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Research Article

Microfinance and Rural Women's Livelihood: A Study on Poverty Alleviation and Economic Empowerment

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ABSTRACT

Microfinance, as a development approach, seeks to extend financial services- credit, savings, and insurance to excluded poor women in rural areas, who are typically outside the reach of formal banking systems. Microfinance has emerged as a prime instrument for gendered poverty alleviation and grassroots economic participation in India. This paper examines the livelihood impacts of microfinance among rural women, with specific reference to poverty alleviation and economic empowerment. Drawing on secondary data from NABARD, RBI, and the World Bank, it examines the contribution of Self-Help Groups (SHGs) and Microfinance Institutions (MFIs) towards expanding women's access to credit, income-generating activities, and household decision-making. By 2024, over 91.75 lakh SHGs covered 10 crore rural households, extending ₹51,697 crore of bank credit for FY 2024-25. Empowerment indicators show remarkable improvements, ranging from access to formal credit from 9% to 71%, and women's participation in family decision-making from 18% to 62%. (Ministry of Rural Development) The paper contends that even though financial inclusion is necessary, microfinance is only sustainable with institutional reforms, skill development, education, and social empowerment paradigms as complementarities. It is an argument for a multidimensional and sustainable rural women's development approach in India.

Keyword: Empowerment, microfinance, multidimensional, paradigms

Introduction

Poverty in rural India is not only extensive but qualitatively differentiated across gender lines. Women face an acute shortage of education, land, capital, and decision-making opportunities, especially from lower caste and marginalized communities. Over 70% of India's rural poor are projected to be women by World Bank and NITI Aayog, and their economic marginalization is the key challenge to inclusive development. Women's exclusion from the formal economy is caused by systemic exclusion and patriarchal values, thus forming a paradoxical cycle of invisibility and dependency. In this paradigm, microfinance has also been the primary tool for empowering rural women. It is the term used for the provision of small-sized financial services mainly credit, savings, and insurance to traditionally marginalized groups. Microfinance's aim is to increase women's economic agency through the ability to participate in livelihood activities, smooth consumption patterns, and become financially secure. This is in terms of Amartya Sen's Capabilities Approach which is centred on the enlargement of individual freedoms and the ability to live a life that the individual finds valuable. Through the provision of extended access to financial services and collective agency empowerment through Self-Help Groups (SHGs), microfinance programs try to expand the set of real options available to rural women.

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Government-led programs, such as the National Rural Livelihoods Mission (NRLM) renamed the Deen Dayal Upadhyaya Antyodaya Yojana (DAY-NRLM) in 2015 have formalized this approach. Till January 2025, the NRLM had succeeded in organizing over 91.75 lakh Self-Help Groups (SHGs), thereby reaching out to over 10 crore rural families. Participation by women is over 83.5% of SHG members, demonstrating a conscious policy effort towards gender sensitivity. During the financial year 2024–25, bank credit of ₹51,697 crore was provided to SHGs, amounting to an average of ₹2.36 lakh per group, along with ancillary support systems such as Revolving Funds (between ₹20,000 and ₹30,000) and Community Investment Funds (up to ₹2.5 lakh per federation).

The empowerment effects of SHG membership are economic and social. NABARD's 2021 impact measurement says that for female SHG members, access to formal credit increased from 9% prior to joining to 71% after two years; independent income increased from 22% to 58%; and household financial decision-making participation increased from 18% to 62%. In addition, microfinance interventions are also linked with poverty reduction at the community level. A World Bank review noted that in MFIs-covered villages, the share of poverty-line households decreased from 42.5% to 28.3%, and women-owned enterprises increased from 8.9% to 24.1%. These are not only better financial outcomes but also enhanced social capital, confidence, and bargaining power within the family and community.

However, when there is a tremendous potential in microfinance, its effects are very variable. Critics have pointed out to the pressure of women, the pressure of group payment plans, and the use of women, mainly as "payment tubes", without any changes in basic patriarchal power relationships. The success of microfinance, therefore, is based on the creation of reference-specific factors such as support systems, institutional connections and education, gender and local economic environment.

