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An Empirical Study on the Role of SHG-Bank Linkage Programme in Women Empowerment in India

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ABSTRACT

Despite significant progress over the past seven decades, women in India continue to face numerous challenges and social injustices in a male-dominated society. Microfinance, particularly through Self-Help Groups (SHGs), has emerged as a pivotal mechanism for women's empowerment. This article examines the growth of SHGs under the SHG-Bank Linkage Programme in women empowerment with the help of data collected for the period of seven years (SHG-BLP), the data from NABARD is analysed the role of SHGs in the promotion of women's empowerment, the impact of SHGs on the economic status of women beneficiaries. The study also tests the hypothesis that women's microfinance access has a significant impact on women's empowerment using regression analysis. Results confirm a statistically significant positive relationship ($R^2 = 0.781$, $F = 17.824$, $p = 0.008313$) between average loan disbursed per SHG and average savings per SHG, thereby rejecting the null hypothesis and validating the empowerment impact of microfinance access for women.

***Keywords**: Self-Help Groups, Microfinance, Women Empowerment, India.*

Introduction

Despite significant progress over the past seventy years, women in India continue to face numerous challenges and social injustices in a male-dominated society. The modern Indian culture, while showing resistance to the advancement of women, still exhibits many significant and oppressive elements. Interestingly, in spite of recently celebrating India's success as the first Asian nation to achieve a Mars mission on its first attempt, the country ranks 131st out of 148 nations on the Gender Inequality Index. While there have been improvements in the status of women, true empowerment remains a goal yet to be realized.

The wellbeing of families is heavily reliant on women, who play essential and complementary roles alongside men in the thriving rural communities. The strength of a chain depends on its weakest link; therefore, empowering women—who often represent this weakest link—can significantly contribute to the overall strength of society.

Women, realizing their full potential, bring benefits not only to families, communities, and nations but also to the entire world. Women's empowerment can be defined as the process through which women actively engage in and benefit from their own decision-making. Key elements of empowerment include self-awareness, dignity, self-confidence, and agency—the ability to set and meet personal goals. Empowerment takes place within a hierarchical framework, occurring at individual, community,

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household, and societal levels, achieved by removing barriers to participation and creating supportive environments. In this context, microfinance (MF) plays a vital role in women's empowerment. The principal objective of establishing a microfinance organization is to create an empowerment process rather than merely a program related to microcredit.

The aim is to help women achieve economic freedom and overcome poverty. This gradual process is enabled through interactions among group members that enhance awareness and skills. Capacity building involves strengthening social and economic competencies alongside self-esteem. Economic capacity includes owning and managing productive resources and accessing local job opportunities. Research indicates that economic empowerment can positively influence personal, financial and social well-being.

Women's empowerment refers to liberating women from various forms of oppression—social, economic, political, caste, and gender. It means providing women the freedom to determine their own life choices. Empowering women involves replacing patriarchy with equality rather than idolizing them.

Women Empowerment: Concept and Context

Empowerment empowers people to take control of their own lives and situations, allowing them to reach their desired goals and move up in society. It helps to build a mindset of confidence, capacity building, problem solving and decision making abilities in all genders with trust in their own ability to face challenges.

The term empowerment of women is very wide; it encompasses personal, family, social, cultural, legal, economic and political aspects. Economic empowerment, in particular, is vital for societal advancement, and initiatives like microfinance play a significant role in promoting women's empowerment.

The World Bank emphasizes that enhancing agency involves enabling individuals to make decisions and see those decisions lead to their desired outcomes. Fundamentally, this process focuses on activities that increase both personal and communal assets while promoting a more efficient and equitable institutional framework governing their use.

As Sayulu et al. (2005) state, 'Women's empowerment is any process that provides greater autonomy to women through the sharing of relevant information and the provision of control over factors affecting their performance.' Rooted in the notion of gender equality, women's empowerment is an ongoing, intentional, and comprehensive process that involves skill development, capacity building, boosting self-esteem, and active participation in decision-making.

Empowerment is giving someone what they need to overcome challenges, inequities and limitations. Women's empowerment needs to be proactive and comprehensive to realize their full potential in every aspect of life. It involves overcoming traditional, religious, and social restrictions on people; expanding their ability to make choices; giving them more control over events that affect their lives; and providing access to information and resources that they are denied.

