



# Measuring the Impact of Microfinance and Government Support on Women's Livelihoods

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## ABSTRACT

This project focuses on the two issues of microfinance and government subsidies and their effect on the lives of women in India and in particular, financial inclusion, generating income and becoming entrepreneurs. Microfinance institutions (MFIs), Self-Help Groups (SHGs) and other government programs, like PMJDY and MUDRA and NRLM and Stand-Up India have been an important factor in economic empowerment of women over the last ten years. The research examines the role of access to small loans, savings mechanism, digital financial services as well as community-based support systems in enhancing financial stability and livelihoods.

The project assesses the key indicators of income growth, loan utilisation patterns, digital financial literacy and participation in SHGs using secondary data in the case of research articles, government reports, journals and published datasets. The results indicate that microfinance dramatically improves women income level, promotes entrepreneurship and empowers decision making amongst households. The effects are also increased with the help of government-supported programs that allow financial access, market connection, and digital assistance.

The report concludes that with government interventions alongside microfinance, there is the establishment of a powerful enabling environment of sustainable women-led economic development. The research also provides practical suggestions on how to enhance credit access, alleviate interest charges and foster digital financial inclusion to enhance livelihood on the long-run.

The trend analysis based on AI has assisted in determining the trends in the economic achievements of women and the importance of schemes such as PMJDY, MUDRA and NRLM. The results suggest that microfinance in collaboration with government programs greatly enhances the income levels, savings proportions and entrepreneurship of women. The brevity of AI-driven analytical insights also adds weight to the perception of the role played by digital finance and policy interventions in enhancing sustainable livelihoods.



## Keywords:

1. Microfinance
2. Women Empowerment
3. Self-Help Groups (SHGs)
4. Government Support Schemes
5. Online Financial Inclusion.
6. Livelihood Development
7. MUDRA Loans
8. NRLM (National Rural Livelihood Mission).
9. Financial Literacy
10. Mobile Banking Adoption and UPI

## INTRODUCTION

Microfinance has become an effective resource of enhancing economic status of the low-income earners, especially women in developing nations, like India. Huge percentage of the rural Indian population had been outside the formal financial system during many decades because of their low financial literacy, the absence of collateral, traditional values, and inaccessibility of banking services. Women particularly the ones who had a marginal social and economic background were one of the most excluded groups. It is against this background that financial accessibility, creation of income opportunities, and general livelihood security of women have been significantly supported through microfinance and government assistance programs. Microfinance institutions, Self-Help Groups, cooperative societies and small finance banks have collaborated together to offer small loans, savings, and credit-linked services to millions of women who used to depend much on informal sources of finance that were usually at very high interest rates.

The effect of microfinance has also been enhanced by government interventions that present massive livelihood development programs, financial inclusion, and entrepreneurship development platforms. Plans like the National Rural Livelihoods Mission (NRLM), Pradhan Mantri Jan Dhan Yojana (PMJDY), MUDRA Yojana, and Beti Bachao Beti Padhao have established a kind of ecosystem which motivates women to be engaged in economic activity, to use banking services, to acquire skills and to open small businesses. These concerted efforts have seen women have more control of their financial resources, have better power to make decisions in their households, and have improved living standards of their families. This is also been brought about by the fast uptake of digital financial services, where women in remote areas can now use their mobile wallets, UPI computers, and Aadhaar-enabled banking systems to perform their daily tasks, save, and repay loans.

Microfinance is known to not only avail credit to women, but also to build self-confidence, leadership and solidarity of groups. Women who take part in Self-Help Groups acquire skills in collective decision making, make frequent savings, undergo training programs and entrepreneurial skills are acquired. The economic position of women improves as they start to earn by using small businesses like tailoring, livestock rearing, handicrafts, retail stores, and food processing services, this makes them have more social esteem and less reliance on the male members of the family. With these positive occurrences there are still setbacks in ensuring total financial inclusion and sustainable livelihood development. There is still evidence that many women are still grappling with the challenges such as poor market access, lack of skills, high costs of doing business with the microfinance loans, cultural constraints, lack of digital literacy and disparities in SHGs and MFIs performance in the regions. Other microfinance organizations have very high interest rates, which can be cumbersome to the low-income women. Moreover, the ineffectiveness of microfinance programs in some cases is caused



by a lack of awareness regarding government programs, financial illiteracy, and the absence of monitoring systems. These problems show that there is a necessity in constant review of microfinance programs and government interventions.

