

ECONOMIC EMPOWERMENT THROUGH SHGS: A CRITICAL ANALYSIS OF MICROFINANCE SCHEMES IN RURAL INDIA

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Abstract

The paper examines how rural women in India have been economically empowered by being enrolled in Self-Help Group (SHG) related microfinance programs. The study examines the extent of income and savings behaviour, asset ownership and self-employment among SHG beneficiaries in three different states in India (Bihar, Odisha and Karnataka) using a structured Economic Empowerment Scale. A cross-sectional survey of 300 participants was carried out in a quantitative way, and the data were analysed both descriptively and inferentially. The results indicate that SHG membership is highly beneficial in increasing the household income, disciplined savings, investment in productive assets and self-employment. The effect is however different in different regions and this is largely dependent on institutional support, quality of training and the length of SHG membership. Other challenges that the study identifies include lack of uniformity in access to training, inefficiency in regional banking, and inability to monitor informal earnings. These lessons highlight the promise of SHG-based microfinance as a revolutionary instrument of rural development, as well as the necessity of policy interventions, sustained capacity-building, and monitoring mechanisms that are more regular. The paper provides a better insight into the potential of microfinance in inclusive economic growth and the areas of future research.

Keywords: SHGs, microfinance, rural women, economic empowerment, income, savings, self-employment, asset creation, financial inclusion.

1. Introduction

In India, microfinance has been a game changer in terms of increasing access to finance to the underserved and economically marginalised population, especially in the rural parts of the country (Basu & Srivastava, 2005). The Indian model of microfinance was first seeded in the 1990s, initially inspired by the success of Grameen Bank in Bangladesh, and largely through the efforts of such institutions as NABARD and the Reserve Bank of India (Rashid & Kumar, 2018). These agencies realised that conventional banking systems could not support the credit demands of the poor, particularly women, since they did not have any collateral, credit history, and formal employment (NABARD, 2020). Small loans, savings, insurance, and financial literacy became important tools that were used to fill this gap through microfinance services. In 1992, Self-Help Group (SHG) Bank Linkage Programme (SBLP) was institutionalised as the central system of microfinance delivery in India. This model united the informal savings groups, which were mostly made up of women, and connected them to the formal financial institutions. Over the

decades, microfinance has changed in the sense that it is no longer just a credit delivery mechanism but it has become a developmental tool that seeks to alleviate poverty and socio-economic inclusion. As of March 2020, there were more than 10 million SHGs connected to banks that touched the lives of more than 100 million rural households (NABARD, 2020).

SHG movement in India is not a financial mechanism only but a social transformation strategy. SHGs are usually started by 10-20 people (mostly women) with a similar socio-economic background who come together and share their savings and lend to each other (Ray & Misra, 2023). With time, they qualify to formal credit by being linked to banks. SHGs have been successful due to its twin strategy of collective decision making and social collateral that lowers the default rates substantially and improves repayment discipline. The government's involvement through initiatives such as the National Rural Livelihoods Mission (NRLM) has further formalised the SHG ecosystem by providing capacity-building, credit facilitation, and livelihood training. As scholars have observed, SHGs have acquired more than credit access as a platform, they facilitate collective action, group entrepreneurship, and enhance financial literacy among rural women (Singh & Padhi, 2020). Their contribution to women empowerment and rural community building has become the mainstay of the inclusive development story of India.

There is an emerging literature that confirms the perception that SHGs are effective economic empowerment agents, especially to rural women (Brody et al., 2015). Economic empowerment in this case is the ability to have more control over the income, better economic decision-making, access to resources, and to affect financial outcomes. Through SHGs, women have access to credit which they use to initiate micro-enterprises, invest in agriculture or livestock and to educate and treat their children (Garikipati, 2008). Economic empowerment of women by SHGs is also characterized by change in intra-household relations. Women are respected, confident and able to make decisions and this further encourages financial discipline and investment in productive assets. A number of impact studies have indicated positive relationships between SHG membership and better income levels, higher savings and better asset ownership (Swain & Varghese, 2009). Moreover, SHGs usually act as launching pads of collective enterprises that create jobs outside the immediate family. The gains are however not equal among regions or groups. Certain researches mention that the early benefits of SHG membership are likely to level off unless they are supported by long-term assistance and capacity building. In addition, access to credit and use of credit is at times limited due to socio-cultural restrictions or market constraints (Banerjee, Karlan, & Zinman, 2015). As such, the variations should be critically analysed and the contextual factors that affect SHG effectiveness identified.

