

## Financial Inclusion Through Mirco-finance- A Multidimensional Analysis of Women Empowerment- Evidence from Rajasthan, India

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### Abstract

Mirco-finance serves as a critical tool for financial inclusion, which provides accessible and affordable financial services- such as credit bank loans to marginalized section of the society, particularly women and low -income group. This study, therefore examines the impact of microfinance on three core dimension of women's empowerment: social, economic, and psychological. The study employs a quantitative approach, and data were collected through both primary and secondary sources. The primary datasets were analyzed using the PLS-SEM approach. The study's findings revealed a significantly positive level of impact of microfinance on the economic, social, and psychological dimensions of women's empowerment. Furthermore, the outcomes of the secondary data provide valuable insights that highlight that microfinance has emerged as a pivotal instrument for expanding women's participation in formal financial systems through Self-Help Groups, entrepreneurial ventures, and small-scale enterprises. Enhanced access to savings and credit facilities has contributed to greater financial autonomy, household decision-making power, and social mobility among rural women. In addition, study provides theoretical and policy implications, along with limitation and future scope of the study

**Keywords:** *Economic Empowerment, Social Empowerment, Psychological Empowerment, Microfinance, Women Empowerment, Rural Banking, Financial Inclusion, Socio-Economic Development, Self-help groups (SHG's)*

### I. Introduction

Across the world, it has been witnessed that the female population is often deprived of basic facilities such as healthcare, clean water, sanitation, and education (Fisher, 2006). The report published by the United Nations in 2015 reported that the work that women do is unpaid primarily, and women are also exposed to various types of violence. To address the issue of

social inequity and female financial hardship, microfinance has long been recognized as a powerful tool (Chant, 2014). There are several reasons why microfinance programs are specifically aimed at women. First, women are usually under extreme financial stress in the form of loans and credit, where they seek to set up micro or small establishments, especially in male-dominated cultures, where the role of women is restricted to that of housewife. This has caused a large number of women to depend on informal moneylenders, which often results in debts and exploitation (Madichie & Nkamnehe, 2010). Second, women are commonly viewed as disciplined borrowers and low credit-risk clients, with a lower default rate and a higher probability of utilizing financial benefits to enhance household well-being, such as child health and education (Fofana et al., 2015; Gomez, 2013). In India, women have been the primary beneficiaries of microfinance projects, particularly through their organisation in Self-Help Groups (SHGs). Women will organise self-selected groups to help them collectively solve common socio-economic problems, thus lowering the cost of transactions among microfinance institutions and increasing the efficiency of the programmes. Therefore, almost 90 percent of SHGs in India are exclusively all women (Batra & Sumanjeet, 2011).

The current paper primarily focuses on the microfinance services provided by major institutional schemes, such as the National Rural Livelihood Mission (NRLM) and the SHG-Bank Linkage Programme (SHG-BLP), which was initiated by NABARD in 1992. Such programmes encouraged savings, self-employment, and small, non-collateralized loans to empower underprivileged groups, especially women. Microcredit is also referred to as microfinance. Its purpose is to elevate the living standards of marginalized groups residing in rural regions by allowing them to participate in income-generating activities. Microfinance institutions (MFIs) are designed to meet the unique financial needs of individuals with low incomes by providing them with innovative and flexible financial services that take into account their limited resources and volatile cash flows (Ledgerwood, 1999).

Nevertheless, rural banking involves banking institutions that offer financial services tailored to meet the needs of rural populations. It offers deposit schemes, credit, and other financial products that facilitate rural development, with a focus on rural households, small-scale company owners, and agricultural workers in particular. Rural banking needs to provide formal financial services to bridge the financial divide in remote regions and foster economic integration (Mohan, 2006).

Despite the widespread adoption of microfinance initiatives, the empirical evidence regarding their contribution to women's empowerment remains inconclusive (Khan, 2023). While some studies report positive outcomes, a substantial body of literature argues that microfinance does not significantly enhance women's empowerment. Moreover, inconsistencies in measuring empowerment further complicate empirical assessment. Women's empowerment is inherently multidimensional, which comprises economic, social, psychological, and political dimensions. Addressing this gap, the present study adopts a context-specific approach, focusing on three key dimensions of empowerment: economic, social, and psychological empowerment.

The aims of the current research are two-fold: First, it will investigate how microfinance has influenced the social, economic, and psychological empowerment of women. Secondly, the

study also examines the role of microfinance, PMMY, and SHG–bank linkage programmes in promoting women's financial inclusion and entrepreneurial empowerment in Rajasthan.

The article's structure is organized as follows: First, the study provides the contextual background of the topic. The second section discusses the literature review and the development of the hypothesis. The third section highlights the research methodology, followed by the results and interpretation. The final sections of the study highlight the policy and theoretical implications of the research.

### **Research Objectives**

- A. To assess how microfinance affects women's empowerment in rural settings
- B. To examine the role of microfinance, PMMY, and SHG–bank linkage programmes in promoting women's financial inclusion and entrepreneurial empowerment in Rajasthan

## **II. Literature Review**

### **Conceptual Definition of Financial Exclusion**

To gain a deeper understanding of the concept of financial inclusion, researchers should know the concept of financial exclusion. The term financial exclusion was first proposed by Leyshon in 1992. Financial exclusion refers to an individual who has limited access to banking services due to the closure of several banks. In a similar context, Kempson and Whyley (1999) defined financial exclusion more elaborately, referring to individuals who have been excluded from accessing mainstream financial services. In a broader sense, financial exclusion refers to a situation in which individuals lack access to mainstream financial products and services, including bank accounts, credit cards, and insurance policies such as home insurance and student loans. The consequences of financial exclusion extend beyond the financial domain and result in mainstream services, such as pension or savings schemes, and can also lead to debt and/or being cut off from essential utilities. The European Commission defined, financial exclusion as a “process whereby people encounter difficulties accessing or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.”

