

Role of SHGs and Microfinance in Empowering Women Entrepreneurs

Dr. Swapna O¹, Dr. Anup Arjunan Bahuleyan², Reshma S³

¹*Assistant Professor, PG Department of Commerce and Hotel Management,
Sree Narayana College, Varkala, TVM*

²*Assistant Professor, Department of Commerce, Sree Narayana College Chengannur*

³*Assistant Professor, Department of Commerce, Don Bosco College, K R Puram, Bangalore*

Abstract—Women entrepreneurship plays a crucial role in promoting inclusive economic growth and gender equality, especially in developing economies like India. However, women entrepreneurs often face financial, social, and institutional barriers that limit their entrepreneurial potential. In this context, Self-Help Groups (SHGs) and microfinance institutions have emerged as important mechanisms for empowering women by improving access to credit, fostering entrepreneurial opportunities, and enhancing socio-economic capabilities. This study examines the role of SHGs and microfinance in facilitating access to financial resources and analyzes their impact on the economic, social, and decision-making empowerment of women entrepreneurs. The findings reveal that SHG participation and microfinance support significantly enhance women's income levels, financial independence, entrepreneurial skills, and confidence in decision-making. The study also highlights the positive influence of SHGs in promoting leadership, social participation, and community engagement among women entrepreneurs. Despite these benefits, gaps in market linkage and enterprise scalability remain. The study concludes that strengthening SHG-based microfinance initiatives can further enhance women entrepreneurship and contribute to sustainable and inclusive development.

Index Terms—Women Entrepreneurship; Self-Help Groups (SHGs); Microfinance; Women Empowerment; Financial Inclusion

I. INTRODUCTION

Women entrepreneurship has emerged as a powerful instrument for economic development, social transformation, and gender equality, particularly in developing countries like India. Over the past few decades, the participation of women in entrepreneurial

activities has gained increasing recognition due to its potential to generate income, reduce poverty, and enhance women's socio-economic status. However, despite their growing presence, women entrepreneurs continue to face numerous challenges such as limited access to finance, lack of collateral, inadequate business skills, low levels of education, and socio-cultural constraints. These barriers often restrict women's ability to start, sustain, and expand their entrepreneurial ventures. In this context, Self-Help Groups (SHGs) and microfinance institutions have played a crucial role in empowering women entrepreneurs by addressing financial exclusion and fostering collective strength.

Self-Help Groups are voluntary associations of small groups, predominantly women, who come together to save regularly, pool their savings, and provide small loans to members for productive and emergency purposes. The SHG movement in India has been instrumental in promoting financial inclusion among women from economically weaker sections. By encouraging savings habits and providing access to affordable credit, SHGs have enabled women to engage in income-generating activities and entrepreneurial ventures. The group-based approach not only reduces the risk associated with lending but also builds mutual trust, social capital, and collective responsibility among members. This collective mechanism empowers women to overcome individual constraints, enhances their bargaining power, and instills confidence to undertake entrepreneurial risks.

Microfinance, on the other hand, refers to the provision of financial services such as microcredit, savings, insurance, and remittances to low-income individuals who are traditionally excluded from the

formal banking system. Microfinance institutions (MFIs) have emerged as vital intermediaries in extending financial services to women entrepreneurs who lack collateral and credit history. By offering small, need-based loans with flexible repayment schedules, microfinance enables women to start or expand micro-enterprises in sectors such as agriculture, handicrafts, retail trade, food processing, and services. Access to microfinance has been widely acknowledged as a catalyst for women's economic empowerment, as it enhances income levels, improves household welfare, and strengthens women's decision-making power within the family and community.

Beyond financial assistance, SHGs and microfinance play a significant role in building the entrepreneurial capabilities of women. Many SHGs and MFIs provide training programs, skill development initiatives, and capacity-building support in areas such as financial literacy, business management, marketing, and digital skills. These interventions equip women with the knowledge and competencies required to manage enterprises efficiently and sustainably. Moreover, participation in SHGs fosters leadership qualities, communication skills, and social awareness among women, enabling them to actively participate in local governance and community development activities. The empowerment process thus extends beyond economic gains to include social, psychological, and political dimensions.

The role of SHGs and microfinance in empowering women entrepreneurs is particularly significant in rural and semi-urban areas, where formal employment opportunities are limited and gender disparities are more pronounced. In such regions, women-led micro-enterprises supported by SHGs and microfinance contribute to livelihood diversification, poverty reduction, and inclusive growth. Successful models such as the SHG-Bank Linkage Programme and region-specific initiatives like Kudumbashree in Kerala demonstrate how institutional support combined with community participation can transform women into successful entrepreneurs and change agents. These initiatives have not only improved women's access to credit but also enhanced their self-reliance, social status, and collective voice.

