

Stands as One of the Most Promising and Cost-Effective Tools for Microfinance

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ABSTRACT

Microfinance in India has emerged as a critical tool for financial inclusion, poverty alleviation, and socio-economic development, particularly for marginalized communities. Over the past few decades, microfinance institutions (MFIs) have played a pivotal role in providing small loans, savings, insurance, and other financial services to individuals who lack access to formal banking systems. These services, primarily targeted at women, rural populations, and low-income households, have empowered individuals to start or expand small businesses, improve living standards, and invest in education and health.

INTRODUCTION

The microfinance in India is multifaceted. Firstly, it serves as a bridge to financial inclusion, enabling the unbanked to gain access to credit, which in turn enhances economic opportunities. Secondly, it promotes gender equality by empowering women entrepreneurs who are often excluded from traditional banking systems. Through group lending mechanisms, women gain both access to credit and a platform for mutual support and capacity building. Thirdly, microfinance contributes to poverty alleviation by offering low-interest loans, thereby reducing the burden of informal and exploitative lending. Despite its significant positive impact, the microfinance sector in India faces several challenges, including over-indebtedness, high interest rates, and the risk of over-reliance on credit for low-income borrowers. Moreover, the regulatory environment and the financial sustainability of MFIs are ongoing concerns.

Microfinance in its three-decade long journey has been a conduit to improved lives on account of better incomes for nearly a hundred million rural households. The sector has grown with regulatory prescriptions and policy interventions guiding the sector's growth journey. FY 2022-23 witnessed growth and stabilization in the microfinance sector, the first full year after the COVID-19 pandemic, much as in the case of the other sectors of the economy. As on 31 March 2023, 16.19 crore rural households were covered under the SHG-BLP. A total of 134.03 lakh SHGs were savings linked to the banking sector with savings of Rs. 58,892.67 crore, registering growth of 13% and 25% over the previous year. Of these, 112.92 lakh were all women SHGs with savings of Rs. 52,455.48 crore accounting for 84% and 89% of total SHGs and savings, respectively. Though 69.57 lakh SHG had credit outstanding of Rs. 188078.80 crore with banks as on 31 March 2023, the credit gap increased to 48.09% during FY 2023-24 as compared to 43.33% during FY 2022-23.

The increase in credit gap was primarily owing to the fact that the growth in savings linkage of SHGs could not be matched by the SHGs with loans outstanding (3.2%). This underlines the need to widen and deepen the spread of microfinance, particularly to those regions and pockets that have a higher growth potential. As data reveals, microfinance in the Southern States has reached saturation. Therefore, to enable further growth, credit deepening will also have to be focussed upon. This necessitates building up capacities of SHGs/ JLGs. NABARD has

continued to implement various interventions towards promotional, capacity building and enterprise development of SHGs. Cumulatively, 5.85 lakh SHG members were trained through 20,174 MEDPs and 2.67 lakh SHG members through 2,149 LEDPs with total grant support of Rs.52.39 crore and Rs.106.10 crore as on 31 March 2023. Considering the field level requirements, the MEDP & LEDP programmes are revamped to incorporate provision of Common Facility Centre, exposure visits, coverage of raw material cost, stipend for trainees and support for more demonstration units.

MFIs in India

MFIs in India have been playing a major role in purveyance of small credit especially to weaker sections without any collaterals. They are contributing immensely to the cause of financial inclusion in the country. Microfinance sector is very diverse comprising of various players of different types and legal forms. It covers NBFC-MFIs, Banks, SFBs, NBFCs and Non-profit MFIs. Microfinance operations are spread across 641 districts of 36 States and Union Territories. Banks are leading with presence in 636 districts, followed by SFBs and NBFC-MFIs with 616 districts and 613 districts respectively. The NBFCs have operations in 538 districts and Non-profit MFIs have operations in 384 districts. The microfinance penetration level is below 10% mostly in areas of J&K, coastal Maharashtra, Western UP, Uttarakhand etc., while it is higher in Southern States such as Tamil Nadu, Karnataka, Kerala and Eastern States such as West Bengal, Odisha, Bihar, etc. Out of the 124 aspirational districts, microlenders are operating in 113 districts with microfinance penetration between 25%-50%.