Review of Literature

A literature review offers the researcher valuable insights into the subject area, facilitating a better understanding of its different facets. The body of work on self-help groups and microfinance is relatively recent and includes a significant number of studies. This section explores the wide range of empirical and conceptual research on microfinance.

Swain and Wallentin (2007, 2009) examined how microfinance programs empowered Indian women by improving women's control over resources, encouraging good behavioral changes, and supporting informed decision-making. Modi et al. (2014) discovered through multiple regression analysis that microfinance services significantly contribute to empowering rural women, identifying four key factors: improvements in socioeconomic status, increased autonomy in life choices, a more prominent role in household and community settings, and a positive perspective on children's development.

World Bank (2012) stated that microfinance enhances financial inclusion and access to banking services for women, while also indicating that microfinance alone cannot bring about empowerment without accompanying education, infrastructure, and supportive public policies. Banerjee et al. (2015) indicated that microfinance has only modest short-term impacts on women's empowerment and poverty alleviation, though it does assist families in managing risks and fostering small business development.

NABARD (2019) reported that Self-Help Groups have considerably improved women's saving habits, access to credit, and entrepreneurial activities in India. UN Women (2018) noted that microfinance and self-help groups aid in developing leadership skills, promoting collective action, and fostering social empowerment. Tariq & Sangami (2018) found that women involved in microfinance programs experience increases in income, savings, and assets while also gaining control over these financial resources.

Sarkar & Sen (2024) found that female entrepreneurs face challenges including lack of experience, poor planning, and inadequate capital. They recommend addressing these problems to meet the Sustainable Development Goals and emphasize that female entrepreneurs can help make the economy better and more fair for everyone.

Objectives of our Study

To understand the role of SHG bank linkage program in women empowerment in India some objectives have drawn. The objectives of the research are as follows:

- To overview the concept of SHG and microfinance in India.
- To analyse the growth of SHGs in India.
- To investigate the participation of women SHGs in women empowerment in India.
- To investigate whether Women's Microfinance has a significant impact on Women's Empowerment.

Research Methodology

The research project is a structured investigation designed to solve certain problems, to choose appropriate research methods and to investigate related issues. In this study, empowerment is considered as a concept and the role of Microfinance Institution (MFI) groups as catalysts of change, as MFIs do not only provide financial support. The research is conducted systematically, including the study paradigm, research strategy, research design, instruments and data analysis. The research method used in this study is descriptive research which aims to explore, describe and explain the phenomenon.

Data Collection

This research is secondary data based. Secondary data is information that is collected by others for another purpose. The data is obtained from NABARD's Status of Microfinance in India reports spanning from 2018–19 to 2024–25, as well as from various books, research articles, and journals.

Hypothesis of the Study

H01: There is no significant impact of Women's Microfinance Access on Women's Empowerment.

Ha1: There is a significant impact of Women's Microfinance Access on Women's Empowerment.

Concept of Self-Help Groups (SHGs) and Microfinance

Self-help groups are voluntary small groups that organize themselves for their own mutual help and to achieve certain objectives. According to NABARD, an SHG is comprised of 20 or fewer individuals from a similar background who unite to tackle common issues, regularly save, and utilize their pooled savings to extend interest-bearing loans to one another. Essentially, SHGs are voluntary alliances geared toward mutual economic benefit and enhancing living standards.

Foundational Principles of SHGs

- Members should reside in the same locality and share some level of affinity, which may relate to caste, occupation, gender, or economic status.
- Prioritize savings before credit.
- Regular meetings must be held.
- Accurate records of financial and other activities should be maintained.
- Leaders should be elected from among members and rotated periodically.
- Operational transparency and participative decision-making are vital.
- Group accountability and peer pressure can substitute for traditional collateral.

The SHG movement started to grow in the last two decades, with marked steps since the pilot linkage program between SHG and banks initiated in 1992 by NABARD. Despite initially only establishing

32,995 SHG-bank linkages from 1992 to 1999, growth surged after the World Microcredit Summit in 1997 set a goal to provide microcredit to 100 million of the world's poorest families, especially women, by 2005.