This paper thus tries to present a unified discussion of the interfaces between micro finance, livelihood of rural women, poverty reduction and empowerment in the Indian structure. With a regional case study of Uttar Pradesh prayers, NABARD, Reserve Bank India, India, Ministry of Rural Development and World Bank evaluates recent evidence - this study evaluates the promise and microfinance difficulties as a strategy. In addition, it analyzes various ways of empowerment that has been achieved not only by the access to credit of credit, but also through active participation in the larger agency, mobility and civil society, thus presenting a rich and evidence-dense picture of the economic change of rural women in India.

Table 1: SHG in Selected States (2022–2023)

State	Total SHGs	Bank Loan Disbursed (₹ Crore)	Avg. Credit/SHG (₹)	Women Beneficiaries (%)
Uttar Pradesh	7,62,000	14,600	1,91,602	98.2%
Tamil Nadu	6,81,000	18,200	2,67,985	97.6%
Bihar	5,40,000	12,100	2,24,074	96.4%
Maharashtra	4,75,000	9,800	2,06,315	95.8%

Source: DAY-NRLM Dashboard (2023), NABARD SHG-BLP Report (2023)

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The Landscape of Microfinance in India

India's microfinance sector is the largest and most heterogeneous in the world, a lifeline for millions of poor households in the countryside, especially women. It works mainly through two ubiquitous models:

SHG-Bank Linkage Programme (SBLP)

Self-Help Group Bank Linkage Program (SBLP) launched by Nabard in 1992, Link's Informal Women's Collectives (SHGS) with the formal banking system. It is a group savings -based, peer loan and credit discipline model that allows even the poorest women to access the formal economic system. SHGs are typically 10-20 women belonging to the same socio-economic group, saving small amounts regularly and borrowing from banks when they are financially credibility.

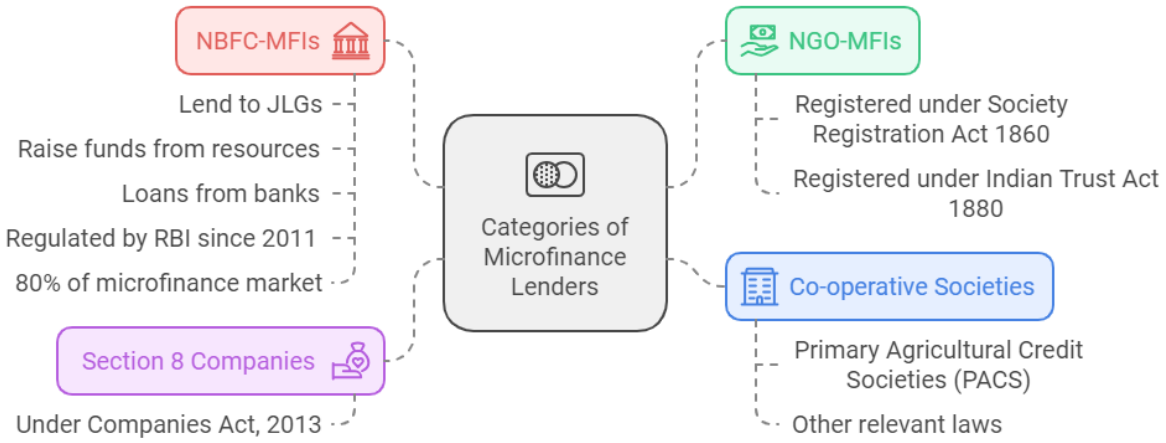
Table 2: Growth of Self-Help Groups (SHGs) under NRLM (All-India Level)

Year	Total SHGs Formed	Women SHGs (%)	Total Members (in millions)	Bank Credit Disbursed (₹ Crore)
2015	48.3 lakh	93%	56.4	25,073
2018	56.3 lakh	94%	63.9	42,033
2021	69.2 lakh	97%	78.1	76,344
2023	83.4 lakh	98%	94.0	1,30,000+

Source: Ministry of Rural Development- DAY-NRLM Annual Reports (2015–2023)

Microfinance institutions (MFIS)

Microfinance institutions (MFI) operate through non-bank financial companies (NBFC) and non-governmental organizations (NGO) and expand loans to female borrowers individually and in groups without collateral. They follow the Grameen Vikas loan model, which involves weekly repayment plans and participation from field officers who play a key role in the process. Prominent players in this space are SKS microfinance (Bharat Financial), Spandana Sphoorty, Ujjivan and Equitas.