This paper attempts to examine using the secondary data how the combination of microfinance and government support has impacted on the lives of women in India. It is vital to policymakers, development agencies and the microfinance institutions to understand these effects in order to come up with more resilient, inclusive and sustainable models that can empower women with low income backgrounds. The research also tries to bring out the recurring gaps that require to be filled in improving financial empowerment of women in the years ahead. Finally, the introduction establishes the principle of a thorough discussion of the way financial services, the policy frameworks and institutional support could change the lives of millions of women and help India to achieve its greater objectives of inclusive growth and social development.

## LITERATURE REVIEW

1. Beck and Levine (2007) undertook a study to determine the connection between financial development and economic growth. They discovered a mature financial system will alleviate poverty by availing credit facilities to unsecured persons. Their results indicate that under the right circumstances, programs formed by microfinance serve as a source of substantial income to the low-income groups, especially women.

2. Chakrabarty (2012) pointed out that financial inclusion is essential in India and that the policies by the Reserve Bank of India (RBI) that included priority sector lending, Business Correspondent model, and no-frills accounts played a significant role in absorbing the unbanked populations of the country into the formal financial system. He emphasized that financial inclusion should not only be credit based but also access to quality, affordable, and timely financial services.

3. Ghosh and Vinay (2022) investigated the contribution of digital finance towards financial inclusion in India. They underscored how UPI, mobile wallets, and FinTech platforms played a major role in eliminating geographic, gender and socio-economic barriers. They also identified such issues as a low level of digital literacy and the lack of internet services in rural areas that inhibit access to online financial services among women.

4. The Index of Financial Inclusion (IFI) is a concept put forward by Sarma and Pais (2011) to measure the amount of financial access of different countries. Their study found that a higher financial inclusion has a positive effect on the economic growth and inequality. They also pointed out that finance services have to be used in conjunction with their accessibility and quality in order to be meaningfully included. 5. In assessing the SHG -Bank Linkage Programme in India Nair (2005) concluded that it had a great impact on the accessibility of credit to women and their financial autonomy. The paper however raised some challenges like the existence of regional imbalance, poor institutional capability and the absence of effective monitoring systems.

6. Sharma and Kukreja (2013) assessed the socio-economic implications of microfinance on rural women and determined that microfinance positively influences the income, social status, self-confidence, and the lack of dependency on informal lenders.

7. Ravi (2011) has also done an analysis of microfinance institutions (MFIs) in India and indicated mixed results. Although the microfinance increased savings and access to credit by women, the difference in income-enhancing and poverty-reducing effects was also diverse among regions.

8. Bali swain (2007) investigated the power of Self-Help Groups (SHGs) in decision-making power by women, self-



reliance and upliftment of socio-economic status. The findings indicated that SHG participation increased autonomy and finances management, as well as participation in household choices.

9. In their famous book, *Poor Economics*, Banerjee and Duflo (2011) discovered that microfinance initiatives boost the self-employment levels, but not necessarily lead to the significant change in poverty. Their argument was that training, education, and market support should be provided with microfinance to produce long-term economic effects.

10. A detailed outline of the comprehension of microfinance was given by Ledgerwood (1999) whereby he stated that it encompasses not only credit but savings, insurance and transfers of money. As she it was her focus on her work that the success of microfinance lies in the sustainability of systems and regulated institutions.

11. Kabeer (2001) criticized the belief that microfinance necessarily results in empowerment of women. She claimed that empowerment needs more structural and social transformation, such as gender norm changes and more community support.