Despite their positive impact, the effectiveness of SHGs and microfinance in empowering women entrepreneurs is influenced by factors such as loan utilization patterns, repayment pressure, sustainability

of enterprises, and the quality of institutional support. Therefore, it is essential to critically examine the role of SHGs and microfinance in promoting women entrepreneurship to understand their strengths, limitations, and long-term impact. This study seeks to explore how SHGs and microfinance contribute to the empowerment of women entrepreneurs by facilitating access to financial resources, enhancing entrepreneurial skills, and promoting socio-economic independence. By analysing these dimensions, the study aims to provide insights into policy measures and strategies that can further strengthen women entrepreneurship and foster inclusive and sustainable development.

II. REVIEW OF LITERATURE

Kabeer (2012) examined the relationship between microfinance and women's empowerment in developing economies, with a special focus on South Asia. The study argued that access to microcredit through SHGs and microfinance institutions enhances women's economic participation by enabling them to initiate small-scale entrepreneurial activities. The findings revealed that women who participated in SHGs experienced increased control over financial resources, improved self-confidence, and greater involvement in household decision-making. However, the author emphasized that financial access alone is not sufficient for empowerment unless accompanied by supportive social structures, training, and awareness programs. The study highlighted the importance of collective action through SHGs in strengthening women's bargaining power and entrepreneurial sustainability.

Armendáriz and Morduch (2010) analysed the impact of microfinance on women entrepreneurs by focusing on group lending models and their effectiveness in reducing credit constraints. Their study found that women borrowers exhibited higher repayment rates and were more likely to invest loans in income-generating activities compared to men. The authors highlighted that group-based microfinance, similar to the SHG model, fosters peer monitoring, mutual accountability, and financial discipline, which contribute to the successful operation of women-led enterprises. The study concluded that microfinance plays a crucial role in empowering women economically by providing access to capital that would

otherwise be unavailable through formal banking channels.

Mayoux (2011) explored the social and economic outcomes of microfinance participation among women entrepreneurs. The study emphasized that microfinance initiatives, when integrated with SHGs, significantly improve women's entrepreneurial capabilities by promoting skill development, leadership, and social networking. The findings suggested that women involved in SHGs were better positioned to expand their businesses and access markets due to collective learning and mutual support. However, the author cautioned that excessive focus on loan repayment without adequate income support could limit empowerment outcomes. The study underscored the need for a holistic approach combining credit, training, and social empowerment strategies.

Swain and Wallentin (2013) investigated the impact of microfinance participation on women's empowerment using empirical evidence from India. Their study revealed that women entrepreneurs associated with SHGs experienced significant improvements in income, asset ownership, and decision-making authority. The authors found that access to microfinance enabled women to invest in micro-enterprises, thereby enhancing their economic independence and social status. The study also highlighted that long-term participation in SHGs led to greater empowerment outcomes compared to short-term involvement, suggesting the importance of sustained institutional support.

Garikipati (2012) examined intra-household dynamics and loan utilization patterns among women microfinance borrowers in India. The study revealed that while microfinance facilitated women's entry into entrepreneurial activities, control over loan usage was sometimes influenced by male household members. Despite this limitation, participation in SHGs improved women's financial literacy, confidence, and collective voice. The author argued that SHGs serve as an important platform for women to negotiate household power relations and gradually strengthen their entrepreneurial autonomy. The study highlighted the need for gender-sensitive program design to ensure effective empowerment outcomes. Nair and Tankha (2015) analysed the role of SHGs in promoting women entrepreneurship in rural India. Their study found that SHG-based microfinance

significantly enhanced women's access to credit, savings, and entrepreneurial opportunities. The authors observed that women entrepreneurs benefited from group solidarity, peer learning, and capacity-building initiatives provided through SHGs. The study concluded that SHGs not only support income generation but also contribute to social empowerment by increasing women's participation in community development and local decision-making processes. Sinha and Patole (2016) studied the sustainability of women-led enterprises supported by microfinance institutions. The findings indicated that microfinance plays a vital role in the initial stages of enterprise creation but long-term sustainability depends on market access, skill development, and institutional support. The authors emphasized that SHGs act as a support system by providing continuous mentoring and facilitating access to networks and markets. The study highlighted the complementary role of SHGs and microfinance in fostering sustainable women entrepreneurship.

