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WOMEN'S EMPOWERMENT THROUGH FINANCIAL INDEPENDENCE: A STUDY OF SHGS AND MICROFINANCE PROGRAMS IN INDIA

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ABSTRACT:

The study looks into how important it is for people without access to conventional banking services, especially women. SHGs, grassroots-level community groups, are essential for financial inclusion, enabling women from disadvantaged backgrounds to access credit without traditional collateral. The paper focuses on how SHGs promote financial literacy, income generation, and social empowerment. Microcredit schemes facilitated by SHGs provide small loans to women, enabling them to begin or increase revenue-generating ventures and raise their financial standing. The collective nature of SHGs fosters a sense of solidarity and shared responsibility, leading to better repayment rates and financial discipline. The study presents case studies illustrating how SHGs have transformed the lives of rural women by giving them more influence over household decisions, financial freedom, and a higher social status in their communities. However, the paper also addresses the challenges SHGs face, such as limited market access, lack of financial literacy, and the need for more robust policy support. Overall, this paper highlights the positive impact of SHG-linked microcredit programs on women's empowerment, while suggesting further improvements to make these initiatives more sustainable and inclusive. The findings support the crucial role of SHGs, combined with microcredit, in driving socio-economic development and reducing gender disparities in rural areas.

Keywords: Self-Help Groups, Microcredit, Microfinance, Bank-linked Programs, Social Development.

INTRODUCTION

Microfinance in India is a financial mechanism to empower marginalized and underserved women, particularly those unable to use standard financial services. This sector has become a tool to help the economy and encourage financial inclusion. Empowerment of low-income populations (Joshi, 2019). Microfinance institutions operating across the country provide various financial services, including small-value loans, to more than 3 crore customers, with a loan portfolio worth Rs. 46,842 crore.. By facilitating access to credit and other financial instruments, the microfinance sector aims to enable social equity and improve the living standards of its beneficiaries (Hazarika, 2011; Khursheed, 2022a, 2022b). The contribution that microcredit makes to fostering financial inclusion and economic expansion cannot be overstated., even in light of the microfinance industry's notable recent successes. Microcredit, a key component of Microfinance has become an essential instrument for empowering individuals and eradicating poverty. especially those with modest incomes.. Through the provision of small loans, microcredit enables people to better their living conditions, diversify their sources of income, and launch or grow their own enterprises.. Studies have shown that people can escape poverty with the help of microcredit., helping them to break the cycle of financial insecurity. Beyond the direct impact on poverty alleviation, microcredit has a far-reaching influence on several facets of life, including social capital, education, and health. According to research, giving moms access to loans can boost their kids' school enrollment rates, benefiting the next generation's prospects.

Microcredit is also a reliable development tool, protecting from unforeseen emergencies like supply interruptions or business threats. Research shows that the microfinance industry is comparatively resistant to domestic and international economic swings, providing steady assistance in trying times (Pandhare et al., 2024). In addition, the microfinance industry offers commercial banks many chances to broaden their customer base and provide cutting-edge products. There is a substantial unrealized potential for commercial banks to meet the changing demands of the underserved population, as many microfinance institutions only offer a small selection of microfinance products. In Bangladesh and other countries, many have placed a high priority on women's empowerment. microfinance institutions. Making financing to women a priority, these institutions have leveraged the higher repayment rates of female borrowers to drive sustainable development and promote gender equality.

MICROFINANCE PROGRAMS IN INDIA

The microfinance industry in India has grown significantly, and now there are 168 microfinance institutions spread throughout 563 districts, 29 states, and 4 union territories. With about 3 crore customers and a 46,842 crore rupee loan portfolio in arrears, these MFIs demonstrate microfinance's impact and broad reach in the nation (Raj & Vaish, 2023). Giving small-value loans and offering financial services to small businesses and consumers, along with microfinance, is the term for business owners who do not have access to standard banking services. In addition to improving the standard of living for low-income and marginalized groups, particularly women, it is a helpful instrument for financial inclusion..