1.1 Problem Statement

Although SHGs and microfinance are well known as financial inclusion and women empowerment tools, empirical evidence on their long-term effects is still inconclusive (Gichuru et al., 2019). Although there has been a great outreach, there is still a question of how deep this empowerment has been especially in the generation of sustainable income, creation of assets, and financial independence. The transformative potential of SHGs is usually watered down by regional differences, unequal institutional support, and the inability to converge with livelihood programmes (Mondal & Nath, 2024). Moreover, most of the studies have been narrow on loan disbursements and repayment behaviour without giving due consideration on how micro finance affects long term economic indicators like household income stability, productive investments or entrepreneurial success. Therefore, a further investigation is needed on whether SHGs actually

lead to economic empowerment or is just a short-term financial reprieve. The necessity to distinguish between the access and economic autonomy is the core of this inquiry.

1.2 Research Objectives

This study is guided by the following specific objectives:

1. To evaluate the change in household income levels among SHG members
2. To analyse the impact of microfinance on savings behaviour
3. To assess productive asset creation post-SHG participation
4. To investigate the role of SHGs in enabling self-employment
5. To identify regional variations in microfinance outcomes

2. Literature Review

2.1 Historical Development of SHG-led Microfinance in India

Microfinance in India came up as result of failure of formal financial institutions to offer timely credit to the rural poor, particularly women (Basu, 2006). The SHG model, popularised in the early 1990s by the SHG Bank Linkage Programme (SBLP) launched by NABARD in the early 1990s, is a model of a self-help group. This was a strategy that enabled the informal groups of women in the rural areas to save and get credit in the formal banks without collaterals. In the last 30 years, this model has grown tremendously and it has benefited more than 10 million SHGs especially in the underserved areas of the nation (Pramanik & Halder, 2013). SHG model is not only a financial channel but a system of grass roots economic development.

"H1: Participation in SHGs significantly increases household income among rural women beneficiaries."

2.2 Economic and Social Empowerment models

The empowerment model adopted to determine the success of microfinance programs tends to incorporate two aspects, which are economic and social empowerment Obaidullah & Shirazi, 2014). Although social empowerment focuses more on confidence, mobility and involvement in household decision-making, economic empowerment is more concrete, i.e. income, savings, employment, and assets. Economic empowerment is usually a precondition to long-term social change, even though both concepts are interconnected (Mishra, 2024). Research has indicated that the SHG involvement results in improved financial independence particularly when women start earning directly to the household income and take financial decisions independently. De Souza and Pai (2012) have also stressed that access to microfinance enabled women to diversify their sources of income as well as obtain productive assets like livestock and tools (De Souza & Pai, 2012).

"H2: Participation in SHG-led microfinance schemes significantly improves personal savings behaviour of rural women."

2.3 Review of Similar Studies

Several empirical studies in different parts of India are in favor of the association between SHGs and economic upliftment. In a comparative study in West Bengal, Samantaraya and Goswami (2015) found that the income mobility of SHG members was higher and they invested more often in productive ventures compared to members that accessed cooperative societies. The research also observed that SHGs were better in eliminating the reliance on the informal money lenders (Samantaraya & Goswami, 2015). In the same way, Ali and Labhane (2016) found that the income of households and financial literacy of SHG members increased significantly in Maharashtra. The authors highlighted that the involvement usually resulted in the start of new

income-generating activities such as tailoring, petty trade, and food processing (Ali & Labhane, 2016). Tasso and Nayak (2024) discovered in Arunachal Pradesh that microfinance had a great impact on loan repayment behaviour and income diversification of SHG women. It was also found that the study resulted in less dependency on the informal financial systems and better entrepreneurship activity (Tasso & Nayak, 2024).

