

# **A Study on the Role of Microfinance and Self-Help Group on Women Empowerment in Rural Area - An Empirical Study of Dabha Village in Amaravati**

**Vaishnavi S. Kumbhalkar <sup>1</sup>, Prof A.A Umbarkar <sup>2</sup>**

PG Student, Dept. of MBA, Sipna COET, Amravati, India <sup>1</sup> Assi. Professor, Dept. of MBA, Sipna COET, Amravati, India <sup>2</sup>

**ABSTRACT:** Microfinance has emerged as a powerful instrument for promoting financial inclusion and empowering women in rural areas. The present study examines the role of microfinance institutions and Self-Help Groups (SHGs) in improving the economic and social empowerment of women in Dabha village of Amravati District. The study focuses on understanding how access to microfinance services influences women's income levels, business development, decision-making ability, and social status. Primary data were collected from 50 women respondents using a structured questionnaire. Descriptive analysis and the chi-square test were used to analyse the data and test the hypothesis.

The findings of the study reveal that a majority of women experienced improvement in their earning power and were able to start or expand small businesses with the help of microfinance loans. Most respondents reported increased confidence, self-reliance, and participation in household and social decisions after joining SHGs. The chi-square test results indicate a significant positive impact of microfinance and SHGs on women empowerment, leading to the rejection of the null hypothesis. Despite some challenges such as lack of awareness and financial constraints, microfinance has contributed significantly to economic stability and improved social status of women. The study concludes that microfinance and SHGs are effective tools for empowering rural women and recommends strengthening training, awareness, and institutional support for sustainable development.

**KEYWORDS:** Microfinance, Self-Help Groups (SHGs), Women Empowerment, Rural Development, Financial Inclusion, Income Generation

## **I. INTRODUCTION**

### **Microfinance: A Tool for Poverty Alleviation and Women Empowerment**

Microfinance is widely recognized as one of the most effective and cost-efficient tools in the global fight against poverty. Jonathan Morduch highlights microfinance as a promising solution for reducing poverty, while Nobel Laureate Muhammad Yunus envisioned a future where poverty exists only in museums. According to Yunus, poverty is not created by poor people but is the result of social and economic systems. In developing countries, especially in rural areas, people face limited access to formal financial institutions due to lack of stable income, employment opportunities, and collateral. High transaction costs and low profitability discourage banks from extending small loans in rural regions. As a result, rural people are often forced to depend on local moneylenders who charge extremely high interest rates. This gap in the formal financial system led to the emergence of microfinance as an alternative credit mechanism aimed at improving the standard of living of the poor.

Microfinance can be defined as the provision of small loans and other financial services to low-income individuals and micro-enterprises such as agriculture, animal husbandry, fisheries, handicrafts, and small-scale businesses. It includes not only credit but also savings, insurance, money transfers, and skill development services. According to the RBI, microfinance provides small-value financial services to poor households in rural, semi-urban, and urban areas to raise income levels and improve living standards. Access to savings and credit helps create a positive cycle of empowerment, enabling individuals to invest in income-generating activities, manage risks, and improve overall well-being.

Microfinance institutions (MFIs) are organizations that

primarily provide microfinance services. These institutions may be registered as societies, trusts, cooperatives, or non-banking financial companies. In India, microfinance operates mainly through two models: the Self-Help Group–Bank Linkage Programme (SBLP) and the Microfinance Institution (MFI) model. The SBLP, initiated by NABARD in 1989, links informal self-help groups—mainly women groups—with formal banks. These groups promote regular savings, internal lending, and financial discipline. The MFI model, on the other hand, involves private institutions providing financial services directly to the poor, often using group-based lending methods.

The modern concept of microfinance gained global attention with the establishment of the Grameen Bank by Dr. Muhammad Yunus in Bangladesh in 1976. In India, microfinance evolved in response to the failure of traditional banking and government credit programs to reach the poorest sections of society. NABARD played a crucial role in promoting microfinance through research, policy support, and implementation of SHG-based models. Over time, microfinance became an important instrument for financial inclusion and employment generation.

Microfinance has a strong connection with women empowerment. Most microfinance programs focus on women, as they are considered reliable borrowers and effective managers of household finances. Participation in SHGs enhances women's decision-making power, self-confidence, and control over resources. According to development scholars, empowerment includes economic, social, psychological, and political dimensions. Microfinance contributes to empowerment by increasing income, improving social status, and encouraging participation in community activities.

