

FINANCIAL INCLUSION FOR WOMEN: THE IMPACT OF MICROFINANCE AND SHGs ON EMPOWERMENT

Ashwini Basavaraju*

Research Scholar, Dayananda Sagar University
Bengaluru, Karnataka

Dr.Laxmana Rao G*

Associate Professor, SCMS, Dayananda Sagar University
Bengaluru, Karnataka

*Corresponding authors | Received: 01/03/2025 | Accepted: 15/04/2025 | Published: 30/04/2025

Abstract

Microfinance emerged during 20th Century as a significant strategy for alleviating poverty and fostering economic development. In India, 70% of our population is from rural areas and 60% of the population depends on main occupation that is agriculture as per the World Bank report. Microfinance program like Self Help Groups have been helpful in uplifting the economic status of millions especially in rural based areas. Through SHGs based organizations empowers women by providing a variety of financial services such to access micro credit, insurance service, promotes a culture of saving and financial responsibility. The research paper aims to identify the benefits of joining SHGs and also the drawbacks of joining SHGs. The findings of the research reveal that through NABARD, the SHGs have enhanced women's empowerment in India. NABARD has launched various digital platforms to assist SHGs in financial management and marketing and also reported significant growth in the various types of SHGs especially Women-led groups.

Keywords: Microfinance, SHGs, NABARD, Financial services, Women Empowerment.

Introduction

Microfinance emerged during the period of 20th century as a significant strategy for alleviating poverty and fostering economic development. The movement gained momentum through the efforts of pioneers like Dr. Muhammad Yunus and the Grameen Bank in Bangladesh, which illustrated how small loans could empower low-income individuals, especially women, to establish petty business and enhance their livelihoods. In India, Microfinance has been involved in uplifting the economic status of millions, particularly in rural regions. The sector gained importance in the 1990s with the creation of Self-Help Groups (SHGs) and cooperative banks. Initiatives like the National Rural Livelihoods Mission (NRLM) have further strengthened these efforts by advocating for self-employment and financial inclusion.

Objectives of the Study

1. To identify the Positive impact and Negative impact of Member joining the Self-Help groups on rural development.
2. To know the challenges of Microfinance and SHGs.
3. To discuss the highlights of NABARD initiatives in relation to Self Help Groups.

Research Methodology

The data has been researched and collected through secondary data such as Journals, articles, magazines and NABARD Reports

Key Features of Global Microfinance

- **Financial Inclusion:** The primary goal of microfinance is to provide financial services to those without access to traditional banking, facilitating credit, savings, insurance, and payment options.
- **Social Impact:** In addition to economic advantages, microfinance is often associated with social empowerment, gender equality, and community enhancement.
- **Sustainability:** Many microfinance institutions (MFIs) adopt sustainable business models, utilizing interest from loans to support their operations and broaden their services.

Key Features of Indian Microfinance

- **Self-Help Groups (SHGs):** These community-based organizations empower women to save collectively and access credit, promotes a culture of saving and financial responsibility.
- **Diverse Offerings:** Indian MFIs provide a variety of financial products, including microloans, insurance, and savings, designed to cater to the specific needs of low-income individuals.
- **Government Support:** Various policies and initiatives have been implemented to enhance financial literacy and promote microfinance institutions, thereby expanding their reach.

Benefits of joining Self-Help Groups (SHGs)

1. **Access to Credit:** SHGs facilitate easier access to loans at lower interest rates compared to conventional lenders, helping members start or grow their businesses.
2. **Savings Culture:** Members are encouraged to save regularly, which promotes financial discipline and creates a buffer for emergencies.