In Indian Context “financial exclusion remains a significant concern in the early years after independence, with more than half of the populations lacks access to basic banking facilities such as formal bank accounts. In Indian context the financial exclusion is defined as restricted access to financial services to certain segment of the society. Generally, this large section of the population comprises individuals or family falling into low income groups, which are not able to access even the most basic banking services like bank accounts, credit, insurance, financial advisory services and payment services. So basically, financial exclusion is the situation where certain group of population is excluded or unable to access low cost an appropriate mainstream financial products and services.

### **Conceptual Definition of Financial Inclusion**

In India, the formal discourse on financial inclusion gained prominence with the submission of the *Report of the Committee on Financial Inclusion*, chaired by Dr. C. Rangarajan, in 2008. In the modern policy zone, financial inclusion has become a significant element of inclusive growth and sustainable economic development. Although the term *financial inclusion* was first

popularized in the British lexicon when it was found that nearly 7.5 million individuals did not possess a bank account, the underlying concept is not new to the Indian economy (Garg and Agarwal, 2014). In India the nationalization of the bank in 1969, the establishment of Regional Rural Banks (RRBs) and introduction of SHG-bank linkage programs were the key initiatives under taken by RBI group to enhance financial accessibility to the unbanked groups. India has undertaken several policy initiatives aimed at extending financial access to unbanked and underserved populations. Among them are the nationalisation of banks in 1969, the creation of Regional Rural Banks (RRBs), and the Self-Help Group (SHG)-Bank Linkage Programme, which were initiated or assisted by the Reserve Bank of India (RBI) to increase financial accessibility for marginalised groups in society.

According to the Committee on Financial Inclusion, led by Dr. C. Rangarajan, financial inclusion is defined as a process of enabling access to financial services and sufficient and timely credit where required by vulnerable groups, such as weaker sections and low-income groups, at an affordable cost. Financial inclusion does not imply the indiscriminate provision of financial services to all segments of the population at any cost; rather, it emphasizes the delivery of appropriate financial products and services at affordable prices to excluded and low-income groups.

Financial inclusion plays a pivotal role in poverty alleviation by enabling equitable access to mainstream financial services and creating opportunities for improved livelihoods, income generation, and social well-being. It is a channel of inclusive development that incorporates a significant portion of the population into the formal financial system. Financial inclusion can generally be defined as the delivery of affordable financial services (including savings, credit, insurance, payment, and remittance services) by formal financial institutions to the otherwise excluded. Therefore, financial inclusion not only includes the basic banking services but also a broad array of financial products such as loans, equity instruments, and insurance services.

### **Financial inclusion through Self Help Group (SHG)**

Self-Help Groups (SHGs) are a valuable and effective tool in promoting financial inclusion, particularly in the rural regions of developing countries, such as India. SHGs' plays a critical role in facilitating access to the formal banking systems for marginalised communities and in providing them with the much-needed financial services.

### **Self-Help Group Model of Micro-Finance and Women**

The Self-Help Group (SHG) model can be defined as a group of 10-20 women who are members of the same homogeneous socio-economic community, voluntarily organizing to resolve their shared community and economic challenges (Nayak and Panigrahi, 2020). SHG's members regularly pool small savings, which are collectively used to provide interest-bearing loans to one another, thereby strengthening mutual support and financial self-reliance. SHGs can access external credit in the shape of bank, non-governmental organisation (NGO), or microfinance institution (MFI) borrowing, and this is often unsecured. The National Bank of Agriculture and Rural Development (NABARD) promotes the use of SHGs as one of the most efficient microfinance programmes. In 1992, NABARD launched the SHG-Bank Linkage Programme (SHG-BLP), which has since become one of the largest microfinance movements in the world, with a population of approximately 3 million SHGs and over 25 million members.

SHGs can be described as a unique model of financial intermediation as the SHG-BLP not only facilitates access to low-cost financial services but also encourages self-management, collective decision-making, and social-economic empowerment. A substantial amount of previous research has revealed that the SHG model positively contributes to effective women's empowerment. A report on an experimental study of SHG in India indicates high levels of empowerment of women, encompassing increased awareness of their rights, enhanced financial autonomy through personal savings, and increased involvement in political and community life (Mohapatra and Sahoo, 2016). Participation in SHGs is also associated with a reduction in verbal, physical, and emotional abuse against women. Consequently, women engaged in SHGs tend to be more empowered over time compared to those who do not participate in SHGs (Swain & Wallentin, 2009).

### **SHG leads to Women's empowerment**

Women's empowerment is the process of enhancing women's social, economic, political, and legal influence to ensure their equality and meaningful participation in the decision-making process (Moghadam, 2005). It aims to provide women with the tools they need to advocate for their rights and participate in shaping societal decisions. Table 1 explains the key dimensions of women empowerment examined in the present study.

**Table 1- Dimensions of Women Empowerment**

<b>Dimension</b>	<b>Descriptions</b>	<b>Indicators</b>
Economic	Women's ability to gain and control economic resources	Independent income, Autonomous savings, Asset accumulation, control over household income, Authority over household savings and Decision-making power in household purchases
Social	Women's ability to freely live life outside home, interact with different people, and enjoy social status	Respect and social status, Quality of interaction with family, and confidence in interactions with bank officials and any other official stakeholders.
Psychological	Capacity of women to increase their own self-reliance and internal strength	Reduction in feelings of alienation, Equity with husband and other family members, and a decrease in household and personal tension.