Despite its benefits, microfinance institutions face several challenges such as insufficient funding, high credit risk, policy instability, lack of skilled staff, and loan defaults. However, microfinance banks and institutions continue to play a vital role in supporting small and medium enterprises (SMEs). By providing access to credit and savings facilities, MFIs contribute to entrepreneurship development, employment generation, and poverty reduction. Overall, microfinance remains a powerful development tool that promotes inclusive growth, women empowerment, and

sustainable livelihoods.

## II. LITERATURE REVIEW

**Ratikanta Ray & Mamata Mayee Rout (2023)** studied FinTech usage among Indian users and found that younger users (18–25 years) actively adopt digital payment services. Trust and perceived security strongly influenced usage, while usability and privacy concerns limited adoption among older and rural users.

**Alluri Greshmitha et al. (2023)** analyzed FinTech adoption among Indian bank customers and reported high awareness and usage levels. However, challenges such as lack of trust, regulatory concerns, and limited rural penetration were identified as major barriers to wider adoption.

**Manisha Verma et al. (2025)** examined FinTech adoption using the Technology Acceptance Model and found that perceived usefulness and ease of use significantly influence adoption. Financial literacy was found to strengthen these relationships, highlighting the importance of awareness and education. **Yogitha Devi & Devaraja Nayaka (2024)** reviewed the evolution of FinTech in India and highlighted key milestones such as demonetization, UPI, Aadhaar, and mobile wallets, showing how policy, technology, and infrastructure have driven FinTech growth.

### Problem Definition

The proposed study examines the role of microfinance institutions and Self-Help Groups (SHGs) in empowering women. In rural India, women often face economic and social inequality due to limited access to financial resources. Microfinance and SHGs provide small loans, skill training, and collective support, helping women improve income, decision-making ability, and social status. However, the actual impact of these initiatives at the village level remains underexplored. This study focuses on Dabha Village in Amravati District to assess how microfinance and SHGs contribute to the economic and social empowerment of women.

### Research Objective

1. To study the role of microfinance and SHGs in improving women's income levels in Dabha village.
2. To study how participation in SHGs has helped women gain financial independence and confidence.
3. To study the women perception towards microfinance schemes for empowerment
4. To study the major challenges faced by women while accessing or using microfinance services.

## Hypothesis Statement

### Null Hypothesis (H<sub>0</sub>):

Microfinance and Self-Help Groups have no significant impact on the empowerment of women in rural areas.

### Alternative Hypothesis (H<sub>1</sub>):

Microfinance and Self-Help Groups have a significant positive impact on the empowerment of women in rural areas.

## Research Methodology

**A) Research Design:** A descriptive research design is applied in this study because the objective is to describe and analyze how microfinance and SHGs contribute to women's empowerment.

### B) Data Sources And Methods

Data for this study was collected from two main sources: primary data and secondary data. Both sources were used to ensure comprehensive and reliable research findings.

#### Primary Sources:-

Primary data is collected directly from women members of SHGs in Dabha village using structured questionnaires and personal interviews.

#### Secondary Data:-

Secondary data includes reports and publications from:

- Research papers, journals, and case studies on microfinance and women empowerment
- Reports from NABARD, Ministry of Rural Development, and NGOs on SHG and microfinance

No	10	20
Not Sure	8	16
<b>Total</b>	<b>50</b>	<b>100</b>

**Graph No 1 Graphical Representation of Understanding of Financial Concepts through SHGs**



programs

### C. Data Analysis Techniques:

**Percentage Analysis:** To determine the distribution of responses across survey questions.

**Tables and Graphs (Bar Charts, Pie Charts):** For visual representation and clarity of data trends.

### D. Sampling Design

**Universe:** The universe of the study is Amravati City.

**Population:** 50 women of Dabha village who are members of SHG.

**Sample Size:** The study included a total sample of 50 women respondents who were members of different SHGs across the Dabha village.

**E. Sampling Technique:** To collect the data from the respondents the research will use simple random sampling technique.

