



DIGITAL FINANCIAL REPORTING PRACTICES IN SELF-HELP GROUPS

MRS. SHINDE RESHMA MANOJ

(Research Scholar)

Commerce Research Centre,
Gramonnati Mandal's , Arts , Commerce
and Science and
College ,Tal-Junner,Dist – Pune

DR. TAKALKAR S. D.

(Research Guide, Auditing & Accountancy)

Commerce Research Centre,
Gramonnati Mandal's , Arts , Commerce
and Science and
College ,Tal-Junner,Dist – Pune

Abstract

Self-Help Groups (SHGs) have become crucial to supporting rural development, women's empowerment, and financial inclusion, especially in countries that are developing like India. SHGs are gradually switching from manual bookkeeping to digital financial reporting systems in response to government policies encouraging digitization and the rapid rise of digital technology. The nature, scope, advantages, and difficulties of digital financial reporting techniques used by self-help groups are all examined in this study. The study is entirely dependent on secondary data gathered from books, policy papers, reports from NABARD and other government organizations, published research publications, and trustworthy web sources. The results show that while issues including low digital literacy, inadequate resources, and opposition to technology change continue to impede its effectiveness, digital financial reporting enhances transparency, accuracy, efficiency, and accountability in SHG operations. The findings indicate that while digital financial reporting enhances accountability, efficiency, accuracy, and transparency in SHG operations, obstacles like low digital literacy, poor infrastructure, and resistance to technological change still prevent it from being implemented successfully. The study provides useful recommendations to improve the sustainability of SHGs and strengthen digital financial reporting procedures.

Keywords: Self-Help Groups, Digital Financial Reporting, Accounting Practices, Transparency, Financial Inclusion



1. Introduction

1.1 Background of the Study

Self-help groups are small, informal groups of people, mostly women, who meet together to engage in income-generating activities, get credit, and save on a regular basis. Because it guarantees accountability, transparency, and confidence among members, banks, and other stakeholders, financial reporting is essential to SHG operations. In previous times, SHGs used handwritten records and registers to manually keep their finances. Nonetheless, SHGs have been urged to use digital financial reporting systems due to the increased focus on digitalization.

The concept of "digital financial reporting" describes the recording, processing, and presentation of financial data via electronic devices, mobile applications, and software systems. This change has been greatly impacted by government programs like Digital India, the SHG-Bank Linkage Program, and the promotion of mobile accounting apps. Examining SHGs' digital financial reporting procedures has become crucial in this regard.

1.2 Statement of the Problem

Many secondary research and institutional reports have shown that many Self-Help Groups still use manual accounting methods despite policy encouragement and technological availability. Adoption of digital financial reporting has been restricted by a lack of infrastructure, insufficient awareness, and inadequate digital skills. Transparency, decision-making, and institutional financing access are all impacted by inconsistent reporting procedures. This study makes an effort to examine these problems and assess how well digital financial reporting techniques work in SHGs.

1.3 Significance of the Study

The study is important because it advances knowledge of how digital financial reporting affects SHGs' sustainability, efficiency, and transparency through secondary data. It gives governments, financial institutions, non-governmental organizations, and SHG federations the information they need to create effective initiatives to improve digital accounting standards.



1.4 Scope of the Study

The scope of this research is limited to an analytical evaluation of self-help groups' digital financial reporting procedures as reported in secondary sources throughout India. The research focuses on digital financial reporting patterns regarding loans, savings, income, expenses, and reporting systems.

1.5 Objectives of the Study

1. To assess the extent of adoption of digital financial reporting in SHGs.
2. To study the benefits of digital financial reporting practices.
3. To identify challenges faced by SHGs in adopting digital financial reporting.

2. Research Methodology

2.1 Research Design

The research adopts a descriptive and analytical research design.

2.2 Sources of Data

- **Secondary Data:** Collected from books, peer-reviewed journals, doctoral theses, NABARD and RBI reports, government publications, SHG federation reports, and authenticated online resources.

3. Concept of Digital Financial Reporting in SHGs

For SHGs, digital financial reporting refers to the recording, processing, and presentation of financial transactions pertaining to savings, loans, income, and expenses using electronic tools, software platforms, and mobile applications. It makes standardized reporting formats, computerized calculations, and real-time data entering possible.

