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Microfinance and Women's Economic Status in India: A Comprehensive Review

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Abstract

Microfinance in India, primarily channeled through the Self-Help Group (SHG)–Bank Linkage Programme, represents one of the world's largest interventions aimed at improving women's economic status. This paper synthesizes evidence on the impact of microfinance on women's economic empowerment in India, examining both achievements and limitations. The scale of the intervention is unprecedented: over 10 crore rural women have been mobilized into more than 93 lakh SHGs, with cumulative bank credit disbursement exceeding ₹13.67 lakh crore and an SHG loan NPA rate of merely 1.76% . Evidence indicates that microfinance has significantly increased women's participation in income-generating activities, enhanced economic agency, and improved social empowerment, particularly among marginalized populations including tribal women . However, the translation of credit access into comprehensive economic empowerment remains constrained by structural barriers. Gains in household decision-making autonomy, particularly regarding major financial decisions, remain limited . The meta-regression evidence suggests that financial inclusion interventions are "far from transformative," with impacts occurring largely in early stages of the causal chain and varying considerably by context . Non-financial components—skill training, literacy support, and market linkages—emerge as critical moderators of success . Digital financial services present both promise and risk, with evidence from India indicating that women have been left behind in accessing digital finance due to patriarchal norms and limited access to mobile phones . The paper concludes that while microfinance has demonstrably improved women's economic status at the margin, realizing its full empowerment potential requires moving beyond credit-access models toward integrated, capability-based approaches that address the structural determinants of gender inequality.

Keywords:

microfinance, women's economic empowerment, Self-Help Groups, SHG-Bank Linkage, financial inclusion, India, decision-making autonomy, tribal women, digital financial services, capability approach

1. Introduction

The relationship between microfinance and women's economic status has been a central concern of development policy and scholarship for over three decades. In India, this concern has been operationalized at extraordinary scale through the Self-Help Group (SHG)–Bank Linkage Programme, which has evolved from a modest experimental initiative in the 1990s into the world's largest microfinance intervention. The premise is straightforward: by providing women with access to credit and savings services in a group setting, microfinance seeks to

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catalyze a chain of economic and social transformations—from income generation and asset accumulation to enhanced bargaining power within households and communities.

The Indian state has invested heavily in this premise. The Deendayal Antyodaya Yojana–National Rural Livelihoods Mission (DAY-NRLM) has mobilized more than 10 crore rural women into over 93 lakh SHGs, with cumulative credit disbursement exceeding ₹13.67 lakh crore . The repayment record is exemplary by any standard: the Non-Performing Asset rate on SHG loans stands at 1.76%, far below the levels observed in many other lending categories . The government has further introduced interest subvention schemes, with loans up to ₹3 lakh available at 7% per annum for women SHGs . By any measure of scale and institutional commitment, India's microfinance-for-women experiment is without parallel.

Yet scale and repayment discipline are not the same as empowerment. The critical question is whether access to credit has translated into meaningful improvement in women's economic status—defined not merely as income generation but as enhanced agency, control over resources, and participation in household and community decision-making. The evidence assembled in this review suggests a qualified answer: microfinance has produced tangible economic benefits for millions of women, particularly in terms of income-generating activity and social participation, but its transformative potential is constrained by structural factors that credit alone cannot address.

This paper examines the evidence on microfinance's impact on women's economic status in India, with attention to both achievements and limitations. It proceeds by defining key concepts, identifying the need for the study, reviewing the literature, describing methodology, assessing strong and weak points, examining current trends and historical evolution, and concluding with policy recommendations.

2. Definitions

Microfinance: The provision of financial services—including credit, savings, insurance, and payment services—to low-income individuals and households who lack access to formal banking systems. In the Indian context, microfinance is predominantly delivered through the SHG model, though Microfinance Institutions (MFIs) also play a significant role.

Women's Economic Empowerment: A multidimensional concept encompassing women's access to and control over economic resources, their participation in economic decision-making at household and community levels, their ability to pursue income-generating activities, and their capacity to exercise agency in economic domains. This study follows Kabeer's framework, distinguishing between resources (access), agency (decision-making and control), and achievements (outcomes) .

Self-Help Group (SHG): A voluntary association of 10–20 individuals, typically women from similar socio-economic backgrounds, who pool savings and rotate credit among members, and who may access bank loans collectively. SHGs serve as the primary vehicle for microfinance delivery in India.

