

From Microcredit to Microenterprise: SHGs as Engines of Women's Entrepreneurial Growth

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Abstract

Self-Help Groups (SHGs) have become a powerful tool for increasing women's economic participation by connecting access to microcredit with microenterprise growth. This study looks at how SHGs support women's entrepreneurial development. It focuses on how group financial practices can turn into lasting business efforts. SHGs help women save money, access microcredit, develop skills, and receive support from peers. This allows them to move from basic economic activities to income-generating microenterprises.

The study shows that, in addition to financial inclusion, SHGs build entrepreneurial confidence, improve decision-making skills, and strengthen social connections among women members. The collective approach lowers individual risk, improves credit habits, and promotes innovation at the community level. Insights from research reveal that being part of SHGs significantly boosts business stability, income consistency, and socio-economic empowerment for women entrepreneurs.

However, obstacles like limited market access, insufficient training, and difficulties in scaling still hinder long-term growth. The study concludes that enhancing SHG-led entrepreneurship with policy support, skill development, and market connections can drive inclusive growth and strengthen women's roles as active contributors to local economies.

Keywords: Self-Help Group (SHGs), Women Entrepreneurs, Microcredit, Microenterprise Development, Women Empowerment.

Introduction

Women's entrepreneurship has gained more attention as a key way to promote economic growth and social change in developing economies. Despite their potential, women often encounter ongoing challenges like limited access to formal credit, lack of collateral, inadequate financial knowledge, and restricted market access. In this setting, Self-Help Groups (SHGs) have emerged as a grassroots framework that tackles these issues by encouraging group savings, mutual support, and access to small loans. Originally designed to improve financial inclusion, SHGs have gradually become platforms that support entrepreneurial activity among women.

The shift from microcredit to microenterprise marks a major change from relying on financial help to generating sustainable income. Self-help groups (SHGs) facilitate this change by offering

financial resources along with opportunities for building skills, learning from peers, and developing confidence. Regular group interactions help women gain management skills, take risks, and make decisions, all of which are crucial for growing a business. Additionally, the collective strength of SHGs lowers individual vulnerability and boosts bargaining power in financial and market situations.

This study explores the role of SHGs as engines of women's entrepreneurial growth, focusing on how microcredit interventions translate into viable microenterprises. By examining the economic and social dimensions of SHG participation, the study seeks to highlight their contribution to fostering sustainable women-led enterprises and strengthening grassroots economic development.

Review of Literature

Josephine Mutesi & et al. (2025), The analysis of women micro-entrepreneurs participating in Self-Help Groups (SHGs) in Rwanda highlights the significant role these collectives play in advancing both financial and social inclusion within resource-limited settings. The findings indicate that the growth of women-led micro-enterprises is closely connected to improvements in individual well-being and household living conditions, with all dimensions strengthened through the wider social networks created by SHGs. As women gain entrepreneurial experience, they actively seek membership in additional SHGs that offer higher or complementary forms of financial assistance, skills development, and social support. Progression within this SHG ecosystem supports enterprise expansion, although such advancement often demands additional effort, time, and existing levels of capital or social standing. By facilitating access to credit, information, and trust-based relationships, SHGs function as empowering spaces that help women overcome economic hardship and social marginalization.

Ashwini Pandhare & et al. (2024), The findings demonstrate that microfinance initiatives, combined with entrepreneurial engagement, have significantly contributed to the empowerment of women in rural areas of Maharashtra, offering meaningful insights into the region's socio-economic environment. The evidence reveals strong participation of women in a wide range of small-scale business activities, including dairy enterprises, petty retail such as fruit and grocery shops, tailoring services, food-based ventures, as well as goat rearing and poultry farming. This active involvement reflects women's growing confidence, resilience, and ability to pursue economic independence.

Kamble (2022), Microfinance has been present in the Indian economic landscape since the 1980s, evolving over time through regulatory reforms and policy interventions introduced by national financial authorities. In a country characterized by a large population and predominantly rural demographic, limited educational opportunities, continue to restrict the economic participation of many women. Social and economic disadvantages often result in early marriage, further reducing women's access to skill development and formal employment. In the context of a rapidly changing economy, dependence on a single household income has become increasingly unsustainable, compelling women to seek income-generating opportunities. To meet this need, many women engage with self-organized groups, women-led enterprises, or non-governmental organizations that offer small-scale work and livelihood support. These platforms enable women to contribute to household earnings by participating in production activities, with the resulting goods subsequently marketed for income generation.

D.S. Durga & et al. (2016), Microfinance refers to the provision of financial services to individuals or groups with limited or irregular incomes who typically lack access to formal banking systems. The primary objective of microfinance is to promote economic self-reliance by enabling low-income populations to save, access small-scale credit, and obtain basic insurance services. While often perceived as a recent innovation, microfinance has historical roots, with early forms

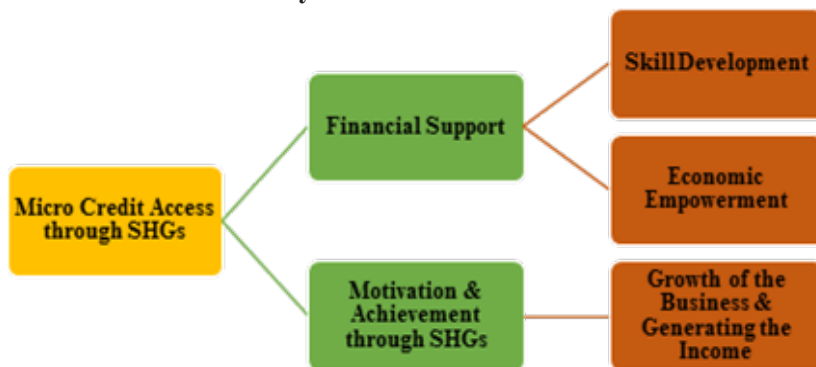
of micro-lending traced back to the eighteenth century. In its contemporary form, microfinance institutions are largely concentrated in developing economies, where they serve as vital tools for financial inclusion. Notably, these institutions demonstrate strong repayment performance, with loan recovery rates exceeding ninety percent, reflecting both borrower commitment and the effectiveness of group-based lending and monitoring mechanisms.