Table 1: The Key Evaluation of Microcredit in India

Phase	Year	Event
Initial Period	1974	Shri Mahila Sewa Sahakari Bank had been established to give women in unorganized industries a link to financial services.
	1984	NABARD supported Self Help Group linkage as a tool for poverty alleviation.
Change Period	2002	SHG unsecured lending standards were the same as those for other secured loans.
	2004	Recognizing MFIs as a vehicle for financial inclusion, the RBI made microfinance a priority sector.
	2006	Some MFI branches were closed by the authorities due to allegations of unethical recovery techniques and exorbitant interest rates.
Growth and Crisis	2007	Private equity players entered the market, leading to rapid growth in the MFI loan book.
	2009	When its Microfinance Institutions Network was established, NBFC-MFIs were able to join.
	2010	Coercive debt collection tactics, which led to borrower suicides, were part of the Andhra crisis. An ordinance passed by the government severely restricted MFI operations..
Consolidation and Maturity	2012	The RBI put new rules into effect after the Malegam Committee suggested modifications.
	2014	The RBI issued a universal banking license to Bandhan Bank, the largest microlender. MFIN had acknowledged itself as an organization that regulates itself..
	2015	MUDRA Bank have established by the government to provide small business financing.

How Microfinance Empowers Women in India

Women in poor nations without access to traditional banking can get various financial services through microfinance, such as small-value loans. This makes it possible for women to engage in the economy, promote gender parity, and raise their standard of living. Microfinance offers women the flexibility to obtain loans without collateral or income proof, and repay in installments at nominal interest rates (Rahman et al., 2017). This empowers women by increasing their self-esteem, allowing them to build networks, and enhancing their decision-making capabilities within the household. Microfinance has been shown to contribute to women's economic gains through higher consumption, better nutrition, asset accumulation, and increased school enrollment. A region's economic growth is intimately related to the empowerment of women. Numerous microfinance organizations see their offerings as a calculated means of involving women in development. Research shows that women typically have reasonable control over how they spend their loans, indicating that they do not abuse the money. It is difficult to quantify how microfinance affects women's empowerment, as it involves dynamic processes and multidimensional factors (Samant et al., 2019; Saroj & Singh, 2015). However, research suggests microfinance can help transform gender inequality structures within households and communities.

REVIEW OF LITERATURE

This study aims to learn more about self-help groups or microfinance programs that empower women and promote their financial independence in India. Prior research has highlighted the significant impact of such initiatives in enhancing women's access to credit, increasing their economic participation, along with improving their overall socioeconomic status (Sharma, 2018; Sinha, 2021). Studies have which shows Specifically, the SHG-Bank Linkage Program has been essential in mobilizing savings and channeling credit to female entrepreneurs, thereby fostering their financial inclusion and economic empowerment (Nair, 2019; Rao, 2020). Additionally, research has emphasized the positive spillover effects of women's participation in SHGs, such as improved household wellbeing, increased decision-making power, and greater social and political engagement (Datta, 2021; Chakravarty, 2020). The present study aims to build on this existing body of knowledge and thoroughly evaluate the state and development of

India's microfinance programs aimed toward women. The Impact, Sustainability, and Promotion Costs of Self-Help Organizations in India as Financial Middlemen (Tripathi, 2013) (Chakrabarti, 2005) (Sarkar & Singh, 2006). India's microfinance organizations have been dealing with the high cost of operations and the difficulty in maintaining sustainability. (Sarkar & Singh, 2006). The findings showed that the high transaction costs and the difficulty in achieving scale economies are the major factors hindering the sustainability of microfinance institutions (Saroj & Singh, 2015). To address these challenges, the government and other stakeholders have promoted the SHG-Bank Linkage Program is a more sustainable along economical way to provide microfinance services to the underprivileged, particularly women. Women's involvement in SHGs has been shown to have a significant positive impact in recent studies, including improved household wellbeing, increased decision-making power, and greater social and political engagement, in addition to enhanced access to credit along with economic empowerment(Aggarwal et al., 2020).