"H3: SHG members are more likely to invest in productive assets compared to non-members."

"H4: Participation in SHGs positively influences self-employment and entrepreneurial activity among rural women."

2.4 Important Results and Research Designs

The majority of the studies apply mixed methods that involve the combination of structured questionnaires and statistical methods like paired t-tests and regression analysis. As an example, Sandhu (2015) pointed out that SHGs have enabled women to become economically empowered by raising the level of income, promoting savings, and enhancing access to bank credit (Sandhu, 2015). De Souza and Pai (2012) applied the Economic Empowerment Scale of Lokhande and realised that the members of SHG in Goa demonstrated strong economic improvement after two years of joining. The main indicators were frequency of savings, level of productive investment, and contribution of the household finances (De Souza & Pai, 2012).

2.5 Gaps in the Current Literature

Though there is a lot of literature on SHGs and microfinance, there is a glaring gap in longitudinal and regional comparative studies that analyse the impact of SHG participation on different aspects of economic empowerment over time. The current literature has been mostly focused on anecdotal or case-based results of a few regions, and in many cases, it fails to consider geographic, cultural and policy-level differences. In addition, there is scanty empirical evaluation of the extent to which asset accumulation, entrepreneurship, or structural livelihood changes occur as a result of an expansion in the access to credit (Swain & Varghese, 2009). Also, no consolidated information is available on the effects of SHGs on financial behaviour particularly on savings discipline, productive investments as well as risk management of rural households. The study aims at bridging these gaps by undertaking a critical and multi-dimensional examination of the SHG-linked microfinance performance in various regions of India.

"H5: The level of economic empowerment among SHG members is influenced by duration of membership and regional factors."

3. Research Methodology

The research will be done using a quantitative cross-sectional design which is suitable in assessing the effect of microfinance schemes on economic empowerment at any given moment. A systematic data collection method guarantees replicability, comparability and objectivity. Since the effects of microfinance can be measured using such quantifiable measures as income, savings, and employment, this design is appropriate to the goals of the study (Samantaraya & Goswami, 2015). The sample of 300 SHG members was selected through stratified random sampling method based on three different states of India, Bihar, Odisha and Karnataka. These regions offer socio-economic and geographical heterogeneity, which is essential for capturing a representative picture of microfinance's impact in rural India (Agrawal, 2023). The districts were considered strata and 100 respondents were randomly selected with the help of member lists given by the NGOs associated with SHG-Bank Linkage Programme. This guaranteed that there

was equal representation of the regions and reduced selection bias. The main instrument is a structured questionnaire with the Economic Empowerment Scale (EES) based on the previous research by Fazalath (2020) and proven by Mula & Sarker (2013). The scale has four dimensions that are central:

- **Income enhancement**
- **Savings behaviour**
- **Asset acquisition**
- **Employment/self-employment status**

Each item was scored on a 5-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree." The tool was administered in local languages to enhance comprehension and response accuracy. Several studies have validated the internal consistency and construct reliability of the Economic Empowerment Scale:

- **Reliability:** Fazalath (2020) reported a Cronbach's alpha of **0.84**, indicating high internal consistency.
- **Convergent Validity:** Mula and Sarker (2013) found a strong positive correlation ($r = 0.68$, $p < 0.01$) between economic empowerment indicators and access to microfinance.
- **Discriminant Validity:** Samantaraya and Goswami (2015) demonstrated that respondents in SHGs scored significantly higher on all economic dimensions compared to cooperative society members ($p < 0.01$).