Statement of the Problem:

The financial support provided by the microfinance sector has led to significant advancements for rural women nationwide. Andhra Pradesh Chittoor district has 70 per cent of its area in the rural sector. Although the state of Andhra Pradesh counts this district as one of its major microfinance markets, no particular research has been done on the contribution of microfinance to rural development. To close the gap, this study, using Sivadi village as a case study, emphasizes the importance that microfinance plays in rural development.

REVIEW OF LITERATURE

Dr. Shubhra Rahul, Dr. Alok Chandra (2021) In their study of microfinance approaches, concerns regarding MFIs' self-sufficiency, and factors influencing financial sustainability, discovered that, despite commercial banks' support for agribusiness and marketing, the credit flow to the rural sector was never sufficient to meet demand. Asif Khan, Alam Ahmed, and Shireen (2021) discovered that the MFI industry has significantly improved in terms of performance with the aim of examining the efficiency variances across Indian.

Umesh Balu Gadekar (2020) examined the financial situation of the impoverished in rural areas. The study included percentage, frequency, and the chi-square test. The primary data comes from 340 women who use private microfinance companies as their clients. It has been discovered that women from underprivileged social and economic backgrounds favor private microfinance institutions over government funding sources. The conclusion is that the revelation that rural women from restricted groups were resorting to commercial microfinance organizations for financial support occurred as a result of the establishment of microfinance as a means of alleviating poverty in rural India.

According to Dr. Vishal Goel (2020), women participants did not repay the requisite amount of microcredit, and around 16% of participants did not have a consistent source of income. The income of Indians has been found to have increased dramatically.

Sunil Sangwan, Narayan Chandra Nayak (2020) investigated the risk of repayment associated with funding from Indian microfinance institutions (MFIs). 498 homes provided their information via a questionnaire and in-person interview. It is discovered that households with low incomes, high debt and loan diversion rates, and high borrowing costs have a higher chance of defaulting.

Through the use of a regression model, Swati Chauhan (2020) [6] was able to determine the parameters influencing MFI effectiveness. Through the Microfinance Information Exchange, the data was acquired. Research indicates that NGO-MFIs have an average financial efficiency score of 82.88 percent and an average social efficiency score of 71.82 percent. It's discovered that MFIs and NGOs have greater financial than social success.

Ram Pratap Singa, Pallavi Pandey (2019) examined the effectiveness and output of MFIs in India. The researcher used simplified regression and bootstrap data envelopment analysis techniques to estimate the performance of MFIs. The data sources were the MFI annual reports and the MIX market. The capital-to-asset ratio of the sampled institutions is found to positively correlate with inefficiency, suggesting that the institutions are making inefficient use of their money. The average efficiency has grown and is now rising.

Dr. Deepika Goutam, Dr. Alok kumar (2019) An analysis of the impact of microfinance on women's empowerment revealed that the tribal women of Himachal Pradesh have benefited greatly from it. Chi-square testing, skewness, kurtosis, and mean were employed by the researchers. The conclusion is that tribal women affiliated with SHGs benefit much from microfinance in terms of their own personal empowerment.

Objectives of the Study:

- To Study the Micro Finance in the rural development in India
- To examine the SHG Bank Linkage Programme in India

RESEARCH METHODOLOGY

The websites of microfinance status in India, institutions are the source of secondary data about the programs that these institutions provide to women. A portion of the information is also gathered from research papers, articles, and journals.