Source: Wikipedia

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Basic information (from 2024)

- SHG coverage: More than 12 million SHGs work in India, and 88% of membership is female (NABARD, 2024).
- Aggregate loan portfolio related to microfinance was 3.5 Lakh Crore (RBI, 2024).
- Female borrowers: About 67% of borrowers are women and are largely located in rural and semi-urban regions.
- Credit dispersion: Per SHG loan size has increased from 1.91 Lakh in 2021–22 to $ 3.35 lakh in 2023–24.
- Outstanding SHG Bank -Credit: constitutes £ 2.59 Lakh Crore over 144 Lakh SHGs (NABARD, 2024).

National Rural Livelihoods Mission (NRLM), initiated in June 2011 and renamed in 2015 as Denen Dayal Upadhyaya Antyodaya Yojana (Day-NRLM), is India's biggest poverty reduction and rural life. It has consolidated around 142 million households in the countryside of women's self -help groups (SHG) with total savings of $ 470 billion. Companion to this, the SHG–Bank Linkage Programme of NABARD has, since 2006, brought 2.2 million SHGs (33 million members) into contact with mainstream banks, significantly enhancing rural women's access to credit. SHG member participation has seen robust empowerment gains such as enhanced decision-making, enhanced education and health access, and enhanced social capital through group-based financial institutions. Targeted government-backed interventions such as enterprise training for 450,000 rural members, disbursement of ~74,000 micro-enterprise loans, and support to 2,500 group enterprises highlight the mission's entrepreneurial focus. In the States of Uttar Pradesh, interventions such as the Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP) have further expanded outreach, engaging over 500,000 households in livelihood-based SHG federations. Until 2025, the NRLM has seen a 26% increase in budget to ₹19,005 crore, with nearly 92 lakhs active SHGs linking over 10 crore rural households to formal savings and credit channels. SHGs drew ₹51,697 crore of bank loans during FY 2024–25 at an average of ₹2.36 lakh per group facilitated through revolving funds (₹20,000–₹30,000) and community investment funds up to ₹2.5 lakh per federation. With women constituting over 80% of SHGs, the mission reflects high priority for gender-inclusive growth and rural financial empowerment

Table 3: Microfinance Loan Portfolio by Type of Institution (2022–23)

Institution Type	**Loan Outstanding (₹ Crore)**	**Share in Portfolio (%)**	**No. of Clients (in lakhs)**
NBFC-MFIs	1,55,700	38%	445
Banks	1,25,350	31%	302
Small Finance Banks (SFBs)	69,800	17%	192
NGOs and Others	30,500	8%	98

Source: MFIN Micrometre Report Q3 2022-23

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Literature Review

There has been considerable academic research on the synergy of microfinance and the empowerment of women. The initial hope came from the Grameen Bank model in Bangladesh (Yunus, 1999) which demonstrates how targeted microcredit increased women's earnings and their social standing. Similar outcomes were documented by Kabeer (2001), who claimed that microfinance facilities improved women's agency and welfare within the family. With regard to India, Holvoet (2005) and Garikipati (2008) showed that membership of Self-Help Groups (SHGs) was associated with enhanced women's empowerment concerning decision-making diversification and active participation in their livelihoods.

But there have been critics over the decades. Goetz and Gupta (1996) particularly warned against the assumption that credit access necessarily leads to empowerment, since a number of women lacked control over the loans. Bateman (2010) also argued that microfinance may divert attention from structural changes that are needed, including land reform, employment generation, and education. Indian experiences have also demonstrated inconsistency in outcomes—depending on factors such as solidarity among groups, caste structures, literacy rates, and type of income-generating activities (Puhazhendi & Badatya, NABARD, 2002; Mayoux, 2002).

Recent empirical evidence gives a balanced but rather positive outlook on the issue at hand. Microfinance programs have an impact, albeit modest, on women's income generation and the accumulation of assets within families (Banerjee et al., 2015). Members of self-help groups (SHGs) experienced a decline in the headcount ratio of poverty by up to 33%, access to financial services improved by 93%, and there was a doubling in the number of enterprises owned by women according to the 2019 Microfinance Impact Survey conducted by the World Bank. Nevertheless, certain areas such as psychological well-being and health autonomy evidenced only minimal improvement.