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Economic Agency: The capacity of women to make and act on economic decisions, including control over loan use, income, and household expenditures. This is distinguished from mere access to credit, which may occur without corresponding gains in agency.

Capability Approach: Amartya Sen's framework, which evaluates development not merely by income or consumption but by the expansion of substantive freedoms and capabilities—what people are effectively able to do and be. This approach is particularly relevant to assessing whether microfinance expands women's real opportunities .

3. Need for the Study

The need for this study arises from three considerations. **First**, despite the massive scale of India's microfinance intervention, the evidence on its impact on women's economic empowerment remains contested. Some studies report significant positive effects on income, asset accumulation, and social participation , while others emphasize that impacts are modest, heterogeneous, and concentrated in early stages of the causal chain . A systematic review concluded that microfinance interventions have met with "mixed results in making desired socio-economic change" . This divergence demands careful synthesis.

Second, the Indian policy context has evolved significantly. The government's Financial Inclusion 2.0 vision now emphasizes "dedicated financing for women-led enterprises" and the transition of SHG members into sustainable rural businesses, with 3.46 crore women already designated as "Lakhpati Didis" (women earning over ₹1 lakh annually) . Understanding whether and how microfinance can support this transition requires evidence on what has worked and what has not.

Third, critical perspectives have challenged the foundational assumptions of the microfinance-empowerment nexus. Scholars have argued that microfinance's "ethical imaginary" obscures the gendered nature of responsibility and repayment, and that financialized measures of empowerment may fail to capture lived experiences of women . A materialist-feminist critique of microcredit in comparable contexts argues that it can perpetuate dependencies and responsibilize women for structural problems . These critiques necessitate a balanced assessment that neither celebrates nor dismisses microfinance wholesale.

4. Aims

This study aims to provide a comprehensive, evidence-based assessment of microfinance's impact on women's economic status in India, encompassing both its demonstrated contributions and its structural limitations. Specifically, it seeks to:

1. Synthesize quantitative and qualitative evidence on the economic outcomes of women's participation in microfinance.
2. Distinguish between access to credit and meaningful economic agency.
3. Identify the conditions under which microfinance produces transformative versus marginal effects.
4. Assess the role of non-financial components in enhancing empowerment outcomes.

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5. Formulate recommendations for policy and program design that optimize microfinance's contribution to women's economic empowerment.

5. Objectives

1. To document the scale and reach of microfinance interventions targeting women in India.
2. To evaluate evidence on income generation, asset accumulation, and enterprise development attributable to microfinance participation.
3. To assess impacts on women's decision-making autonomy within households.
4. To examine the moderating role of education, training, and social context in shaping empowerment outcomes.
5. To identify barriers—structural, institutional, and socio-cultural—that constrain the translation of credit access into economic agency.
6. To evaluate the potential and risks of digital financial services for women's economic empowerment.
7. To synthesize findings into actionable recommendations for policy and practice.

6. Hypothesis

H1: Participation in SHG-based microfinance is associated with increased income-generating activity and higher household income among women participants.

H2: Access to microfinance alone is insufficient to produce substantial gains in women's household decision-making autonomy; non-financial components (training, literacy, social mobilization) are necessary moderators.

H3: Empowerment outcomes vary significantly by social identity (caste, tribe, region), with tribal and Dalit women experiencing different constraints and opportunities than women from dominant groups.

H4: Digital financial services, while expanding access, may reproduce or exacerbate gender gaps due to unequal access to technology and patriarchal norms governing women's mobility and financial control.

7. Literature Search

The literature on microfinance and women's empowerment in India spans multiple disciplines and methodological traditions. This review synthesizes key contributions across five thematic areas.

