



MICROCREDIT FACILITIES PROVIDED BY THE BANKING SECTOR AND IMPACT ON THE EMPOWERMENT OF WOMEN THROUGH SHGs

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Article DOI: <https://doi.org/10.36713/epra24277>

DOI No: 10.36713/epra24277

ABSTRACT

Self Help Groups (SHGs) have emerged as a powerful tool in promoting both financial inclusion and women empowerment in India. These groups typically consist of 15–20 individuals, mostly from economically disadvantaged backgrounds, who voluntarily unite to address issues related to poverty, social inequality, and financial exclusion. SHGs are formed democratically and function independently, free from political affiliations or external pressures. While SHGs can be composed of men, women, or mixed members, it is noteworthy that over 95% of SHGs in India are formed exclusively by women. This study specifically examines the impact of microcredit facilities provided by the banking sector on the empowerment of women, with a focus on SHG members in the Erode District. A sample of 100 women members from various SHGs was selected by convenience sampling to assess how effectively microcredit meets the financial needs of both rural and urban women. The findings reveal that SHGs have become a vital channel through which poor women access credit, leading to significant improvements in their economic and social status. Through participation in SHGs, women have experienced increased autonomy, greater involvement in decision-making, and enhanced recognition as active contributors in democratic, economic, cultural, and social spheres. The study underscores that SHGs not only fulfill credit requirements but also act as a platform for holistic empowerment, enabling women to uplift themselves and their communities.

KEY WORDS: Self Help Group, Inequality, Banking, Autonomy, Social Status.

INTRODUCTION

A significant proportion of the poor population consists of women, primarily due to a combination of socio-economic disadvantages, rigid gender roles, illiteracy, and systemic inequality. In this context, microcredit has emerged as a transformative force, playing a crucial role in mobilizing these women into Self Help Groups (SHGs). Over time, SHGs have evolved into effective platforms for addressing gender-based discrimination and promoting women's empowerment, especially in a country like India, where women have historically faced societal marginalization. By enabling access to financial resources and encouraging collective action, SHGs offer women a space to voice their opinions, participate in decision-making, and engage with one another on issues that impact their lives. Women make up nearly half of the population in most Indian states, and no development strategy can be considered truly sustainable without ensuring their active and equal involvement in all areas of social and economic life. True empowerment of women requires the creation of a supportive environment—both social and economic—that allows them to engage equally in decision-making processes at every level. Recognizing this, the Government of India has periodically introduced a range of programs and policies aimed at empowering women and enhancing their safety, development, and rehabilitation. The concept of SHGs originated in rural areas, where they were initially introduced to improve the living conditions of semi-

urban and rural women. While SHGs are technically open to both men and women, they have proven to be significantly more impactful among women, particularly by enabling them to start small-scale economic ventures and achieve greater self-sufficiency. Importantly, the motivation for women to join SHGs goes beyond merely obtaining financial credit—it is fundamentally about empowerment. Through their involvement in SHGs, women experience both economic and social upliftment. However, this kind of empowerment is not something that can simply be granted by others; rather, it must be self-driven, allowing women to gain control over their lives and decisions. Access to microcredit and active participation in SHG activities have led to notable improvements in the quality of life for many women in developing regions. The core objective behind offering microcredit through SHGs is to reach the poorest segments of society and promote sustainable empowerment. The economic self-reliance achieved through these programs has also led to positive shifts in women's social status, both within their families and in the broader community. Consequently, SHGs have become a central strategy in most women-centric development initiatives, playing a crucial role in driving inclusive and equitable progress.

NEED OF THE STUDY

In spite of various policy measures and development schemes, there remains a significant segment of women of rural and semi-urban India that lags behind socio-economic



marginalization. Specifically, restricted access to financial services, poor literacy rates, adherence to conventional gender roles, and absence of decision-making power have considerably deterred women from economic development. Under these circumstances, Self Help Groups (SHGs) facilitated by the banking sector through microcredit programs have become a grassroots channel in bridging these shortcomings. The Erode District, as with most districts, has seen an increasing number of women joining SHGs. SHGs have the capacity not just to offer financial support but also to enhance social solidarity, develop self-confidence, and develop leadership in women. Nevertheless, there is an urgent need to assess the real influence of such microcredit initiatives on the empowerment of women, especially regarding their economic independence, decision-making power, and social standing. Knowledge of the impact of SHGs in changing women's lives can provide useful lessons for policy-makers, financial institutions, and development professionals. It can also provide lessons on gaps, issues, and areas of improvement in current microfinance models. Hence, this research is important to measure the role of microcredit, when disbursed through SHGs, towards the all-around empowerment of women in the Erode District and whether it is a viable model for sustainable inclusive development.

