



# The Role Of Digitization Of Self-Help Groups In Karnataka

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## Abstract

The Self-Help Group (SHG) movement has been a cornerstone of financial inclusion and women's empowerment in India. In Karnataka, the digitization of SHGs through NABARD's **e-Shakti Project** has significantly transformed SHG governance, credit delivery, and transparency. This paper examines the role of digitization in strengthening SHGs in Karnataka, focusing on financial inclusion, SHG-bank linkage, operational efficiency, and women's socio-economic empowerment. Using secondary data from NABARD reports, academic studies, and evaluation papers, the study finds that digitization has improved credit appraisal, reduced transaction costs, enhanced transparency, and facilitated evidence-based policy making. However, challenges such as digital illiteracy and infrastructural gaps persist. The study concludes that digitization is a critical enabler for sustainable SHG development in Karnataka.

**Keywords:** Self-Help Groups, Digitization, e-Shakti, NABARD, Financial Inclusion, Karnataka

## Introduction

Self-Help Groups (SHGs) represent a grassroots institutional framework that aims to empower poor households—particularly women—through savings, credit, and collective action. Karnataka has emerged as a pioneer in the SHG movement due to early NGO interventions and strong bank linkage systems. However, traditional SHG functioning relied heavily on **manual bookkeeping**, leading to issues of inaccuracies, delays, and limited scalability.

To address these constraints, NABARD launched **Project e-Shakti** in 2015 with the objective of digitizing SHG records and creating a reliable national database. Karnataka became one of the major beneficiary states under this initiative, witnessing the large-scale digitization of SHG accounts and member profiles.

The digitization of Self-Help Groups (SHGs) in Karnataka plays a crucial role in enhancing the operational efficiency, socio-economic empowerment, and developmental impact of these groups. Digitization facilitates improved coordination, financial management, and access to digital financial services, enabling SHGs to function more effectively within rural and semi-urban contexts. The integration of digital tools reduces the high coordination costs traditionally faced by SHGs and promotes greater

The digitization of Self-Help Groups (SHGs) in Karnataka represents a vital advancement in empowering marginalized communities, particularly women, by enhancing their access to financial services, fostering entrepreneurship, and promoting socio-economic development. SHGs in India have long been recognized as grassroots collective organizations that facilitate savings, credit, and social support among low-income groups. In Karnataka, the infusion of digital technologies into SHG operations is accelerating their effectiveness by streamlining processes such as financial management, record-keeping, and linkage to formal banking and government welfare schemes. This digital transformation aligns with broader national and global development goals, including financial inclusion, poverty alleviation, and the Sustainable Development Goals (SDGs) related to gender equality, economic growth, and social empowerment. Moreover, digitization enables SHG members to acquire new skills and creates opportunities for micro-entrepreneurship, further reinforcing women's roles as economic agents in their communities. While the shift toward digital platforms promises increased transparency, efficiency, and scalability of SHG activities, it also necessitates addressing challenges such as digital literacy, infrastructure, and organizational change management to ensure inclusive and sustainable outcomes. This introduction highlights the significance of digital adoption in SHGs in Karnataka as a catalyst for enhanced community development and women empowerment within the evolving digital economy.

### Objectives of the Study

1. To examine the role of digitization in strengthening SHGs in Karnataka
2. To analyze the impact of e-Shakti on SHG–bank linkage and financial inclusion
3. To assess the institutional and socio-economic outcomes of SHG digitization
4. To identify challenges in the implementation of digital SHG platforms

### Review of Literature

Several studies highlight digitization as a catalyst for improving SHG efficiency and financial inclusion. NABARD reports emphasize that e-Shakti improves bookkeeping accuracy, enables automatic grading, and enhances bankers' confidence in credit appraisal. Empirical research indicates that digitized SHGs show higher credit linkage and lower dependency on informal lenders. Studies focusing on southern states, including Karnataka, report improved transparency and repayment behavior post-digitization. However, literature also notes challenges such as low digital literacy among SHG members and dependence on external facilitators for data entry.

**Puja Rajvanshi and Vyas S.K. (2019)** “Role of Digitization in Financial Inclusion of Self-Help Groups”.

The author opines in their research article that using technology to provide financial services to the poor is emerged as an alternative credit system and digitization has influenced financial inclusion on the poor. The author concluded that some of the key challenges are:

- No access to digital technology in rural areas.
- Rate of Literacy is low
- Lack of system for digital and internet facility in rural areas.
- Lack of training to officials associated digital accessibility with SHG's members.
- No Aadhar card linking with Bank account of SHG's members.