Progress of SHG Bank Linkage Programme

Table 2.1: Progress under SHG-Bank Linkage Programme (2020-21 to 2022-23)							
(Number in lakh/T in crore)							
Particulars		2020-21		2021-22		2022-23	
		No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
SHG Savings with Banks as on 31st March	Total SHG Nos.	112.23 (9.57%)	37477.61 (43.31%)	118.93 (5.97%)	47240.48 (26.05%)	134.03 (12.7%)	58892.68 (24.67%)
	All women SHGs	97.25 (10.11%)	32686.08 (40.16%)	104.05 (6.99%)	42104.77 (28.81%)	112.92 (8.52%)	52455.48 (24.58%)
	% of Women	86.65	87.21	87.43	89.13	84.25	89.07
	Of which NRLM/ SGSY	64.78 (11.9%)	19353.7 (35.22%)	71.84 (10.89%)	27576.94 (42.49%)	82.01 (61.19%)	37424.80 (63.55%)
	% of NRLM/ SGSY groups to Total	57.72	51.64	60.40	58.38	61.19	63.55
	Of which NULM/SJSRY	5.29 (12.79%)	1954.09 (28.26%)	5.81 (9.87%)	2600.19 (33.06%)	7.39 (27.11%)	3547.12 (36.42%)
	% of NULM/ SJSRY groups to Total	4.71	5.21	4.89	5.50	5.51	6.02
Loans Disbursed to SHGs during the year	Total No. of SHGs extended loans	28.87 (-8.23%)	58070.68 (-25.22%)	33.98 (17.71%)	99729.22 (71.74%)	42.96 (26.42%)	145200.23 (45.59%)
	All women SHGs	25.9 (-10.19%)	54423.13 (-25.75%)	31.5 (21.63%)	93817.21 (72.38%)	41.42 (31.49%)	139315.69 (48.50%)

	% of Women Groups	89.71	93.72	92.70	94.07	96.42	95.95
	Of which NRLM/ SGSY	15.84 (-22.69%)	29643.04 (-43.19%)	22.91 (44.64%)	63100.77 (112.87%)	34.87 (52.20%)	116479.07 (84.59%)
	% of NRLM/ SGSY groups to Total	54.87	51.05	67.42	63.27	81.18	80.22
	Of which NULM/ SJSRY	1.13 (-28.93%)	2112.04 (-37.99%)	1.84 (62.45%)	5816.1 (175.38%)	1.98 (8.03%)	8627.25 (48.33%)
	% of NULM/ SJSRY groups to Total	3.91	3.63	5.40	5.83	4.62	5.94
Loans Outstanding against SHGs as on 31st March	Total No. of SHGs linked	57.8 (1.81%)	103289.71 (-4.43%)	67.4 (16.61%)	151051.30 (46.24%)	69.57 (3.22%)	188078.80 (24.51%)
	No. of all Women SHGs linked	53.11 (3.89%)	96596.6 (-4.00%)	62.65 (17.96%)	142288.61 (47.30%)	65.15 (3.99%)	179468.42 (26.13%)
	% of Women SHGs	91.89	93.52	92.95	94.20	93.65	95.42
	Of which NRLM/SGSY	33.78 (-8.43%)	57336.62 (-15.33%)	44.54 (31.87%)	94231.52 (64.35%)	55.45 (24.48%)	150506.71 (59.72%)
	% of NRLM/ SGSY groups to Total	58.44	55.51	66.09	62.38	79.70	80.02
	Of which NULM/SJSRY	2.23 (-16.48%)	4056.45 (-25.8%)	3.27 (46.52%)	7608.57 (87.57%)	3.42 (4.59%)	11077.18 (45.59%)
	% of NULM/ SJSRY groups to Total	3.86	3.93	4.85	5.04	4.91	5.89
(Figures in parenthesis indicate the increase/decrease over previous year)							

progress under the programme from 2020-2021 to 2022-23 in terms of SHG savings linkage with the banking sector is presented in Table 2.1.