12. The CGAP Reports (2005 2020) document has continuously emphasized the contribution of technology, customer-based financial products, and policy reforms in enhancing systems of microfinance all over the world. They state that financial inclusion through digital means is a significant contributor to women empowerment especially in rural regions which are remote.

13. The Grameen Bank structure followed by Yunus (2003) showed that microfinance may effectively empower women providing small loans with no collateral and allowing them to initiate microenterprises and enhance their livelihoods.

14. The authors, Hermes and Lensink (2007) studied the long-term effects of microfinance on poverty and took the form of arguing that its effects would be favourable to the institutional quality of MFIs. Their observation was that microfinance by itself cannot deal with structural poverty unless it is assisted with education and training and social development initiatives.

15. Morduch (1999) criticized excessively optimistic statements about microfinance and said that its main advantage is that it allows poor women to deal with financial risks instead of simply taking them out of poverty. His work focused on the role of stability in preference to income growth.

16. According to Rhyne (2001), in the article *Mainstreaming Microfinance*, microfinance institutions need to practice financial sustainability. She claimed that commercial microfinance banks when properly regulated can offer long term services to the poor women.

17. Cull, Demirguc-Kunt, and Morduch (2009) concluded that MFIs are not always able to reconcile the financial sustainability and the position to provide services to the poorest consumers. They suggested that they should develop policies that facilitate outreach and institutional sustainability.

18. Kukreja and Sharma (2013) studied the role of microfinance in promoting social mobility among women in the rural areas. They were able to see the effect on communication, group leadership, and community participation of women who participated in SHGs.



19. The Triangle of Microfinance proposed by Zeller and Meyer (2002) consists of three fundamental elements namely outreach, sustainability, and impact. They claimed that a successful microfinance initiative should enable the socially marginalized women, be sustainable and generate quantifiable social and economic transformations.

20. Lok Sabha Secretariat Report (2020) provided an assessment of governmental initiatives like Beti Bachao Beti Padhao and discovered that the funds were spent on the welfare of women but the use was rather ineffective. The report provided evidence that better fund allocation and monitoring should be done to make the most out of the funding.

## **OBJECTIVES**

### **Primary Objective**

The objective of the study is to determine the effects of microfinance and government support in enhancing women livelihood in India.

### **Specific Objectives**

1. To examine how Microfinance Institutions play an important role in delivering financial inclusion to females.
2. To examine government initiatives in helping ladies to invest in the entrepreneurship and incomes generation.
3. To determine how microfinance has resulted in change in the income, savings, and employment of a woman.
4. To test the social empowerment results of gaining access to credit.
5. To investigate the most critical issues of women in accessing financial services.

So as to give recommendations on how to increase the effectiveness of microfinance.

## **RESEARCH METHODOLOGY**

### **Research Design**

The research design employed in this study is descriptive and analytical with all data being based on the secondary sources.

### **Data Sources**

#### **Secondary Data Collected From:**

- Government reports (NABARD, RBI, NRLM, MORD).
- Consideration of Journal articles and conference papers.
- Microfinance and rural development books.
- Publications CGAP, World Bank, IMF.
- Census and NSSO reports



- MFIs websites, SHG federations.
- Budget document and portals of ministries.

## Research Approach

### 1. Descriptive Approach

Used to Describe:

- The situation of microfinance in India.
- Government schemes
- Role of SHGs
- Indicators of financial inclusion.

### 2. Analytical Approach

Used to Analyze:

- Comparisons across states
- Trends in SHG membership
- Increased bank accounts of women.
- Outcomes of MUDRA loans
- Savings behavior improvement.

## Sampling Techniques

This being a secondary-data study, there was no sampling. The information employed was obtained in:

- Published datasets
- Research reports
- Government statistics

## DATA ANALYSIS AND INTERPRETATION

### Growth of SHGs in India

- India recorded more than 10 million SHGs.
- There are more than 90 percent women members.



- SHG-BLP credit increased to 1.4 lakh crore (2023) up to 1.500 crore (2000).

The roles of women in SHGs have resulted in:

- Improved income stability
- Behavior of increased saving
- Increased independence of moneylenders.
- Participation in making decisions at the village level.