The institutional ties between SHGs are strengthened by the growing connection of digital reporting systems with banking platforms, federations, and government monitoring systems.

4. Evolution of Digital Financial Reporting for SHGs in India

The evolution of digital financial reporting for SHGs in India can be explained in the following phases:

- **Manual Phase:** Complete dependence on handwritten registers and physical records.
- **Computer-Assisted Phase:** Use of spreadsheets and basic accounting software by SHG federations.



- **Mobile-Based Phase:** Introduction of mobile applications for SHG bookkeeping and reporting.
- **Integrated Digital Phase:** Linkage of SHG digital records with banks, NABARD, and government platforms.

This evolution has been driven by initiatives such as the SHG–Bank Linkage Programme, Digital India, and financial inclusion policies.

5. Institutional and Policy Framework

Digital financial reporting for SHGs in India is supported by multiple institutions and policies:

- **NABARD:** Promotion of digital bookkeeping and reporting under SHG–Bank Linkage Programme.
- **Government of India:** Digital India initiative and financial inclusion schemes.
- **State Governments and NGOs:** Development and implementation of SHG accounting applications.
- **Banks:** Integration of SHG digital records with credit appraisal and monitoring systems.

These frameworks encourage standardized and transparent financial reporting practices.

6. Applications of Digital Financial Reporting in SHGs

Digital financial reporting in SHGs covers:

- Maintenance of digital cash books and ledgers
- Recording of member savings and loan transactions
- Generation of financial statements and reports
- Digital submission of records to federations and banks
- Monitoring of fund utilization and repayment performance

Such applications improve operational efficiency and decision-making within SHGs.

7. Benefits of Digital Financial Reporting for SHGs

Self-Help Groups (SHGs) may benefit greatly from digital financial reporting as it enhances institutional reliability, financial management, and transparency. These advantages greatly help to SHGs' viability and incorporation into the official financial system as they increasingly use digital technologies for keeping financial records.



Enhanced transparency and accountability. All financial transactions pertaining to savings, loans, income, and expenses are precisely documented and readily available because of digital records. Trust between SHG members and external stakeholders like banks, governmental organizations, and non-governmental organizations has been strengthened by this transparency.

Improved accuracy and reduction of errors. Calculation errors, omissions, and inconsistencies are common in manual bookkeeping. Digital technologies reduce human error and automate computations, producing more accurate and dependable financial reporting.

Timely access to financial information. SHG members and office bearers may easily analyze financial circumstances with the help of automatic report generation and real-time data entering. Effective financial planning and well-informed decision-making are supported by this prompt access.

Strengthened linkage with banks and financial institutions - By providing verifiable financial information, digitally recorded financial statements enhance SHGs' creditworthiness. Under the SHG–Bank Linkage Program and other financial inclusion measures, this makes it simpler getting institutional credit.

Better governance and internal control within SHGs. - Clear transaction documentation improves oversight, lowers the possibility of financial theft, and guarantees adherence to set policies and guidelines.

Improved audit and monitoring - As digital records offer standardized and ordered financial data, they make auditing procedures easier. It is simple for auditors and monitoring organizations to keep tabs on transactions, evaluate how funds are being used, and guarantee accountability.

Financial literacy and empowerment - Continuous engagement with digital financial data boosts confidence and decision-making skills by improving comprehension of savings, credit management, and financial planning.

long-term sustainability - By providing data backup, record continuity, and simple access to past financial data. This promotes development and expansion while fortifying institutional memory.



8. Challenges in Digital Financial Reporting

Digital financial reporting in India confronts a number of structural, technological, and socioeconomic obstacles despite notable advancements in digitalization. These issues are most noticeable in grassroots organizations like public sector organizations, micro and small businesses, and Self-Help Groups (SHGs). To ensure equitable and sustainable deployment of digital financial reporting systems, it is imperative to comprehend these obstacles. Members' low levels of digital literacy

- Limited access to smartphones and internet connectivity
- Resistance to shifting from manual systems
- Data security and privacy concerns present a significant risk in digital financial reporting.
- Dependence on external technical support
- digital illiteracy and lack of technical skills
- The initial costs of devices, software, maintenance, and training can be burdensome for small organizations and community-based groups.

