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Research Paper

Women Empowerment: The Path from Financial Inclusion through Microfinance and Self-Help Groups

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ABSTRACT
Women constitute nearly half of the population and are key contributors to the economic and social development of a nation. However, a substantial proportion of women in India remain engaged in the informal sector, including domestic work, daily wage labour, handicrafts, and other low-income occupations, where access to formal financial services and institutional credit is limited. Financial exclusion restricts their ability to generate sustainable livelihoods and achieve economic independence. Recognising this challenge, the National Bank for Agriculture and Rural Development (NABARD) introduced the Financial Inclusion Fund in July 2015 to enhance access to financial services and institutional credit for women and other disadvantaged sections of society. This initiative aims to promote entrepreneurship, income generation, and financial self-reliance among women. In addition, Self-Help Groups (SHGs), generally comprising 10–12 women, have emerged as an effective microfinance model that encourages savings, facilitates access to credit, and fosters collective decision-making. SHGs not only improve women's economic status but also enhance their confidence, leadership skills, and participation in household and community decision-making processes. This paper examines the role of microfinance and Self-Help Groups in promoting women's empowerment. It highlights how access to financial resources enables women to establish small enterprises, improve household incomes, and gain greater social recognition. The study concludes that microfinance serves as a powerful instrument for reducing financial exclusion. Expanding financial inclusion and supporting women-led enterprises are essential for achieving long-term gender equality and balanced economic growth.

KEYWORDS: *Micro Finance, Self-Help Groups, Financial Inclusion, Micro En/terprises*

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I. INTRODUCTION

Women constitute 48.4% of total population in India. They play determining role in economic and social development of the country. Therefore, women's empowerment is essential for inclusive and sustainable development. A large proportion of women workforce is engaged in informal activities such as domestic helpers, labourers, local artisans etc. Their contribution in the economic growth is unrecognized. They are marginalized and deprived from resources. They have limited access to institutional credit, which pose hurdles in their financial inclusion. Financial inclusion plays transformative role in addressing these challenges. Financial inclusion is defined as the access of low-income groups to financial services at a reasonable cost. Mostly, women are excluded from getting institutional credit that aggravates their economic dependency and restricts their participation in the formal sector of economy. A significant number of women remains disconnected from formal economic structures. However, if women are economically independent and have access to institutional credit, they can improve their economic as well as social recognition. World Development Report 2012 defined women empowerment as: control over resources, ability to take decisions, freedom for movements by the women, raising the voice against injustice, and ability to influence policy makers in decision making processes.

In 2008, a committee was set up under the chairmanship of C. Rangarajan, the Ex RBI Governor, to recommend strategies for the financial inclusion of vulnerable groups, such as women, weaker sections, and low-income populations. The committee revealed that about 51% of the total households in the country did not have access to credit either from institutional and non-institutional sources (Lokos app). The committee recommended to form a **Financial Inclusion Fund (FIF)** to support developmental and promotional activities aimed at marginalized groups. In response, National Bank for Agriculture and Rural Development (NABARD), India's apex development bank, set up the **Financial Inclusion Fund** in July 2015 to provide financial access to these groups. The financial inclusion ensures affordable and accessible financial services thereby it offers economic independence for women. There are two major mechanisms that are instrumental for economic independence for women in India: Micro Finance Institutions (MFI) and Self-Help Groups (SHGs).