3. **Empowerment:** SHGs empower women by involving them in decision-making processes, boosting their confidence and social standing.
4. **Skill Development:** Many SHGs offer training and capacity-building initiatives, provides members with necessary skills for entrepreneurship and self-employment.
5. **Social Support:** Women as part of an SHG foster a sense of community, providing emotional and social support among members facing similar challenges.
6. **Financial Literacy:** SHGs often host workshops to enhance financial literacy, enabling members to better manage their finances and understand financial products.
7. **Income Generation:** By providing small loans, SHGs allow members to initiate income-generating activities, improving their economic situation and overall quality of life.
8. **Group Bargaining Power:** Members can negotiate collectively for better prices on goods and services, increasing benefits for the group.
9. **Access to Government Schemes:** SHG members typically have improved access to various government programs and subsidies aimed at poverty alleviation and self-employment.
10. **Networking Opportunities:** SHGs create a platform for networking, allowing members to connect with fellow entrepreneurs, potential customers, and useful resources.

Limitations of joining Self-Help Groups (SHGs)

1. **Limited Loan Amounts:** SHGs generally offer petty and short loans, which could not meet the basic needs of members looking to fund larger business projects.
2. **Reliance on Group Cohesion:** The effectiveness of SHGs relies on the unity and commitment of the group, and conflicts or low participation can impede progress.
3. **Pressure to Repay:** Members might feel significant pressure to repay loans quickly, which can be difficult if their businesses do not generate immediate income.
4. **Skill Deficiencies:** Some members may lack the skills or knowledge to effectively use the loans, which result in the failure of members in business.
5. **Administrative Challenges:** Managing meetings, record-keeping, and financial transactions can be time-consuming and may require considerable effort from members.
6. **Financial Literacy Gaps:** Not all members may possess sufficient financial literacy, which can result in poor financial management and decision-making.
7. **Regulatory Hurdles:** SHGs may encounter bureaucratic obstacles when trying to access government programs or formal recognition, limiting their impact.

8. **Over-Indebtedness Risk:** Without adequate financial education, members may accumulate excessive debt, leading to financial stress.
9. **Unequal Engagement:** In some groups, dominant members may overshadow others, resulting in unequal benefits and participation.
10. **Sustainability Concerns:** Some SHGs may struggle to remain sustainable over the long term due to fluctuating member commitment or lack of resources.

Self-Help Groups (SHGs) in India plays a key role in enhancing financial inclusion and empowerment across various groups. Here's a streamlined overview based on your classifications:

1. Composition

- Women SHGs: Focus on empowering women and promoting financial independence.
- Men SHGs: Centered around savings and income-generating activities for men.
- Mixed SHGs: Include both men and women, fostering inclusive development.

2. Purpose

- Savings and Credit SHGs: Emphasize financial literacy, savings, and lending.
- Production SHGs: Involved in collective production, particularly in agriculture and crafts.
- Marketing SHGs: Aid members in collectively marketing their products.

3. Membership

- Urban SHGs: Tackle issues like unemployment and skill development in urban areas.
- Rural SHGs: Concentrate on agriculture and related activities in rural settings.

4. Registration

- Registered SHGs: Legally recognized groups that provide more credibility and access to resources.
- Unregistered SHGs: Informal groups that operate successfully without formal recognition.

5. Support

- Government-supported SHGs: Established with government assistance, often linked to poverty alleviation initiatives.
- NGO-supported SHGs: Formed by NGOs to achieve specific developmental objectives.

These classifications help in providing tailored support and resources, promoting community development and empowerment throughout India.

In 2023, NABARD (National Bank for Agriculture and Rural Development) strengthened its commitment to fostering Self-Help Groups (SHGs) and advancing women's empowerment in India. **Here are the key highlights:**

1. **Growth of SHGs:** NABARD noted a significant raise in the number of SHGs, particularly those led by women, with a strong focus on enhancing direct access to credit and also to the financial services.
2. **Capacity Building Initiatives:** Numerous training programs were conducted to boost the skills of SHG members in areas such as entrepreneurship, financial management, and marketing.
3. **Linkage Initiatives:** NABARD worked to connect SHGs with banks, ensuring that members could get required loans for their business activities.
4. **Livelihood Promotion:** Efforts were made to support sustainable livelihoods for women, particularly in agriculture, crafts, and small-scale industries.
5. **Digital Advancements:** NABARD emphasized make use of digital tools to help SHGs progress their financial management and marketing strategies.
6. **SHG Recognition:** Various awards and recognition programs were established to celebrate the achievements of successful SHGs and inspire others.