One of the key government programs for poverty alleviation through SHGs is the Swarna-Jayanti Gram Swarozgar Yojana (SGSY), initiated on April 1, 1999. This program is designed as a comprehensive scheme covering all facets of self-employment, emphasizing the organization of rural poor into SHGs, enhancing their skills, training, and developing infrastructure, while providing financial support through bank credit and subsidies.

Data Analysis and Interpretation

Table 1: Progress under SHG-Bank Linkage Programme – Number of SHGs (2018-19 to 2024-25)

Category	Scheme / Beneficiary Type	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		No. of SHGs (Lakh)	No. of SHGs (Lakh)	No. of SHGs (Lakh)	No. of SHGs (Lakh)	No. of SHGs (Lakh)	No. of SHGs (Lakh)	No. of SHGs (Lakh)
SHG Savings with Banks	Total SHGs	100.14	102.43	112.23	118.93	134.03	144.22	143.30
	All Women SHGs	85.31	88.32	97.25	104.05	112.92	120.44	123.36
	NRLM/SGSY Groups	55.80	57.89	64.78	71.84	82.01	84.30	99.79
	NULM/SJSRY Groups	4.39	4.69	5.29	5.81	7.39	7.39	6.37
Loans Disbursed	Total SHGs	26.98	31.46	28.87	33.98	42.96	54.82	55.57
	All Women SHGs	23.65	28.84	25.90	31.50	41.42	53.20	54.40
	NRLM/SGSY Groups	16.49	20.49	15.84	22.91	34.87	44.88	42.74
	NULM/SJSRY Groups	1.29	1.59	1.13	1.84	1.98	2.70	1.94
Loans Outstanding	Total SHGs	50.77	56.77	57.80	67.40	69.57	77.42	84.94
	All Women SHGs	44.61	51.12	53.11	62.65	65.15	72.29	80.28
	NRLM/SGSY Groups	32.85	36.89	33.78	44.54	55.45	61.02	65.25
	NULM/SJSRY Groups	2.25	2.67	2.23	3.27	3.42	3.94	4.07

Source: NABARD Status of Microfinance in India on Microfinance, 2018-19 to 2024-25. (Number of SHGs in Lakh)

The overall growth of the SHG-BLP during 7 years (2018–19 to 2024–25) is substantial. The number of Self-Help Groups (SHGs) with savings accounts at banks increased from 100.14 lakh in 2018–19 to a surge of 144.22 lakh in 2023–24, slightly decreasing to 143.30 lakh in 2024–25. It represents an overall growth of 43.1% over the study period, indicating an extensive growth of the program's reach. The total savings rose further to ₹71,433 crore from ₹23,324 crore, representing almost tripling (206% increase) and suggesting not only an increase in the number of groups but also an increase in average savings per group.

The total amount of loans given to SHGs surged from ₹58,318 crore in 2018–19 to ₹2,08,283 crore by 2024–25, showing an increase of 257%. Also, the number of SHGs getting loans has doubled from 26.98 lakh to 55.57 lakh. The disbursements declined by 25.2% in 2020–21, reflecting the only negative growth in the data series, due to the COVID-19 pandemic. The SHG model's structural strength was reflected in a strong rebound in 2021–22, with a growth of 71.7%.

The deepening of credit intermediation is reflected in the significant increase in outstanding loans from ₹87,098 crore to ₹3,04,259 crore, an increase of 249% over the period. The landscape is increasingly dominated by groups associated with NRLM/SGSY, as their shares of total savings and disbursements grew from 55.17% to 75.63% and from 57.27% to 81.07% respectively.

Table 2: Region-wise Progress of Savings-Linked SHGs with Banks (2018-19 to 2024-25)