Table 1: Reliability and validity of the scale

Dimension	Cronbach's Alpha	Factor Loading Range
Income Enhancement	0.81	0.58 – 0.76
Savings Behaviour	0.79	0.61 – 0.80
Asset Acquisition	0.77	0.52 – 0.73
Employment/Self-employment	0.82	0.59 – 0.77

Adapted from Fazalath (2020), Mula & Sarker (2013)

These metrics confirm the scale's suitability for measuring economic empowerment in diverse rural contexts.

3.1 Data Analysis Techniques

In order to analyze the effects of SHG membership on economic empowerment in a systematic manner, the research used a broad range of statistical tests with the help of SPSS program. The demographics of the respondents, as well as the major economic indicators, like the level of income, savings behaviour, and assets ownership, were first summarised using descriptive statistics, including frequencies and means. These steps allowed defining the basic patterns and having a clear picture of the sample features.

To get more insight, inferential statistics was used to test the hypothesis of the study. The paired sample t-tests were used to compare the economic variables, i.e., monthly income and savings, before and after joining SHGs, where the statistically significant changes could be identified. Also, the one-way Analysis of Variance (ANOVA) was applied to investigate the presence of differences in the economic outcomes in various regions and demographic groups, thus pointing out the role of geographic and social contexts. And lastly, a multiple regression analysis was used to determine the best predictors of an increase in income like the amount of savings or the amount of assets that have been purchased as was proposed in previous studies by Mula and Sarker (2013).

3.2 Ethical Considerations

Ethical research practices were strictly observed in the study so as to guarantee the rights, dignity, and privacy of all the participants. Before the data was collected, all the respondents gave an informed consent. The participants were well informed of the purpose of the study, the voluntary participation and the confidentiality of their answers. Verbal consent was received where necessary instead of written consent to fit the local literacy standards.

In order to preserve anonymity, all the data of each participant was given a coded identification number, and no personal identifiers were registered in the dataset. All the data were saved in password-protected files to avoid unauthorised access. Besides, the participants were told that they could withdraw themselves out of the study at any time without incurring any adverse effects. Such ethical precautions were part of the process of gaining the trust of the respondents and making the research process respectful and transparent at all times.

4. Data Analysis and interpretation

The section gives the findings of the study by answering every research question and also testing the hypotheses. The sample size of 300 SHG members was selected in Bihar, Karnataka and Odisha, and a structured questionnaire was developed on the basis of Economic Empowerment Scale. Important indicators are income, savings, asset formation and self-employment.

4.1 Demographic Profile of SHG Participants

The respondents were equally distributed across three districts: Bihar, Karnataka, and Odisha. Most participants had **1 to 10 years** of SHG membership, with an average of **5.8 years**, ensuring adequate exposure to microfinance services. The gender distribution was overwhelmingly female, consistent with the SHG model's focus on women's empowerment [Fazalath, 2020].

4.2 Descriptive Analysis of Income Change, Savings, and Asset Ownership

Household Income Changes (Objective 1 / H1)

Table 2 shows a substantial increase in average monthly income after SHG participation. Odisha showed the greatest increase, followed by Karnataka and Bihar:

Table 2: Income Before and After SHG Participation by District

District	Income Before SHG (₹)	Income After SHG (₹)	Income Change (₹)
Bihar	3,038.26	5,056.26	2,017.99
Karnataka	2,934.90	5,041.64	2,106.74
Odisha	2,973.55	5,150.49	2,176.94

These results support **H1**: “*Participation in SHGs significantly increases household income among rural women beneficiaries.*” Similar findings were reported by Ali and Labhane (2016) and Samantaraya and Goswami (2015), who observed substantial income gains among SHG members.

Savings Behaviour (Objective 2 / H2)

Table 3 outlines the average monthly savings by district. Karnataka showed the highest savings, suggesting effective financial behaviour among its SHG participants:

Table 3: Average Monthly Savings by District

District	Avg Monthly Savings (₹)
Bihar	803.60
Karnataka	844.13
Odisha	810.35

This confirms **H2**: “*Participation in SHG-led microfinance schemes significantly improves personal savings behaviour of rural women.*” These results are aligned with findings by De Souza and Pai (2012), who also noted increases in formal savings among SHG participants.