OBJECTIVES OF THE PAPER

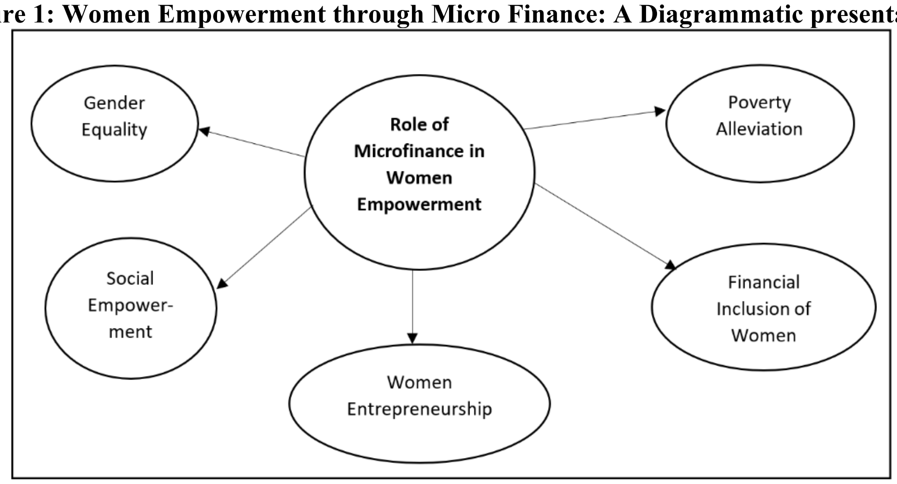
Present paper tries to anlayse following objectives:

1. To discuss the role of micro finance and SHGs in women empowerment through financial inclusion
2. To discuss whether easy access to credit improves economic well-being of the women
3. To analyse whether economic independence improves decision making power of women in family

II. REVIEW OF LITERATURE

Many studies have concluded that microfinance positively improves economic and social condition of the women by improving their decision-making power in the household chores. Shipra et.al. (2025) undertook a comprehensive study in the Haldwani district taking sample of 100 respondents and concluded that after joining the SHGs, the socio-economic conditions of rural women have changed significantly. The findings revealed that the rural women have improved access to institutional credit, gained greater knowledge of the banking system and a noticeable positive shift in the family's attitude. Aishwarya Sateesh et.al.(2023) observed that in Kerala, women in rural area are very much aware of online payment system such as Google Pay, Paytm etc. The use of these payment gateway helped them to expand their business activities. Arun Kumar et.al. (2022) analysed the role of self-help groups in women empowerment and found that SHGs are very crucial not just in providing institutional credit through micro credit facility to rural women rather making them economically and socially independent in family decision making. Gupta and Agarwal (2017) undertook a comprehensive work on the rural women in Ghaziabad district and revealed that after joining the SHGs, women's economic condition has improved significantly. Anwar and Aslam (2017) noticed that women feel more confident in society and have a prominent voice in homes if they have easy access to institutional credit and economically self-dependent. Borah (2014) revealed that NABARD-led micro finance activities have enabled the rural women to have access to borrowed funds for different economic activities such as cattle farming, poultry farming, textile and handloom works, weaving and embroidery work etc. Sahu (2014) examined the role of SHGs in women empowerment and concluded that these institutions are helpful in making women economically strong. However, economic empowerment does not ensure social and political empowerment. Sinha et.al.(2012) undertook the study covering 900 SHGs from six states in India which found that female SHG members reported an improvement in terms of per capita income and savings as well as social empowerment.