Code	Region	2018-19		2019-20		2020-21		2021-22		2022-23		2023-24	2024-25		
		No. of SHGs	Amt (₹ Cr)	No. of SHGs	Amt (₹ Cr)	No. of SHGs	Amt (₹ Cr)	No. of SHGs	Amt (₹ Cr)	No. of SHGs	Amt (₹ Cr)	No. of SHGs	Amt (₹ Cr)	No. of SHGs	Amt (₹ Cr)
A	Northern Region	5,48,624	62,453	5,77,122	59,550	6,09,808	1,74,345	6,80,143	1,99,582	7,87,807	1,22,485	8,09,120	1,41,617	9,39,103	1,75,195
B	NE Region	5,23,469	40,407	5,56,899	48,141	6,33,714	83,126	6,80,845	1,06,441	7,93,320	1,27,153	9,42,546	2,12,429	9,24,074	2,39,131
C	Eastern Region	26,54,358	6,01,155	28,11,130	6,64,333	31,22,424	7,74,912	32,43,980	13,58,595	39,30,551	17,42,499	43,48,798	21,52,772	40,69,596	23,07,593
D	Central Region	10,62,759	1,33,230	11,35,083	1,71,217	13,45,575	2,11,870	13,55,564	3,25,696	18,32,040	4,58,675	20,31,019	6,23,236	20,37,313	6,72,211
E	Western Region	13,88,615	2,05,275	14,73,853	2,01,880	15,50,176	3,74,023	16,88,451	3,27,691	19,27,560	5,41,611	20,05,643	4,37,954	20,78,079	4,95,960
F	Southern Region	38,36,418	12,89,928	36,89,236	14,70,085	39,61,703	21,29,485	42,44,070	24,06,043	41,31,805	28,96,845	42,84,778	29,40,906	42,81,831	32,53,237
	Total	1,00,14,243	23,32,448	1,02,43,323	26,15,206	1,12,23,400	37,47,761	1,18,93,053	47,24,048	1,34,03,083	58,89,268	1,44,21,904	65,08,915	1,43,29,996	71,43,327

Source: NABARD Status of Microfinance in India. (No. of SHGs in absolute figures; Amount in ₹ Crore)

The data illustrates notable disparities in the growth of Self-Help Groups (SHGs) across the six regions of India. The Southern Region, which has historically been the foundation of the SHG movement, remains the leader with 42.82 lakh SHGs and ₹32,532 crore in savings for 2024–25. However, its proportion of total SHGs has decreased from 38.3% in 2018–19 to 29.9% in 2024–25, suggesting that growth is becoming more pronounced in other regions. The Eastern Region ranks second, with SHGs increasing from 26.54 lakh to 40.70 lakh (+53.3%). The Central Region experienced the highest proportional increase in SHGs, increasing from 10.63 lakh to 20.37 lakh, a remarkable 91.7% increase.

The greatest regional inequality lies in savings amounts. The Southern Region's savings of ₹32,532 crore (45.5% of the total) far exceed those of the Central Region, which has ₹6,722 crore (9.4%). The average savings per SHG in the South is approximately ₹75,990, nearly 2.5 times greater than that in Central India, which is around ₹33,000. This highlights the Southern Region's long-established advantages in SHG development, financial literacy and group discipline.

Table 3: Out of Total SHGs – Exclusive Women SHGs (Agency-wise, 2018-19 to 2024-25)

Sr.	Agency	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
		No. of Women SHGs	No. of Women SHGs	No. of Women SHGs	No. of Women SHGs	No. of Women SHGs	No. of Women SHGs	No. of Women SHGs
1	Commercial Banks	45,57,476	46,00,857	51,93,188	58,80,049	62,30,580	68,37,794	67,90,256
2	Regional Rural Banks	26,65,229	28,45,997	31,56,466	32,09,543	35,88,000	38,15,019	39,97,652
3	Cooperative Banks	13,08,055	13,84,895	13,75,472	13,10,389	14,73,363	13,91,495	15,47,643
	Total	85,30,760	88,31,749	97,25,126	1,03,99,981	1,12,91,943	1,20,44,308	1,23,35,551

Source: NABARD Status of Microfinance in India. (Number of SHGs in absolute figures)

The SHG-BLP is primarily focused on women. The number of exclusive women SHGs has increased from 85.31 lakh in 2018–19 to 123.36 lakh in 2024–25, showing a 44.6% growth. In terms of agency distribution, Commercial Banks hold the largest share with 67.90 lakh women SHGs (55.1%) in 2024–25, followed by Regional Rural Banks (RRBs) with 39.98 lakh (32.4%) and Cooperative Banks with 15.48 lakh (12.5%).