Overall, there is an increase of 13% in the number of SHGs savings linked and 25% in the savings amount during 2022-23 as compared to 2021-22. Both the number and amount of SHG savings with banks show a positive trend over the last three years. A similar increasing trend can be observed in the number and amount of SHGs with loans outstanding with banks over the last two years. Loans disbursed to SHGs have consecutively increased over the last two years in both physical and financial terms recovering from a dip in the FY 2021 due to the pandemic.

Progress of Savings Linkage of SHGs with Banks (2020-21 To 2022-23)

During 2022-23, banks reported an addition of 15 lakh savings linked SHGs at all-India level, registering a growth of 13% over the previous year. The region-wise comparative analysis reveals that in terms of savings linked SHGs, growth was witnessed across all regions during 2022-23 with the exception of the Southern region which saw a minor dip due to programme saturation. (Table 2.2). The region-wise- growth in savings linked SHGs during 2022- 23 ranged from 35% in Central region to 14 % in Western region.

**Table 2.2: Region-wise progress of Savings Linked SHGs with Banks
(2020-21 to 2022-23)**

(r lakh)

Sr. No.	Regions	2020-21		2021-22		2022-23	
		No. of SHGs	Savings-Amount	No. of SHGs	Savings-Amount	No. of SHGs	Savings - Amount
A	Northern Region	6,09,808	1,74,345	6,80,143	1,99,582	7,87,807	1,22,485

B	North Eastern Region	6,33,714	83,126	6,80,845	1,06,441	7,93,320	1,27,153
C	Eastern Region	31,22,424	7,74,912	32,43,980	13,58,595	39,30,551	17,42,499
D	Central Region	13,45,575	2,11,870	13,55,564	3,25,696	18,32,040	4,58,675
E	Western Region	15,50,176	3,74,023	16,88,451	3,27,691	19,27,560	5,41,611
F	Southern Region	39,61,703	21,29,485	42,44,070	24,06,043	41,31,805	28,96,845
	Total	1,12,23,400	37,47,761	1,18,93,053	47,24,048	1,34,03,083	58,89,268

In terms of percentage share of savings linked SHGs during 2022-23, the Southern region registered the highest share at 31% followed by the Eastern region (29%) and Western region (14%) [Fig. 2.3]. The State- wise bifurcation of the number of SHGs savings-linked with banks is detailed in Statement IIA. Among the States, Maharashtra has the maximum SHGs at 15.15 lakh, followed by West Bengal (14.44 lakh), Bihar (11.10 lakh) and Andhra Pradesh (10.81 lakh). During the year 2022-23, highest number of SHGs were added in West Bengal State (3.61 lakh), followed by Chhattisgarh (2.26 lakh), Maharashtra (1.81 lakh). Negative growth was observed in Telangana, Tamil Nadu and Punjab.

In line with the increasing trend observed in savings linkage during the year, cumulative savings of SHGs with banks also registered an increase of 25% from Rs. 47,240.48 crore in 2021-22 to Rs. 58,892.68 crore in 2022-23. SHG savings during 2022-23 witnessed growth across all regions except the Northern region (-39%). The highest growth was in the Western region at 65%. Among the States, highest growth was observed in Arunachal Pradesh, Chhattisgarh and Meghalaya, whereas Karnataka, Kerala, Manipur, Punjab, Uttarakhand, Tripura and Tamil Nadu registered negative growth.

The average savings grew by 10.62% from Rs. 39,721 in 2021-22 to Rs. 43,940 in 2022-23 (Fig. 2.4). Region-wise data reveals that the average savings have increased for all the regions except the Northern region. Significant increase of 45% was observed in Western region (from Rs. 19,408 to Rs. 28,098). The Southern region (Rs. 70,111) continued to have the highest average savings per SHG while the Northern region registered the lowest (Rs. 15,548). Among States/UTs, Andhra Pradesh has the highest average savings amount of Rs. 1,72,124 followed by Rs. 85,000 per SHG in Telangana. Excluding Andhra Pradesh and Telangana states, the average savings per SHG at all India level declined to Rs. 30,000 from Rs 43,940, i.e. a reduction of 32%. This indicates the dominance of these two states on the overall savings position.