These efforts aimed not only at achieve financial freedom but also at enhancing the social status and empower women in rural and semi-urban communities.

Findings

1. There are over 10 million SHGs in India with most being led by women.
2. About 70% of SHGs women participate in SHGs.
3. More than Rs 1 Lakh crore allocated as loans to SHGs.
4. Over 5,000 capacity building workshops were organised for SHGs members as training initiatives.
5. To support for livelihoods over 1 million women were assisted in diverse sectors.
6. To support and help SHGs with financial management and marketing different digital platforms were launched.
7. As awards and recognition, more than 500 SHGs were awarded for outstanding entrepreneurship.
8. As part of financial literacy programs, initiatives reached around 2 million women to enhance their financial skills.

Challenges

Despite its acknowledged potential, microfinance faces criticism over concerns such as over-indebtedness, high interest rates, and the sustainability of certain microfinance institutions (MFIs). There is an increasing recognition of the need for responsible lending practices and regulatory frameworks to ensure that microfinance truly fosters economic development without resulting in exploitation. While the Indian microfinance sector made considerable strides, it still engages with challenges like over-indebtedness, regulatory hurdles, and the necessity for enhanced financial literacy among borrowers. The 2010 crisis in Andhra Pradesh highlighted the risks tied to unregulated lending practices.

Conclusion

In India, microfinance and its existence have highlighted the presence of small group activities related to credit and saving services through Self-Help Groups. The microfinance sector has gained significance due to the inclusive growth strategies developed for poor women by the RBI through NABARD initiatives. This inclusive growth has significantly contributed to the economy by promoting the development of rural women in society. In conclusion, Self-Help Groups primarily focus on women, particularly individuals who are economically disadvantaged, empowering them to build self-confidence.

References

1. Devarajappa, S. Cooperative Movements And Economic Empowerment Of Rural Women In Karnataka Smt. Ranjitha BR.
2. Kumar, A. MICRO-FINANCE, SELF HELP GROUPS AND WOMEN EMPOWERMENT IN HIMACHAL PRADESH: A STUDY OF LOW HILL ZONE.
3. Samineni, S., & Ramesh, K. (2020). Measuring the Impact of Microfinance on Economic Enhancement of Women: Analysis with Special Reference to India. *Global Business Review*, 0972150920923108.
4. Agrawal, D. (2020). An Empirical Study on Women Empowerment Through Self Help Groups (Special Reference to Ujjain District of MP). *Accent Journal of Economics Ecology & Engineering*, 5.
5. Kumar, K. (2020). EMPOWERING WOMEN THROUGH MICROFINANCE: EVIDENCE FROM UTTAR PRADESH, INDIA. *Journal of Critical Reviews*, 7(7), 1024-1029.

6. Irhoumah, A. H., Moh'd Ayedh, A., & Echchabi, A. (2020). Determinants of Microfinance Factors Affecting Women's Empowerment: Evidence from Egypt. *FWU Journal of Social Sciences*, 14(4), 1-11.
7. Suma, S., & Nandini, L. (2020). A Study On “Relationship Between Microfinance And Women Empowerment With Respect To Chickballapur District”. *European Journal of Molecular & Clinical Medicine*, 7(8), 3094-3112.
8. Sindhu, N. Women Empowerment and Livelihood Activities: A Study With Reference to Chikkaballapur District.
9. Kumar, M. M. V. (2020). MICROFINANCE AND FACTORS CONTRIBUTING FOR ECONOMIC EMPOWERMENT OF SHG WOMEN: A CASE. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 17(9), 8357-8368.
10. Rathirane, Y., & Semasinghe, D. M. (2015). Factors determining the women empowerment through microfinance: An empirical study in Sri Lanka. *International Journal of Social, Behavioural, Educational, Economic, Business and Industrial Engineering*, 9(5), 2328-2185.