METHODS

This study's primary focus is on India's microfinance banking sector. It summarizes the situation regarding microfinance for self-help groups in the Indian banking industry over five years, from 2018–19 to 2022–2023. The information presented in this study is secondary, collected through sources such as NABARD, the Ministry of Finance, and the RBI Bulletin. A simple percentage analysis and ANOVA test have been applied to arrive at meaningful conclusions from the study.

ANALYSIS AND DISCUSSION

Microfinance operates through various business models designed to serve different societal groups. One prominent model is Self-Help Groups, informal groups of typically 10-20 members, primarily women, who collectively save money. These savings make them eligible for credit from banks through the SHG-Bank Linkage Programme, developed and supported by NABARD. Another significant model involves Microfinance Institutions, which offer microcredit along with additional financial services, like remittances, insurance, along savings. Joint Lending Groups, which are informal groups of four to ten people who share similar economic interests along with are jointly liable for loan repayment, are usually used to distribute these loans.
Microfinance lenders include Non-Government Organizations, registered under relevant laws, that extend microcredit services. Co-operative Societies, registered under applicable laws, also provide microfinance services, with Primary Agricultural Credit Societies being a notable example. Previously referred to as Section 25 companies, Section 8 companies are non-profit organizations that offer microcredit. Additionally, Non-Banking Finance Companies obtain large bank loans, raise money independently, or lend to JLGs. These NBFC-MFIs were first made available by the Reserve Bank of India in 2011, dominate its microfinance market, accounting for approximately 80% of the sector. The RBI oversees the regulatory framework for microfinance in India through guidelines issued in 2014. These regulations address key aspects such as registration eligibility, client protection, borrower over-indebtedness prevention, privacy, and loan pricing. Adherence to these guidelines helps build trust and confidence among stakeholders in the microfinance sector.

Table 2 - Overview of Microcredit Contribution (%) through Banking Sector

Period	Total Portfolio Outstanding (₹ crore)	Banks (%)	SFBs (%)	NBFC-MFIs (%)	NBFCs (%)	Not for Profit MFIs (%)
2018-19	2,62,602	39	17	36	7	1
2019-20	2,66,541	37	17	36	9	1
2020-21	2,71,350	36	17	38	8	1
2021-22	2,87,237	34	16	40	9	1
2022-23	3,19,080	33	16	41	9	1
Distribution of Category of Users						
Active Live Borrowers ('000)		36	18	34	11	1
Active Loans ('000)		35	15	40	8	2
Portfolio (₹ crore)		33	16	41	9	1
Disbursed Amount (₹ crore)		36	16	41	6	1
Source: NABARD						

The data in the table give an overview of microcredit contributions made through the banking system. Sector in India. Over the 5 years from 2018-19 to 2022-23, the total portfolio outstanding has steadily increased, rising from ₹2,62,602 crores to ₹3,19,080 crores. The distribution of microcredit across different lender categories shows that NBFC-MFIs have consistently held the largest share, around 40% of the total portfolio. Banks have the second-highest share, ranging from 33% to 39%, followed by Small Finance Banks at 16-18%. Non-Banking Financial Companies and Not-for-Profit MFIs have smaller shares, at 6-11% and 1% respectively. Looking at user distribution, active live borrowers are highest for Banks at 36%, followed by NBFC-MFIs at 34%, SFBs at 18%, NBFCs at 11%, and Not-for-Profit MFIs at 1%. A similar trend is seen for active loans and portfolios, with NBFC-MFIs and banks dominating. However, the disbursed amount is highest for NBFC-MFIs at 41%, followed by Banks at 36%, SFBs at 16%, NBFCs at 6%, and Not-for-Profit MFIs at 1%. Overall, the data suggests the microfinance sector in India is dominated by NBFC-MFIs and banks, with NBFC-MFIs playing a significant role in portfolio, active loans, and disbursed amounts. The steady increase in total portfolio outstanding indicates microfinance's growing importance in serving the underbanked population's financial needs.