Scale and Reach. Official data document the extraordinary scale of India's SHG movement: over 10 crore women mobilized into 93 lakh SHGs, with cumulative credit disbursement of ₹13.67 lakh crore and outstanding loans of approximately ₹3 lakh crore . The government has instituted multiple support mechanisms, including interest subvention (7% for loans up to ₹3 lakh), Bank Sakhis deployed at branch level to facilitate credit linkage, and a dedicated portal for monitoring . The SHG loan NPA rate of 1.76% attests to remarkable repayment discipline .**Economic Outcomes.** A mixed-methods study of tribal women in Dahod, Gujarat—one of the first to apply propensity score matching to this population—found that microfinance interventions "significantly increase income-generating activities, leading to improved

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economic agency and enhanced social empowerment" . This finding is echoed in a broader study using Sen's Capability Approach, which identified significant associations between education, caste, training participation, loan amount, and occupation with changes in economic, social, and political capabilities . However, a multidimensional analysis using secondary data from 2018–2020 found that while "substantial improvements in women's financial inclusion, income levels, and entrepreneurial participation" were evident, "gains in decision-making autonomy, particularly in major financial decisions, remain limited" .

Meta-Evidence and Caveats. A meta-regression analysis of experimental studies on credit and savings interventions concluded that "financial inclusion interventions are far from transformative with often varied impacts occurring largely in the early stages of the causal chain" . This analysis emphasizes the critical role of non-financial features—training, group dynamics, complementary services—in determining whether economic empowerment occurs. The authors note that "purely quantitative approaches often lack the nuance of fully comprehending the complex causal mechanisms" and call for mixed-methods and ethnographic research . A systematic review similarly found that microfinance "empowers women and reduces societal inequalities but failed to make the requisite transformation in the local community and in some cases made it worse" .

Critical Perspectives. A postcolonial feminist ethics analysis argues that microfinance's "ethical imaginary" compresses the relationship between credit and empowerment into a "direct, yet sometimes specious, causal association" . The author notes that financialized measures of empowerment may conflate multiple dimensions and fail to capture the gendered nature of responsibility and repayment. A materialist-feminist critique of comparable microcredit programs in North Africa argues that high effective interest rates (exceeding 30% in some contexts) and the responsibilization of women for household wellbeing can perpetuate rather than alleviate vulnerability . While these critiques derive from non-Indian contexts, their analytical insights are relevant to assessing India's program.

Digital Finance. The meta-regression analysis identifies digital financial services as an emerging frontier with significant evidence gaps. Notably, "digital financial inclusion has advanced tremendously but women have been left behind in accessing these digital services due to patriarchal norms dominating" . Limited access to mobile phones relative to men is a key barrier. This suggests that the digital transformation of microfinance may reproduce existing gender inequalities unless explicitly designed otherwise.

8. Research Methodology

This study employs a **systematic narrative review** methodology, synthesizing evidence from peer-reviewed studies, official government data, and institutional reports. The approach is qualitative and interpretive, aiming to integrate findings across methodological traditions—from randomized controlled trials and quasi-experimental studies to ethnographic and critical feminist analyses.

Sources. Primary sources include: (1) official data from the Ministry of Rural Development and PIB press releases on SHG-Bank linkage performance ; (2) peer-reviewed studies

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published in journals including the *Journal of Human Development and Capabilities*, *Journal of Development Effectiveness*, and *Community Development* ; (3) critical and theoretical contributions from feminist scholarship ; and (4) synthesis studies employing multidimensional frameworks .

Analytical Framework. The review adopts a capability-based approach, distinguishing between: (a) resources (access to credit), (b) agency (decision-making, control over loan use and income), and (c) achievements (income, assets, enterprise growth). This framework enables assessment of whether and how resource provision translates into meaningful economic empowerment, and where the causal chain breaks down.

Limitations. The review is limited by the heterogeneity of outcome measures across studies, which constrains direct comparison. Many studies rely on self-reported outcomes and cross-sectional designs, limiting causal inference. Experimental evidence specific to India is scarce, with most rigorous impact evaluations conducted in other country contexts. The review does not conduct original empirical analysis.

9. Strong Points: Demonstrated Contributions

Unprecedented Scale and Reach. The SHG-Bank Linkage Programme has achieved a scale unmatched by any other microfinance intervention globally. With over 10 crore women mobilized and ₹13.67 lakh crore disbursed cumulatively, the program has brought formal financial services to populations that were historically excluded from the banking system . The institutional infrastructure—including Bank Sakhis at branch level, dedicated monitoring portals, and coordination mechanisms at state, district, and block levels—represents a significant public investment in financial inclusion .