Arul Paramanandam & et al. (2015), The empowerment of women plays a decisive role in driving sustained economic development. In contemporary discourse, women’s economic empowerment is increasingly recognized as an essential condition for national progress, drawing the attention of policymakers, scholars, and social reformers alike. In rural areas, Self-Help Groups (SHGs) have emerged as effective instruments for promoting financial autonomy among women by facilitating collective action and access to resources. Through participation in SHGs, women engage in various micro-enterprise activities that strengthen their income-generating capacity. Empowerment, in this context, represents a form of intellectual and productive capital, enhancing women’s skills, confidence, and decision-making ability. Just as financial capital sustains industrial activity, empowered human potential serves as the foundational force that supports entrepreneurial growth and long-term economic advancement.

Statement of the Problem

Microcredit is commonly used to encourage women’s economic participation, especially through Self-Help Groups (SHGs). However, simply having access to credit does not guarantee the growth of successful or lasting microenterprises. Many women involved with SHGs still struggle to turn borrowed money into profitable businesses. This is often due to a lack of entrepreneurial skills, limited market exposure, and social or cultural barriers. Additionally, variations in SHG structure, leadership, and support impact women’s entrepreneurial success. This study explores how SHGs help move from microcredit to microenterprise and whether they truly support women’s entrepreneurial development.

Conceptual Framework for the Study



Framework for the Micro Credit Access: Author Define

Micro Credit Access through SHGs

Microcredit provided through Self-Help Groups offers women a reliable source of small-scale finance based on collective savings and mutual trust. By eliminating collateral requirements and simplifying loan procedures, SHGs enable timely access to funds. This system encourages productive investment, supports enterprise initiation, and enhances women’s financial confidence and economic participation.

Financial Support through SHGs

Financial support offered through Self-Help Groups goes beyond just credit. It encourages regular savings, emergency funds, and group financial planning. SHGs help members manage their income, stick to repayment schedules, and lower financial risks. This organized support system improves women's financial stability. It allows them to continue their entrepreneurial activities with more confidence and discipline.

Motivation & Achievement through SHGs

Self-Help Groups are important for motivating women. They create an environment of mutual support, shared responsibility, and focused participation. Regular meetings help build confidence, spark initiative, and strengthen commitment to economic activities. Through their shared successes and peer appreciation, SHGs foster a sense of achievement that encourages women to seek and maintain entrepreneurial growth.

Skill Development

SHGs help with skill development by offering training in technical, managerial, and entrepreneurial activities. Women gain production, marketing, and financial management skills through workshops, peer learning, and hands-on experience. These skills boost work efficiency, support business diversification, and allow women to react confidently to changing market demands.

Economic Empowerment

Economic empowerment helps women take charge of their income, resources, and financial decisions. This strengthens their role in both the household and the community. With stable earnings and active participation, women build their self-reliance and confidence. This empowerment leads to better living standards, increased involvement in economic activities, and lasting social and economic growth.

Growth of the Business & Generating the Income

Business growth and income generation show how well women entrepreneurs use financial resources and their skills. Increasing production, boosting sales, and reaching more markets lead to higher and more stable earnings. More income improves household financial security, supports reinvestment in businesses, and promotes the long-term sustainability of women-led companies.

Objectives of the Study

The Objectives of the Study as follows,

- To examine the extent of Microcredit access provided to women through SHGs.
- To assess how SHG-based Financial Support contributes to skill development among women entrepreneurs.
- To evaluate the impact of motivation and achievement through SHGs on women entrepreneurs.
- To study the role of SHGs in enhancing women's economic empowerment.

Implication of the Study

This research carries major lessons for policymakers, banks, and aid organisations focused on women entrepreneurs' ventures. It shows that handing out microloans is not enough on its own—women need solid self-help group (SHG) support like skills training, encouragement, and money management advice to make it work. Building up these SHG setups helps women turn those loans into thriving small businesses and steady income streams. Policymakers should weave in business

coaching, market connections, and mentorship right alongside microfinance efforts. Banks can step up by creating adaptable loan options tailored for women, tapping into SHG groups for smoother use and payback. Aid groups can draw on these findings to create targeted programs that tackle the cultural and financial hurdles women face in starting businesses. In the end, the study underscores how SHGs act as game-changers, driving fairer growth, real economic independence, and lasting job security for women.

Conclusion

The study concludes that Self-Help Groups play a decisive role in transforming microcredit into meaningful entrepreneurial opportunities for women. Rather than functioning solely as channels for credit delivery, SHGs operate as comprehensive support systems that nurture financial discipline, skill development, motivation, and collective strength. Access to microcredit through SHGs enables women to initiate income-generating activities, while continuous group support helps sustain and expand these enterprises. The findings reveal that women's participation in SHGs enhances their confidence, decision-making ability, and economic independence, leading to improved household welfare and social recognition. Skill-building initiatives and peer learning within SHGs further strengthen entrepreneurial capabilities and encourage business growth. However, the study also highlights the need for stronger institutional support, market access, and capacity-building measures to ensure long-term sustainability of women-led microenterprises. Overall, the study affirms that SHGs serve as effective engines of women's entrepreneurial growth by bridging financial and social gaps, promoting inclusive development, and empowering women to become active contributors to local and regional economies.

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