Credit Disbursement by Banks

Credit amounting to Rs. 1,45,200 crore was disbursed by banks to 43 lakh SHGs during 2022-23 as against Rs. 99,729 crore to 34 lakh SHGs during 2021-22, registering a growth of 46% and 26% in quantum of credit disbursed and number of SHGs credit linked during the year, respectively. The comparative analysis of bank loans disbursed to SHGs for the last three financial years (2020-21 to 2022-23) is given in Table 2.3.

Table 2.3: Region-wise Status of Bank Loan Disbursed to SHGs during 2020-21 to 2022-23

(r lakh)

Region	2020-21	2021-22	2022-23
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	No. of SHGs	Total Loans Disbursed	Average Loan Dis-bursed	No. of SHGs	Total Loans Dis-bursed	Average Loan Dis-bursed	No. of SHGs	Total Loans Disbursed	Average Loan Dis-bursed
Northern	67,658	94,045	1,39,001	79,532	1,17,102	1,47,239	1,02,931	2,06,437	2,00,559
North Eastern	68,116	1,03,651	1,52,168	94,871	1,84,636	1,94,618	1,23,602	3,13,764	2,53,850
Eastern	11,24,578	14,87,551	1,32,276	13,01,505	25,68,978	1,97,385	16,34,604	33,38,333	2,04,229
Central	1,28,617	1,05,428	81,971	1,84,322	2,16,983	1,17,720	2,78,359	4,63,673	1,66,574
Western	1,61,159	2,30,331	1,42,921	2,39,086	3,81,363	1,59,509	2,73,253	6,75,144	2,47,077
Southern	13,37,266	37,86,063	2,83,120	14,98,951	65,03,860	4,33,894	18,82,772	95,22,672	5,05,779
Total	28,87,394	58,07,068	2,01,118	33,98,267	99,72,923	2,93,471	42,95,521	1,45,20,023	3,38,027

Growth in credit disbursement to SHGs in 2022-23 witnessed an increase across all regions over 2021- 22, with the highest growth being in the Central region (114%). Disbursement in absolute terms was highest in the Southern region with Rs. 95,226.72 crore to 19 lakh SHGs and lowest in the Northern region at Rs. 20,64.37 crore to 1 lakh SHGs. Among the States, Karnataka had the maximum number of SHGs credit linked during the year at 7.44 lakh, followed by West Bengal (6.76 lakh), Bihar (6.40 lakh) and Andhra Pradesh (5.27 lakh).

A comparative analysis of region-wise percentage share in credit linkage of SHGs during the last three years (2020-2021 to 2022-23) reveals that Northern, NER, Central and Western regions have increased their share as compared to Southern and Eastern regions. In the case of the Northern & Eastern regions, their respective shares have remained almost constant (Fig. 2.5). During the year, however, the Southern region had the highest percentage of SHGs credit linked at 44% followed closely by the Eastern region at 38%. The proportion of credit linked SHGs in the Northern, North Eastern, Central and Western regions remained below 7%.

Among the States, highest growth was observed in Arunachal Pradesh, Uttar Pradesh and Bihar, whereas Haryana, Jharkhand, Punjab, Telangana, Sikkim and Odisha recorded negative growth.

Credit Outstanding

As on 31 March 2023, a total of 69.57 lakh credit linked SHGs had loans outstanding of Rs. 1,88,078.80 crore (Table 2.4) with loan outstanding per SHG amounting to Rs. 2.70 lakh at the all-India level. Region-wise, the Southern region had the highest loan outstanding as on 31 March 2023, both cumulatively and on per SHG position.