PROBLEM IDENTIFICATION

Even in India, women—particularly in rural and semi-urban sectors—still confront numerous obstacles to economic and social empowerment. These obstacles involve restricted formal financial access, non-ownership of assets, poor literacy levels, and limited involvement in household and community-level decision-making processes. To overcome these issues, the idea of Self Help Groups (SHGs) backed by microcredit programs of the banking industry has accelerated as a poverty reduction and women empowerment tool. Although the SHG–bank linkage program has grown in different regions of India, including the Erode District, there is a compelling need to look into whether such initiatives in financial inclusion are actually translating into real empowerment for women or not. Providing credit is not enough—what is needed is the degree to which this access to microfinance is empowering women to gain economic independence, social mobility, confidence, and involvement in the decision-making process. Even with the increasing usage of SHGs and credit flow from banks, empirical data on their actual impact at the grassroots level are sparse, particularly in the context of Erode District. There is also a lack of adequate understanding of how these schemes affect rural and urban women differently and by how much they lead to long-term empowerment. Therefore, this research attempts to fill this knowledge gap by investigating the influence of microcredit from banks on women empowerment among members of SHGs in Erode District and how the economic, social, and personal aspects of empowerment are affected.

OBJECTIVE OF THE STUDY

This study investigates the impact of microcredit provided by the banking sector on women's empowerment, with a specific focus on members of Self Help Groups (SHGs) in the Erode District.

MATERIALS AND METHODS

Alam and Nizamuddin (2012) defined women empowerment as a process through which women challenge existing social norms and cultural practices to enhance their overall well-being. Their study, conducted in the Mewat district of Haryana, analyzed the role of Self Help Groups (SHGs) in promoting women's empowerment. The findings indicated that SHG participation had a significant positive impact on both the economic and social dimensions of the beneficiaries' lives. Poddar (2013) examined the role of SHGs in the economic empowerment of women in India. According to the study, empowerment is a transformative process through which individuals or groups gain control over their lives. This includes access to resources, greater participation in decision-making, enhanced bargaining power, and increased control over both personal and communal benefits. The process also results in higher self-confidence, self-esteem, and overall well-being. Poddar emphasized that empowerment is multi-dimensional, encompassing economic, social, and political aspects. Sail and Kumbharjuvenkar (2015) focused their research on the impact of SHGs in rural Goa. Their study revealed that SHGs have significantly improved the quality of life for women in these areas. Specifically, participants experienced increases in income, savings, and household consumption, all indicating a rise in living standards. Additionally, the women gained self-confidence and were able to develop their latent talents. SHG membership provided opportunities to speak publicly and gain recognition within their communities. Their study further noted that SHGs have contributed to enhanced decision-making power within households, showcasing their role in economic, social, and political empowerment. Among these, social empowerment was found to be more prominent than economic, while political empowerment, though growing, was at a relatively lower level. Nevertheless, it was concluded that the primary motivation for women joining SHGs was not limited to access to credit; rather, it was the broader empowerment process that attracted them.

RESEARCH METHODOLOGY

Methodology refers to the systematic approach employed to address research problems scientifically. It outlines the various steps taken by the researcher to investigate the research issues, along with the rationale behind these steps. This study utilized both primary and secondary data sources. To collect primary data, a field survey was conducted. The researcher gathered data from a sample of 100 women members of Self Help Groups (SHGs) in the Erode district, using structured questionnaires as the data collection tool. The respondents were selected through convenience sampling technique from the pool of SHG members in the Erode district, ensuring that every member had an equal chance of being included in the study.

RESULTS AND DISCUSSIONS

To comprehensively understand how various independent factors collectively influence the impact of microcredit offered by the banking sector to women Self Help Group (SHG) members, a detailed statistical analysis was undertaken. Specifically, a multiple regression analysis was employed to examine the degree of interrelationship among the identified



variables and to assess their overall contribution toward women's empowerment as facilitated by microcredit. This analytical approach enabled the researcher to isolate the individual effects of each independent factor—such as access to credit, participation in decision-making, increased income levels, improved self-confidence, and social recognition—on the overall empowerment of women within the SHG framework. The regression analysis served not only to determine the strength and direction of these relationships but also to quantify how significantly each variable contributes to the dependent variable, i.e., the level of empowerment among SHG members. The results derived from the regression model provided critical insights into the transformative role of microcredit in enhancing the socio-economic status of women.