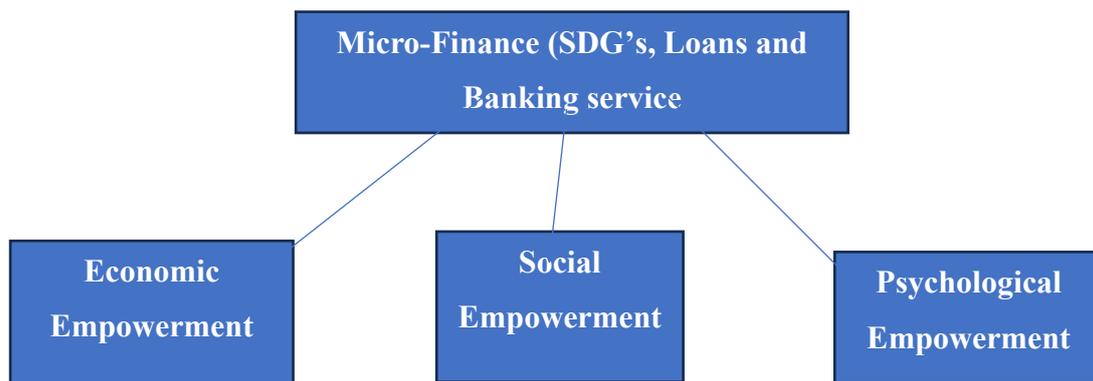
**Source:** Khan, S. T., Bhat, M. A., & Sangmi, M. U. D. (2023)

### **Theoretical Framework**

The present study's conceptual framework is developed based on the Mayoux Feminist Empowerment Theory and Resource-Based View (RBV) to understand the relationship between microfinance and women's empowerment through entrepreneurship. Mayoux (2005) presented a theory of women's empowerment, which suggests that microfinance services, including microcredit, insurance, savings, and other benefits, can promote income-generating practices such as microenterprises and economic security. Mayoux feminist empowerment theory is given in Figure 1, divided into three paradigms. According to this theory, microcredit

from microfinance institutions can promote women's empowerment in three dimensions (economic, social, and psychological). Additionally, RBV posits that business success is primarily rooted in resources (Sanchez, 2008). Micro-credit and SHGs are the primary resources of women's entrepreneurship business success in this direction. The resources could be tangible and intangible. The experience of women in business is a primary intangible asset that can contribute to achieving success. Therefore, based on Mayoux's feminist empowerment theory and RBV, the current study proposes the framework given in Figure 1.

**Figure 1: Conceptual Framework**



*Proposed by the authors*

### **Micro-Finance and Economic Empowerment**

Economic empowerment refers to women's access to and control over economic resources, including income, assets, savings, and productive opportunities. It is often regarded as a foundational dimension of empowerment, as gains in economic empowerment can catalyze social, political, and psychological empowerment. Empirical evidence from qualitative and conceptual studies suggests that microfinance participation has a positive impact on several indicators of economic empowerment, including income generation, asset accumulation, consumption expenditure, savings behavior, and loan utilization (Sinha et al., 2012; Weber & Ahmad, 2014). However, the distinct contribution of microfinance programmes to women's economic empowerment remains contested. Qualitative evidence from Naeem, Abdul, et al. (2015) suggests improvements in women's economic conditions, particularly in household purchasing decisions, while also identifying age, education, family structure, and marital status as critical intervening factors. Addai (2017), in his quantitative study, also made similar conclusions, showing that education and marital status have a significant impact on women's economic empowerment, comparable to that of microfinance participation. Women participating in microfinance programmes tend to be more active in decision-making regarding expenditure and may end up with asset ownership, which can contribute to reducing domestic conflict. However, long-term participation in MFIs can also lead to unintended outcomes. They encompass higher marital strains, workloads, and role overloads, with women having to juggle both home and work duties (Arku & Arku, 2009; Haile et al., 2012). Moreover, other studies claim that the presence of women in microcredit programmes does not have a significant

impact on increasing access to material resources that women should have, including education and formal employment (Mahmud, 2003). In certain circumstances, loan availability and household property can even undermine women's independent choice (Lavoori & Paramanik, 2014).

Overall, outcomes systematic reviews indicate that the impact of microfinance on poverty alleviation and women's empowerment, primarily due to methodological limitations in current research (Brody et al., 2017; Duvendack et al., 2011). These reviews highlight the urgent need for quantitative or mixed-method research designs and context-sensitive experimental approaches to more accurately assess impact. While microfinance has the potential to strengthen women's financial base, bargaining power, and voice within households (Bayulgen, 2015; Rehman et al., 2015), it does not function as a universally empowering tool. Its effects vary across women and contexts, with many experiencing only marginal gains. Incorporating robust control groups in cross-sectional analyses is therefore essential to reducing bias and improving the reliability of impact assessments.