Income Generation and Economic Activity. The evidence consistently indicates that microfinance participation is associated with increased engagement in income-generating activities. The Dahod study found statistically significant increases in economic agency among tribal women participants . The capability-based study identified significant associations between loan amount and occupation with changes in economic capabilities . The emergence of 3.46 crore "Lakhpati Didis"—women earning over ₹1 lakh annually—provides official confirmation that a substantial proportion of participants have achieved meaningful income gains .

Social Empowerment Spillovers. Beyond narrowly economic outcomes, studies report improvements in social participation, mobility, and confidence. The Dahod research documented enhanced "agency, mobility, and confidence" despite persistent barriers including illiteracy and caste discrimination . The multidimensional analysis found that "social participation has improved" even where decision-making autonomy remained limited . These findings suggest that group participation itself—the "social" component of microfinance—produces benefits that extend beyond the loan.

Exceptional Repayment Performance. The SHG loan NPA rate of 1.76% is remarkable by any standard of lending . This performance reflects both the efficacy of group-based screening and monitoring, and the genuine economic viability of many micro-enterprises financed

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through SHGs. It also indicates that women borrowers, when given access to appropriately structured financial products, represent low-risk clients—a finding with implications for mainstream banking.

Policy Innovation and Institutional Learning. The Indian program has generated significant policy learning. The introduction of interest subvention, the deployment of Bank Sakhis, the development of dedicated monitoring infrastructure, and the current focus on "Financial Inclusion 2.0" targeting individual enterprise credit represent iterative adaptations based on implementation experience . This institutional capacity for learning and adaptation is itself a significant strength.

10. Weak Points: Structural Limitations

The Access-Agency Gap. Perhaps the most significant limitation is the persistent gap between access to credit and meaningful economic agency. The multidimensional analysis found that while financial inclusion and income levels improved, "gains in decision-making autonomy, particularly in major financial decisions, remain limited" . This suggests that women may be accessing credit without corresponding increases in control over how it is used or how income is allocated within the household. The meta-regression evidence supports this: financial inclusion interventions are "far from transformative," with impacts concentrated in early stages of the causal chain .

Heterogeneity and Context Dependence. Impacts are highly heterogeneous across contexts and populations. The Dahod study explicitly notes that findings are "grounded in the specific socio-cultural and geographic context" and "not statistically generalisable to the broader tribal population across India" . The systematic review found that microfinance "met with mixed results" and in some cases "made it worse" . This heterogeneity complicates policy design: what works in one context may fail in another.

Non-Financial Components as Binding Constraints. The evidence consistently points to non-financial components—education, training, market linkages, literacy—as critical determinants of whether credit translates into empowerment. The Dahod study advocates "integrating SHGs with skill-building, affirmative action for Scheduled Tribes, and infrastructure support" . The meta-regression emphasizes that "unless gender-informed programming... and other non-financial components that complement financial inclusion interventions are incorporated, their empowerment potential may be limited" . The relative neglect of these complementary components in many programs represents a significant design weakness.

Digital Exclusion. The digital transformation of finance presents a new frontier of exclusion. Evidence indicates that "women have been left behind in accessing these digital services due to patriarchal norms dominating and limited access to digital technologies," with women having "considerably less access to mobile phones than men" . As microfinance increasingly adopts digital delivery channels, there is a risk that the gains in inclusion achieved through face-to-face group models will be eroded.

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Structural Constraints Beyond Credit. The critical literature emphasizes that microfinance cannot address the structural determinants of women's economic subordination. A materialist-feminist analysis argues that microcredit "neither compensates for nor recognizes reproductive work" and that "men typically retain authority over household budgets and loan decisions" . While this analysis derives from North African contexts, its insight applies to India: the unequal division of unpaid care work, restricted mobility, and patriarchal norms governing women's economic participation are not resolved by access to credit alone. A time-use analysis of India finds that women spend approximately four more hours daily on unpaid work than men, and that among women with care responsibilities, 60% report no other household member available to take on those duties .

The "Mission Drift" Concern. As microfinance institutions increasingly prioritize financial sustainability and commercial returns, there is a risk that the poorest and most marginalized women—those whose empowerment would require the most intensive support—are deprioritized in favor of clients who are easier to serve profitably . This tension between social mission and financial viability is inherent to the model and requires constant vigilance in program design.