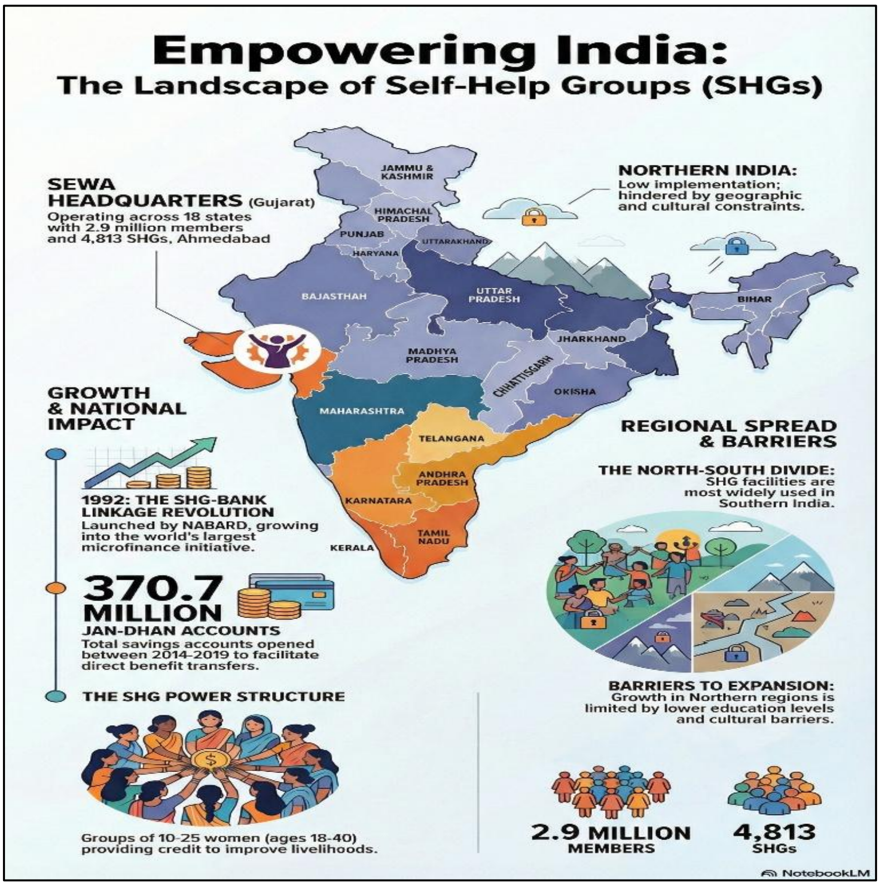
Figure 1: Women Empowerment through Micro Finance: A Diagrammatic presentation



III. FINANCIAL INCLUSION OF WOMEN THROUGH PROMOTION OF SELF-HELP GROUPS

The promotion of Self-Help groups (SHGs) has been instrumental in advancing financial inclusion for women. SHGs are informal financial intermediaries, typically composed of 10 to 25 local women between the ages of 18 and 40 preferably from the same socio-economic background, who come together to achieve common financial objectives. The SHGs promote small savings among its members. These savings are kept in the banks with name of the SHGs. The SHG members save small amount ranging from Rs.20 to Rs.200 per month. These groups play a critical role in providing credit to poor women, enabling them to improve their livelihoods and increase their financial autonomy. SHGs trace their origins in India to the **Self-Employed Women's Association (SEWA)**, founded in 1972 by Ela Bhatt. SEWA organized women workers in the informal sector, such as weavers and potters, to help augment their income. Building on this foundation, NABARD launched the **Self-Help Group-Bank Linkage Programme (SHG-BLP)** in 1992 as pilot project, which has grown to become the world's largest microfinance initiative (Roa, 2021). SHG-BLP connects SHGs to formal banking institutions, providing them with access to collateral-free loans and financial services that were previously out of their reach. In order to have access to institutional credit, SHGs must follow Panchasutras, namely, regular group meetings, regular savings by group members, inter-group loan advancement, timely repayment of loans by group members and maintenance of account. When banks are satisfied with the working of the SHGs, the SHGs become eligible for formal bank loans. Reserve Bank of India (RBI) persuaded commercial banks, Regional Rural Banks (RRBs) and Co-operative banks to actively participate in this linkage programme. Under the RBI's guidelines, banks open saving bank account in the name of SHGs and these SHGs may have access to collateral free small loans. Women empowerment is evident with employment generation activities. Access to small loans helps to foster entrepreneurship and self-employment among women and thereby improving their social and economic wellbeing. Microfinance has emerged as a great solution for empowering underprivileged sections of the society, particularly women. Under the NABARD linkage program, banks including State Bank of India, Bank of Baroda etc. offer micro-credit to SHGs. These programs focus on women's empowerment and rural entrepreneurship. These loans offer low interest rates and easy repayment options. It requires group guarantee for loan repayment and the period of repayment has been maximum of 60 months depending upon the activity. Under the SHG-BLP, the non-performing assets (NPAs) of banks to SHGs have been very low, hovering under 2% across the country, showing high repayment rate by SHGs (www.banklinkage.lokos.in).

In this connection, digital financial inclusion is also very crucial for the development of women entrepreneurship. It may help in women's economic participation by reducing geographical barriers, easy access to credit giving institution and credit facility. However, most of the women in rural area are not adequately literate to use digital tools for payment and banking operations.