**Charulatha (2019)** The author exhibited in their article that the importance of digitization and its role as a catalyst in enabling SHG's to deliver better performance. It highlighted the various digital platforms that welcome SHG's to bring their manual records to a digitalized data pool for better decision making and performance.

**Kishore Prahalad and T Umamaheswara Rao (2019)** The author presented in their research article that the significance of the paradigm shift of digitization of SHG's with mobile. Their opine is that the linkage to banking has easier access and greater control.

**Atifa Falaq and Dr. Satya Prakash (2021)** The author opined in their research article that the Digitization of SHG's is the method of improving monetary consideration and meeting the difficulties for reinforcing the credit conveyance frameworks to the country poor women and also examined the challenges looks by the bank on giving credit to the SHG.

**Saon Ray, Peter Morgan and et.al. (2022)** The author discussed in their article that the digital finance and literacy from the perspective of G20 countries. Digital Financial Inclusion has been steadily increasing, but gender and other gaps persist and these gender gaps arises barriers to access, cost factors and skills.

**RAMYA L P and DR. SHRIPATHI KALLURAYA P(2025)** "Role of Digitization in Financial Inclusion of Self- Help Groups in India". This study examines how digitalization plays a critical role in enhancing SHGs' access to financial services, with a particular emphasis on programs like E-Shakti, Aajeevika, and Stree Nidhi. SHGs can increase member financial knowledge, improve transparency, and streamline operations by utilizing digital platforms. In order to evaluate the effects of digital technologies on SHG performance, financial behavior, and overall economic empowerment, the study examines a variety of case studies and empirical data. Results show that digitization closes the gap between SHGs and formal financial institutions while also enabling improved record-keeping and accountability. But there are still a lot of obstacles to overcome, such poor infrastructure, opposition to change, and digital literacy.

## Methodology

The study is **descriptive and analytical**, based on secondary data sources:

- NABARD annual reports and e-Shakti project documents
- Peer-reviewed journal articles and research papers
- SHG digitization evaluation studies

Trend analysis and thematic synthesis methods are used to interpret findings relevant to Karnataka.

## Digitization of SHGs in Karnataka: e-Shakti Initiative

### Key Features

- Digitized member-wise SHG profiles
- Online bookkeeping and transaction updates
- Automatic SHG grading as per NABARD norms
- MIS for banks and policymakers

These features enable real-time access to credible SHG data.

## Role of Digitization in Strengthening SHGs

### 1. Enhanced Transparency and Governance

Digitization has eliminated manual errors and strengthened internal controls. SHG meetings, savings, and loan records are systematically documented, improving member trust and accountability.

### 2. Strengthened SHG–Bank Linkage

- ✓ Banks in Karnataka now rely on digital credit histories, resulting in:
- ✓ Faster loan processing
- ✓ Improved repeat financing
- ✓ Reduced Non-Performing Assets (NPAs)
- ✓ Evidence suggests a positive correlation between digitization and increased credit flow.

### 3. Financial Inclusion and Women Empowerment

Digitization facilitates access to savings accounts, insurance, pensions, and Direct Benefit Transfers (DBT). Women members gain improved financial literacy and decision-making power, contributing to socio-economic empowerment.

### 4. Policy Planning and Monitoring

Digitized SHG data supports district-wise monitoring, targeted interventions, and integration with NRLM and state livelihood missions, strengthening institutional governance.

## Challenges in SHG Digitization

Despite significant gains, challenges remain:

- Low digital literacy among elderly SHG members
- Dependence on Community Resource Persons (CRPs)
- Internet connectivity issues in rural and tribal areas
- Delays in data updation

These issues necessitate continuous capacity-building and infrastructural support.

## Conclusion

The digitization of SHGs in Karnataka, particularly through NABARD's e-Shakti Project, has played a transformative role in strengthening financial inclusion, improving SHG governance, and empowering women. While digitization has enhanced transparency and credit access, sustained investments in digital literacy and rural infrastructure are essential for long-term success. The Karnataka experience demonstrates that digital platforms, when combined with strong institutional support, can significantly improve the effectiveness of grassroots financial institutions.

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