

Microfinance as a Catalyst for Women's Empowerment in India

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Abstract

In developing nations, there's significant focus on empowering women, recognizing its vital role in poverty alleviation and overall development. Microfinance institutions have become essential tools in the fight against poverty, particularly with regard to women's empowerment. Microfinance has been shown to have good benefits on raising income levels, financial empowerment, economic empowerment, social empowerment, political empowerment, encouraging entrepreneurship, and fostering social inclusion, this paper attempts to know the advantage of microfinance in empowering women and to know the trends of savings and loan outstanding by SHG-BLP. This paper is exploratory in nature.

Keywords: *Microfinance, Women Empowerment, Poverty and SHG-BLP*

Introduction

Microfinance is a term used to describe a financial service that gives low-income people or underserved groups access to small-scale financial products and services, such as loans, savings, insurance, and remittances. It attempts to encourage financial inclusion and provide people who have little or no access to conventional banking services. Microfinance's emphasis on offering financial services to individuals frequently left out of the conventional banking system, such as small-scale business owners, farmers, craftsmen, and low-income households, is one of its defining characteristics. These people frequently do not have the collateral, credit histories, or supporting documents required by conventional banks, which makes it difficult for them to obtain loans and other financial goods. Microfinance programmes frequently include financial literacy, education and capacity-building activities to equip borrowers with the abilities and information needed to manage their money wisely and make good use of loans. Significant research and discussion have been conducted on the effects of microfinance on the eradication of poverty and the empowerment of women financial inclusion. Although microfinance has been shown to have good benefits on raising income levels, financial empowerment, economic empowerment, social empowerment, political empowerment, encouraging entrepreneurship, and fostering social inclusion, it is important to understand that these effects can change depending on the situation, the way the programmes are structured, and the amount of support given to the borrowers. Scholarly evidence on the empowerment effects of microfinance in India, however, remains mixed. Some studies document substantial gains in women's decision-making autonomy, mobility, and self-confidence (Swain & Wallentin, 2009, 2014), while others point to persistent constraints such as elite capture of groups, limited market linkages, or male appropriation of loans (Mishra, Sahoo, & Rath, 2013). Moreover, the impact appears to vary across regions, delivery mechanisms, and socio-economic contexts. Bihar, for example, has historically lagged behind in human development indicators, yet recent state-level programmes such as JEEViKA have attempted to leverage SHGs as a platform for both financial inclusion and women's collective action (Singh, 2023; Suman & Jahanara, 2022).

With the emergence of creative digital financial services (DFS), microfinance has advanced beyond conventional MFIs in recent years. Financial services are now more readily available and practical for the unbanked people thanks to the expansion of microfinance into distant and underserved areas thanks to mobile banking, digital wallets, and fintech platforms. In general, microfinance remains a crucial weapon in the struggle against poverty and financial exclusion, working to provide individuals and communities with access to economic opportunities and the means to enhance their standard of living.

Literature Review

Puhazhendi and Satyasai's (2002) found significant increases in SHG members' savings during post-SHG conditions. The programme also strengthens the loan extending patterns of SHG member units and acknowledges the development of a SHG bank linking model. Cheston and Kuhn's study from (2002), women only need access to capital to launch a new business. She frequently values the non-financial advantages of a group lending program over the credit. According to the survey, some of the most important advantages are an increase in business and social networks, a boost in self-confidence, more control over household decisions, and—most importantly—an increase in respect and prestige from both male and female family members and community members. Nasir, Sibghatullah (2013) stated that there are numerous shortcomings in the way MFIs operate, including practices in credit distribution, client duplication, exorbitant interest rates, a dearth of product diversification, etc. If the aforementioned gaps in the MFIs are filled, it will benefit the economy and raise the standard of living for thousands of low-income people.

