



# Microfinance Is Conducive To The Empowerment Of Women - Evidence From Chandigarh And Mohali

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**Abstract.** Today, women workers contribute significantly to the economic prosperity and sustainability of their families, communities, and the globe at large. Microfinance plays a crucial role in enabling women to take part in all aspects of society. This leads most countries to believe that it is a major provider of services. The most economically disadvantaged members of the victors' military forces have access to micro-finance through self-help groups (SHGs), which allow them to save and invest. As a group, the self-helpers have been on the increase, and this has given them a platform from which to showcase their talents to the rest of the country in an empowering gesture. Research presented in the microfinance fund has sought to alleviate problems and provide rural women and other low-income residents a leg up economically. Despite the fact that local companies will do their best to guide the way. When it comes to women's empowerment, economic independence, and thriving in today's patriarchal society, microfinance is making a big splash. Microfinance is doing a great job of empowering people and is also actively contributing to the fight against poverty. This research aims to highlight the application of SHGs and Micro Finance based on statistics analysis which is done 110 respondents (women) collected from different SHGs.

**Keywords:** Microfinance, Microcredit, SHGs (Self Help Groups), Gender Equality, Women Empowerment, No poverty

## 1 Introduction

Over the last several decades, microfinance has become an emblem of progress, especially in developing and growing nations, where officials have been actively involved in shaping and enforcing financial policy. A financial tool called microfinance, which is only intended for the poor, includes loans, savings, microinsurance, remittance, and other financial products. It is produced in the economy for the benefit of the underprivileged, which reduces poverty. With the aid of microloans, the underprivileged can engage in income-generating activities, build up savings, and raise their standard of living. The lack of financial resources keeps the

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impoverished in poverty. This is accurate because formal financial services are already beneficial to a large number of underprivileged women worldwide.

Microfinance is currently known as inclusive finance, but it was formerly known as microcredit or rural finance. Since Muhammad Yunus founded Grameen Bank in the 1970s, microfinance has gained widespread attention and is being utilized more frequently to alleviate poverty. It explains how small loans, savings accounts, insurance, and financial education can be provided to homes and individuals who do not have access to traditional banking services [1]. In developing countries in particular, microfinance aims to help the poor and vulnerable overcome the financial isolation they may face.

### **1.1 Microfinance and Women Empowerment**

Millions of individuals throughout the world benefit from microfinance schemes, which provide women and men with opportunity to save and borrow money in organized groups. Although there were certain problems, microfinance programs had the potential to boost gender equality, women's empowerment, fighting poverty, and civil society. Initiating a positive feedback loop, the formations can help women gain economic independence and improve the quality of life for themselves and their family.

Most microfinance initiatives place a strong emphasis on empowering women. This emphasis on women's empowerment has a variety of justifications. According to some, women are among the most unguarded and impoverished members of the underprivileged nation, making it critical to give them priority support. Increasing women's approach to budgetary services is viewed from a feminist perspective as a chance for increased empowerment. These groups make it clear that they see microfinance as a weapon in the struggle for her equality and self-reliance. In addition, more and more microfinance institutions favor working with women members since they view them as better and more trustworthy borrowers, in keeping with the goal of financial sustainability.

According to research, self-help groups facilitated by microcredit have produced favorable results for women, with some effects having an outsized impact. These organizations have made a substantial contribution to alleviate the exposure of the poor. They have done this through empowering them by allocation the control over resources, strengthening their self-esteem, and improving their knowledge, as well as by building

assets, promoting income and consumption stability, providing emergency help, and all of the aforementioned actions [2].

## **1.2 Microfinance and Self-Help Groups**

SHGs and microfinance are generally regarded as successful poverty-eradication and rural development tools. SHGs, which NABARD helped launch in 1992, have benefited underprivileged rural Indian women. This is the world's largest community-based microfinance program, with 85.77 lakh SHGs serving over 10 crore households. This success is thanks to government banks, NRLM, and NGOs working together. Inspired by Professor Mohammad Yunus's Grameen Bank, Indian SHGs use microcredit to promote economic growth and political democracy by helping women overcome social and financial barriers.