Table 3: Progress under SHG-Bank Linkage Programme (2020-21 to 2022-23)

	Particulars	2020-21	2021-22	2022-23
SHG Savings with Banks as on 31st March				
1	Total SHG Nos.	112.23 (9.57%)	118.93 (5.97%)	134.03 (12.7%)
2	All Women SHGs	97.25 (10.11%)	104.05 (6.99%)	112.92 (8.52%)
3	Amount (₹ in crore)	37477.61 (43.31%)	47240.48 (26.05%)	58892.68 (24.67%)
4	% of Women	86.65	87.43	84.25
5	Of which NRLM/SGSY	64.78 (11.9%)	71.84 (10.89%)	82.01 (61.19%)
6	% of NRLM/SGSY groups to Total	57.72	60.4	61.19
7	Of which NULM/SJSRY	5.29 (12.79%)	5.81 (9.87%)	7.39 (27.16%)
8	% of NULM/SJSRY groups to Total	4.71	4.89	5.52
Loans Disbursed to SHGs during the year				
1	Total No. of SHGs extended loans	28.87 (-8.23%)	33.98 (17.71%)	42.96 (26.47%)
2	Amount (₹ in crore)	58070.68 (-25.22%)	99729.22 (71.74%)	145200.23 (45.59%)
3	All Women SHGs	25.9 (-10.19%)	31.5 (21.63%)	41.42 (31.6%)
4	Amount (₹ in crore)	54443.13 (-25.75%)	93871.21 (72.83%)	139315.69 (48.5%)
5	% of Women Groups	89.71	92.7	95.05
6	Of which NRLM/SGSY	15.84 (-22.69%)	22.91 (44.64%)	37.44 (52.2%)
7	Amount (₹ in crore)	29643.04 (-43.19%)	63100.77 (112.87%)	116479.07 (84.59%)
8	% of NRLM/SGSY groups to Total	54.87	67.42	81.18
9	Of which NULM/SJSRY	1.13 (-28.93%)	1.84 (62.45%)	1.98 (8.03%)
10	Amount (₹ in crore)	2112.04 (-37.99%)	5816.1 (175.38%)	8627.25 (48.33%)
11	% of NULM/SJSRY groups to Total	3.91	5.43	4.6
Loans Outstanding against SHGs as on 31st March				
1	Total No. of SHGs linked	57.8 (1.81%)	67.4 (16.61%)	69.57 (3.22%)
2	Amount (₹ in crore)	103289.51 (-4.43%)	150151.3 (46.24%)	188078.8 (24.51%)
3	All Women SHGs	53.11 (3.89%)	62.65 (17.97%)	65.15 (3.99%)
4	Amount (₹ in crore)	96596.6 (-4.00%)	142288.61 (47.3%)	179468.42 (26.13%)
5	% of Women SHGs	91.89	93.52	92.95

6	Of which NRLM/SGSY	33.78 (-6.48%)	44.54 (31.87%)	55.45 (24.48%)
7	Amount (₹ in crore)	57336.62 (-15.33%)	94231.52 (64.35%)	150506.71 (59.72%)
8	% of NRLM/SGSY groups to Total	58.44	66.09	79.7
9	Of which NULM/SJSRY	2.23 (-16.48%)	3.27 (46.52%)	3.42 (4.59%)
10	Amount (₹ in crore)	4056.45 (-25.89%)	7608.57 (87.57%)	11077.18 (45.59%)
11	% of NULM/SJSRY groups to Total	3.86	4.85	5.89

Note: Figures in parenthesis indicate the rise or decrease over the prior year..