Mishra et al. (2013) attempted to first determine whether or not the poor are willing to repay their loans at higher rates of interest than those offered by commercial banks. Second, it has been discovered that the poor save money, thus microfinance should offer both savings and lending opportunities to the underprivileged. Finally, it is determined that microfinance can alleviate poverty. Swain & Wallentin (2014) examine how the impact of microfinance (via SHGs) on women's empowerment varies across region (southern vs other states) and across different linkage/delivery models. They employ a structural equation modelling framework to correct for selection bias. Their results indicate that in *southern states* empowerment tends to come more through economic factors (income, assets), whereas in *other states* non-economic factors such as autonomy in decision-making, participation in political or community life, networks and communication are more strongly associated. Interestingly, they do not find strong evidence that different delivery/linkage methods (i.e., whether SHGs are linked directly with banks or through certain intermediaries) differ in their causal impact on women's empowerment. Laha & Kuri (2014) conduct a cross-country analysis with special focus on India, linking microfinance outreach (e.g., number of SHG members per population, bank linkage) with broader empowerment indicators in India. They report that states in India with higher microfinance outreach tend to have higher levels of women's empowerment. While suggestive of correlation rather than proven causation, this provides supportive evidence for the argument that microfinance contributes positively to empowerment at scale. Pradhan & Kundu (2024) (Chaitra & Indira in some reports) conduct a micro-level comparative study in Karnataka with 193 SHG members and 191 non-members using primary data; compare indicators of economic autonomy, confidence, and participation in health, education and property decisions. They find that SHG membership significantly enhances these empowerment domains. (Chaitra & Indira, 2024)

Singh (2023) conducts a case-study of the JEEViKA Programme in Madhubani district, Bihar, based on primary survey data collected via closed-ended questionnaires. The study finds that membership in SHGs under Jeevika is associated with significant improvements in women's economic empowerment, especially in livelihood diversification, savings, and financial inclusion. However, gains vary by educational level and migration status. (Singh, 2023) Suman & Jahanara (2022) compare JEEViKA beneficiaries with non-beneficiaries in Begusarai district, using interviews of 120 women (60 beneficiaries, 60 non-beneficiaries). They find that livelihood training under Jeevika significantly increases socio-economic empowerment, through higher income, improved decision-making, enhanced self-confidence. One constraint is market access and price realization. (Suman & Jahanara, 2022)

Jyoti & Ekka (2024) examine pre- and post-SHG joining for women under Jeevika in Kaimur district, Bihar, using a sample of 230 SHG women and paired t-tests. They find statistically significant positive changes across 16 empowerment variables after women join SHGs. (Jyoti & Ekka, 2024)

Objectives

1. To know the trends of saving and loan o/s by SHG-BLP
2. To understand the advantage of microfinance in women empowerment

