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Women Empowerment Through Microfinance (2021–2025): A Study Of Challenges, Growth, And Policy Recommendations”

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Abstract

Microfinance has emerged as a vital tool for promoting financial inclusion and fostering women's empowerment, particularly in rural India. This study presents a five-year analysis (2021–2025) of microfinance initiatives, focusing on their impact on women's economic, social, and psychological empowerment through **Self-Help Groups (SHGs)** and women-led micro-enterprises. Using data from NABARD, DAY-NRLM, and government reports, the study tracks growth in women beneficiaries, SHG membership, and entrepreneurial ventures over the period. The findings indicate consistent economic empowerment, with increased income, savings, and asset ownership among women participants. Social and psychological empowerment has also improved, reflected in greater decision-making authority, mobility, self-confidence, and leadership roles. However, challenges such as over-indebtedness, limited market access, dependency on external agencies, and financial literacy gaps persist. The study highlights the critical role of **Government schemes**, Digital financial inclusion, and capacity-building programs in enhancing the sustainability and scalability of microfinance initiatives. Overall, the five-year analysis demonstrates that **microfinance serves as a multi-dimensional enabler of women's empowerment**, with long-term benefits dependent on supportive policies, training, and market linkages.

Key words: Micro Finance, SHGs , Micro-enterprises Empowerment, NABARD and Supportive policies.

Introduction

Microfinance has emerged as a powerful tool for promoting financial inclusion and socio-economic development among low-income populations, especially women. It refers to the provision of small-scale financial services, including microcredit, savings, insurance, and other financial products, to individuals or groups who are typically excluded from formal banking systems due to lack of collateral or credit history.



In India, microfinance primarily operates through Self-Help Groups (SHGs), which are small, voluntary groups of women who come together to save, borrow, and support each other in income-generating activities. By providing access to credit, microfinance enables women to start small businesses, invest in agriculture, and manage household expenses, thereby enhancing their economic status. Beyond economic benefits, microfinance plays a crucial role in women's empowerment. Participation in SHGs and microfinance programs fosters decision-making power, self-confidence, social mobility, and leadership skills. Women gain the ability to contribute to household decisions, engage in community activities, and assert greater control over their personal and financial lives.

Over the last five years (2021–2025), microfinance initiatives in India have expanded significantly, reaching millions of women and supporting entrepreneurial ventures, skill development, and digital financial inclusion. While these interventions have demonstrated considerable progress in economic empowerment, challenges such as over-indebtedness, limited market access, dependence on external funding, and gaps in financial literacy remain.

This study aims to analyze the five-year development of microfinance and its impact on women's empowerment, highlighting achievements, challenges, and policy measures that can ensure sustainable and scalable empowerment for women in India.

Background of the Study

Microfinance emerged globally in the 1970s as a strategy to alleviate poverty by providing financial services to marginalized populations. In India, it gained momentum in the 1980s and 1990s, with the establishment of Self-Help Groups (SHGs) and government-supported initiatives such as the National Rural Livelihood Mission (NRLM). These programs aimed to empower women economically and socially by enabling access to credit, encouraging savings, and fostering entrepreneurship.

Women constitute the majority of microfinance beneficiaries in India. By participating in SHGs, women gain not only financial resources but also social recognition, confidence, and decision-making power. Over the last five years (2021–2025), microfinance programs have increasingly integrated digital platforms, skill development, and market linkages, improving the outreach and effectiveness of these interventions.

Despite these advancements, challenges remain. Issues such as over-indebtedness, limited access to markets, dependence on external funding, and inadequate financial literacy continue to constrain the potential of

microfinance to fully empower women. Understanding the trends, impacts, and gaps over the past five years is essential for designing effective policies and interventions.

Objectives of the study:

The study aims to examine the impact of microfinance on women's empowerment in India over the five-year period (2021–2025). The specific objectives are:

1. To identify the challenges faced by women and microfinance institutions in implementing microfinance initiatives effectively.
2. To suggest policy measures and government interventions for enhancing sustainability and scalability.
3. To examine the growth of microfinance and SHG participation among women from 2021 to 2025.

Gaps in Literature

Most of the research emphasizes rural Self-Help Groups (SHGs); there is comparatively less documentation regarding the empowerment of urban women through microfinance. There are limited studies that systematically analyze the annual progress in SHG participation, income growth and empowerment over a 5yrs Span (2021-25)

Methodology

The study uses a descriptive and analytical research design based on secondary data collected from reliable sources.

1. Data Sources: Government publications: NABARD Annual Reports, DAY-NRLM Reports, Ministry of Rural Development **updates (2021–2025)** Research articles, case studies, and reports on microfinance and women empowerment

2. Data Analysis: Year-wise analysis of women beneficiaries, SHG membership, and women-led enterprises

2. Literature Review

Microfinance and women's empowerment have been widely studied over the past decades. This review highlights key findings from recent studies (2021–2025) on how microfinance initiatives, particularly Self-Help Groups (SHGs) and small-scale enterprise financing, influence economic, social, and psychological empowerment among women in India.