It highlighted that access to microcredit through SHGs has a substantial positive impact on several empowerment indicators, including financial independence, self-reliance, active community engagement, and increased bargaining power within households and society. Furthermore, the analysis indicated that the support from the banking sector in extending microfinance services to SHGs acts as a vital catalyst in this empowerment journey. The findings affirm that the combined effect of these factors leads to a significant improvement in the quality of life for women, especially those residing in rural and semi-urban areas of Erode District. The statistical findings from the multiple regression analysis are tabulated in the following section to provide a clearer understanding of the extent of impact each factor has on the empowerment process.

**TABLE 1
 MULTIPLE REGRESSION ANALYSIS**

Variables	B	Std. Error		T	P
(Constant)	100.254	15.155		6.615	.000
Gender	1.980	1.966	.109	1.007	.317
Age	-.967	3.007	-.031	-.322	.748
Educational status	-.464	4.066	-.012	-.114	.909
Marital status	-1.750	.928	-.191	-1.886	.063
Experience	-2.033	2.048	-.142	-.992	.324
Monthly income	-3.346	3.144	-.103	-1.064	.290
Family type	-1.375	1.264	-.105	-1.088	.280
Family size	-8.872	2.355	-.586	-3.766	.000
Residential area	1.346	1.527	.090	.882	.380
Size of credit	-1.815	1.407	-.141	-1.290	.200

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.498 ^a	.248	.164	12.811

The Multiple linear regression components are found statistically a good fit. It shows the one independent variable contributes on the impact towards micro credit offer by banking sector and statistically significant at 1% level. The table indicates that the co-efficient of respondents' family size was significant at 1% level. It also noted that variables such as gender and residential area are positively associated with the impact of micro credit offer by banking sector. Further, it

indicates that these variables contribute to the impact of micro credit offer by banking sector are statistically significant and implying that their influence is stronger than the other variables. The rate of increasing the impact of micro credit offer by banking sector shows better results of the independent variables such as respondents' gender with 1.980 units change and with 1.346 units change in residential area of women SHG members.

**TABLE 2
 ANOVA**

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	4824.355	10	482.436	2.940	.003 ^b
Residual	14606.085	89	164.113		
Total	19430.440	99			

It is understood from the above table that the F value is significant at 1% level. From the analysis, it is concluded that the co-efficient of family size was significant at 1% level. It also noted that variables such as gender and residential area are positively associated with the impact of micro credit offer by banking sector.

RECOMMENDATIONS AND CONCLUSION

Women empowerment is defined as the process that enables individuals to think independently, take initiative, organize work autonomously, and exercise control over their own lives and circumstances. It fosters a social environment where

individuals or groups can make informed decisions and choices—whether individually or collectively—contributing to social transformation. Self Help Groups (SHGs) serve as a significant source of inspiration and support for the welfare of the new generation of women. To promote women's upliftment, the government has introduced numerous welfare programs through development centers, rural agencies, banks, and institutions like NABARD. In India, the majority of SHGs are led by women and are characterized by socio-economic homogeneity, small group size, voluntary participation, functional operation, and non-political orientation. Despite the widespread recognition of microfinance as a key tool for



poverty alleviation and empowerment—particularly among women—it faces several criticisms. A common concern is that many microfinance programs are heavily reliant on donor subsidies. As a result, even long-standing projects often struggle to operate independently and cover their operational costs fully. Most programs depend on external funding because charging higher interest rates would impose an unsustainable financial burden on borrowers. In conclusion, Self Help Groups (SHGs) have emerged as a vital instrument for women empowerment, especially among economically disadvantaged populations. By facilitating access to microcredit, SHGs enable women to initiate income-generating activities, improve their socio-economic status, and gain confidence to participate in household and community decision-making. However, the sustainability of these programs remains a challenge due to their heavy dependence on donor funding and limitations in financial viability. To ensure long-term success, it is imperative to strengthen the operational capacities of SHGs, enhance government support, and foster an enabling environment that promotes both economic and social empowerment. Empowerment is not merely about financial inclusion but about enabling women to take control of their lives and destinies. With continued efforts and improvements, SHGs can play a transformative role in achieving inclusive development and gender equality in rural and urban India.

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