Productive Asset Creation (Objective 3 / H3)

To assess the economic stability generated through SHGs, Table 4 shows the average number of productive assets (like livestock, sewing machines, etc.) acquired:

Table 4: Average Asset Creation by District

District	Avg Assets Created
Bihar	2.00
Karnataka	2.03
Odisha	2.20

These figures support **H3**: “*SHG members are more likely to invest in productive assets compared to non-members.*” Odisha again leads, reflecting the higher investment in livelihood assets. Comparable results were documented by Mishra (2024), highlighting the link between SHG credit access and capital formation.

4.3 Comparative Analysis by Region and SHG Tenure (Objective 5 / H5)

There are visible **regional differences** in economic outcomes. Odisha recorded the highest increase in income and assets, while Karnataka had the highest savings. These regional outcomes highlight policy and institutional differences in microfinance implementation. Additionally, a **positive correlation ($r \approx 0.45$)** was observed between SHG tenure and income gain. This validates **H5**: “*The level of economic empowerment among SHG members is influenced by duration of membership and regional factors.*” These findings mirror those of Mula and Sarker (2013), who also found tenure-dependent improvements in economic well-being among SHG members.

4.4 Self-Employment and Entrepreneurship (Objective 4 / H4)

Self-employment status was measured to evaluate the entrepreneurial outcomes of microfinance participation:

Table 5: Self-Employment Rate by District

District	Self-Employment Rate (%)
Bihar	64
Karnataka	69
Odisha	61

Karnataka had the highest rate of self-employment, indicating strong micro-enterprise formation. This supports **H4**: “*Participation in SHGs positively influences self-employment and entrepreneurial activity among rural women.*” Tasso and Nayak (2024) observed similar results in Arunachal Pradesh, where SHG-linked women reported better access to markets and capital.

5. Discussion

This paper affirms that the microfinance programs, which are associated with Self-Help Groups (SHG) in India, have a great impact on the economic empowerment of rural women in India, especially in terms of income generation, better savings, asset ownership, and self-employment. These findings confirm previous assumptions (H1-H5) and can be well-grounded by current literature.

5.1 Increase in income

Our findings indicate that the household incomes of SHG members grew significantly after the intervention with Odisha recording the greatest improvement. This is in line with the observation of (Ali & Labhane, 2016) who reported that microfinance was the source of the initial capital to engage in income-generating activities, which include tailoring, vegetable selling, and small-scale livestock keeping. On the same note, (Swain & Varghese, 2009) discovered that women in SHGs had a slow transition in informal labour to home-based businesses and this increased the consistency of income. Also (Mula & Sarker, 2013) observe that microcredit has the effect of raising the bargaining power in a household when the income earned is directly used in the daily spending. Income improvement is not only monetary improvement but also a representation of intra-household role changes, the sign of a greater economic independence.

5.2 Financial discipline and savings Behaviour

The improvement in the savings behaviour of the respondents proves that access to microfinance services based on groups encourages the saving habit. SHGs have a collective responsibility that means that there is a monthly contribution and bank linkage that promotes formal savings. These findings are similar to the findings of (De Souza & Pai, 2012) who highlighted the importance of microfinance in motivating women to save regularly and prepare to invest or face an emergency in future. The direct relationship between SHG participation and long-term financial literacy was also discovered by (Fazalath, 2020). A large number of women in his study indicated that they had their first bank account after SHG participation and this led to greater exposure to interest, returns, and financial products.

5.3 Asset building

Another aspect of sustainable economic empowerment is the acquisition of productive assets-livestock, looms, irrigation pumps. As we can see in our data, the participants of Odisha SHGs were more inclined to invest in the assets that could bring revenue in the long term. This finding resonates with (Mishra, 2024), who identified asset ownership as the most tangible evidence of women's empowerment in rural Odisha and Chhattisgarh. [(Swain & Varghese, 2009)] also point out that asset creation is a transition to surplus income instead of subsistence income and the SHG members can come out of the debt cycles. In addition, these investments can be used as security to future bank loans, and this forms a positive cycle of financial inclusion and growth.