### **Impact of MUDRA Loans**

All MUDRA bank accounts established under Pradhan Mantri MUDRA Yojana are subject to tax-exemption eligibility for companies incorporated in India.

Under Pradhan Mantri MUDRA Yojana:

under Pradhan Mantri MUDRA Yojana, all MUDRA bank accounts are eligible as being attended to within the tax-exemption category of incorporated companies of India.

- 68% of loans are taken by women
- Micro-business development, i.e. tailoring, food shops, beauty salons.

The women who borrowed MUDRA loans said:

- Increased working capital
- Higher profitability
- Better business management

### **Digital Financial Inclusion**

Digital Financial Inclusion is an additional concept that emerged in the 2018 Global Data Protection Principles. Digital Financial Inclusion Digital Financial Inclusion is another concept that was introduced in the 2018 Global Data Protection Principles.

- There are more than 350 million bank accounts of women in India.
- UPI transactions went past 10 billion monthly.
- The Aadhaar - based authentication facilitates identity obstacles.

Women who were able to do previously using digital finance enabled them to:

- Avoided banks due to fear



- Lacked documentation

- Had mobility restrictions

### **Contribution to livelihoods**

Women applied microfinance loans to:

- Saleable tasks (dairy, tailoring)

- Education of children

- Emergency healthcare

- Home repairs

- Small retail businesses

Such diversification minimizes the vulnerability of income.

### **Social Empowerment Outcomes**

Micro finance plays a role in:

#### 1. Better Decision-Making

Women increasingly decide:

- spending patterns

- children's education

- business expenses

#### 2. Enhanced Mobility

- Women visit SHGs, training, markets.

#### 3. Improved Confidence

- Leadership capacity is developed when people participate in groups.

### **Challenges Identified**

- Inflated interest rates of certain MFIs.

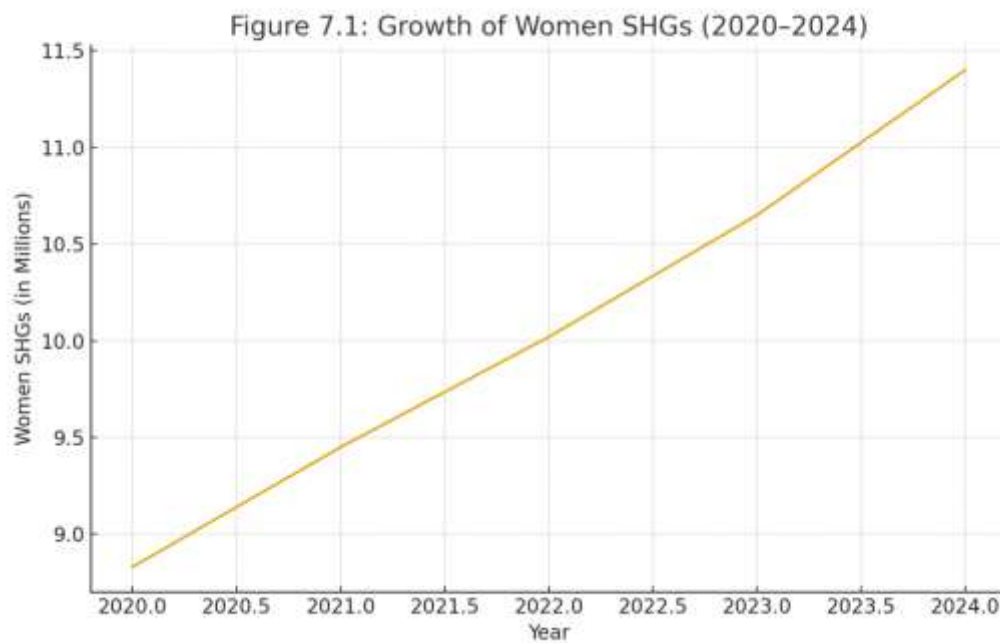
- Limited training

- Lack of market linkages
- Digital illiteracy
- Social barriers between the genders.