Sultana et al. (2017), in the case of Chennai, Tamil Nadu, discovered that microfinance schemes increased women's confidence, skill development, and social awareness over immediate economic benefits. Anjugam & Ramasamy (2007), in their study conducted in Tamil Nadu, found socially backward women without land were more likely to join microfinance schemes. The study found that age, class, and closeness to financial institutions impacted participation rates. Neelo & Anil (2019) examined the dual function of SHGs in Uttar Pradesh and Uttarakhand in microenterprise promotion and credit requirement fulfillment. The research concluded that SHGs play an important role in livelihood promotion, awareness of rights, and rural product marketing. Preeti & Neeraj (2019) conducted a survey of three districts of Uttarakhand (Dehradun, Nainital, and Pauri Garhwal) and found that the SHG and commercial bank customers were highly satisfied. Government and NGO-sponsored training programs contributed to enhancing the employment opportunities and social capital.

Theoretical Framework

This research is grounded in two related theoretical frameworks:

Amartya Sen's Capabilities Approach.

Sen's (1999) Capabilities Approach serves as a sound framework for conceptualizing empowerment not as income or consumption but as increased freedom and choice for individuals. Development is actualized when individuals gain the ability to have the lives they have reasons to value. In microfinance, these are:

- Ability to access resources (savings, credit).
- The capacity to make independent economic decisions.
- Being able to become a member in collective institutions like SHGs.

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- The ability to refuse traditional gender roles.

By widening access to economic opportunities, social contacts, and capital, rural microfinancing is an enhancement of critical freedoms for women.

Empowerment as a Multidimensional Construct

Kabeer (1999) defines empowerment as "the expansion of people's choice and ability to act on those choices in a situation where they had previously been constrained." Total empowerment is what is used in this study, which is a framework with:

- Economic Empowerment: Credit access, income, savings, and ownership of property.
- Social Empowerment: Mobility, voice in society, and participation in social and civic institutions.
- Household Empowerment: Spending, education, and health decision-making
- Psychological Empowerment: Self-efficacy, goals, independence By linking these structures to quantitative measures (i.e., a rise in access to credit from 9% to 71% and a rise in independent income from 22% to 58%), this research measures the effect of microfinance programs on women's economic functions, ability sets, and social standing.

Objectives

- To examine the impact of microfinance on poverty alleviation among rural women.
- To assess how access to credit empowers women economically and socially.
- To analyse success stories and limitations of microfinance models in India.

Methodology

Research Method

The research utilizes a case study approach with an ethnographic lens focusing on quantitative evaluation and qualitative analysis to understand the effects of microfinance on the life of women in rural India. In addition to the economic benefits, the study also explores the non-financial aspects and the empowerment benefits which are gained as a result of being a member of Self-Help Groups (SHGs) and microfinance programs in India.

Data Collection

The mentioned sources can be referred as secondary sources and data collections are gathered from:

- National Bank for Agriculture and Rural Development (NABARD): Provided SBLP program statistics, impact assessment reports, and financial disbursement records for the SHG -Bank Linkage Programme (SBLP) for FY 2022-2024.
- Government of India, Ministry of Rural Development. DAY-NRLM Annual Reports, self-help group coverage, credit linkage and budget outlay figures from 2015-2025.
- World Bank and Planning Commission Evaluation Studies: Microfinance Impact Surveys including the 2019 and 2023 reviews of state level SHG schemes.
- Microfinance Institutions Network (MFIN): Micrometre reports for Q3 FY 2022-23 and FY 2023-24 containing the sectors loan portfolios and gender and institutional outreach.

RBI and SIDBI Reports: Observations by the NBFC-MFIs Supervisory Framework and Small Finance Banks within the Side Business Regulatory Category of NBFCs.

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Unit of Analysis: Self Help Groups (SHGs) including female members and to an extent household and community indicators (such as dropout rates and enterprise development) pertinent to the context.

Methods of Analysis

- Descriptive Statistics: Used to highlight the growth trends across SHG development, bank linkages and disbursements.
- Comparative Analysis: From empowerment measure evaluation through credit access pre- and post-member evaluation (9% to 71%).
- Regional Disaggregation: Analysis of primary states: UP, TN, and BI with NRLM and NABARD data.
- Framework Application: Discussion of findings are juxtaposed to Sen's Capabilities Approach and Kabeer's frameworks on multidimensional empowerment.