## Data Analysis and Interpretation

### TABLE 1 Improvement in Earning Power Due to Microfinance Loan.

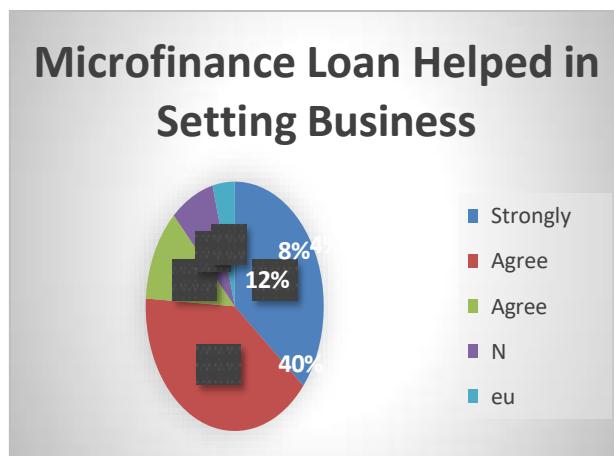
Response	No. of Respondents	Percentage (%)
Yes	32	64

**Interpretation :-** From the above table, it is interpreted that 64% respondents agreed that microfinance loans have improved their earning power. 20% respondents reported no improvement, while 16% respondents were not sure. This shows that a majority of women experienced increased income after taking microfinance loans.

### Table No. 2 Analysis of Microfinance Loan Helped in Setting Business

Response	No. of Respondents	Percentage (%)
Strongly Agree	18	36
Agree	20	40
Neutral	6	12
Disagree	4	8

Strongly	2	4
Disagree		
<b>Total</b>	<b>50</b>	<b>100</b>

**Graph No. 2 Graphical Representation of**


Not Sure	7	14
<b>Total</b>	<b>50</b>	<b>100</b>

**Graph No. 3 Graphical Representation of Feeling of Empowerment Through Microfinance**

**Interpretation :-**

From the table, it is clear that 68% respondents feel empowered due to microfinance facilities. 18% respondents did not feel empowered, while 14% respondents were unsure. This reflects a strong positive impact of microfinance on women empowerment.

**Table No 4. Analysis of Improvement in Status of Women in Society.**

Response	No. of Respondents	Percentage (%)
Strongly Agree	20	40
Agree	18	36
Neutral	6	12
Disagree	4	8
Neutral	6	12
Disagree	4	8

**Microfinance Loan Helped in Setting Business**

**Interpretation :-** The table shows that 36% respondents strongly agreed and 40% respondents agreed that microfinance loans helped them start their business. 12% respondents were neutral, while only 12% respondents disagreed. This indicates that microfinance plays an important role in promoting self-employment among women.

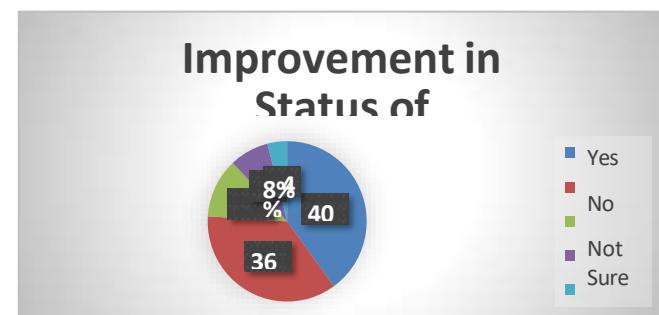
**Table No 3 Analysis of Feeling of Empowerment Through Microfinance**

Response	No. of Respondents	Percentage (%)
Yes	34	68
No	9	18

Strongly	2	4
Disagree		
<b>Total</b>	<b>50</b>	<b>100</b>

**Graph No. 4. Graphical Representation of Improvement in Status of Women in Society.**

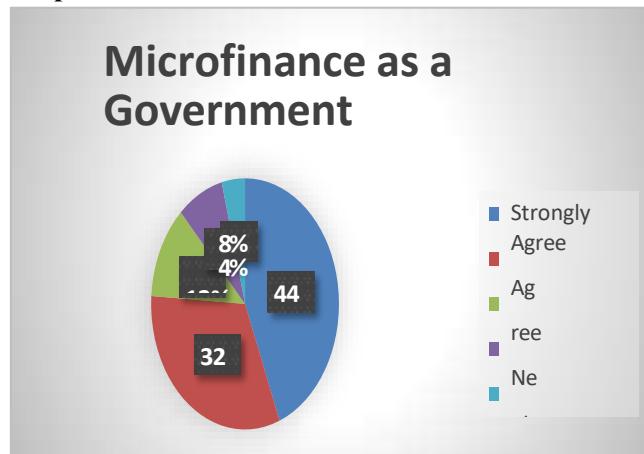
**Interpretation :-** The above table reveals that 40% respondents strongly agreed and 36% respondents