Savings and credit programs encourage SHGs to collaborate on decisions and pool resources to develop low-cost jobs, manage natural resources, literacy, childcare, and nutrition. Despite slow results, these efforts have empowered women outside domestic duties.

Successful Kerala projects like Kudumbshree and SERP are models. SHG federations may succeed like ITC's e-Choupal. India and the world agree that women's empowerment requires social, economic, and political empowerment. This study examines empowerment and how Punjab's SHG women might actively seek emancipation.

## **1.3 The role of self-help organizations in empowering Punjabi women**

Low farm revenues make life difficult for many Punjabi small and marginal farmers. Self-Help Groups (SHGs) are discreetly helping rural women and girls become economically independent through new ventures, improving their lives and those of their families.

The National Bank for Agriculture and Rural Development (NABARD) SHG Bank Linkage Programme helps over 50,000 Punjabi SHGs and 31,300 women with financial resources. NABARD helps SHGs become micro-entrepreneurs by providing institutional financing and guidance.

Punjab's population has grown 9.4% in the recent decade due to excellent agricultural productivity, contributing 3% to India's GDP. With 80% of farmers small or marginal, the state's agricultural development and food security depend on them. Most rural populations lack formal schooling and metropolitan facilities, and many are highly indebted due to borrowed funds.

STEP (Strengthening, Training, and Employment Programme) has helped rural Punjabi women build supportive SHGs. These groups have two models: saving 100 rupees monthly and lending it at 2% interest, or making and selling condiments and cleaning products.

SHGs help rural women develop companies by working together for mutual benefit. Many rural Punjabi women are poor and uninformed, wasting their natural talents. SHG income-generating activities are appealing, yet socio-economic issues destabilize SHGs.

This study highlights the problems rural women encounter in SHGs from formation to active involvement and emphasizes the necessity for continued support to ensure their success and stability.

## **2 Literature Review:**

There are several angles from which to view the contentious topic of women's empowerment ([3]; [4]). The word empowerment has been defined variously by many writers. "gaining the ability to generate choices and exercise bargaining power, developing a sense of self-worth, believing in one's ability to secure desired changes and the right to control one's life." These are the characteristics that [5] believes women should have in order to be empowered.

Absolute and relative well-being are the two primary aspects of women's empowerment that [6] take into account. Literacy, good eating, participating in the work force, using contraceptives, being mobile, and owning one's own clothes and assets are all ways to improve women's well-being, which is fundamental to overall health. To improve women's relative well-being, women's empowerment is seen as a way to raise their status within the family in relation to men. This is achieved through women's involvement in intra-household processes, such as making their own decisions, controlling household income and assets, and taking out loans.

[7] elaborates that Microfinance has enabled people to gain psychological, social, and economic empowerment. It has enhanced women's status by empowering them and

educating them on the benefits of education and skill development. Which ultimately removes the domestic violence and brings happiness and peace.

([8]) talks about how microfinance can be powerfully executed. Social transformation in rural areas, facilitated by effective microfinance, may raise living standards and empower women, which in turn increases access to education, nutrition, healthcare, and clothing.

Microfinance is empowering women to achieve economic and social independence without undermining marriage as a social institution [9]. As demonstrated by the Micro Finance initiative in Latin America, Bangladesh, and other developing nations, it has the ability to exacerbate poverty, especially among women.

According to [10], microfinance plays a significant role in empowering women. It primarily targets four factors, including socioeconomic status. Rural women's lifestyles could be significantly impacted by advancements such as lifelong decision-making freedom, women's equality within families and societies, and a self-assured attitude towards the growth of children.

The most significant challenges encountered by SHG entrepreneurs, according to [11] research, are an unstable market for produced goods, an absence of relevant practical experience, and issues with advertising.

According to [12] research, SHG members encounter issues such as limited training facilities, difficulties in selling the goods, and poor assistance from financial institutions, among others.