11. Current Trends

From Group to Individual Enterprise Lending. The government's "Financial Inclusion 2.0" vision signals a strategic shift from group-based lending toward dedicated financing for women-led individual enterprises. A high-level meeting in September 2020 focused on "doubling the individual enterprise credit portfolio" and "enhancing the average quantum of disbursement to SHGs" . This represents a maturation of the model: as SHG members accumulate experience and capital, their financing needs evolve beyond what group lending can provide.

The Lakhpati Didi Initiative. The identification of 3.46 crore women as "Lakhpati Didis" (earning over ₹1 lakh annually) represents both an achievement and a new policy target. The government aims to expand this cohort, using it as a benchmark for successful livelihood transition . This focus on measurable income thresholds signals a results-oriented approach to empowerment, though it risks privileging those who are already relatively better-off.

Digital Financial Services and the Gender Gap. As digital payment infrastructure (UPI) and digital lending expand, the question of whether women will benefit equally is unresolved. Evidence from India suggests that "women have been left behind in accessing these digital services" . Current trends indicate growing awareness of this gap, but limited evidence of effective interventions to close it. The Reserve Bank's Account Aggregator framework and digital lending guidelines may create opportunities for women with thin credit files, but the gender gap in mobile phone access remains a fundamental barrier.

Climate and Livelihood Vulnerability. Rural women's economic activities—particularly in agriculture and allied sectors—are increasingly exposed to climate-related risks. The microfinance sector is beginning to engage with climate resilience, but the integration of climate adaptation into microfinance product design and livelihood support remains nascent.

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The Dahod study's emphasis on "infrastructure deficits" as a barrier to capability development points to the broader environmental and infrastructural constraints within which microfinance operates .

Evidence-Based Policy and Evaluation. There is growing demand for rigorous evidence on what works in microfinance for women's empowerment. The meta-regression literature emphasizes the need for "mixed methods and ethnographic studies" to unpack the "non-financial features that potentially drive women's economic achievements" . The Indian policy apparatus has demonstrated capacity for data collection—the NRLM SHG-Bank Linkage Portal sources data directly from bank Core Banking Solutions—but the integration of rigorous impact evaluation into program design remains limited .

12. History

The Origins of Microfinance in India. The intellectual foundations of microfinance trace to Muhammad Yunus's Grameen Bank experiment in Bangladesh in the 1970s, which demonstrated that small, collateral-free loans to poor women could achieve high repayment rates through group-based social collateral. In India, the SHG model emerged in the 1980s through the efforts of NGOs including MYRADA in Karnataka, which experimented with group-based savings and credit. The model attracted the attention of NABARD, which launched the SHG-Bank Linkage Programme as a pilot in 1992, linking 255 SHGs to banks.

Institutionalization and Expansion (1992–2010). The SHG-Bank Linkage model was institutionalized through NABARD's refinance facilities and RBI's policy support. The program grew steadily through the 1990s and 2000s, with state governments and NGOs serving as Self-Help Group Promoting Institutions (SHPIs). The Andhra Pradesh microfinance crisis of 2010—triggered by aggressive lending by commercial MFIs, leading to borrower over-indebtedness and political backlash—exposed the risks of unregulated commercial microfinance and prompted regulatory reforms, including the Andhra Pradesh Microfinance Institutions (Regulation of Moneylending) Act and subsequent RBI guidelines.

The NRLM Era (2011–present). The launch of the National Rural Livelihoods Mission (later DAY-NRLM) in 2011 represented a qualitative shift: from a bank-led credit program to a comprehensive livelihood mission with explicit social mobilization objectives. NRLM's approach emphasized federated SHG structures (village organizations, cluster-level federations, and block-level federations), professional support through Community Resource Persons, and convergence with other government schemes. The mission's scale expanded dramatically: from a few million SHG members in the early 2010s to over 10 crore by 2020 .

Recent Policy Evolution (2010–2020). The most recent phase has been characterized by three developments. First, the COVID-19 pandemic exposed the vulnerability of SHG members' livelihoods and prompted emergency credit and relief measures. Second, the government introduced interest subvention for SHG loans (7% for loans up to ₹3 lakh), reducing the cost of credit and making it more accessible . Third, the "Lakhpati Didi" initiative and the Financial Inclusion 2.0 vision signal a shift toward enterprise development and higher-order financial

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services, reflecting the maturation of the SHG movement and the ambition to move beyond subsistence-level economic activity .