Table 2.4 : Region wise SHGs having Loans Outstanding (As on 31 March 2023)

(r lakh)

Sr. No.	Regions	SHGs credit linked (No.)	Loans outstanding with SHGs	
			Amount	Per SHG
1	Northern Region	1,70,971	2,09,750	1.23
2	North Eastern Region	2,68,593	3,90,420	1.45
3	Eastern Region	23,83,255	39,97,045	1.68
4	Central Region	4,95,999	5,12,131	1.03
5	Western Region	4,29,237	6,87,851	1.60

6	Southern Region	32,08,996	1,30,10,683	4.05
	Total	69,57,051	1,88,07,880	2.70

State-wise, credit linkage status of SHGs as on 31 March 2023 is depicted in Fig. 2.7. Overall, out of 134.03 lakh SHGs savings linked, 52% SHGs have loans outstanding with banks, leaving a credit gap of 48%. Six states have credit linkage percentage higher than the all-India average with Telangana leading with 97% of its SHGs having loans outstanding followed by Andhra Pradesh (89%) and Bihar (76%). Southern and Eastern states dominate the list.

Agency Wise Distribution of SHG Bank Linkage Programme

Commercial Banks, RRBs and Cooperative Banks play a pivotal role in strengthening the SHG-BLP through provision of savings and credit services. The agency-wise status of SHG-BLP is given in Table 2.5. As on 31 March 2023, Commercial Banks through their vast network of banking operations have done exceedingly well, with over 77 lakh SHGs having savings accounts with them.

Table 2.5 Agency-wise status of SHG-BLP in 2022-23

(Amount in r lakh)

Category of Agency	Total Savings of SHGs with Banks as on 31 March 2023		Loans disbursed to SHGs by Banks during 2022-23		Total Outstanding Bank Loans against SHGs as on 31.03.2023		NPAs as on 31.03.2023	
	No. of SHGs	Savings Amount	No. of SHGs	Loans disbursed	No. of SHGs	Loan Outstanding	Amount of Gross NPA	NPA (%)
Commercial Banks	7753137	3468997.61	2471417	9308819.17	4202133	12924408.8	340220.81	2.63
% Share	57.85	58.90	57.53	64.11	60.40	68.72	64.81	
Regional Rural Banks	4047836	1820277.34	1570469	4429041.17	2193119	4821593.92	119371.64	2.48
% Share	30.20	30.91	36.56	30.50	31.52	25.64	22.74	
Cooperative Banks	1602110	599992.61	253635	782162.99	561799	1061877.04	65341.36	6.15
% Share	11.95	10.19	5.90	5.39	8.08	5.65	12.45	
Total	13403083	5889267.56	4295521	14520023.33	6957051	18807879.8	524933.81	2.79

Thus, in terms of number of SHGs saving linked with banks, Commercial Banks lead with 58% share, followed by RRBs at 30% (40 lakh SHGs) and Cooperative Banks at 12% (16 lakh SHGs). Among the Banks, State Bank of India has highest number of savings linked SHGs of 12.49 lakh i.e. 19.4% of total saving linked SHGs of Public Sector Commercial Banks.

Bank-wise details of savings outstanding as on 31 March 2023 are given in Statement IA. Commercial Banks, again dominate the share in disbursements and loans outstanding in respect of SHGs. Bank wise details of loans disbursed to SHGs and loans outstanding are given in Statements I-B and I-C, respectively.

Further, as given in Table 2.6, average savings of SHGs with banks have increased across all agencies. The average savings have gone up from Rs. 39,721 in 2021-22 to Rs. 43,940 in 2022-23 and average loans disbursed to SHGs have increased by 15% from the previous year with an increase observed in case of Commercial Banks and RCBs whereas in the case of RRBs there was a decline of 4%. Union Bank of India has 21.2% share of the total savings of Public Sector Commercial Banks and has highest average savings of Rs. 83,000 per SHG. Among the Private Sector Commercial Banks, ICICI Bank has highest number of savings linked SHGs i.e. 5.29 lakh, followed by HDFC Bank (3.10 lakh) and DCB Bank (2.45 lakh). Among the RRBs, Assam Gramin Vikas Bank has highest number of savings linked SHG accounts at 3.15 lakh.