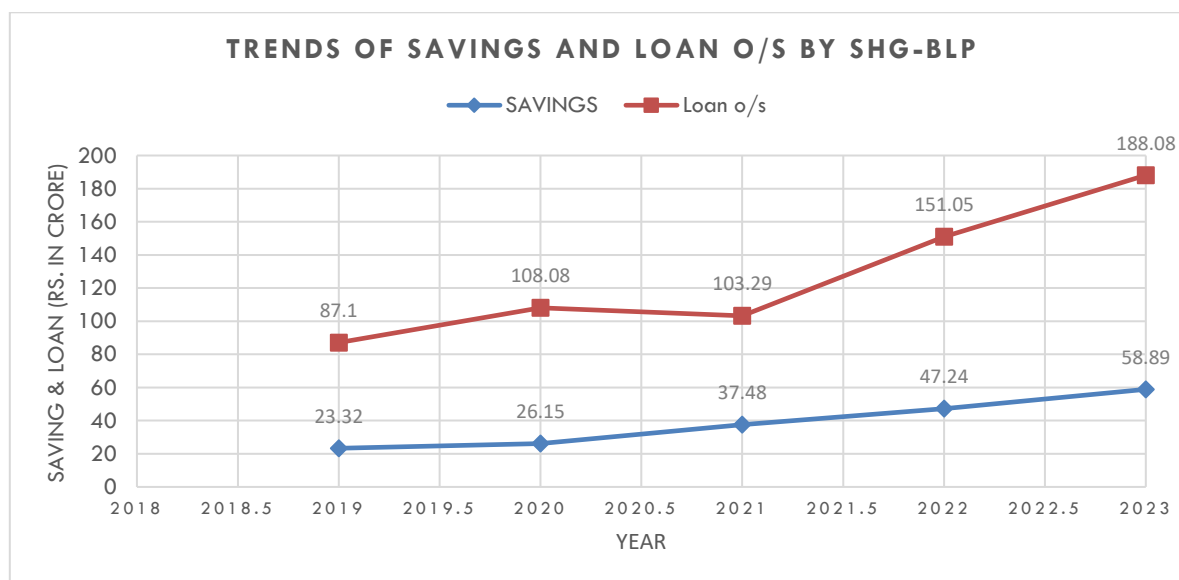
Research Methodology

This study adopts an exploratory and descriptive research design to examine the role of microfinance as a catalyst for women's empowerment in India. The analysis relies exclusively on secondary data sources, including: Annual Reports of the National Bank for Agriculture and Rural Development (NABARD) (particularly Self-Help Group–Bank Linkage Programme data on savings and loan outstanding). Published research papers, journal articles, and working papers on microfinance and women's empowerment. The data collected from these sources covers multiple years, enabling the identification of trends in savings and loan outstanding under the SHG–Bank Linkage Programme. Content analysis was used to synthesize findings from the literature on the non-financial impacts of microfinance such as decision-making autonomy, mobility, and social status. Descriptive statistics (percent changes, trend analysis) were applied to interpret the SHG–BLP data and highlight changes over time. Given the reliance on secondary information, this research does not involve primary surveys or inferential statistics; instead, it focuses on identifying patterns and drawing qualitative insights from existing evidence. This methodological approach is suitable because the objective of the paper is to understand trends and highlight the potential advantages of microfinance for women's empowerment, rather than to establish causal impacts.

Data Analysis

This section presents the analysis of secondary data collected from various Annual Reports of NABARD related to the Self-Help Group–Bank Linkage Programme (SHG-BLP). The analysis focuses on two key indicators: (i) Total Savings of SHGs with Banks, and (ii) Total Loan Outstanding under SHG-BLP. Trends were examined for the period 2019–2023 to understand growth patterns and the impact of external shocks such as the COVID-19 pandemic.

To know the trends of savings and loan o/s by SHG-BLP, **Fig.1**



Source: Various Annual Report published by NABARD

It is clear from the above graph that from the year 2019 to 2020 there is increase of 12.12% savings, from the year 2020 to 2021 43.32% increase, from the year 2021 to 2022 26.04% increment and from the year 2022 to 2023 there is increase in 24.66%. In all the years there is increasing trend in savings. A similar increasing trend is shown in the amount of SHGs with loan outstanding in the last two year

and there is dip in the year 2021 due to pandemic. Loan outstanding represents the credit exposure of banks to SHGs. The data indicates an increasing trend in most years, except for a decline in 2021. Loan outstanding dropped during 2020–21, largely due to COVID-19 disruptions, reduced income-generating activities, and repayment challenges. However, the subsequent rise in 2021–22 and 2022–23 reflects the revival of SHG-linked enterprises, relaxation of pandemic restrictions, and increased credit support under government programmes like DAY-NRLM. Advantage of Microfinance in Women Empowerment

- Access to Financial Services: Women who might not otherwise have access to basic financial services through traditional banking systems can now obtain them thanks to microfinance, including small loans, savings accounts, and insurance.
- Economic Opportunities: Women can start or grow small enterprises, engage in income-generating activities, and invest in their families' healthcare or education by receiving microloans.
- Empowerment Through Entrepreneurship: Microfinance encourages entrepreneurial endeavours among women, allowing them to take control of their economic destinies and become self-reliant.
- Financial Literacy Promotion: Microfinance programs often include Women who receive financial literacy training will be better able to manage their finances, make wise decisions, and create long-term plans.
- Enhanced Decision-making Power: Access to financial resources empowers women to participate in household financial decisions, increasing their influence within their families and communities.
- Social and Economic Status Improvement: Through successful participation in microfinance programs, women can improve their social status, gain respect, and challenge traditional gender roles, leading to greater gender equality.
- Sustainable Development: Women's economic empowerment through microfinance contributes to sustainable development by fostering economic growth, reducing poverty, and promoting social well-being within communities.

Discussion

The analysis of SHG–BLP indicators from 2019 to 2023 demonstrates a steady improvement in women's financial engagement. Rising savings levels reveal increased trust in formal banking systems, improved saving habits, and better financial discipline among SHG members. Except for the temporary pandemic-related dip in 2021, loan outstanding levels also show a positive upward trend, suggesting enhanced borrowing capacity and expansion of micro-enterprise activities led by women. These findings reinforce the role of microfinance as a catalyst for economic and social empowerment, enabling women to gain greater financial control, improved decision-making power, and enhanced livelihood opportunities. In conclusion, the exploration of “the role of microfinance in women empowerment” has revealed several key insights. Firstly, the trends of “Self-Help Groups-Bank Linkage Program (SHG-BLP)” and loan outstanding is increasing only in the year 2021 loan o/s is dip due to pandemic. It shows a growing reliance on microfinance as a means of financial inclusion and empowerment for women. This indicates a positive trajectory towards greater economic agency and independence among female beneficiaries.

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