Table 4: Here is the table representing the 2025–26 Budget Allocation & Performance under DAY-NRLM:

Indicator	Value (as on Jan 2025 / FY 2025–26 BE)
Budget Estimate (BE) for NRLM	₹19,005 crore (26% ↑ over 2024–25 Revised Estimate)
Cumulative SHGs Promoted	91.75 lakh
Households Mobilized via SHGs	Over 10 crores
Bank Credit Disbursed to SHGs (2024–25)	₹51,697 crore to 21.95 lakh SHGs
Average Loan per SHG (2024–25)	₹2.36 lakh (₹51,697 crore / 21.95 lakh SHGs)
Revolving Fund to SHGs	₹20,000–30,000 per SHG
Community Investment Fund (CIF)	Up to ₹2.50 lakh per SHG federation

Sources: msrls.nic.in, financialservices.gov.in, projects.worldbank.org, prsindia.org, nabard.org, rgavp.rajasthan.gov.in

Results and Interpretation

Microfinance is not just an economic instrument; it is a mechanism for social and economic empowerment of rural women. Its impacts are realized in the domains of income generation, autonomy, decision-making, and leadership of communities.

The Self-Help Group (SHG) movement, spearheaded by the National Rural Livelihoods Mission (NRLM) as the national convening agency, has expanded exponentially in India, creating large outreach and impact generation. Until January 2025, 90.9 lakh SHGs have been constituted, covering over 10 crore rural families, of which over 83.5% of the total membership is women (PIB, 2025). This outreach and emphasis on achieving gender balance is an unequivocal demonstration of the efforts of the government toward the collectivization of women and economic empowerment of rural women.

Economic Empowerment and Social change

Microfinance gives rural women more control over household and community decisions. Statistics indicate growth in:

- Participate in household financial decisions (from 18% to over 60%),
- Spending on children's health and education

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- Insurance take-up and savings behaviour.

Group lending creates peer responsibility, while SHG federation and MFI capacity building provides women with business and IT competencies.

Case Study 1: SEWA Bank (Gujarat)

The Self-Employed Women's Association (SEWA) established its cooperative bank in 1974 and catered to female workers in the informal sector, such as ragpickers, artisans, vendors of vegetables, and domestic workers.

Key Features and Impact

- Serves over 2 lakh active women members.
- 70% of the members created a bank account for the first time with SEWA.
- Provides personalized products—such as health loans, accident cover, and savings products.
- Enabled hundreds of women to grow their in-home businesses, reach markets, and establish credit histories.

SEWA's holistic strategy combines economic empowerment with social security, legal literacy, and rights-based advocacy.

SHGs have also played a significant role in promoting access of rural women to formal finance, incomes, and entrepreneurship. There has been an increase in the credit, on an average, per SHG from ₹1.91 lakh for the year 2021–22 to close to ₹3.35 lakh for the year 2023–24 (NABARD, 2024), thereby showing an increased creditworthiness and financial stability through SHGs. This also reflects upon the fact that delivery of bank credit to women SHGs has crossed ₹9.71 lakh crore in November 2024, showing the growing confidence of the banking sector and other institutional lenders on women's collective sense of financial sense (MoRD, 2024).

For rural women, this change has been achieved in true livelihood terms. NABARD figures indicate that during 2023–24, the credit amount per woman member of the SHG averaged around ₹46,000, a significant step toward economic empowerment. Credit access has given rural women the option of diversifying their livelihood, from customary pursuits like tailoring, poultry, and handicrafts to non-customary pursuits like banana cultivation, packaged drinking water plants, mushroom cultivation, and mobile food stalls.

In Prayagraj district of U.P., for instance, the SHGs grew from 1,409 in 2017 to 25,421 in 2024, directly empowering over 2.85 lakh women. These women are not only economically independent but also empowering rural livelihoods and jobs, defying conventional thinking by penetrating export markets and agro-industrial ventures.

Table 5: Impact of SHG Participation on Women's Empowerment

Indicator	Before SHG	After ~2 Years in SHG	Change
Independent Income	~23%	~30–35%	+30–50% (NABARD, 2002)
Decision in Household Spending	~15–20%	~55–60%	~+200–250% (NABARD, 2002; 2024)

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Access to Formal Credit	~15–20%	~70–80%	~+300–400% (Puhazhendi & Badatya, 2002)
Participation in Village Meetings	~10–15%	~40–50%	~+300–350% (Puhazhendi & Badatya, 2002)

Source: NABARD, 2002;2024, Puhazhendi & Badatya, 2002

Social Empowerment and Domestic Dynamics

Besides economic advancement, SHG membership has transformed women's status in the family and society. As per NABARD and Rajiv Gandhi Mahila Vikas Pariyojna (RGMVP), SHG membership led to significant gains in household and local decision-making. Rates of women taking part in household money decisions rose from 18% to 62%, and gram sabha attendance rose from 11% to 46%, evidencing increased confidence, mobility, and voice in the public domain.