13. Discussion

The evidence assembled in this review supports a nuanced assessment of microfinance's impact on women's economic status in India. The intervention has demonstrably improved economic outcomes for millions of women, but its transformative potential remains constrained by structural factors that credit alone cannot address.

What Microfinance Achieves. The most robust evidence supports positive impacts on income-generating activity and social participation. The Dahod study's finding of "improved economic agency and enhanced social empowerment" among tribal women represents a significant achievement given the deep-rooted barriers this population faces . The emergence of 3.46 crore Lakhpati Didis provides aggregate confirmation that a substantial proportion of participants have achieved meaningful income gains . These are not trivial accomplishments: for women who were previously confined to unpaid domestic labor and dependent on moneylenders, the transition to independent income generation and formal banking relationships represents a genuine expansion of capabilities.

What Microfinance Does Not Achieve (Alone). The evidence is equally clear that access to credit, by itself, does not produce comprehensive empowerment. The persistent limitation on decision-making autonomy—particularly regarding major financial decisions—indicates that the household gender hierarchy remains largely intact . The meta-regression finding that impacts are concentrated in early stages of the causal chain is consistent with the interpretation that microfinance can facilitate entry into economic activity but may not, without complementary interventions, enable women to challenge the structural constraints that limit their control over the returns from that activity.

The Critical Role of Non-Financial Components. The single most consistent finding across studies is that non-financial components—training, literacy, skill development, market linkages, and social mobilization—are decisive in determining whether credit translates into empowerment . The Dahod study advocates "integrating SHGs with skill-building" and "infrastructure support" . The meta-regression concludes that "unless gender-informed programming... and other non-financial components that complement financial inclusion interventions are incorporated, their empowerment potential may be limited" . This implies that the design of microfinance programs matters more than the provision of credit per se: the "social" in SHG is not incidental but constitutive of the empowerment potential.

The Structural Critique. The critical feminist literature offers insights that complement the empirical findings. The argument that microfinance "responsibilizes" women for household wellbeing without addressing the structural causes of their disadvantage is consistent with the observation that decision-making autonomy remains limited. The "ethical imaginary" critique—that the association between credit and empowerment is sometimes "specious" —cautions against over-interpreting positive associations as evidence of deep transformation. These critiques do not invalidate the demonstrated benefits of microfinance; they contextualize

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them, reminding us that individual-level interventions cannot substitute for structural change in the gendered division of labor, property rights, and social norms.

The Digital Frontier. The evidence on digital finance suggests a risk of reproducing exclusion through new channels. The finding that women have been "left behind" in digital financial inclusion due to patriarchal norms and limited mobile phone access is a warning: as microfinance digitizes, the gains in inclusion achieved through face-to-face group models may be lost unless deliberate measures are taken to ensure women's digital access and literacy.

14. Results

Scale of Intervention. Over 10 crore rural women have been mobilized into 93 lakh SHGs. Cumulative credit disbursement exceeds ₹13.67 lakh crore. Outstanding SHG loans total approximately ₹3 lakh crore. The SHG loan NPA rate is 1.76% .

Economic Outcomes. Studies report significant associations between microfinance participation and: increased income-generating activities ; improved economic agency ; higher income levels ; and enhanced entrepreneurial participation . The government reports 3.46 crore women have achieved "Lakhpati Didi" status (annual income exceeding ₹1 lakh) .

Decision-Making Autonomy. Despite economic gains, "gains in decision-making autonomy, particularly in major financial decisions, remain limited" . Social participation improves, but household-level financial control does not necessarily follow.

Moderating Factors. Education, caste, training participation, loan amount, and occupation are significantly associated with capability changes. Age and family type show no significant association . Non-financial components are critical determinants of empowerment outcomes .

Digital Inclusion Gap. Women have less access to mobile phones than men and have been left behind in accessing digital financial services due to patriarchal norms .

15. Conclusion

Microfinance in India, primarily through the SHG-Bank Linkage Programme, has achieved something genuinely significant: it has brought millions of women into the formal financial system, supported their engagement in income-generating activities, and created spaces for social participation and collective action that were previously unavailable. The repayment discipline of SHG borrowers—evidenced by the 1.76% NPA rate—demonstrates that poor women are creditworthy clients when served through appropriate institutional models.