9. Role of Digital Financial Reporting in Financial Inclusion

Digital financial reporting plays a critical role in advancing financial inclusion by formalizing SHG financial records. Digitized data improves access to institutional credit, government subsidies, and development programs. It also enhances monitoring and evaluation of SHG performance at the policy level.

10. Findings (Based on Secondary Data)

1. Digital financial reporting adoption among SHGs in India is increasing but uneven.
2. Digitally enabled SHGs demonstrate higher levels of transparency and accountability.
3. Policy and institutional support are key drivers of digital adoption.
4. Capacity building and infrastructure development remain critical requirements.

11. Conclusion

Digital financial reporting represents a transformative shift in the management and governance of Self-Help Groups in India. While digitization has significantly improved transparency,



efficiency, and institutional linkage, its full potential remains constrained by skill gaps and infrastructural challenges. Strengthening training programs, ensuring user-friendly digital tools, and enhancing policy support will be essential to institutionalize digital financial reporting practices across all SHGs in India.

Bibliography

Government & Institutional Reports

1. NABARD. (2019). *Status of Microfinance in India*. National Bank for Agriculture and Rural Development, Mumbai.
2. NABARD (2022). *Status of Self-Help Groups in India*.
3. NABARD. (2020). *SHG–Bank Linkage Programme: Progress Report*. NABARD, Mumbai.
4. NABARD. (2022). *Digitisation of SHGs: Issues and Way Forward*. NABARD Working Paper.
5. Reserve Bank of India. (2018). *Financial Inclusion in India*. RBI, Mumbai.
6. Reserve Bank of India. (2021). *Report on Trend and Progress of Banking in India*. RBI.
7. Ministry of Rural Development. (2020). *National Rural Livelihoods Mission (NRLM) Framework*. Government of India.
8. Ministry of Electronics and Information Technology. (2019). *Digital India Programme*. Government of India.

Books

9. Ledgerwood, J. (2013). *The New Microfinance Handbook*. World Bank Publications.
10. Robinson, M. S. (2001). *The Microfinance Revolution*. World Bank.
11. Banerjee, A., & Duflo, E. (2011). *Poor Economics*. Random House India.
12. Ghosh, J. (2017). *Microfinance and Rural Development in India*. Oxford University Press.
13. Karmakar, K. G. (2016). *Microfinance in India*. Sage Publications

C. National & International Journal Articles

14. Sharma, R., & Gupta, P. (2021). Digital Accounting Practices in SHGs. *International Journal of Rural Development*.



15. Kumar, S. (2020). Financial Reporting Challenges in SHGs. *Journal of Microfinance Studies*.
16. Rao, M. (2019). Transparency and Accountability in SHGs. *Indian Journal of Accounting*.
17. Sahu, G. B., & Das, B. (2021). Digitalization of accounting systems in rural institutions. *Journal of Rural Finance*, 15(2), 101–116.
18. Choudhary, V., & Mishra, S. (2020). Financial reporting practices of SHGs in India. *International Journal of Accounting Research*, 8(1), 55–66.
19. Patnaik, I., & Shah, A. (2019). Digitization and financial transparency in India. *Economic & Political Weekly*, 54(12), 45–52.
20. Singh, P., & Kaur, J. (2022). Technology adoption in women Self-Help Groups. *Journal of Gender and Development*, 30(1), 89–104.
21. Reddy, K. S., & Reddy, R. (2018). Accounting information systems in microfinance institutions. *Asian Journal of Accounting*, 6(3), 141–155.
22. Bhattacharya, R. (2021). Digital governance and financial reporting in India. *Indian Journal of Public Administration*, 67(4), 612–625.

D. Webliography

1. Ministry of Rural Development (MoRD), Government of India - <https://rural.nic.in>
2. National Rural Livelihoods Mission (NRLM) - <https://aajeevika.gov.in>
3. National Bank for Agriculture and Rural Development (NABARD) <https://www.nabard.org>
4. Reserve Bank of India (RBI) - <https://www.rbi.org.in>
5. Ministry of Finance, Government of India- <https://www.finmin.nic.in>
6. Digital India Programme - <https://www.digitalindia.gov.in>
7. Public Financial Management System (PFMS) - <https://pfms.nic.in>
8. MicroSave Consulting - <https://www.microsave.net>
9. CARE India – Women & Financial Inclusion - <https://www.careindia.org>