IV. FINANCIAL INDEPENDENCE AND ECONOMIC EMPOWERMENT THROUGH MICROFINANCE

Micro finance originated in Bangladesh with the institution of Grameen Bank in 1983. Microfinance refers to the provision of small loans to low-income individuals and to those who lack access to traditional banking. It is widely known as a provision of financial services such as credit, saving, deposit, insurance and repayment services to those who are deprived of accessing into conventional financial services because they are poor and they cannot offer collateral (Robinson, 2001). Microfinance initiatives (MFI) through SHGs have resulted in the increased access of poor women in unorganized sector to institutional credit and thereby promoted small business to become self-reliant. However, the major initiative of MFI is self-employment generation and poverty alleviation. The Microfinance in broader sense refers to access to institutional credit, mobilization of savings, insurance, training and support services like assistance in marketing etc. Micro finance is considered as a development tool to alleviate poverty (Rajendran, 2012).

A study by Kabeer (2001) highlights that access to microfinance can increase women's income-earning potential, improve their savings, and reduce economic vulnerability. In many cases, women, who have access to microfinance services, are able to start microenterprises. They become self-reliant and support their households financially. These financial gains often translate into greater control over household finances and making decisions regarding how income is allocated. These businesses encompass a variety of activities like pickle making, grinded spices, dairy products, rug making, papad making, tailoring, pisciculture, horticulture, poultry etc. These activities enable the poor women work as micro entrepreneur. These SHGs not only provide financial assistance to the members of the group, but also provide them a platform to discuss other social issues such as health, nutrition, domestic violence etc.

The microfinance sector in India has emerged as milestone for financial inclusion and plays a significant role in the empowerment of economically vulnerable segments of the society. The Indian microfinance sector has experienced tremendous development in the past two decades, with an increase in the number of institutions that provide micro finance and the amount of credit available to microfinance customers. Presently, micro credit is delivered through a variety of institutional channels viz., scheduled commercial banks (SCBs), regional rural banks (RRBs), cooperative banks, non-banking financial companies (NBFCs), and microfinance institutions (MFIs) registered as NBFCs as well as in other forms (Rao, 2021).

Social Empowerment and Gender Equity through Microfinance: Microfinance can also lead to broader social empowerment. By providing women with financial resources, microfinance helps them gain respect and recognition within their communities. It enhances their ability to participate in public life and decision-making processes, particularly in traditionally patriarchal societies where women's roles have been confined to domestic responsibilities. Social empowerment through microfinance also translates into better access to education and healthcare for women and their families. Research has shown that women who gain access to credit tend to invest in their children's education and healthcare, contributing to the overall well-being of the family and society.

Decision-making capacity of women in the family

The increased income generated through income earning activities often allows women to make decisions regarding their households and businesses.Women who participate in microfinance programs are more likely to have a voice in important decisions, such as household expenditures, children's education, and investment in new business opportunities. A study by Mayoux (2000) emphasizes that microfinance has led to women taking more active roles in their families and communities, leading to a shift in power dynamics. Empowered women often advocate for their rights and take leadership positions, which can further promote gender equality and social justice.

Micro finance and sustainable development goals

United Nations (UN) defines women's empowerment through five fundamental components that help women to develop a sense of self-worth, to have access to resources and opportunities, to make independent decisions and choices, to control her own life, her capacity to drive societal change. United Nations' 17 Sustainable Development Goals (SDGs) aim to empower women. Micro finance contributes to achieve following SDGs in order to empower women:

SDG 1: No Poverty

SDG 2: Zero Hunger

Micro finance helps the poor households in accessing cheaper loans for setting up micro enterprises, improving agriculture productivity and contributing to food security. All this supports the marginalised group to reduce the likelihood of falling in extreme poverty and helping to achieve zero hunger rates.

SDG 5: Gender Equality

SDG 8: Decent Work and Economic Growth

SDG 10: Reduced Inequalities
These goals are dedicated to focus on improving the socio-economic conditions of suppressed groups of the society. By making financially empowered to women through SHGs, micro finance creates ripple effects that uplift entire communities and ensure inclusive and resilient growth (www.icecd.org).