According to [13] research, women business owners confront a number of challenges, such as a lack of available raw materials, electricity, and capital to launch and operate their ventures.

According to [14], the SHGs gave women the opportunity to learn about their rights, entitlements, and participation in various initiatives for development and economic activities for their significant development. On a micro level, this shows that they seek to economically empower themselves and, in some situations, contribute to economic progress. When a household receives funds, they must have a place to spend them, and the payback terms must be simple.

[15], discusses about the awareness regarding the self - help groups. There is a need to educate the people regarding the different services like loans, savings and insurance. This will create the positive impact and generate self - employment opportunities and will eradicate the poverty and removes the problem of unemployment.

According to research in Pakistan by [16], which examined the relationship between microfinance, microenterprise, and women's economic empowerment, loans given to female entrepreneurs have aided in their personal and professional growth. Because of this, the lady is now able to live on her own financially. Similarly, [17] found that in Bangladesh, these loans significantly contribute to the growth of existing businesses, which in turn improves household incomes and fosters more entrepreneurial spirit. However, [18] focused on SHGs in the United States and Europe, which sought to foster self-determination, collective action, and care for one another. The findings demonstrated that low-income individuals are able to get a good amount of credit due to the collaborative efforts of SHGs and micro firms. In addition, SHGs played a role in resolving social issues by facilitating access to education, creating jobs, and satisfying credit needs, all of which contributed to their economic and social empowerment.

Microfinance, according to [19] has not improved women's position in the home as males are still the breadwinners and may abuse the money they get.

## **2.1 Objectives**

The study's overarching goal is to look at how microfinance has helped women in the Punjabi cities of Chandigarh and Mohali. The overarching purpose of this research necessitates the execution of the following specific objectives.

1. Analysis of microfinance's function within the feminist movement.
2. To examine the role of SHGs in raising women's living standards.

## **2.2 Hypothesis**

In order to finish the research process by employing the various statistical tests, it is necessary to consider the hypothesis. The researcher may have used the hypothesis as a premise to back up the results. The goals of the study, the outline of the analysis, and the specifics of the program will determine how this hypothesis is formulated. His study [20] suggested that previous studies can be used to derive conclusions about this small set of theories and factors, even though some of those studies might disagree depending on their goals.

We develop the hypothesis to determine whether there is a correlation between women's empowerment measures and microfinance access.

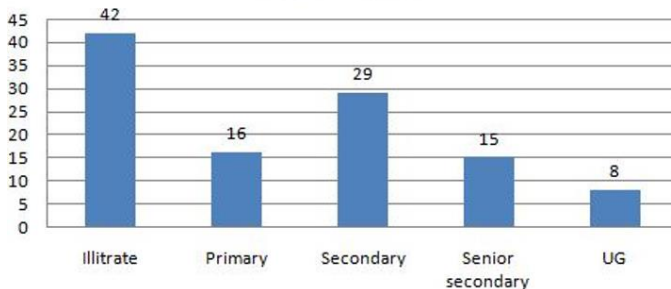
The study's null hypothesis states that, when considering SHGs, microfinance does not significantly relate to women empowerment metrics.

### 3 Research Methodology

The purposed study used the primary study and secondary data to investigate the impact of microfinance in empowering the women in the areas of Chandigarh and Mohali. The study material collected for this research is based upon both the primary and secondary data. The material has been taken from several valuable journals, research articles, non - governmental organization reports etc. The working data which is also known as the Primary data was collected through the field survey from the analysis region in the beginning of this year 2024 Chandigarh and Mohali (Punjab).

This study has been investigated at the Mohali and Chandigarh district through an area poll to have a clear picture of the advantages and disadvantages tackled by most of the women for obtaining the finance in SHGs. The data is collected on the basis of collection of 110 samples from 4 different SHGs from the desired area to do the study. In this survey the prepared interview was being conducted in order to get the valuable results. The Statistical tools are used to collect the data from the desired areas is Paired t-test, Simple correlation coefficient, cross tabulation and percentage analysis to scrutinize the data.