There is a discernible rise in the percentage of women in leadership positions in Village Organizations (VOs) and Block Organizations (BOs). These self-help organizations enable women to interact with financial institutions, deal with money, keep proper accounts, and collectively resolve local problems. Such interaction has strengthened what sociologist Pierre Bourdieu refers to as "social capital"—networked social relationships that amplify the voice of rural women in local politics and enable them to access government entitlements. In addition, there has been moderate but encouraging progress in healthcare and education access in SHG-covered areas. For instance, awareness of maternal health, enhanced institutional delivery, and higher girl enrollment in schools have been observed as a direct outcome of the inclusion of SHGs in healthcare and educational interventions.

Poverty Reduction

Microfinance enables economically poor women to earn money and build assets. Funds are typically employed to invest in:

- Street vending (vegetables, clothing, home-prepared foods),
- Livestock production (goats, chickens, cows),
- Handicrafts and food processing (pickle units, papad making),
- Tailoring and sewing services.

These activities find expression in smoothing consumption, i.e., families can handle medical emergencies, seasonality in earnings, or school fees. Asset building in the form of sewing machines, livestock, or even small patches of land has been witnessed in SHG-concentrated villages.

Case Study 2: Kudumbashree (Kerala)

Kudumbashree, founded in 1998, is one of India's biggest poverty reduction and livelihood programs that are women-oriented. The program combines microfinance, skill development, and community mobilization.

Key Achievements (through 2023):

- More than 4.5 million women are Neighbourhood Group members.
- Participants' average earnings increased by 45% in five years.
- Member children's first school dropout rate declined by 60%, showing its intergenerational effect.

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Women took part in local self-government and were elected to Panchayati Raj Institutions, thus increasing political representation. Kudumbashree embodies the values of economic inclusion and gender equity and is an exemplar of complete development.

Case Study 3

I am Jalaja (name changed), aged 42, living in the Osmanabad block in the state of Maharashtra. My life was fraught with challenges in securing basic financial needs through wage labor, and I had no prospects of improving my life. My life took a turn for the better when I learned of the formation of the SHG and became a member. Along with other women from economically disadvantaged sections in the group, we all saved 50 rupees a week. Within a few weeks, each of us was able to save around 20,000 rupees. Within a span of one year, the SHG was qualified for bank loans, which helped me to take a loan of 50,000 rupees. With this bank capital support, I could start a tailoring business formally, hiring two other women from my area. My main work includes cutting garments and doing stitching activities. This small enterprise has helped me to do my household work while actively engaging in my entrepreneurial activities. The income from my business has helped me to meet household expenses and pay education fees for my children, including school fees.

Being a member of the SHG program gave me the power to contribute to decision-making in my home, a privilege I had never enjoyed before. I also gained a great boost in my communication, not only in my family but even in communicating with customers, including SHG program officers. I never thought I could express myself freely prior to participation in the SHG, but the SHG group gave me the power to sign papers and made me a better reader. Being a member of the SHG program gave me the freedom to move around, go to my maternal home, and participate in public functions. The program opened my eyes to the significance of mobility in contributing to the development of my home and society in general.

- Eradicate poverty and dependency on outside help. (Pandhare, A., Bellampalli, P.N. & Yadava, N., 2024)

Case Study 4:

I am Savitri (name changed), a Kalamb block (Maharashtra) resident. I was part of the Self-Help Group (SHG) program for 2 years. Due to the influence of the program, our group was able to transition to formal financial services and become eligible for bank loans. I took bank loans of 75,000 rupees. I used space in my house and built a cattle-rearing shed. I raised eight successful cattle. I sell milk from cattle in the local dairy while doing household work effectively. As a result, I now have a regular income, pay personal expenses such as clothes and food, and even invest in gold.