agreed that microfinance improves the social status of women. 12% respondents were neutral, whereas only 12% respondents disagreed. This suggests that microfinance positively influences women's position in society.

**Table No 5. Analysis of Microfinance as a Government Step for Women Empowerment**

Response	No. of Respondents	Percentage (%)
Strongly Agree	22	44
Agree	16	32
Strongly	2	4
Disagree		
<b>Total</b>	<b>50</b>	<b>100</b>

**Graph No. 5. Graphical Representation of Microfinance as a Government Step for Women Empowerment**

**Interpretation :-** It is observed that 44% respondents strongly agreed and 32% respondents agreed that microfinance is a good government initiative for empowering women. 12% respondents were neutral, while 12% respondents disagreed. This shows strong positive perception toward microfinance schemes.

**Findings:-**

The study shows that microfinance and Self-Help Groups have positively helped women in Dhaba village. Out of 50 respondents, 64% women reported that their earning power improved after taking microfinance loans, while 20% said there was no improvement and 16% were not sure. Regarding business setup, 36% women strongly agreed and 40% agreed that microfinance loans helped them start their own business, showing a total of 76% positive response. In terms of empowerment, 68% women stated that they feel empowered, whereas 18% did not feel empowered and 14% were unsure. About social status, 40% strongly agreed and 36% agreed that microfinance has improved the status of women in society. Further, 44% strongly agreed and 32% agreed that microfinance is a good government initiative for empowering women. These values clearly indicate that microfinance and SHGs have a strong positive impact on women's economic and social empowerment.

**Conclusions:-**

From the overall analysis, it can be concluded that microfinance and Self-Help Groups play an important role in empowering rural women. The majority of women have experienced improvement in income, increased confidence, and better decision-making ability after joining SHGs and availing microfinance

loans. Microfinance has helped women become self-reliant by supporting them in starting small businesses and improving their standard of living. The study clearly supports the alternative hypothesis that microfinance and SHGs have a significant positive impact on women empowerment in rural areas. Therefore, microfinance can be considered an effective tool for promoting inclusive growth and women's development.

**Suggestions:-**

Microfinance institutions should increase awareness programs in rural areas so that more women understand loan procedures and benefits clearly. Training programs related to business skills, financial literacy, and savings habits should be provided regularly to SHG members. Interest rates should be kept affordable and repayment schedules should be flexible to reduce financial burden on women. Regular group meetings and proper guidance from field officers can further strengthen SHG functioning. The government should also extend more support through subsidies, monitoring, and policy stability to ensure that microfinance schemes reach the poorest women and achieve long-term empowerment.

**III. REFERENCES**

- [1] Ratikanta Ray & Mamata Mayee Rout. (2023). A study of FinTech for Digital India. Granthaalayah Publication.
- [2] Alluri Greeshmitha, Nama Krishna Gayathri & Pinnamaraju Pavan Varma. (2023). An empirical study on the adoption of FinTech services by bank customers in India. Rifanalitica.
- [3] Manisha Verma, Shuchi Srivastava, Sreenu Nenavath & Gyaneshwar Singh Kushwaha. (2025). What drives FinTech adoption? A study of financial literacy's moderating role in India. The ASPD Journal.
- [4] Yogitha Devi & Devaraja Nayaka K M. (2024). A study on evolution and growth of FinTech industries in India. Granthaalayah Publication.

**Webliography**

- [1] [www.granthaalayahpublication.org](http://www.granthaalayahpublication.org)
- [2] [www.rifanalitica.it](http://www.rifanalitica.it)
- [3] [www.theaspd.com](http://www.theaspd.com)
- [4] [www.granthaalayahpublication.org](http://www.granthaalayahpublication.org)