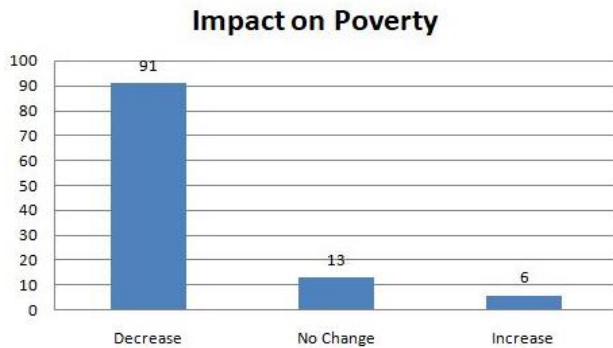
### 4 Data Interpretation



**Fig 1:** Education qualification of the respondents  
**Source:** Created by authors

Fig. 1 reflects that among women, 42% have not completed high school, 16% have only completed elementary school, 29% have only completed secondary school, and 15%

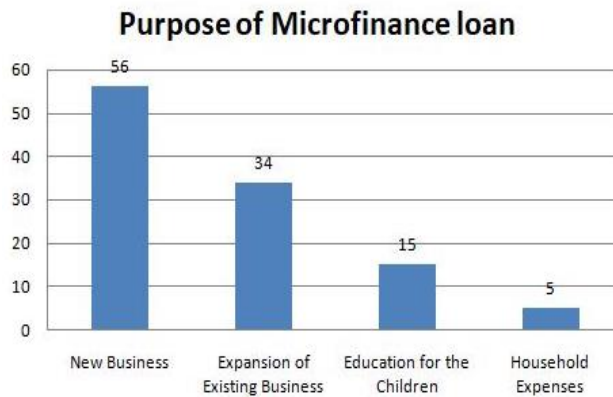
have attempted but failed to complete eleventh grade. It turns out that just 8% of them meet the qualifications.



**Fig 2:** Impact of poverty

**Source:** Created by authors

Fig. 2 shows that Microfinance has helped reduce poverty to a greater extent, according to 91% of respondents; yet, 13% of respondents realize that microfinance has never changed their position, and just 6% say that microfinance has increased their poverty.



**Fig 3:** Purpose of microfinance Loan

**Source:** Created by authors

Fig. 3 shows that nearly 60% of those who took out microloans did so to launch brand-new ventures, while 34% have been using the funds to expand their current operations. The microfinance loan facility has been utilized by about 5% of the valued responders to cover household expenses. But the education of their children the most crucial task is funded by a loan for 15% of the respondents.

**Paired t-test**



**Hypothesis: H<sub>0</sub>**= In the context of SHGs, we hypothesise that microfinance does not correlate with measures of women's empowerment.

**Table 1:** Paired t-test table

Paired Samples Statistics					
		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Income before joining SHG	182.50	110	4.335	.711
	Income after joining SHG	313.86	110	2.748	.586

**Source:** Created by authors

Table 1. represents the positive response from the respondents as the Microfinance is helping the women in different regions as they are growing with effect of Education, learning and knowledge. They are able to pay back their liabilities on timely basis. This reflects the development of the women.

## 5 Findings

This allows us to summarize the study's conclusions as follows:

1. Microfinance has contributed to the economic growth of the respondents, either directly or indirectly, according to the research. Consequently, it is drawing attention to the reality that Self Help Groups are a direct support system for a variety of income-generating activities, including small companies, entrepreneurship, infrastructure, and trade. Unfortunately, their lack of proper training and education means that they are nonetheless oblivious to the programs' advantages.
2. Since women are more likely to participate in the activities that microfinance organizations like SHGs promote, it stands to reason that microfinance has helped alleviate poverty and empower women economically and socially. However, the most disadvantaged people are not benefiting.
3. Thirdly, these studies show that microfinance helps alleviate poverty, empowers women economically, and increases their voice in decision-making. Despite the fact that microfinance programs might improve women's and families' economic and social standing and provide them more agency in their daily lives, many women nevertheless feel trapped in the home.
4. Recipients' income and salary levels have been shown to rise, thanks to microfinance, which in turn improves their quality of life. Microfinance and

revenue generation have been highlighted in several research. Keep in mind that microfinance's impact on income production might change based on a lot of factors, such as the kind and scale of economic activity, the market's health, and the level of assistance provided by microfinance organizations. However, when individuals are willing to share an interest in learning and financial management, microfinance may help them improve their financial status and get a stable income, which in turn raises their standard of life.