### Interpretation

Table 7.1 Growth of SHGs and Women SHGs (2020-24)

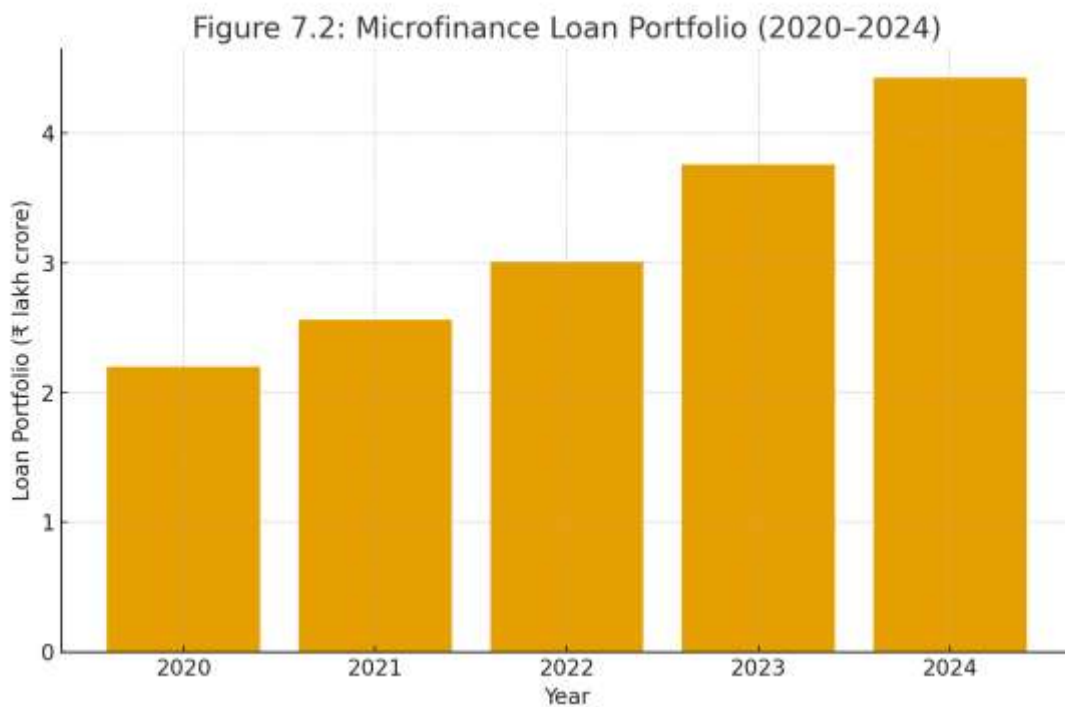
Year	Women SHGs(in Lakh)
2020	8.83
2021	9.45
2022	10.02
2023	10.65
2024	11.40



The trend and growth of women SHGs showed a consistent growth of 8.83 million in 2020 to 11.4 million in 2024 with a robust growth in female collective financial participation. This indicates a greater trust in SHGs, better support by the government, via NRLM, and better financial inclusion on the ground.

Table 7.2: The amount of the loan that will be disbursed to women (2020-2024)