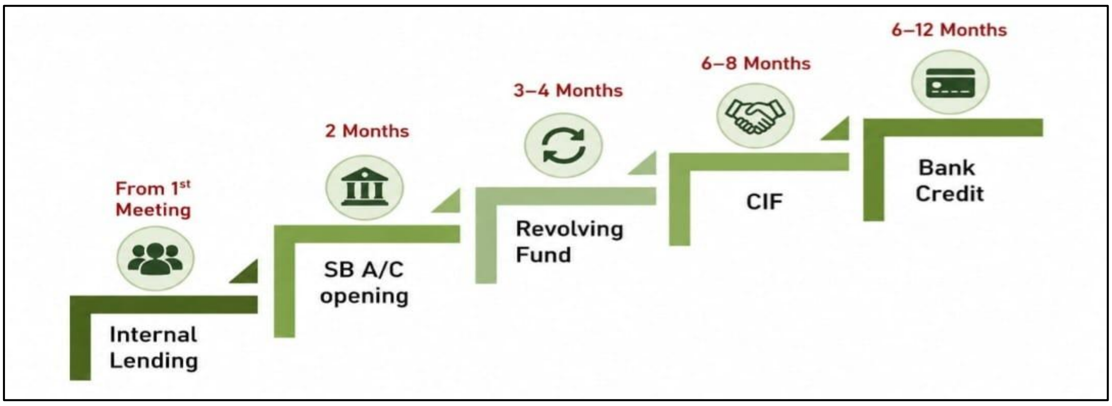
V. GOVERNMENT MEASURES FOR FINANCIAL INCLUSION OF THE WOMEN

Women's financial inclusion is a crucial driver of financial stability and sustainable development. Financial inclusion is recognised as a key driver of economic growth and poverty alleviation. Pradhan Mantri Jan-Dhan Scheme (initiated in August 2014) is one of the most important flagship schemes for financial inclusion of underprivileged people including women. Under this scheme, the poor people have to open saving bank account in any branch of the bank with zero balance. This has helped in the removal of mediators in the access of subsidies by these poor people. This Scheme helps in the provision of Direct Benefit Transfer (DBT), in which all the subsidies issued by the Government for these marginalized groups will be directly deposited in their Jan-Dhan saving account. *According to a survey, it was found that from 2014 to January 2025, a total of 54.58 crore saving accounts were opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY) of which 30.37 crore (55.7%) are women beneficiaries* (www.pib.gov.in). Till 2024, around 86% of women in the country have bank account. Between 2014 and 2017, India's gender gap in access to bank accounts fell from 20 to 6 percent that clearly shows an impressive improvement in the country.

VI. GOVERNMENT INITIATIVE TO DEVELOP SELF-HELP GROUPS AND EMPOWER WOMEN

Central Government under the Ministry of Rural Development has introduced the Deendayal Antyodaya Yojana-National Rural Livelihood Mission (DAY-NRLM) in 2011 by restructuring Swarnjayanti Gram Swarozgar Yojana (SGSY) with a vision of empowering women. The scheme fosters women entrepreneurship and financial inclusion. Under the scheme, collateral-free loans are provided to SHGs to promote micro-enterprises at village level in non-farm sector. The main objective of the mission has been to promote employment activities in rural area and reduce dependency on agriculture.

Figure 2: Capitalisation of Self-Help Group under NRLM



Source: A Handbook on SHG-Bank Linkage, Ministry of Rural Development, GoI

Uttar Pradesh government is also promoting SHGs through State Rural Livelihood Mission (SRLM) under which Lakhpati didi Scheme has been launched that ensures increasing income of SHG members above Rs.1 lakh per annum through sustainable livelihood. UPSRLM has partnered with E-commerce platforms including Amazon, Meesho, JioMart, Flipkart to provide markets for the products produced by micro-enterprises of SHGs. Besides, SARAS Mela exhibitions are also organized to provide a market for their products. The central government has launched the **LokOS**[1] app to facilitate digitization the SHG network throughout the country.