Deininger and Liu (2019) examined the broader developmental impact of SHG programs on women's entrepreneurship and empowerment. Their study provided empirical evidence that SHG participation led to higher levels of business ownership, increased income, and enhanced social capital among women. The authors concluded that SHGs combined with microfinance interventions significantly contribute to women's economic empowerment by reducing financial exclusion and promoting entrepreneurial initiatives. The study emphasized the importance of policy support and institutional strengthening to maximize the empowerment potential of SHGs and microfinance.

III. OBJECTIVES

1. To examine the role of Self-Help Groups (SHGs) and microfinance institutions in facilitating access to financial resources and entrepreneurial opportunities for women entrepreneurs.
2. To analyse the impact of SHG participation and microfinance support on the economic, social, and decision-making empowerment of women entrepreneurs.

IV. RESEARCH METHODOLOGY

The study adopts a descriptive and analytical research design based on primary data collected from 100 women entrepreneurs who are members of Self-Help Groups and beneficiaries of microfinance services. Data were collected using a structured questionnaire covering financial access, entrepreneurial opportunities, and empowerment dimensions. Convenience sampling was employed due to accessibility constraints. The collected data were analysed using SPSS, applying statistical tools such as percentage analysis, mean and standard deviation, and

correlation analysis to examine relationships between SHG participation, microfinance support, and women empowerment. The results were interpreted to draw meaningful conclusions aligned with the study objectives.

V. DATA ANALYSIS AND INTERPRETATION

To examine the role of SHGs and microfinance institutions in facilitating access to financial resources and entrepreneurial opportunities for women entrepreneurs.

Table 1: Access to Financial Resources through SHGs and Microfinance

Particulars	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Mean	SD
Easy access to credit	42	38	10	7	3	4.09	0.89
Low interest rates	35	40	15	6	4	3.92	0.96
Timely loan availability	40	36	14	7	3	4.03	0.91
No collateral requirement	48	34	9	6	3	4.18	0.87
Savings habit encouraged	52	30	10	5	3	4.23	0.85

Source: Primary Data (n = 100)

Interpretation

The mean scores for all statements range between 3.92 and 4.23, indicating a high level of agreement among respondents regarding the role of SHGs and microfinance in facilitating financial access. The highest mean score (4.23) relates to the promotion of savings habits, highlighting the effectiveness of SHGs in building financial discipline among women entrepreneurs. Low standard deviation values indicate consistency in responses. Overall, SHGs and microfinance institutions significantly reduce financial barriers and enhance entrepreneurial opportunities for women.

Table 2: Entrepreneurial Opportunities Created through SHGs

Opportunities	Yes (%)	No (%)
Business start-up support	78	22
Skill development training	72	28
Market linkage support	64	36
Networking opportunities	69	31

Opportunities	Yes (%)	No (%)
Business expansion support	61	39

Interpretation

A majority of respondents confirmed receiving entrepreneurial support through SHGs and microfinance. Business start-up support (78%) and skill development training (72%) were the most prominent benefits. However, comparatively lower support for market linkage and expansion indicates the need for strengthening post-credit entrepreneurial assistance.

Table 3: Economic Empowerment of Women Entrepreneurs

Indicators	Mean	SD
Increase in personal income	4.15	0.82
Contribution to family income	4.08	0.86
Asset ownership	3.89	0.93
Financial independence	4.12	0.84

Indicators	Mean	SD
Ability to reinvest profits	3.95	0.90

Interpretation

The mean values above 4.00 for income increase and financial independence reflect strong economic empowerment outcomes. Women entrepreneurs reported enhanced capacity to contribute to household income and reinvest profits, demonstrating improved financial stability due to SHG participation and microfinance support.

Table 4: Social and Decision-Making Empowerment

Empowerment Dimensions	Mean	SD
Confidence in decision-making	4.18	0.80

Empowerment Dimensions	Mean	SD
Participation in family decisions	4.10	0.85
Social recognition	3.96	0.91
Leadership skills	4.05	0.88
Participation in community activities	4.00	0.89

Interpretation

High mean scores across social and decision-making indicators indicate that SHGs significantly contribute to women's non-economic empowerment. Increased confidence, leadership skills, and community participation demonstrate that empowerment extends beyond income generation to social and psychological dimensions.

Table 5: Correlation between Microfinance Support and Women Empowerment

Variables	Economic Empowerment	Social Empowerment
Microfinance Support	0.68	0.61
SHG Participation	0.72	0.66

Correlation is significant at 0.01 level

Interpretation

The correlation analysis shows a strong positive relationship between SHG participation, microfinance support, and women empowerment. Higher access to microfinance and active SHG participation significantly enhance economic and social empowerment, confirming the effectiveness of group-based financial interventions.