5. These findings demonstrate the significance of microfinance via SHGs in bolstering schooling and increasing the educational achievement of home-based children. By providing financial resources, teaching financial literacy, and changing social dynamics, microfinance allows people to escape poverty and invest in their own and their children's education. However, this can only happen when people are willing to accept the changes in their lives through SHGs.

### **5.1 Challenges and limitations faced by Microfinance beneficiaries:**

1. Beneficiaries of microfinance programs face a variety of obstacles and restrictions that can negatively affect their participation in such programs. Here are a few typical examples:
2. Poverty Traps: A large number of recipients experience persistent poverty, making it challenging for them to escape the cycle and create enough money to pay back loans or invest in income-generating projects.
3. High Interest Rates: To reduce the risks involved in lending to people with low incomes, microfinance firms frequently impose relatively high interest rates. Borrowers may be financially burdened by these rates, which would limit their capacity to make loan repayments and make profitable investments.
4. Lack of Financial Literacy: Recipients may be unfamiliar with basic financial terms, loan agreements, and financial management techniques. They may not be able to make wise decisions or take full use of the advantages of microfinance services as a result of their lack of financial literacy.
5. Lack of Collateral: Microfinance recipients frequently lack the usual collateral needed to receive loans, such as real estate or other valuables. This may limit their ability to obtain larger loans and prevent them from taking part in riskier or more substantial income-generating activities.

6. Beneficiaries are frequently more vulnerable to external shocks like natural catastrophes, economic crises, or medical problems, especially those who come from marginalized areas. These occurrences may interfere with their sources of income, making debt repayment difficult and negatively affecting their way of life.
7. Social and Cultural Barriers: Beneficiaries, particularly women, may face obstacles due to gender inequality and social norms. Their capacity to fully engage in economic activities and obtain financial services may be hampered by limited mobility, limited decision-making, and social pressure.

## **6 Conclusion**

Microfinance has been a tool that is helping women in India in many ways, including socially, emotionally, and in terms of empowerment. A key component of microfinance's role in empowering women is the availability of loans and their constructive use. Research conducted in Chandigarh and Mohali (Punjab) found that women who participated in a self-help organization called Linkage benefited greatly, as nearabout 65% of the people have received the positive results from microfinance in terms of their economic status, managerial power, and wisdom.

But, A number of issues are discouraging women from participating in self-help groups and making it harder for them to achieve their goals as only 42% of the women are permitted to receive an education. There is a pressing need for further development of SHGs as a tool for women's empowerment in Punjab as it reflects that still 13% of the people do not want to change. Male dominance limits women's participation in self-help group activities and discourages younger women from pursuing entrepreneurship due to social taboos and restrictions; family issues, such as family cooperation with members' desires to attend trainings at outstation locations, also contribute to this problem. The women of Punjab, a wealthy agricultural state, have not benefited from the state's apparent economic success. It was clear from their circumstances that women in rural areas still lack independence as only 15% of the loan amount is used on education and are subject to the authority of males at all stages of their lives, from the father when they are young to the husband after marriage and the son when they are elderly.

To make sure SHGs keep helping rural women become stronger members of society, it's important to work on improving group dynamics and refocusing group goals. Therefore, members should make an effort to teach them to make acceptable judgments

and to develop outstanding and durable leadership qualities so that they may overcome the many obstacles they will encounter on the path to financial inclusion and socioeconomic empowerment.

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