Source: NABARD Annual Report 2022-23

Table 3 shows its progress in India's SHG-Bank Linkage Program for the previous three years. The information demonstrates the increasing participation of women in this program, with the percentage of all-women SHGs rising from 86.65% in 2020-21 to 84.25% in 2022-23. The table also indicates a consistent rise in savings, loans disbursed and outstanding, and the number of SHGs. Interestingly, the proportion of SHGs covered under National Rural Livelihood Mission and Swarnajayanti Gram Swarozgar Yojana programs has increased from 57.72% to 61.19% of the total SHGs, showcasing the government's focus on empowering rural women through these initiatives. Furthermore, the percentage of women's groups among the total loans disbursed has risen from 89.71% to 95.05%, demonstrating the program's success in channeling financial resources to female entrepreneurs and self-support groups. This aligns with the overarching objective of advancing women's economic empowerment and gender equality in India.

Table 4 presents India's growth in savings-linked self-help organizations during the previous three years, broken down by area. According to the data, the total savings amount and the number of SHGs have steadily increased throughout all regions.

Table 4: Region-wise progress of Savings Linked SHGs with Banks (2020-21 to 2022-23)

Sr. No.	Regions	2020-21		2021-22		2022-23	
		No. of SHGs	Savings Amount (₹)	No. of SHGs	Savings Amount (₹)	No. of SHGs	Savings Amount (₹)
A	Northern	6,09,808	1,74,345	6,80,143	1,99,582	7,87,807	1,22,485
B	North Eastern	6,33,714	83,126	6,80,845	1,06,441	7,93,320	1,27,153
C	Central	13,45,575	2,11,870	13,55,564	3,25,696	18,32,040	4,58,675
D	Eastern	31,22,424	7,74,912	32,43,980	13,58,595	39,30,551	17,42,499
E	Southern	39,61,703	21,29,485	42,44,070	24,06,043	41,31,805	28,96,845
F	Western	15,50,176	3,74,023	16,88,451	3,27,691	19,27,560	5,41,611
Total		**1,12,23,400**	**37,47,761**	**1,18,93,053**	**47,24,048**	**1,34,03,083**	**58,89,268**

Two-Way ANOVA

	F-Value	Degrees of Freedom (df)	P-Value	F Critical (F crit)
Regions	16.01	5	0.007	5.05
Years	17.15	2	0.004	6.94
Interaction	2.36	10	0.106	3.72

Over one-third of all SHGs and savings are in the Southern region, which also has the most SHGs and the most significant savings. With a notable increase in the quantity of SHGs along with savings, the Eastern area comes in second. The SHG-Bank Linkage Program has expanded throughout the nation, as seen by the rise of SHGs and savings in both the Western and Central areas, the quantity of savings, along with the several of SHGs growing

Significantly. SHG-Bank Linkage Program has expanded throughout the nation, as seen by the rise of SHGs and savings in its Central & Western regions. While having a smaller share of the overall SHGs, North-Eastern region has seen a consistent rise in both the quantity of SHGs and the amount of money saved, suggesting an increasing financial inclusion of women in this region as well. Overall, the table demonstrates the growing success in the SHG-Bank Linkage Program in encouraging women's empowerment or saving, especially in India's rural or semi-urban areas.

The Two-Way ANOVA analysis reveals the following: The regional differences in the number of SHGs and savings amount are statistically significant ($F=16.01$, $p<0.007$), indicating that the regions differ significantly in their SHG performance. The differences in SHG performance across the three years are also statistically significant ($F=17.15$, $p<0.004$), suggesting that there have been substantial adjustments to the SHG-Bank Linkage Program. The interaction between regions and years is not statistically significant ($F=2.36$, $p>0.106$), implying that the regional differences in SHG performance have remained relatively consistent over the three years.

CONCLUSION

Women have significantly benefited from microfinance because it has given them financial services and enabled them to start their businesses. As a result, women can now become more economically independent, raise their living level, and contribute to the general advancement of their communities. The analysis emphasizes the significance of chronological variations as well as regional aspects in comprehending the advancement of India's SHG-Bank Linkage Program. Policymakers should consider these insights to strengthen the program further and ensure equitable growth across different regions.

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