5.4 Self Employment and Entrepreneurship

Membership of SHG was closely linked with higher self-employment especially in Karnataka and Bihar. This is consistent with (Tasso & Nayak, 2024) who revealed that SHGs are catalysts in the establishment of micro-enterprises. In their research, they found out that SHG-linked credit assisted the participants to initiate businesses in tailoring, dairy farming, and food vending. On the same note, (Garikipati, 2008) discovered that availability of credit was not enough in entrepreneurship. Successful business outcomes were as a result of the group mentoring, market linkages and periodic training offered by the SHG federations. In this way, our results confirm that SHGs are not just credit providers, but they create a support system of rural entrepreneurship.

5.5 Causes of Variability of Outcomes

Even though our findings support the positive effects of SHGs, they also show that the outcomes are regionally different. There are a number of interconnected reasons of this variation:

1.Institutional Support and Infrastructure:

Odisha with greater income and asset formation has better NGO support and government schemes which complement SHGs. The same results were reflected in (Pramanik & Halder, 2013) who observed that the strength of SHG-Bank tie and training institutions has a major influence on the success rates.

2.SHG Membership duration:

The longer the SHG tenure of the members, the higher the income and empowerment gains, which confirms the evidence of [(Mula & Sarker, 2013)] and (Samantaraya & Goswami, 2015), who state that the transformative effect of microfinance is cumulative and takes time.

3.Financial Literacy and Education:

Regions that had a higher literacy rate of females showed improved results. Financial literacy enables women to participate more in the group decisions, assess risks and seek formal loans. These observations are in line with (Banerjee, Karlan, & Zinman, 2015) who found that education has a great impact in enhancing the impacts of microfinance interventions.

4.Cultural Norms and Gender Roles:

In some regions, socio-cultural constraints limit women's autonomy, thereby reducing the potential gains from SHG participation. It was recorded by (Garikipati, 2008) that the loans are usually controlled by the male family members which undermines the empowerment process. Such gendered constraints might still be in existence as we found out in Bihar where there were fewer self-employed individuals.

5.6 Confirmation or Disapproval with the Past Research

Most of the mainstream findings on SHGs are supported by our results especially the works of Swain, De Souza, Mula, and Mishra. They however dispute the overly positive arguments that microfinance naturally results in empowerment. Microfinance is neutral or even negative in case it is not coupled with training, market access, or institutional support as [Banerjee et al., 2015] note. There were also some respondents who mentioned misuse of loans or appropriation of funds by the household-results that have not been studied thoroughly in previous studies. Therefore, the research brings a new shade to the story: SHGs are good, but their potential depends on a network of external facilitators.

5.7 The role of NGOs, Government Schemes and Banks

SHG ecosystem is successful when several stakeholders including NGOs, banks and the local government work together. An example is NRLM which has facilitated standardisation of SHG practices, digital banking and provision of subsidised credit. The article by (Singh & Padhi, 2020) states that NGO intervention is required to establish trust, perform training, and manage grievances. Disbursal of funds by banks is however, slow especially in rural places. Our on-ground research established that the time taken to approve a credit and documentation were mentioned as significant obstacles. The same concerns are mentioned by (Pramanik & Halder, 2013) who call to streamline the digital processes and introduce SHG-specific financial products.

5.8 Challenges and Limitations

Although this study provides valuable information about the economic effects of SHG-led microfinance in rural India, a number of limitations have to be mentioned. These methodological and structural obstacles limit the interpretation and generalisation of results and identify the areas that need future research and policy changes.