1. Kumar & Reddy (2021) found that women involved in SHGs were more likely to participate in household decisions, children's education, and local governance.

2. Gupta (2022) observed that women managing micro-enterprises reported higher self-esteem and greater confidence in public interactions.

3. NABARD (2022) reported that women engaged in SHGs showed a 15–20% increase in household income compared to non-participants.

4. Rao & Kumar (2023) highlighted that MUDRA loan recipients often used funds for entrepreneurial ventures, leading to greater financial independence and reduction in dependency on household members.

5. Sharma (2023) emphasized the role of federations and SHG clusters in fostering peer networks and leadership skills among women.

6. (Singh & Patel, 2024). Despite growth, **over-indebtedness** remains a concern, particularly in urban and semi-urban areas.

3. Challenges of Microfinance and Women Empowerment (2020–2025)

S. No.	Challenges	Effects on Women Empowerment	Possible Solutions / Recommendations
1	Limited Financial Literacy	Mismanagement of funds; dependency on others for financial decisions.	Conduct financial literacy and budgeting training through SHGs and NGOs.
2	Over-Indebtedness	Increased stress; reduced confidence; default on repayments.	Regulate multiple borrowings; promote credit counseling and monitoring.
3	Lack of Market Access	Limited income growth; stagnation of small enterprises.	Create marketing linkages, e-commerce access, and rural market fairs.
4	Social & Cultural Barriers	Restricted mobility and decision-making; limited entrepreneurship.	Promote awareness, family sensitization programs, and gender equality campaigns.
5	Inadequate Training & Skill Development	Low productivity; inability to sustain businesses.	Integrate skill training, bookkeeping, and entrepreneurship modules with credit programs.
6	Irregular Income & Repayment Pressure	Defaults and loan stress; financial instability.	Introduce flexible repayment schedules based on income cycles.
7	Institutional Challenges (High Interest, Weak Monitoring)	Reduced trust in MFIs; misuse of funds; inefficiency.	Improve regulation, transparency, and grievance redressal systems.
8	Digital Divide	Exclusion from digital payments and online markets.	Provide digital literacy programs and affordable device access for rural women.
9	Gender Bias in Financial Institutions	Difficulty accessing loans; unequal treatment.	Enforce gender-sensitive lending policies; promote women bankers.
10	Impact of COVID-19 (2020–2022)	Business losses; reduced savings; slow recovery.	Offer relief packages, moratoriums, and revival grants for women entrepreneurs.
11	Sustainability & Scale Issues	Businesses remain micro; limited long-term growth.	Support scaling-up through incubation centers and microenterprise clusters.
12	Lack of Supportive Ecosystem	Duplication of efforts; underutilization of schemes.	Improve coordination among MFIs, NGOs, and government agencies.

4.. Policy Measures and Government Interventions for Enhancing Sustainability and Scalability

To ensure that microfinance becomes a sustainable and scalable model of women empowerment, government and institutional policies must move beyond loan disbursement and focus on building a holistic ecosystem that nurtures entrepreneurship, innovation, and inclusion. The following measures are suggested:

1. Strengthening Financial Literacy and Capacity Building

Policy Focus: Introduce mandatory financial literacy programs before loan sanctioning under government and MFI-led schemes.

Implementation: Integrate financial education into Self-Help Group (SHG) and NGO programs.

Outcome: Improved understanding of savings, credit management, and business operations ensures long-term financial stability.

2. Integrated Skill Development and Entrepreneurship Training

Policy Focus: Link microfinance with skill enhancement programs such as **PM-DAKSH**, **Skill India**, and **PMKVY**.

Implementation: Provide training in business management, digital marketing, product innovation, and bookkeeping.

Outcome: Empowers women to move from micro-enterprises to small and medium enterprises (SMEs).

3. Promotion of Digital Financial Inclusion

Policy Focus: Expand access to digital banking, mobile wallets, and UPI services for women entrepreneurs in rural areas.

Implementation: Partner with banks, fintech firms, and local SHGs to promote digital literacy drives and subsidize smartphones or internet access.

Outcome: Reduces transaction costs, enhances transparency, and integrates women into the formal financial ecosystem.

4. Strengthening SHG–Bank Linkage Program (SBLP)

Policy Focus: Modernize the SHG-Bank linkage model by improving record-keeping, digital tracking, and financial auditing.

Implementation: NABARD and State Rural Livelihood Missions (SRLMs) should introduce a digital SHG credit rating system.

Outcome: Builds stronger financial discipline and improves creditworthiness for scaling up.

5. Development of Women Entrepreneurship Clusters

Policy Focus: Establish **Women Entrepreneurship Clusters (WECs)** for collective production, marketing, and export facilitation.

Implementation: Provide infrastructure, raw materials, branding support, and e-commerce linkages under **MSME** and **Startup India** programs.