Yet the evidence also counsels against overstatement. The translation of credit access into comprehensive economic empowerment is neither automatic nor assured. Decision-making autonomy within households remains limited, and the structural determinants of gender inequality—the unequal division of unpaid care work, restricted mobility, and patriarchal norms governing resource control—are not resolved by access to credit. The meta-evidence that financial inclusion interventions are "far from transformative" should temper expectations while not diminishing appreciation for the real gains that have been achieved.

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The policy implication is clear: microfinance works best not as a standalone credit intervention but as one component of an integrated strategy that includes skill development, literacy support, market linkages, and explicit attention to gender norms. The government's current emphasis on enterprise development and "Financial Inclusion 2.0" represents a logical next step, but its success will depend on whether the non-financial components that research identifies as critical are adequately resourced and implemented. The digital transformation of finance presents both opportunity and risk: opportunity if designed with gender-aware intentionality, risk if it reproduces the exclusions of the analog world in new forms.

16. Suggestions and Recommendations

For Policymakers:

1. **Mandate and fund non-financial components.** The evidence consistently identifies training, literacy, and market linkages as critical moderators of empowerment. These should be treated as core program components, not optional add-ons, with dedicated budgetary allocation.
2. **Prioritize decision-making autonomy as an explicit outcome.** Programs should incorporate modules that engage with intra-household dynamics, financial literacy for joint decision-making, and awareness of rights, rather than assuming that income generation automatically translates into control.
3. **Address the digital gender gap.** As microfinance digitizes, ensure that women have equal access to mobile phones, digital literacy training, and user-friendly interfaces. Without deliberate intervention, digital finance will reproduce existing inequalities .
4. **Support the transition from group to individual enterprise finance.** The "Financial Inclusion 2.0" vision correctly identifies enterprise development as the next frontier. This requires products tailored to women-led enterprises, including larger loan sizes, longer tenures, and working capital facilities.

For Implementing Agencies (NRLM, SRLMs, NGOs):

5. **Strengthen the quality of group facilitation.** The "social" in SHG is constitutive of empowerment potential. Investment in high-quality facilitation—not merely group formation but ongoing support for collective action and mutual accountability—is essential.
6. **Adopt intersectional targeting.** The Dahod evidence indicates that tribal women face distinct barriers . Programs should disaggregate outcomes by caste, tribe, and region, and design differentiated support for the most marginalized.
7. **Engage men and communities.** Empowerment is relational. Programs that engage male family members and community leaders in dialogue about gender norms and resource control are more likely to produce lasting change than those that work with women in isolation.

For Financial Institutions:

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8. **Recognize SHG lending as a viable business line.** The 1.76% NPA rate demonstrates that women SHG borrowers are low-risk. Banks should move beyond compliance-oriented lending to proactive development of this segment, including appropriate product design and customer service.
9. **Invest in Bank Sakhis and last-mile infrastructure.** The Bank Sakhi model has proven effective in facilitating credit linkage . Expansion of this cadre, with adequate training and compensation, can enhance the quality of service delivery.

For Future Research:

10. **Conduct longitudinal and quasi-experimental studies in the Indian context.** The evidence base would benefit significantly from studies that track women over time and use credible counterfactuals to estimate causal impacts on decision-making autonomy and enterprise growth.

17. Future Scope

1. **Long-term trajectories of SHG participants.** Research tracking women over 5–10 years could reveal whether early gains in income and agency are sustained, deepened, or eroded over time.
2. **Intra-household dynamics.** Ethnographic and survey research on how microfinance participation affects bargaining power, resource allocation, and gender relations within households remains limited and is essential for understanding the access-agency gap.
3. **Digital finance and women's agency.** As UPI and digital lending expand, research is needed on whether digital channels enhance or constrain women's control over financial resources, and on the design of digital products that are gender-transformative rather than merely gender-inclusive.
4. **Climate resilience and microfinance.** The intersection of climate vulnerability and women's economic activities in rural India warrants investigation, including the design of financial products that support adaptation without creating new dependencies.
5. **Comparative state-level analysis.** Given the heterogeneity of outcomes across states and regions, systematic comparison of SHG performance and empowerment outcomes across state contexts could identify institutional and policy factors that enable or constrain success.
6. **The Lakhpati Didi cohort.** Longitudinal study of women who have achieved the Lakhpati threshold could reveal the pathways, supports, and barriers that distinguish successful enterprise development from subsistence-level activity.

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