Based on the above literature, it is hypothesized that

*H1: Micro-finance significantly impacts economic empowerment*

### **Micro-finance and Social Empowerment**

Social empowerment can be defined as the freedom of an individual to live according to his/her choice, social mobility, social status, and the ability to interact freely in the society. Available information indicates that microfinance is important in promoting the social empowerment of women (Addai, 2017). Access to microfinance services has been linked to enhanced self-confidence, problem-solving skills, control over financial resources, decision-making powers, engagement in social life, and ownership of productive and consumer resources among women (Sinha et al., 2012). Qualitative studies also support these results. An example of such a study is by Rehman et al. (2015), who analysed economic, health, educational, social, and political aspects; one of the outcomes of this study was the significant positive effect of the involvement in microfinance on the social empowerment of women, specifically in the aspects of the choices regarding the marriage of children, the involvement in the MFIs, and the attendance of social events. But the external environment is also broad, and it influences social empowerment. Along these lines, Weber and Ahmad (2014) considered the indicators of social and financial empowerment in the case of Pakistan, specifically household decision-making (e.g., purchasing, children's education, and marriage) and freedom of movement. Even though their results showcased significant gains in the mobility of women after attending microfinance, other aspects of social empowerment were vulnerable to the existing social and cultural limitations. Based on the above literature, it is hypothesized that:

*H2: Microfinance significantly impacts social empowerment*

### **Micro-Finance and Psychological Empowerment**

Psychological empowerment, also known as personal empowerment, which reflects the women's internal strengths and is characterized by increased self-confidence, self-esteem, self-reliance, reduced psychological distress, and an increased capacity to challenge prevailing gender norms. Microfinance enhance women's psychological empowerment by strengthening collective efficacy, proactive attitudes, self-esteem, and self-efficacy. However, a plethora of

past studies does not provide a substantial evidence regarding psychological empowerment outcomes of microfinance interventions. A conducted by Moyle et al. (2006) has shown a positive impact of micro-finance on women psychological empowerment. While employing the concept of '*power within*' for psychological empowerment, Kim et al. (2007) proposed that microfinance has the potential to enhance women's self-confidence, financial confidence, and ability to challenge gender norms. In a similar, context, a study by Hansen (2015) has observed that involvement in microfinance programmes is associated with increased personal control beliefs and expanded social networks among active group members. Despite these findings, the overall effectiveness of microfinance in strengthening women's psychological empowerment remains inconclusive, which indicate the need for further empirical investigation. So, from the above literature it is hypothesized that

*H3: Micro-finance significantly impacts psychological empowerment*

### III. Research Methodology

Measurement Scale: Table 2 demonstrates the measurement scale source. All the scales were adopted from previous literature which was used in this study. The constructs were measured on 5-point Likert scale of 1 strongly disagree to 5 strongly agree. Further, socio-demographic data, such as age and educational level were also gathered to contextualise the sample profile.

Variables	Scale Source
Microfinance Scale a. Participation in SHGs helped me start or expand my business b. Microfinance reduced my dependence on informal money lenders	Swain, R. B., & Wallentin, F. Y. (2009)
Economic Empowerment a. Independent income b. Independent savings c. Asset generation d. Control over household income e. Control over household savings f. Control over large purchases	Khan, S. T., Bhat, M. A., & Sangmi, M. U. D. (2023)
Psychological Empowerment a. Confidence to give opinion in family b. Reducing feeling of loneliness c. Valuing self for working harder and longer d. Equity with husband\male member	Khan, S. T., Bhat, M. A., & Sangmi, M. U. D. (2023)
Social Empowerment a. Interaction in family\groups b. Interaction with officials\outsiders c. Respect	Khan, S. T., Bhat, M. A., & Sangmi, M. U. D. (2023)

*Compiled by authors*

### Sample, Sampling and Data Collection

The primary data were collected using a survey-based design as a quantitative research approach. This research was aimed at women entrepreneurs. A structured questionnaire was created and distributed to women representing the middle and low-middle income groups. In terms of sampling, the research employed a random sampling method, as it provides a representative picture of a larger population. This is one way of reducing bias because every member of the population is given an equal chance to be chosen. The constructs applied in this research were all scaled-down versions of validated scales reported in previous literature.

### Scale Reliability

Table 3: the scale reliability, composite reliability, and AVE metric values. Scale reliability is a metric that determines the internal consistency of items in a construct. Moreover, composite reliability (CR) is employed to evaluate the overall reliability of latent constructs, while average variance extracted (AVE) is used to measure the extent to which constructs capture variance from the indicators. The study's findings reveal that the composite reliability scores of all constructs exceed the acceptable level of 0.70 (Hair et al., 2010), ranging from 0.743 to 0.979, which validates fair construct reliability. This indicates that the measurement items are consistent in the potential latent constructs they are measuring. In terms of convergent validity, all the constructs have AVE values that exceed the minimum required value (0.50), varying between 0.592 and 0.959. These results demonstrate that both constructs account for more than 50 percent of the variance in their indicators, indicating sufficient convergent validity. Likewise, the value of Cronbach's alpha is greater than the recommended value of 0.70. In general, construct scale items will take into account the high composite reliability and convergent validity that elucidate reasonable adequacy which justifies its appropriateness in the further analysis of the structural model.

**Table 3- Scale Reliability**

Variables/Constructs	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Economic Empowerment	0.791	0.907	0.877	0.711
Microfinance (Dependent Variable)	0.881	0.883	0.944	0.893
Psychological Empowerment	0.787	0.812	0.859	0.605
Social Empowerment	0.958	0.973	0.979	0.959

## IV. Results: Demographic

**Table 4 Demographic Respondents**

Age	
18-25 Yrs	97
26-35 Yrs	175
35-45 Yrs	124
45 to 60 Yrs	54
Course	
10 to 12th	270
Graduation to Post- graduation	130
Other (Not-educated)	50

Table 4 illustrates the demographic of respondents. The sample consists exclusively of women entrepreneurs. The descriptive statistics indicate that the majority of respondents possess basic educational qualifications, namely completion of 10th or 12th standard, followed by those holding undergraduate or postgraduate degrees. A smaller proportion of the sample comprises respondents with doctoral degrees or other professional qualifications (18.2%,  $n = 24$ ).