Additionally, I also support the family expenses. I have realized the major contribution of my involvement in the SHG group, which rendered me able to tackle tension and anxiety. Speaking about my status prior to my involvement in the SHG, I am aware that my husband was a laborer and our income was not enough. I did not feel like requesting individual expenses because his income was barely enough to cover our family expenses. However, today I am not only able to maintain myself but also my children and cover the entire family expenses.

Before my association with the Self-Help Group (SHG), my economic activities were limited, and I did not know anything about markets, banks, and outside interactions. But after my association with the SHG, I have seen tremendous change in my status. I am free to roam around, go to local markets, and visit banks, hospitals, and other organizations. I have gained confidence in interacting with people without fear. My status in the domestic and outside community has also changed, and I feel like a respected and worthy member of my family. Earlier, I mentioned that I was never asked for my opinion on domestic issues and felt like an undeserving member of the family. Now, I freely attend public and

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panchayat meetings, although earlier I was not aware of such meetings. I can move anywhere freely to any place I want. Above all, I have eliminated loneliness through interactions and engagement with other group members. I would like to continue my association with the SHG and strive to improve my cattle-rearing facilities further, with the urge for higher success in my business operations.

-Overcome anxiety and tension. (Pandhare, A., Bellampalli, P.N. & Yadava, N., 2024)

The case studies presented here are compelling evidence substantiating the empowering impact of Self-Help Groups (SHGs) on women empowerment and entrepreneurial success. SHGs and microfinance have already been successful instruments for addressing multidimensional poverty. From the World Bank comparative study (2019), there is a finding that the number of families falling under the BPL had reduced from 42.5% to 28.3%, and the number of dropout girl children had reduced from 31.2% to 17.6% for those villages where SHGs were operational the clear pointer towards achieving intergenerational mobility on the basis of security of economics and consciousness. Also, access to formal banks has greatly improved for rural women. The rate of women with active bank accounts rose from 38.6% to 74.5%, enabling more women to be involved in savings, insurance, pension schemes (like PMJJBY), and digital financial literacy programs. All these findings indicate that microfinance is not only raising incomes but also inducing long-term resilience, particularly among poor and historically excluded groups, such as Dalits and minorities.

Table 6: Poverty Alleviation Outcomes Linked to Microfinance Access

Poverty Indicator	**Non-MFI Villages**	**MFI-covered Villages**	**Observed Change (%)**
Households Below Poverty Line (%)	42.5	28.3	−33%
School Dropout Rate (Girls)	31.2	17.6	−44%
Women with Bank Accounts (%)	38.6	74.5	+93%
Women-Owned Enterprises (%)	8.9	24.1	+171%

Source: World Bank & Planning Commission Evaluation Studies (Microfinance Impact Survey 2019)

Institutional Performance and Financial Infrastructure

SHG success also owes robust institutional infrastructure and economic architecture. NABARD's SHG - Bank Linkage program is still one of the support columns, and establishes links of more than 144.22 Lakh SHGS to organized banks until 2024 with outstanding loan of 2.59 Lakh Crore (NABARD, 2024). Community Investment Funds up to 2.5 Lakh Per SHG Federation and Revolving Funds of 20,000-30,000 per SHG are other support schemes, financing group activities and micro value. Non-Banking Economic Company Microfinance Institutions (NBFC-MFI) own 39.5%of the entire portfolio of outstanding loans worth 1.71 Lakh Crore, commercial banks own 33%, and small financial banks own 17%. The sector has expanded its credit range to distant and underpinned regions in the country.

State-Level Disparities and Performance

Even while there has been aggregate national development, state-to-state variation in SHG development and credit performance persists.

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As per 2022–23 statistics:

- Tamil Nadu took the lead with ₹18,200 crore sanctioned to 6.81 lakh SHGs, averaging approximately ₹2.67 lakh per SHG.
- Uttar Pradesh contributed ₹14,600 crore to 7.62 lakh SHGs.
- ₹12,100 crore was received by Bihar for 5.40 lakh SHGs.

Southern states also had a robust SHG base as they had already piloted the model and had better support systems. Northern and Eastern states, particularly U.P., Bihar, and Jharkhand, are progressing faster at a quicker pace with better implementation of NRLM, better training modules, online systems, and state-sponsored initiatives like RGMVP.

