
Year	Total Deposits (₹ Cr)	Annual Growth (%)
2021-20	80,081	0
2022-21	92,608	15.6
2023-22	1,05,383	13.8
2024-23	1,37,197	30.2
2025-24	1,58,075	15.2



INTERPRETATION: The steady increase in total deposits over time indicates a rapid increase in deposit mobilization. The highest yearly growth rate of 30.2% was obtained between 2024 and 2023, when deposits increased significantly. Despite a decrease to 15.2% in 2025-2024, growth remained solid. Overall, the evidence suggests that depositors are becoming more engaged and maintaining their trust in the financial system.

NET INTEREST INCOME FROM SHG-DRIVEN MODEL

Year	Net Interest Income (₹ Cr)	Growth (%)
2021-20	7,563	0
2022-21	8,393	11
2023-22	9,696	15.5
2024-23	10,326	6.5
2025-24	11,491	11.3

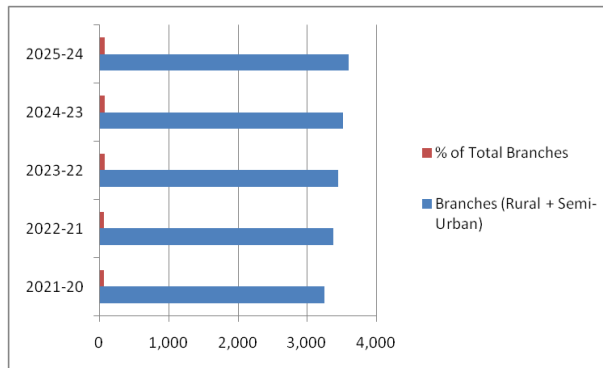


INTERPRETATION: The primary banking operation is getting more successful since net interest income has consistently increased over time. The greatest growth rate of 15.5% was

achieved in 2023-22, demonstrating the effectiveness of interest income management. Growth fell from 2024 to 2023; however, it recovered to 11.3% from 2025 to 2024. In general, the pattern suggests that profit growth is consistent and sustainable.

NUMBER OF RURAL & SEMI-URBAN BRANCHES

Year	Branches (Rural + Semi-Urban)	% of Total Branches
2021-20	3,250	74
2022-21	3,380	75
2023-22	3,450	76
2024-23	3,520	77
2025-24	3,600	78



INTERPRETATION: Over time, the number of branches in rural and semi-urban areas has consistently increased, indicating the growth of diffusion. They are focusing more on rural and semi-urban areas, as demonstrated by a rise in the share of all branches from 74% to 78%. This pattern demonstrates the school's dedication to financial inclusiveness and community financing.

5. CONCLUSION

Finally, self-help organizations are indispensable for the advancement of financial inclusion, particularly among the marginalized and underprivileged. SHGs help persons without bank accounts enter the formal financial system by encouraging regular saves, providing low-cost borrowing, and reducing reliance on unofficial moneylenders. They provide as a vital link between rural communities and institutions, ensuring that government aid programs and financial services reach the people who need them.

SHGs also provide women more power in society and the economy by improving their financial literacy, self-confidence, and decision-making skills. SHGs assist people alleviate poverty and make a living by engaging in income-generating activities, providing mutual support, and sharing accountability. In general, self-help organizations are an excellent instrument for stabilizing the local economy and encouraging inclusive social and economic development.

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