In terms of age distribution, most respondents fall within the 20–33 age group ( $n = 175$ ), followed by those aged 34–45 years. Overall, this demographic composition reflects a relatively well-educated sample with a higher concentration of women entrepreneurs in their late twenties to mid-thirties.

### Hypothesis Results

Table 5 represents the data of the hypothesis and reveals that microfinance has a strong and positive influence on the three core dimensions of women empowerment. The relationship between microfinance and economic empowerment is powerful ( $\beta = 0.987$ ,  $p < 0.001$ ), indicating that the financial independence, income generation, and economic security of women are directly dependent on access to microfinance. Microfinance also exerts a moderate yet statistically significant influence on psychological empowerment ( $\beta = 0.368$ ,  $p < 0.001$ ), which proposed that microfinance programmes enable to strengthen the women’s internal capacities, including self-confidence, self-esteem, self-efficacy, and the ability to challenge prevailing gender norms. Moreover, enhance psychological empowerment enables women to take the personal decision-making process. Similarly, the positive relationship between microfinance and social empowerment ( $\beta = 0.446$ ,  $p < 0.001$ ) highlights its role in strengthening women’s social participation, mobility, and collective agency. Overall, the findings confirm that microfinance serves as a powerful catalyst for multidimensional women’s empowerment.

**Table 5- Hypothesis Result- Path Coefficient**

Path	Beta	Standard deviation (STDEV)	T statistics ( O/STDEV )	P values	Result

Microfinance -> Economic empowerment	0.987	0.002	472.648	0	Supported
Microfinance -> Psychological empowerment	0.368	0.049	7.452	0	Supported
Microfinance -> Social Empowerment	0.446	0.048	9.166	0	Supported

**IV. The second objective of the study adopts a secondary-data based research approach to examine the role of government microfinance schemes in empowering women entrepreneurship.**

**PM MUDRA Yojana (PMMY)** - Introduced in 2015, the Pradhan Mantri Mudra Yojana (PMMY) aims to enhance access to formal finance for micro and small enterprises by extending collateral-free credit through institutional channels. The scheme covers a broad spectrum of non-farm livelihood activities, such as animal husbandry, poultry rearing, and apiculture. PMMY operates through multiple loan categories—Shishu, Kishore, Tarun, and the recently added Tarun Plus facility for repeat borrowers (effective October 2024). Financial support under the scheme is delivered through scheduled commercial banks, public sector banks, non-banking financial companies, and microfinance institutions. According to PMMY, as of February 28, 2025 more than 52 crore loans have been granted, with ₹33.19 lakh crore approved and ₹32.40 lakh crore disbursed.

Table 6 shows the anticipated proportion of female borrowers for each of the different PMMY loan categories. It highlights the fact that women predominate in the Shishu category, which supports incredibly small, entry-level businesses. Their participation drops in higher loan sectors like Kishore and Tarun, indicating that women require more targeted support to expand their enterprises.

**Table 6: Progress under PMMY (as on 28.02.2025)**

Indicator	Figures
Total Accounts Sanctioned	52.07 crore
Total Amount Sanctioned	₹33.19 lakh crore
Total Amount Disbursed	₹32.40 lakh crore
Loan Categories	Shishu (up to ₹50,000)
	Kishore (₹50,000 – ₹5L)
	Tarun (₹5L – ₹10L)
	Tarun Plus (₹10L – ₹20L)*
Loan Purpose	Non-agricultural & allied

Collateral Requirement	Not required
Lending Institutions	Banks, NBFCs, MFIs, etc.

\*Tarun Plus is applicable from 24.10.2024 for eligible repeat borrowers.

Source: Ministry of Finance. (2023). Annual report: PMMY and Stand-Up India Schemes

**Stand-Up India Scheme** - The Stand-Up India Scheme, introduced in 2016, is designed to promote inclusive entrepreneurship by expanding business ownership opportunities for women and socially disadvantaged groups, particularly Scheduled Castes and Scheduled Tribes. The scheme supports the establishment of first-time enterprises by enabling access to institutional finance without the requirement of collateral. Eligible borrowers can obtain bank loans ranging between ₹10 lakh and ₹1 crore for ventures in the manufacturing, services, and trading sectors. Financing is routed through Scheduled Commercial Banks, with provisions for an initial repayment holiday of up to 18 months and a maximum loan tenure of seven years.

Based on the directives of the 15th Finance Commission, the current program is scheduled to remain in effect until March 31, 2025. Following its conclusion, a new program is slated for introduction in the 2025–2026 Budget. This initiative will expand upon the Stand-Up India (SUPI) scheme by offering term loans of up to ₹2 crore to 500,000 first-time women, Scheduled Caste, and Scheduled Tribe entrepreneurs over the next five years.

**Table 7: Progress under the Stand-Up India Scheme (as on 28.02.2025)**

Parameter	Figures Reported
Total Accounts Sanctioned	2.67 lakh
Total Amount Sanctioned	₹60,504 crore
Total Amount Disbursed	₹34,450 crore
Women Beneficiaries	1.99 lakh

Source: Ministry of Finance. (2023). Annual report: PMMY and Stand-Up India Schemes

Significant progress has been made under the Stand-Up India Scheme, as of February 28, 2025, with 2.67 lakh accounts approved and ₹60,504 crore sanctioned, as presented in Table 2. Women beneficiaries make up a large majority (1.99 lakh) of all sanctioned accounts, indicating excellent targeting, and the scheme's influence on gender inclusion is a huge success. However, only ₹34,450 crore, or around 57% of the entire approved amount, had been disbursed, indicating an important gap between commitment and utilization.