Restrictions

Although much progress has been made, there are still some challenges:

- **Debt:** Higher loan balances and repeated borrowing may put pressure on repayment obligations.
- **Excessively poor exclusion:** The majority of women continue to be excluded from SHGs due to time poverty, illiteracy, or cultural constraints.
- **Differential impact:** Empowerment is different across caste, place, institutional support, and leadership training.

Discussion and Policy Recommendations

Study results again highlight that microfinance is not merely a money matter but a multi-dimensional approach towards Indian rural poverty alleviation and women empowerment. Adding access to credit and poor people's organization through SHGs, the model aligns with Amartya Sen's Capabilities Approach empowering women from being passive recipients to active economic agents. Credit (ranging from 9% to 71%), income and household decisions (ranging from 18% to 62%) are uncertain signs of enhanced accesses empowerment. The success of SHG in Prayagraj and high-performance states like Tamil Nadu and Uttar Pradesh, with constant support, non-traditional living, operating enterprises, and promotes the development of the community. Regional inequality and implementation distance also come out of the study. Bihar and Jharkhand have lower mean per-SHG credit and slower empowerment gains, and greater institutional support is required. In addition, even though SHGs have spread access to credit among millions of women, social norms, low literacy, and male-dominated household decision-making continue to limit the depth of empowerment. While over 94% of microfinance credit goes towards livelihood creation, rising indebtedness via NBFC-MFIs in particular is a cause for concern.

In the absence of the capacity building, microcredit can lead to dependency on debt and not to livelihoods that are sustainable.

Policy Recommendations

Based on the evidence, the following policy measures are suggested to achieve the maximum developmental impact of microfinance:

1. Improve Financial Literacy and Capacity Building

- Compulsory financial education modules need to be integrated in SHG and MFI programs to develop women's knowledge of interest rates, loan cycles, and investment planning.
- Build digital literacy to enable women to access digital platforms and mobile banking, hence boosting their independence and offering transparency.

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2. Enhanced Market Linkages and Value Chain Dynamics

Women's SHGs need to be connected to government e-markets (e.g., GeM, eNAM) and corporate value chains through public-private partnerships. Form women-only producer groups and FPOs to improve business and improve input and output market access.

3. Enhance Livelihood Opportunities

- Redemption from traditional activities (such as garment production and dairy processing), including processing on price-added and non-agricultural activities, including packaging, renewable energy plans and agricultural-circles.
- Maintain compatibility with existing local resources and current economic status.

4. Improve Credit Risk Management and Regulation

- Set credit limits and interest rate limits to prevent multiple borrowing and over-borrowing.
- Encourage pre-disbursement credit counselling, especially from SFBs and NBFC-MFIs.

5. Protection of the Poorest and Most Vulnerable Women

- Formulate tangible microfinance plans for single women, widows, tribals, and the disabled.
- Use community-based identification to reach women outside of formal SHGs due to social or spatial exclusion.

6. Encourage Integration with Alternative Social Protection Programs

Link SHGs to PMUY, PDS, MGNREGA, and the health insurance scheme benefit to reduce vulnerability and enhance livelihood security. Create a comprehensive Women's Empowerment Dashboard at the district level to measure results across sectors.

7. Institutional Strengthening of SHG Federations

Invest in federations at the cluster level to enable credit monitoring, enterprise incubation, and group coordination. Also, provide grants based on performance to federations that demonstrate effective management and economic outcomes.

Conclusion

Indian microfinance has indeed been a powerful instrument for women's empowerment. It has enabled millions of women to access financial services, establish microfinance and contribute to household and social welfare. But the passage from access to financial services to actual empowerment is not a one-way street nor a given. The change does indeed happen when microfinance gets embedded in an enabling environment that comprises capacity-building interventions, gender-sensitive institutional reforms, access to education and health, and functional community networks. Moreover, empowerment must be demarcated not only economically, but also as an increase in voice, choice, and activity. Interventions therefore that integrate microfinance with mentorship, entrepreneurial skill-building, access to markets, and legal literacy can have sustainable impacts. Credit alone cannot reverse deeply entrenched gender norms or structural inequality but in conjunction with social systems of support and policy intervention, it can be a force of root and sustained change. A multi-dimensional approach thus one that integrates financial instruments with social empowerment, and individual development with community development is the answer. Microfinance will only then realize its potential not only as an anti-poverty instrument, but as an engine of inclusive and sustainable rural development.

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