1. Access to Training and Credit: Non-uniform

The unequal access to training and credit support in different regions is one of the most important issues. Despite the efforts of National Rural Livelihood Mission (NRLM) to standardise SHG capacity-building programs, the differences in the participation of NGOs, implementation at the state level, and collaboration with banks lead to the differences in the performance of SHGs across the districts (Pramanik & Halder, 2013). As an example, SHGs in Odisha recorded high productive investment and credit use, whereas in Bihar, SHGs were faced with the problem of delayed loans disbursement and follow-up. Such discrepancy can distort economic results, with SHGs that enjoy more institutional support being in a better position to meet indicators of empowerment, including self-employment or asset formation (Mishra, 2024). Access to credit in itself may not make a difference unless it is supported.

2. Problem with Measurement of Informal Earnings

The other methodological limitation is the difficulty of recording informal earnings particularly in the agricultural and home based enterprises where the transactions are not documented or seasonal. The respondents do not usually have accurate records of earnings and there may be underreporting or estimation errors. This is especially applicable in rural India where income tends to vary because of monsoons, market prices and migration of labour. According to (Garikipati, 2008), the informality of the economic activities of women (sale of vegetables to poultry farming) makes it hard to identify the impact of SHG membership on income stability. Thus, the quantum of change might not be precise even though trends in economic improvement can be seen.

3. The Inefficiencies of Regional Banking Inefficiencies

The other major obstacle is regional differences in the banking infrastructure and responsiveness. Most of the bank branches in rural areas have insufficient staff, excessive workload, or do not have the technology to handle SHG loans effectively despite the RBI requirements (Samantaraya & Goswami, 2015). Such inefficiencies tend to lead to delays in credit, over documentation and distrust between SHG members and banks especially in the poorer districts such as in parts of Bihar. Where banks are reluctant to disburse second-cycle loans or consider SHGs as risky customers, the credit cycle is broken and this impacts upon entrepreneurial dynamism. In addition, according to the field reports, SHG members are occasionally forced to pay some informal service fees, which is contrary to the very idea of inclusive finance (Ali & Labhane, 2016).

4. Respondent Bias in Self Reported Financial Outcomes

The bias is a frequent restriction in the impact assessment where self-reported data are used. Respondents can overstate the gains in income or acquisition of assets to make their group or themselves look good. The social desirability bias may affect the manner in which women answer questions on empowerment or autonomy in making decisions especially during interviews in the presence of SHG facilitators (De Souza & Pai, 2012). Although the use of structured scales such as the Economic Empowerment Scale can be used to reduce such bias, the use of perception-based measures of empowerment may still lead to data that is as much about aspiration as it is about reality. Future studies could be enhanced by further triangulation either by direct observation or by financial audits.

6. Policy Implications and Recommendations

The results of the research prove the fact that SHG-linked microfinance is an important factor of economic empowerment of rural women as it raises income, stimulates savings, asset ownership

and self-employment. Nonetheless, the difference in the results in the different regions, as well as institutional and structural issues, indicates that specific policy measures are necessary.

The following recommendations are drawn from the study's results and supported by prior research:

1. Empower the Financial Literacy Programmes

Although SHG members have access to credit, most of them do not have the expertise to manage loans, savings or investment in the best possible way. SHG formation and monitoring processes should be encompassed with financial literacy programs. The training modules must involve budgeting, bookkeeping, debt management and long-term investment planning. The research conducted by (Ali & Labhane, 2016) and (Mula & Sarker, 2013) indicates that SHGs that had more financial literacy training had more returns on their microfinance investments. The informed members also had higher chances of reinvesting profits on income generating activities instead of spending credit on consumption.

2. Make sure that there is a continuous support of entrepreneurship after the loan.

Microfinance cannot be a single shot input; it should be combined with continuous support in terms of market linkages, mentorship, product development and access to technology. The handholding after loan is essential in transforming microenterprises into sustainable enterprises, particularly in the remote rural regions where access to the market is not good. According to (Garikipati, 2008), microfinance is not the only solution to entrepreneurship, except when training and demand-based support is provided. Such programs as NRLM can enhance their livelihood missions by partnering NGOs and local businesses to offer follow-up services like inventory and digital literacy.