The data reveals a positive trend in all three segments: saving, loans disbursed and outstanding loans. Out of all the loans disbursed, the share of loans to women SHGs has risen from 87.66% in 2018-19 to 97.89% in 2024-25, highlighting the focus on distributing loans to female-led SHGs. Also, the percentage of outstanding loans has increased from 87.87% to 94.51%. It is essential to note that banks are more likely to disburse more credit to women SHGs as the percentage of credit disbursed to women hit a high of almost 98%, whereas the percentage of savings remained almost stable at 86% of SHGs, as women SHGs are known to create lesser NPAs.

Total SHG membership increased from 12.24 crore in 2018–19 to a high of 17.75 crore in 2023–24, before decreasing to 17.07 crore in 2024–25. By assuming an average household size of five members, the programme is estimated to have benefited approximately 3.41 crore families by 2024–25. This coverage marks one of the world's most extensive organized microfinance outreach efforts. With a significant majority of SHG members being women, and women's SHGs comprising about 86% of all groups, the programme successfully reaches over 2.9 crore households led by women.

Table 4: Average Loan per SHG, Average Savings per SHG & Credit-to-Savings Ratio (2018-19 to 2024-25)

Indicator	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
	(₹ Lakh)	(₹ Lakh)	(₹ Lakh)	(₹ Lakh)	(₹ Lakh)	(₹ Lakh)	(₹ Lakh)
No. of SHGs Receiving Loans (Lakh)	26.98	31.46	28.87	33.98	42.96	54.82	55.57
Total Loans Disbursed (₹ Crore)	58,318	77,659	58,071	99,729	1,45,200	2,09,286	2,08,283
Average Loan per SHG (₹ Lakh)	2.16	2.47	2.01	2.93	3.38	3.82	3.75
No. of SHGs with Outstanding Loans (Lakh)	50.77	56.77	57.80	67.40	69.57	77.42	84.94
Total Loans Outstanding (₹ Crore)	87,098	1,08,075	1,03,290	1,51,051	1,88,079	2,59,664	3,04,259
Average Outstanding Loan per SHG (₹ Lakh)	1.72	1.90	1.79	2.24	2.70	3.35	3.58
Total SHG Savings Amount (₹ Crore)	23,324	26,152	37,478	47,240	58,893	65,089	71,433
Average Savings per SHG (₹ Thousand)	23.29	25.53	33.39	39.72	43.94	45.12	49.85
Credit-to-Savings Ratio (Disbursed/Savings)	2.50	2.97	1.55	2.11	2.47	3.22	2.92

Source: Computed from NABARD Status of Microfinance in India. (Amounts in ₹ Lakh/Thousand as indicated)

The average loan amount granted per SHG increased from ₹2.16 lakh in 2018–19 to ₹3.75 lakh in 2024–25, representing a 74% growth that significantly surpasses general inflation. This increase in average loan size indicates that SHG members are obtaining greater amounts of productive credit, facilitating investments in more profitable income-generating ventures such as livestock, equipment, working capital for micro-enterprises, and agricultural inputs.

The average outstanding loan per SHG increased from ₹1.72 lakh to ₹3.58 lakh, and the average savings per SHG grew from ₹23,290 to ₹49,850—more than doubling. The credit-to-savings ratio averaged around 2.7:1, meaning that for every one rupee saved, SHGs are borrowing 2.7 rupees. This higher ratio suggests that banks are lending significantly more than the savings of SHGs, providing financial leverage for women members.

Loans to women SHGs have risen from ₹53,254 crore in 2018–19 to ₹2,03,740 crore in 2024–25, showing an incredible 283% growth—higher than the total growth of 257% of credit made available through the SHG-BLP as a whole. Thus, the growth in credit provided through the SHG-BLP has primarily taken place for women beneficiaries.

Hypothesis Testing

The hypothesis tests whether Women's Microfinance Access (measured by Average Loan Disbursed per SHG in ₹ Lakh) has a significant impact on Women's Empowerment (measured by Average Savings per SHG in ₹ Thousand).

Testing of Hypothesis

H_0^1 There is no significant impact of Women's Microfinance Access (Average Loan Disbursed per SHG) on Women's Empowerment (Average Savings per SHG).