**Pradhan Mantri Jan Dhan Yojana (PMJDY)** - Introduced in 2014 as part of the National Mission for Financial Inclusion, the Pradhan Mantri Jan Dhan Yojana (PMJDY) represents a major policy initiative aimed at integrating underserved and excluded populations into the formal banking system. The scheme focuses on expanding access to basic financial services in rural and marginalized communities by promoting financial awareness and facilitating the use of savings accounts, credit, and insurance. Core provisions of PMJDY include no-frills bank accounts, RuPay debit cards with in-built insurance coverage, limited overdraft support, and last-mile delivery through Bank Mitras and structured financial literacy programmes.

**Table 8: Progress under PMJDY (as on 28.02.2025)**

Parameter	Figures Reported
Total Number of Accounts Opened	54.97 crore
Cumulative Deposits in Accounts	₹2,52,750 crore
Female Beneficiaries	30.60 crore (constituting 55.7%)
Accounts in Rural and Semi-Urban Regions	36.59 crore (66.6%)
Number of Debit Cards Issued by RuPay	37.60 crore

Source: Ministry of Finance. (2023). Annual report: PMMY and Stand-Up India Schemes

The table 8, presents PMJDY's major performance indicators as of February 28, 2025. The total number of accounts, deposits, female beneficiaries, rural participation, and RuPay cards issued are all shown. Strong gender inclusion is demonstrated by the fact that, as of February 2025, women held 30.60 crore PMJDY accounts (55.7%). Particularly in rural regions, the program has increased women's access to banking by providing overdraft facilities, RuPay cards, and zero-balance accounts. Going forward, the main goals should be to promote savings, active use, and easier access to insurance and credit.

### MICRO-FINANCE INDICATORS

According to Bharat Microfinance Report 2024, the state of Rajasthan registered a significant outreach growth over the past financial year. As shown in Table 6, the increased participation of Women in formal finance is recorded in the microfinance sector in Rajasthan, where the number of active borrowers has grown by 24.57 lakh. The microfinance sector has also seen an increase in active borrowers, growing from 26.20 lakh to 32.63 lakh. Notably, 99% of the borrowers in the country are Women. The state was ranked among the top ten in India, with outstanding loans standing at 18,144 crores. The average loan per account increased by 6 percent (₹25,199 to ₹26,751), reflecting a shift towards livelihood and enterprise credit. Loans distributed increased by 14.7% (₹7,768 crore to ₹ 8,912 crore) to support socio-economic agency, household welfare, and income-generating activities for women. Microfinance has expanded its scope and influence by enhancing the financial inclusion of women, increasing their participation in the entrepreneurial sector, and improving their economic decision-making, as observed in Rajasthan.

**Table 9: Microfinance Indicators in Rajasthan (2022–23 vs 2023–24)**

Indicator	FY 2022–23	FY 2023–24	Growth (%)
Active Borrowers (lakh)	26.2	32.63	24.57
Loan Outstanding (₹ crore)	–	18,144	–

Average Loan per Account (₹)	25,199	26,751	6.15
Loan Disbursement (₹ crore)	7,768	8,912	14.72

Source: *Bharat Microfinance Report 2024*

### SHG PERFORMANCE (2023–24)

Self-Help Groups still remain as the support system of women financial inclusion in Rajasthan. In FY 2023–24. The microfinance sector in Rajasthan demonstrates that women in rural areas contribute significantly to formal financial institutions, specifically through Self-Help Groups (SHGs). In FY 2023-2024, 7.47 lakh SHGs are reported to have deposited 2294 crore and are bank-linked to savings. This broad participation highlights the role of women collaborating to access formal financial systems. The presence of credit in female hands and the proliferation of financial services in rural areas are represented by the 4.12 lakh SHGs, with outstanding bank loans amounting to ₹ 11,684 crores. The increasing use of microfinance as a means of livelihood support, enterprise development, and household economic resilience is also evident in the new loans of ₹4,508 crore that banks provided to 1.09 lakh SHGs during the same period (Please refer Table 7)

**Table 10: SHG Performance in Rajasthan (2023–24)**

Category	Indicator	Value
Self-Help Groups (SHGs) Linked with Banks	Total SHGs savings-linked	7.47 Lakh
	Savings of SHGs with banks	2294 Crore
SHGs with Bank Loans (Credit Linkage)	SHGs with outstanding bank loans	4.12 Lakh
	Outstanding loan amount	11684 Crore
Loan Disbursement to SHGs	Total loan disbursed during FY 2023–24	4508 Crore
	Number of SHGs financed	1.09 Lakh
Women-Centric Focus	Percentage of women-led SHGs	97%