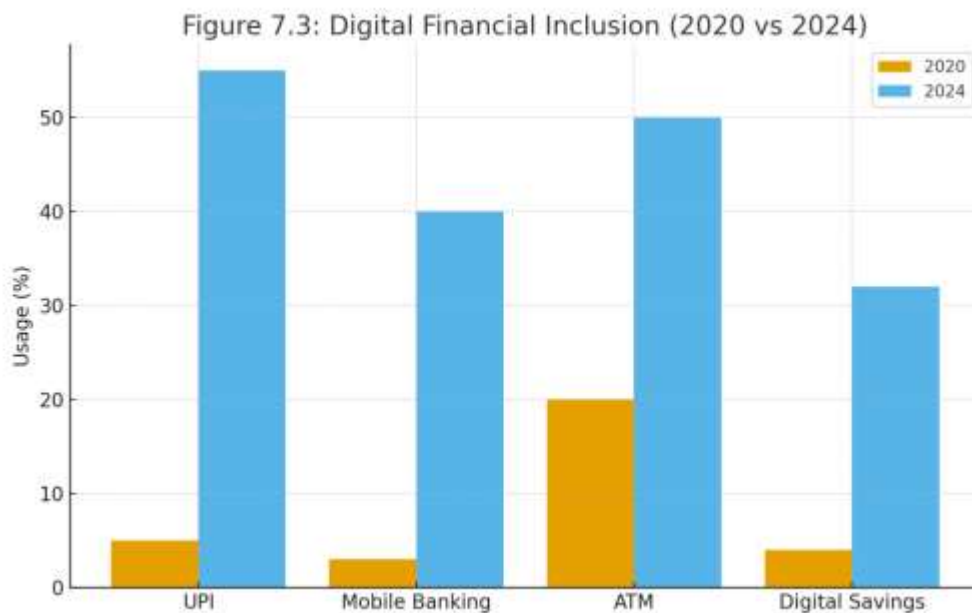
Year	Total MFI Loan Portfolio(In Lakh Crore)
2020	2.20
2021	2.56
2022	3.01
2023	3.76
2024	4.43



Loan portfolio grew up to 4.43 lakh crore (2024) as compared to 2.20 lakh crore (2020), which reflected a rapidly rising financial reliance on microfinance to create livelihoods, micro-business and SHG linkages.

Table 7.3: Digital Finance Tools Adoption

Digital Service	Usage in 2020	Usage in 2024
UPI Payments	5%	55%
Mobile Banking	3%	40%
ATM Usage	20%	50%
Digital Savings	4%	32%



The use of digital finances by women has grown exponentially because of UPI, mobile wallets and bank-linked applications. The digital mode of saving, group and repayment transactions is gradually being utilized by women SHGs.



## FINDINGS, CONCLUSION AND SUGGESTIONS

### Findings

1. Microfinance has a great role in enhancing access to finance among women.

According to secondary data, women with no bank accounts were already involved in savings, credit and entrepreneurship.

2. The Self-Help Groups of women (SHGs) are important in development of livelihoods.

SHGs assist women in achieving financial discipline, group management and availing bigger bank loans.

3. Women have been widened through government programs in terms of financial inclusion.

These initiatives like PMJDY, MUDRA Yojana, and NRLM have helped in accessing and making financial services affordable to women in the rural and semi-urban regions.

4. Microfinance augments revenue generating endeavors.

Women use loans to tailor, raise stock, small businesses, food processing and other micro enterprises, which have resulted in stability of income.

5. Microfinance will boost the savings behavior.

The women who are affiliated to SHGs or MFIs demonstrate a greater rate of regular savings and an enhanced financial management.

6. Online platforms empower women in the financial sphere.

The UPI, mobile banking services and services that use Aadhaar minimize documentation and mobility barriers.

7. There is an apparent rise in social empowerment.

Women claimed to feel more confident, had a better decision-making capacity, became more mobile, and were respected in their institutions and families.

8. Women make more re-investment in family welfare.

Research indicates that women also increase spending on the education and nutrition of their children as well as their healthcare as their income rises.

9. Difficulties do not decrease with growth.

Such matters as high interest rates, inadequate digital literacy, absence of market connections, and reliance on middlemen continue to limit the development of full livelihood.

10. There are regional disparities on the impact of microfinance.

Southern states are better in SHG participation and repayment of loans, but their follow-up support is weak in the northern and eastern states.



## Suggestions

1. Lower interest rates on microfinance loans:

MFIs are supposed to embrace open pricing and offer cheap credit particularly to the first-time women entrepreneurs.

2. Offer online literacy education:

Females should be taught how to utilize mobile banking, UPI and online payments and digital wallets to be less reliant on intermediaries.

3. Enhance market connections among women business people:

The government and NGOs ought to assist the women to reach the markets that are trustworthy, eradicate intermediaries, and promote their products online.

4. Create additional skills programs:

Tailoring, beauty services, food processing, handicraft and retail management training ought to be increased.