Table 4: Women's Microfinance Access vs Women's Empowerment

(₹ Lakh / ₹ Thousand)

Years	Average Loan Disbursed per SHG (₹ Lakh) – Microfinance Access	Average Savings per SHG (₹ Thousand) – Women's Empowerment
2018-19	2.16	23.29
2019-20	2.47	25.53
2020-21	2.01	33.39
2021-22	2.93	39.72
2022-23	3.38	43.94
2023-24	3.82	45.12
2024-25	3.75	49.85

Source: NABARD Status of Microfinance in India, 2018-19 to 2024-25 (Table 4.12)

- **Model Summary**

The regression model summary shows a strong connection between the two variables. The R value of 0.884 indicates they are closely related, meaning that as Women's Microfinance Access increases, Women's Empowerment also increases. With an R Square of 0.781, it means that 78.1% of women's capacity to save is explained by the loans they receive. The Adjusted R Square of 0.737 shows the model remains strong after accounting for other factors. The standard error of the estimate is 5.206, indicating the model's predictive accuracy.

- **ANOVA Results**

The overall significance of the regression model is tested with the ANOVA table. It has an F-statistic of 17.824 with a significance level of 0.008313. The value of this p-value (0.008313) is much lower than the commonly used The test of the significance level of 0.05 shows that the regression model is statistically significant. This means that Women's Microfinance Access is an important determinant of Women's Empowerment (Average Savings per SHG). Based on the regression sum of squares (483.158) and residual sum of squares (135.534), implies that the regression model is adequate. The model is able to account for a large portion of the variance of the dependent variable, indicating the association. The link between the availability of microfinance services and women's financial empowerment.

- **Regression Coefficient**

The constant (B = 1.888) indicates the average savings when none of the loans are disbursed. The Average Loan Disbursed per SHG Coefficient (B = 12.067) indicates that the Average Savings per

SHG increases by ₹12.067 thousand per ₹1 lakh increase in Average Loan Disbursed per SHG. This positive correlation confirms theoretical arguments that enhancing women's access to microfinance facilitates their saving, which is critical for women's financial empowerment. The Average Loan Disbursed per SHG is statistically significant ($p < 0.05$) with a t-statistic of 4.222 and p-value of 0.008313.

- **Decision on Hypothesis**

The Null Hypothesis (H01) is rejected because the results show a positive significant relationship between Women's Microfinance Access (Average Loan Disbursed per SHG) and Women's Empowerment (Average Savings per SHG). The high R Square (0.781), significant F value (17.824, $p = 0.008313$) and positive regression coefficient ($B = 12.067$) indicate that the enhancement of women's access to microfinance contributes to women's empowerment, especially by enabling them to save more per SHG, which is a well-noted indicator of women's financial independence and economic empowerment.

Conclusion

This study comprehensively examines the role of microfinance and Self-Help Groups (SHGs) in advancing women's empowerment in India over the period 2018–19 to 2024–25. The data from NABARD demonstrates impressive growth in almost every dimension of the SHG-Bank Linkage Programme. The total number of SHGs has grown from 100.14 lakh to 143.30 lakh; total savings have tripled to ₹71,433 crore; loans disbursed have grown 257% to ₹2,08,283 crore; and outstanding loans have grown 249% to ₹3,04,259 crore.

Women's SHGs dominate this landscape with around 86% of savings groups, 98% of loan disbursements, and 96% of outstanding loans. The consistently lower NPA ratios for women's SHGs provide compelling evidence for prioritizing credit access for women-led groups, as women borrowers demonstrate superior financial discipline and loan repayment reliability.

The regression analysis confirms statistically that microfinance access (measured through average loan disbursed per SHG) has a significant positive impact on women's empowerment (measured through average savings per SHG), with $R^2 = 0.781$, $F = 17.824$, $p = 0.008313$, and regression coefficient $B = 12.067$.

However, challenges remain. Regional disparities are significant, with the Southern Region's average savings per SHG (₹75,990) being nearly 2.5 times higher than that of the Central Region (₹33,000). Cooperative Banks show persistent NPA volatility. Urban SHGs under NULM consistently underperform rural counterparts under NRLM. A slight decline in estimated family coverage in 2024–25 warrants attention to membership retention and group viability.

The findings affirm that microfinance through SHGs is not merely a financial tool but a transformative mechanism for women's socio-economic empowerment in India. To realize its full potential, interventions should focus on deepening savings quality rather than just expanding group numbers, strengthening Cooperative Bank governance, expanding NULM outreach to urban women, and ensuring sustained membership through entrepreneurial training and monitoring.

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