Source: *NABARD, 2024*

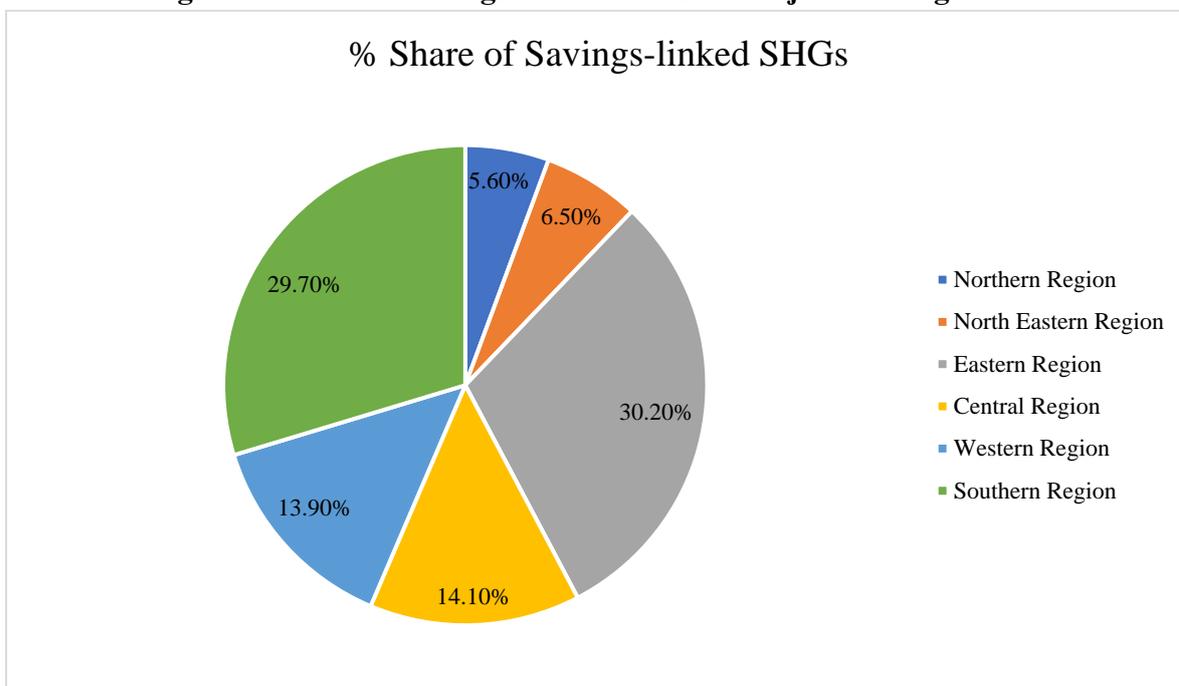
It is also interesting to note that in Rajasthan, most SHGs are operated by women, as compared to the national trend of 97% women SHGs (NABARD, 2024). This domination means that financial inclusion via Self-Help Groups (SHGs) is not only a driver of women's empowerment but also a mode of economic participation. Access to credit and savings enables women to enhance their role in community development, expand their capacity to earn an income, and make more informed decisions at the household level. All these signs demonstrate that rural banking and microfinance programs in Rajasthan have a high impact on empowering women by providing them with financial access, promoting savings, and encouraging proactive credit utilization.

### REGIONAL TRENDS AND RAJASTHAN'S POSITION

Figure 3 demonstrates that the highest proportions of SHGs linked to savings are located in the Eastern Region (30.2%), Southern Region (29.7%), which constitute approximately 60%. This shows enhanced SHG activity and maybe greater institutional support in these regions. Conversely, the North (5.65) and North East (6.54) regions represent the lowest shares,

meaning that there is a high need of attention and intervention. The general picture is a mismatch at the regional level that highlights the importance of special strategies in fostering SHG savings connecting uniformly across the state.

**Figure 2: Share of Savings - linked SHGs in Rajasthan Regions**



Source: NABARD, *Status of Microfinance in India 2023–24*

### **POLICY SUPPORT AND MSMEs**

Programmes such as the M Suwidha and Lakhpati Didi, as well as the Rajasthan MSME Policy 2024, are indicative of a shift in focus, where the emphasis is no longer on providing women SHG members with basic subsistence assistance, but rather on formal entrepreneurship. Through these efforts, women will be able to transition from subsistence to sustainable microenterprises by linking microfinance to access to capital, technology, and markets. This policy alignment empowers women economically and increases women's inclusion in the mainstream economy. According to the secondary data, microfinance and rural banking have played a significant role in empowering women in Rajasthan and India at large. Millions of rural women have been able through the formidable SHG-Bank Linkage Programme, and the enabling policies of the states, to get loans, begin earning a livelihood, and have become more active in the rural economy. Regional disparities must be eliminated, financial literacy must be enhanced, and empowerment must be long-term using capacity building and business support, but consistent endeavours are necessary.

### **VI. Discussion and Conclusion**

The current research paper looks at the impact of microfinance on the three core dimensions of women's empowerment- economic, social and psychological, through a holistic research approach. Quantitative evidence demonstrates that the involvement of women in microfinance

is a major contributor to economic empowerment through increased income, savings, asset value, and enhanced decision-making control over household financial matters. Similarly, the relationship between microfinance and psychological dimensions of women's empowerment is positive and statistically significant, which highlight that participation of micro-finance programs substantially strengthen women's internal capacities, including self-confidence, self-esteem, self-efficacy, and the ability to challenge prevailing gender norms. Moreover, the findings of the study align with prior studies that conceptualise psychological empowerment as "*power within*", where access to financial resources enhances women's sense of agency and personal control (Kim et al., 2007; Hansen, 2015). Lastly, the findings demonstrates the relationship between micro-finance and social empowerment is positive and highly significant, which indicates that microfinance participation plays a more pronounced role in enhancing women's social empowerment. The relatively higher path coefficient indicates that engagement in Self-Help Groups (SHGs) and group-based financial activities enhance social capital, collective action, and stronger social networks. Overall, the empirical result supports that microfinance serves as a powerful catalyst for multidimensional women's empowerment. Moreover, the paper has demonstrated the crucial role of microfinance, PMMY, and SHG-bank linkage programs in enhancing financial inclusion levels and empowering women in entrepreneurship in Rajasthan. This research utilized secondary data to gather relevant information. The research results indicate that Shishu loans under PMMY indicate the reliance of the women on small-ticket credit in household-based and micro-enterprise operations, whereas an increasing proportion of Kishore loans indicates a gradual scale of entrepreneurship. The increased microfinance outreach and increase in loan size indicate a transition towards livelihood and enterprise financing rather than consumption smoothing. The high representation of women-led SHGs highlights financial access and collective strength, but regional differences persist. Complementary state policies also enable women to shift their subsistence transformations into sustainable entrepreneurship.