3. Enhance Consistent Training Standards of SHGs Among States

The difference in the results of SHGs in Odisha, Bihar, and Karnataka was one of the main findings of the study because it could be mostly explained by the quality of training and institutional support. It requires a standardised national SHG capacity-building model that will provide uniformity in orientation, financial training, enterprise development and social cohesion. Pramanik and Halder (2013) suggest the creation of SHG quality index that could be applied by banks and NGOs in tracking group performance. The national guidelines implemented by NRLM would help to minimize training gaps that exist between the states and the districts.

4. Promote Regional Policy Incentive to Asset-Based Lending

Regional governments must encourage SHGs to invest in productive assets like livestock, machinery or agricultural tools to enhance the long-term effect of microfinance. SHGs that direct a proportion of their lending to capital investment, instead of short-term consumption, might be given subsidies, interest rebates or matching grants. The practice has been identified to work in Odisha where asset-based microfinance schemes resulted in increased income and economic stability (Mishra, 2024). The repayment rates can be improved and household resilience can be strengthened by encouraging the banks to tie loans to specific asset-creation objectives, e.g. buying a sewing machine or irrigation equipment.

7. The Study Limitations

The cross-sectional research design is one of the major limitations of this study since it does not allow to determine long-term or causal effects of SHG participation on economic empowerment. Although the changes in income, savings, and asset creation were found, the design does not enable to confirm that the changes are maintained and directly related to microfinance in the long-term. Also, the use of self-reported data, especially in regard to income and asset

ownership, poses a threat of recall bias and social desirability bias- where the respondent will tend to overstate his/her financial gains in order to match the perceived expectations of the researchers or facilitators (Garikipati, 2008); (De Souza & Pai, 2012). The other limitation is based on the geographic concentration of the sample that was limited to three states- Bihar, Odisha and Karnataka. Despite the diversity of the selected states, the results obtained in them could not be generalised to other areas with other socio-economic or policy settings (Swain & Varghese, 2009). Besides, there was a lack of uniformity in the institutional backing and access to training, which could distort the efficacy of microfinance among the districts (Pramanik & Halder, 2013).

8. Prospect of the Study

Future studies ought to take into consideration the use of a longitudinal design to reflect the dynamic and long-term effects of SHG membership. Following up SHG members on an annual basis may be useful in separating immediate financial relief and long-term economic change, and it would be possible to analyze entrepreneurship growth, intergenerational wealth transfer, and credit cycles. Besides, the geographic scope can be extended to cover under-represented or tribal areas, which may give an idea of how cultural, infrastructural, and policy variations may affect SHG performance and outcomes (Ali & Labhane, 2016). It is also possible to combine qualitative approaches, e.g. focus groups or detailed case studies, in order to complement the quantitative results and get a more detailed picture of the empowerment experiences, particularly in patriarchal or marginalised societies (Banerjee, Karlan, & Zinman, 2015). Furthermore, the future research may entail a comparison of the SHG-linked microfinance models with other livelihood programs like digital credit, cooperatives, or direct benefits transfers to estimate the relative cost-effectiveness and empowerment potential. Lastly, the addition of more substantial measures, like the asset valuation, the return on investment, and business profitability, would improve the future analysis of microfinance as a development strategy (Mishra, 2024).

9. Conclusion

To sum up, the study highlights the importance of Self-Help Groups (SHGs) in improving the economic empowerment of the Indian rural women. SHGs have been shown to be a powerful instrument of financial inclusion and livelihood enhancement at the grass roots level through access to credit, facilitation of savings patterns, asset purchase and self-employment. Nevertheless, the positive outcomes are not equally distributed in the regions, which shows that there is a necessity to provide more stable institutional support, the quality of training, and after-loan services. Although the short-term benefits are clear, the sustainability of such effects in the long-term is still questionable, and this is why longitudinal studies and localized policy measures are required. The most important thing that will help to maximise the developmental potential of the SHG framework will be to strengthen it by providing it with targeted support and monitoring it.

10. References

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