Under the DAY-NRLM, the SHG members are trained in various skill enhancement activities in order to set up their own micro business units. The women are trained as community resource persons (CRPs), Krishi Sakhis, Pashu Sakhis, Bima Sakhis, Bank Correspondents Sakhis etc. The Ministry of Rural Development also implement one more centrally sponsored scheme i.e. Deen Dayal Upadhyay Grameen Kaushalya Yojana (DDU-

[1] LokOS (Lok= People, OS= Operating System) is a national platform for Community Based Organisations (CBOs) under the National Rural Livelihood Mission (NRLM)
CIF: Customer Information File in banking

GKY) with a mission to provide placement-linked skill training for rural youths aged between 15-35 years. The Bank-sponsored training institutes provide entrepreneurship training in the areas including handicraft, pickle making, copy binding, stitching, food processing etc. Up to June 30 2025, Bihar, Uttar Pradesh and Andhra Pradesh have been among the states with maximum number of SHGs. These states have mobilized maximum number of women households into SHGs since its inception (pib.gov.in). To provide marketing related competencies, SARAS Ajeevika Melas are organized annually at national and state level.

VII. CHALLENGES TO EFFECTIVE WOMEN EMPOWERMENT THROUGH MICROFINANCE

Microfinance has been playing a pivotal role in women empowerment by providing them access to institutional credit. Still, several challenges persist, limiting its overall effectiveness.

1. Limited Outreach and Inclusion

In some regions, microfinance programs have not reached the most vulnerable women, e.g. micro finance facility is most widely being used in the southern part of the country, northern states are still facing difficulties in implementing these initiatives. Factors such as lack of education, geographical constraints, and cultural barriers can prevent women from accessing microfinance services. Often, only women who already have some degree of financial stability are able to take advantage of microfinance, while the poorest and most marginalized still remain excluded.

2. Debt Burden

Microfinance aims to alleviate poverty, but sometimes, it may lead to increased debt, particularly when women take out multiple loans from different lenders and that too is used for unproductive purposes. The high interest rates charged by some MFIs can exacerbate this problem, leading to debt trap that are difficult to escape. These women do not have desired business skills, so they feel burdened in repaying loans. Under such condition, they are unable to reap the potential benefits of microfinance. Proper vigilance is required in order to escape women entrepreneur from debt trap.

3. Sustainability and Impact on Long-Term Empowerment

The impact of microfinance on long-term empowerment remains unclear. Some scholars argue that microfinance leads to immediate economic benefits only, its long-term sustainability is vague. Women who rely solely on microloans for income generation may remain stuck in small-scale businesses that provide only minimal returns, limiting their ability to achieve broader economic mobility.

4. Social and Cultural Barriers

In many patriarchal societies, women’s participation in financial activities is still subject to male dominance. Despite getting financial resources through microfinance institutions, it does not automatically dismantle cultural norms that limit women's autonomy. Even when women gain financial independence, they may still face resistance from family members or communities that adhere to traditional gender roles. In rural area, the women condition is not very satisfactory, particularly in northern states. Male dominance in decision making still continues in most of the rural societies despite the fact that women are the working family members.

VIII. CONCLUSION

The microfinance institutions have facilitated rural women to have access to institutional credit. Women in rural and urban area are coming together to form SHGs to set up micro enterprises. DAY-NRLM mission of Government of India has been playing a vital role in facilitating rural women to form SHGs and set up their micro business units. However, the microfinance initiatives for women empowerment have arrived the conflicting conclusions. Kabeer (2005) argues that financial inclusion through microfinance has undeniably played a significant role in promoting women empowerment by providing access to financial resources, fostering economic independence, and enhancing decision-making capacities. However, he concludes that women empowerment through microcredit cannot be attained automatically, rather some other interventions such as education, political quota etc. may be additional factors to bring radical transformation in socio-economic empowerment of women. Challenges such as debt trap, limited outreach, and social hiccups must be addressed to ensure that microfinance can achieve its full potential in empowering women. By adopting a more holistic approach and imparting financial education, vocational training, and community involvement, microfinance can become a more effective tool for fostering sustainable and meaningful empowerment for women.

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