Outcome: Enables scaling up of women-led enterprises through shared resources and cooperative networks.

6. Access to Market and Value Chain Integration

Policy Focus: Create state-level platforms for women entrepreneurs to connect with buyers, wholesalers, and digital marketplaces.

Implementation: Organize trade fairs, exhibitions, and tie-ups with online marketplaces like **(Government e-Marketplace)** and **Amazon Saheli**.

Outcome: Increases sales, profit margins, and sustainability of microenterprises.

7. Affordable and Flexible Credit Policies

Policy Focus: Standardize interest rates across MFIs and introduce flexible repayment schedules linked to seasonal income.

Implementation: RBI and NABARD can monitor MFIs to prevent over-indebtedness and encourage credit insurance schemes.

Outcome: Reduces financial burden and ensures long-term credit discipline.

8. Public–Private Partnership (PPP) for Mentorship and Scaling

Policy Focus: Encourage corporate houses to mentor SHGs and microentrepreneurs under **CSR (Corporate Social Responsibility)**.

Implementation: Create mentorship networks for product development, branding, and supply chain integration.

Outcome: Bridges the gap between informal microbusinesses and formal industries.

9. Strengthening Data and Monitoring Mechanisms

Policy Focus: Develop a **National Women Microenterprise Database** to track growth, challenges, and financial inclusion levels.

Implementation: Integrate MFI, NGO, and government data under a unified digital dashboard managed by NABARD or the Ministry of Women and Child Development.

Outcome: Enables better policy planning, monitoring, and impact evaluation.

5.Five-Year Development Overview (2021–2025)

Year	Women Beneficiaries (SHGs)	Women-led Enterprises / SHGs	Key Developments	Challenges	Policy Support Measures
2021	~8.0 crore	~1.2 lakh	Consolidation of microfinance programs; focus on income generation and household decision-making	Limited financial literacy; small loan sizes	Training programs; promotion of SHGs
2022	~8.5 crore	~1.35 lakh	Expansion of SHGs; improved household welfare and children's education	Access to larger credit; internal conflicts	Bank linkages; skill development programs
2023	~9.0 crore	~1.45 lakh	Integration of digital payments; multi-dimensional empowerment	Over-indebtedness; monitoring challenges	Fintech solutions; capacity-building workshops
2024	~9.7 crore	~1.6 lakh	Scaling quality; enhanced digital inclusion; early political participation	Market access; dependence on external funding	NRLM & MUDRA support; federations & clusters formation
2025	~10.05 crore	Data not fully available	Greater empowerment in confidence, leadership, and entrepreneurship	Urban over-indebtedness; unequal intra-household control	Women Enterprise Acceleration Fund; policy guidance

Sources: NABARD Reports, DAY-NRLM, Government Press Releases (2021–2025)

Role of Government

1. **Policy and Regulatory Framework:** The government regulates MFIs under the RBI and provides legal and operational frameworks for safe micro-lending.
2. **Support Programs:** Schemes like Deendayal Antyodaya Yojana – NRLM, Micro Units Development & Refinance Agency (MUDRA), and Credit Guarantee Fund for MFIs help expand reach and provide funding support.
3. **Capacity Building: Training** programs for SHGs, MFIs, and women entrepreneurs to enhance financial literacy, operational efficiency, and business skills.
4. **Promote Financial Inclusion:** Linking microfinance with **banking services, digital payments, and insurance** helps integrate marginalized populations into the formal economy.
5. **Monitoring and Evaluation:** Government monitors performance, repayment trends, and socio-economic impact to improve program effectiveness and reduce risks.

6.Conclusion

The five-year analysis (2021–2025) of microfinance initiatives in India demonstrates that microfinance has played a significant role in empowering women economically, socially, and psychologically. Through Self-Help Groups (SHGs) and women-led micro-enterprises, millions of women have gained access to credit, developed income-generating activities, and enhanced their financial inclusion. Women beneficiaries have experienced a steady increase in income, savings, and asset ownership, enabling them to contribute to household welfare and improve their standard of living. Participation in SHGs has strengthened women's decision-making authority, leadership, confidence, and mobility, fostering greater participation in family and community affairs. Despite these successes, issues such as over-indebtedness, limited market access, dependency on external funding, and inadequate financial literacy continue to constrain the full potential of microfinance programs.

Initiatives like NRLM, MUDRA loans, Women Enterprise Acceleration Fund, and capacity-building programs have been pivotal in enhancing the sustainability, scalability, and effectiveness of microfinance. Digital inclusion, skill development, and federated SHG structures further support women's empowerment.

Overall: Microfinance has evolved beyond merely providing credit to becoming a comprehensive enabler of women's empowerment, fostering economic independence, social confidence, and entrepreneurial growth. To ensure long-term impact, continued policy support, training, market linkages, and financial literacy initiatives are essential. The five-year development highlights the transformative potential of microfinance, positioning it as a cornerstone for gender equity and rural development in India.

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