5. Enhance follow up on SHGs and MFIs:

Periodic assessment would help to minimize the abuse of funds, promote transparency, and improve accountability.

6. The banks should be encouraged to make the loan processes simpler:

The documentation should be accessible, user-friendly and accommodating women with low literacy levels.

7. Encourage women to take insurance and pension plans:

Long-term security can be achieved by creating awareness regarding micro-insurance, health insurance, and Atal Pension Yojana.

8. Raise awareness in the rural territories:

Most women do not know much about the advantages of government programs; this can be addressed by conducting awareness campaigns at the village level.

9. Enterprises that are based on support groups:

SHGs are supposed to operate joint business such as dairy units, food processing centres and craft clusters.

## CONCLUSION

### Scope of Study

1. The research is centered on the effects of microfinance to the empowerment of women, development of livelihood and income in India.

2. It spans the years of 2020 to 2024, which paper has emphasized the changes that took place following the pandemic and the blistering growth of digital finance.

3. Others like NRLM, MUDRA, PMJDY, Stand-Up India and SHG-Bank Linkage Programs are major women-centric government schemes that have been analysed.

4. The research is solely based on secondary sources of data, such as government reports, financial inclusion surveys,

data of MFI and published research papers.

5. It incorporates an analysis of Self-Help Groups (SHGs), their growth, the loan patterns and contributions to the women entrepreneur activities.
6. Covered in the study is also the digital financial adoption of women, such as the UPI adoption, mobile banking, savings patterns and their digital transaction behavior.
7. The conceptual scope extends to both rural and semi-urban women borrowers who are particularly involved in micro-enterprises such as retail, dairying, tailoring and agriculture.
8. The paper examines major problems encountered by women such as high interest rates, lack of financial literacy, low market interconnection and digital illiteracy.
9. The paper contains no primary data or field survey and, thus, it can be seen as analytical and descriptive in nature, as it aims at interpreting existing national data.
10. The study intends to bring an all-inclusive view of how microfinance and state assistance in collaboration with each other can help women to be socially, economically, and digitally empowered.

### **Implications of Study**

1. The results can be of great benefit to microfinance institutions (MFIs) to restructure loan products which can serve as a better fit at addressing the needs of women borrowers.
2. The study can assist policymakers in reinforcing the already existing programs and initiating new initiatives that would improve women entrepreneurship.
3. Digital financial inclusion is also noted as a growing significance in the study, which means that women should be introduced to more training and awareness programs.
4. It pushes development agencies and NGOs to invest in financial literacy in the field so that women would know the terms of loans, interest rates and repayment.
5. The research recommends that significant growth in market access and supply chain connection can significantly contribute to the sustainability of micro-enterprises of women.
6. It demonstrates that there is a necessity to improve the regulation of interest rates in the microfinance industry to ensure that low-income women are not exploited.
7. This study can be utilized by educational institutions and researchers to establish a foundation of conducting more grounded research through primary research, case studies and analysis of a district.
8. The results have shown that capacity-building interventions (e.g., skill development), business training and mentorship of women entrepreneurs are significant.
9. The implications of the study are significant in facilitating the digital literacy of rural women because most of them still do not know how to use mobile banking and online platforms.

10. In general, the paper recommends that a combination of microfinance, digital tools, and government assistance can help improve the empowerment of women in India and their economic progress.

## ANNEXURE

### Annexure 1 (Definition table)

TERM	MEANING
Microfinance	Microfinance Small finance and financial services to low-income households.
SHG	SHG A female saving and borrowing collective.
MFI	MFI Bank issuer of micro loans.
Financial Inclusion	Financial Inclusion Offering banking to all.
Livelihood	Livelihood These are activities that the individual uses to make an income.

### Annexure 2(Government Schemes List)

SCHEMES	DESCRIPTION
PMJDY	Financial inclusion scheme zero-balance accounts.
MUDRA	Loans to small business enterprises.
NRLM	Promoting SHGs and Livelihoods
Stand-up India	Women/SC/ST entrepreneur loans.

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