Table 2.6: Agency-wise Average Savings, Loan Disbursement and Loan Outstanding per SHG

Category of Agency	Average Savings of SHGs with Banks			Average Loans disbursed to SHGs by Banks			Average Outstanding Bank Loans against SHGs		
	2022-23	2021-22	Change (%)	2022-23	2021-22	Change (%)	2022-23	2021-22	Change (%)
Commercial Banks	44,743	44,612	0.29	3,76,659	2,94,460	27.92	3,07,568	2,45,495	25.28
Regional Rural Banks	44,969	38,488	16.84	2,82,020	2,94,896	-4.37	2,19,851	1,94,620	12.96
Cooperative Banks	37,450	19,143	95.63	3,08,381	2,76,485	11.54	1,89,014	1,68,247	12.34
Total	43,940	39,721	10.62	3,38,027	2,93,471	15.18	2,70,343	2,24,113	20.63

Bank of India registered the highest average loan disbursed per SHG at Rs. 5.26 lakh, followed by Rs. 4.80 lakh by Indian Bank. The average loans outstanding per SHG have increased for all agencies, with the highest percentage increase in respect of Commercial Banks. Bank wise loans outstanding in respect of SHGs is given

Findings indicate that microfinance, especially through the SHG model, has been successful in improving the livelihoods of lowincome individuals by providing access to credit, savings, and insurance. Larger loan amounts were found to have a significant positive impact on income, underscoring the need for adequate financing to make a real difference in the economic well-being of borrowers. However, the study also identifies some key factors that influence the effectiveness of microfinance. Education emerged as a key determinant of success, suggesting that financial literacy programs should be integrated into microfinance initiatives to increase their impact. Additionally, the regional differences in the outcomes of microfinance suggest that more attention must be given to local conditions, infrastructure, and the economic environment when designing and implementing microfinance programs. For policymakers and microfinance institutions, the study recommends a targeted approach that considers regional disparities, the educational background of clients, and the appropriate loan sizes to ensure that microfinance programs effectively empower borrowers. Furthermore, expanding financial literacy initiatives and focusing on client protection mechanisms will help ensure that microfinance remains a sustainable and ethical tool for poverty alleviation and economic development in India.

CONCLUSION

Microfinance has emerged as one of the most promising and cost-effective tools for promoting rural development, financial inclusion, and poverty alleviation in India. The Self-Help Group (SHG)-Bank Linkage Programme has played a pivotal role in expanding access to financial services, particularly among women and marginalized communities. The steady increase in the number of SHGs, their savings, and credit linkage with

banks demonstrates the growing acceptance and effectiveness of microfinance as a mechanism for economic empowerment.

The findings reveal that microfinance has significantly contributed to improving the livelihoods of low-income households by enabling access to credit, encouraging savings habits, and supporting income-generating activities. Women, in particular, have benefited greatly, as microfinance has enhanced their economic independence, decision-making power, and social status. The dominance of women-led SHGs reflects the sector's success in promoting gender equality and inclusive growth.

However, the study also highlights certain challenges, such as the widening credit gap, regional disparities in microfinance penetration, and the risk of over-indebtedness among borrowers. While Southern and Eastern regions have achieved substantial progress, other regions still require focused attention to ensure balanced development. Strengthening financial literacy, improving institutional capacity, and expanding outreach to underserved areas are essential to maximize the impact of microfinance.

In conclusion, microfinance, particularly through the SHG model, has proven to be an effective instrument for rural development and poverty reduction in India. With appropriate policy support, improved financial literacy, and targeted interventions, microfinance can continue to serve as a sustainable and powerful tool for socio-economic empowerment and inclusive national development.

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