### **Theoretical Implications**

The present study makes several key theoretical implications for the literature on financial inclusion through micro-finance on multidimensional aspects of women empowerment. First, the outcomes of the study extend Mayoux's Feminist Empowerment Theory by providing robust empirical validation of empowerment as a multidimensional construct which comprises of economic, social, and psychological dimensions. The present study advances theory by demonstrating that microfinance simultaneously influences all three dimensions, thereby reinforcing the interlinked and holistic nature of women's empowerment. Secondly, the study contributes the ongoing theoretical debate on psychological empowerment by empirically substantiating the concept of "*power within*." The statistically significant impact of microfinance on psychological empowerment supports that access to financial resources enhances women's internal agency, including self-confidence, self-efficacy, autonomy, and decision-making capacity. This addresses prior inconsistencies in the literature and strengthens the theoretical positioning of psychological empowerment as a core outcome of microfinance interventions rather than a peripheral or indirect effect. Third, the study empirically supports the impact of micro-finance of social empowerment of women which emphasize that the

importance of social community. This finding empirically reinforces the notion that empowerment is not solely an individual-level outcome but is embedded within social structures and group dynamics. Lastly, the study integrate the Resource-based-View into women empowerment framework. The present study theoretically reinforce microfinance as a strategic entrepreneurial resource rather than merely a financial intervention. Microcredit and SHG participation emerge as key tangible resources, that drive women's entrepreneurial success and empowerment. This integration bridges financial inclusion translates into sustained empowerment outcomes. Overall, the study highlight microfinance as a multi-dimensional catalyst which operates through financial access, psychological agency, and social embeddedness, thereby enriching feminist and resource-based theoretical perspectives on women's empowerment.

### **Policy Implications**

The policy implications of the current study are significant in supporting women's empowerment and entrepreneurship in the state of Rajasthan, with the help of microfinance and other related financial inclusion programs. The empirical results of the research suggest that microfinance plays a powerful and meaningful role in economic empowerment, implying that there should be further growth of cost-effective and women-focused credit, especially small-ticket loans, to facilitate household-based businesses and income-generating activities. Meanwhile, the prevalence of Shishu loans in PMMY underscores the need to establish systematic credit graduation schemes to help women in business transition gradually to the Kishore and Tarun segments, thereby scaling their enterprises and ensuring long-term survival. The case of moderate but significant impacts of microfinance on social and psychological empowerment indicates that credit provision is not enough, and this has to be accompanied by financial literacy, entrepreneurial training, mentoring, and market-linkage support to make women more confident, more in control of their own decisions and make them more active and social. The success of women-led SHGs highlights how they can serve as a tool of strong collective agency, mobilisation of savings, and access to formal finance, which needs to be reinforced further through the SHG-Bank Linkage Programme, particularly in low outreach regions. To achieve equal empowerment throughout the state, it is essential to address regional inequality with the support of specific institutional measures, mobile banking, and local capacity-building initiatives. Moreover, integrating microfinance programs with state programs, such as the Rajasthan MSME Policy 2024, Lakhpati Didi, and M Suwidha, may facilitate a faster transition of women to sustainable entrepreneurship by increasing access to capital, technology, and markets. In general, the article highlights the fact that microfinance can serve as a potent driver of multidimensional empowerment of women when integrated into a comprehensive, gender-sensitive policy agenda that places greater emphasis on building capabilities, enterprise growth, and sustainable regional growth.

### **Limitations and Future Scope of the Study**

First, the research is primarily based on secondary sources to analyze the contribution of PMMY, microfinance, and SHG-bank linkage programs to women's financial inclusion and empowerment as entrepreneurs in Rajasthan. Although secondary data are extensive in terms of coverage and policy-level insights, they do not allow one to focus on individual-level

experiences, perceptions, and intra-household interactions, which are the driving forces behind empowerment processes. Future research can include primary data (surveys, interviews, and focus group discussions) to understand women's lived experiences and empowerment trajectories in more depth. Although the study is based on the credible secondary sources of institutional reports, including NABARD (2024), Sa-Dhan (2024), Rajasthan Government (2024), and NITI Aayog and KPMG (2023), to explore the role of PMMY, microfinance, and SHG-bank linkage programmes in enhancing female financial inclusion and entrepreneurial empowerment in Rajasthan, secondary data lacks such qualitative information. Lastly, this study is limited by the lack of longitudinal primary surveys to evaluate the long-term effects of empowerment. Despite these drawbacks, multiple sources of official information make the work reliable and provide a solid picture of the trends in microfinance and women's empowerment in Rajasthan.

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### Author Contributions

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**Dr. Sona Vikas:** Data analysis; validation; investigation; manuscript review.

**Jyoti Gupta:** Technical support; formatting; language editing.