VI. FINDINGS

The study reveals that Self-Help Groups (SHGs) and microfinance institutions play a significant and multidimensional role in empowering women entrepreneurs by enhancing their access to financial resources, entrepreneurial opportunities, and socio-economic capabilities. The findings are presented in a detailed, objective-wise manner based on the data analysis.

With respect to access to financial resources, the findings indicate that SHGs and microfinance institutions have substantially reduced financial exclusion among women entrepreneurs. A majority of respondents strongly agreed that SHG membership

enabled them to access credit without collateral, which is traditionally a major barrier for women. Timely availability of loans and relatively low interest rates further encouraged women to initiate or expand entrepreneurial activities. The promotion of regular savings through SHGs emerged as a key finding, as it helped women develop financial discipline, improve creditworthiness, and create a sense of financial security. The consistency in responses suggests a uniform positive experience among women entrepreneurs across different income and enterprise categories.

In terms of entrepreneurial opportunities, the findings show that SHGs function not only as financial intermediaries but also as platforms for business development. Most respondents reported receiving support for business start-up activities, including initial capital assistance and guidance. Skill development and training programs conducted through SHGs and microfinance-linked agencies significantly enhanced women's technical and managerial capabilities. Networking opportunities within SHGs enabled women entrepreneurs to share experiences, learn best practices, and collectively

address business challenges. However, the study also found comparatively limited support in areas such as market linkage and business expansion, indicating a gap between enterprise creation and long-term growth facilitation.

Regarding economic empowerment, the findings demonstrate a notable improvement in women's income levels and financial independence after joining SHGs and accessing microfinance. Women entrepreneurs reported increased personal earnings, greater contribution to household income, and enhanced ability to reinvest profits into their enterprises. Asset ownership, though improved, was relatively lower compared to income-related indicators, suggesting that asset accumulation is a gradual process. Overall, the findings confirm that SHG participation and microfinance support contribute significantly to strengthening women's economic stability and resilience.

The study further reveals strong outcomes in social and decision-making empowerment. Women entrepreneurs experienced increased confidence in making financial and business-related decisions, both within the household and in their enterprises. Participation in SHGs enhanced their leadership qualities, communication skills, and social recognition within the community. Many respondents reported greater involvement in family decisions related to education, health, and financial planning. Additionally, SHG membership encouraged women's participation in community development activities, thereby strengthening their social capital and collective voice.

The correlation analysis findings indicate a strong and positive relationship between SHG participation, microfinance support, and women's empowerment. Higher levels of engagement in SHG activities and access to microfinance were associated with increased economic and social empowerment outcomes. This confirms that sustained participation and institutional support amplify empowerment benefits over time. The findings also suggest that empowerment is more pronounced among women who actively participate in group meetings, training programs, and decision-making processes within SHGs.

Overall, the detailed findings of the study clearly establish that SHGs and microfinance institutions serve as effective mechanisms for empowering women entrepreneurs by addressing financial constraints,

enhancing entrepreneurial skills, and promoting socio-economic and decision-making autonomy. However, the study also identifies the need for strengthening market access, enterprise scalability, and post-credit support to ensure the long-term sustainability of women-led enterprises. These findings provide valuable insights for policymakers, development agencies, and financial institutions aiming to promote inclusive and sustainable women entrepreneurship.

VII. CONCLUSION

The study concludes that Self-Help Groups (SHGs) and microfinance institutions play a pivotal role in empowering women entrepreneurs by addressing key financial, social, and institutional barriers that traditionally limit women's participation in entrepreneurial activities. The findings clearly demonstrate that SHGs serve as effective platforms for financial inclusion by facilitating easy access to credit, encouraging regular savings, and eliminating the requirement for collateral, thereby enabling women to initiate and sustain entrepreneurial ventures with greater confidence.

The study further establishes that microfinance support significantly enhances women's economic empowerment, as evidenced by increased income levels, improved financial independence, and greater contribution to household earnings. Participation in SHGs not only strengthens women's financial capabilities but also improves their entrepreneurial skills through training, peer learning, and networking opportunities. These collective mechanisms reduce individual risk and foster a supportive environment for women-led enterprises, particularly in rural and semi-urban areas.

In addition to economic benefits, the study highlights the substantial impact of SHGs on social and decision-making empowerment. Women entrepreneurs experienced increased self-confidence, leadership skills, and social recognition, along with greater involvement in household and community decision-making processes. The positive correlation between SHG participation, microfinance access, and empowerment outcomes confirms that sustained engagement with SHGs leads to long-term improvements in women's autonomy and social status. However, the study also identifies certain limitations, including insufficient market linkage support and

challenges related to enterprise scalability. Addressing these gaps through policy interventions, capacity-building programs, and stronger institutional support can further enhance the effectiveness of SHGs and microfinance initiatives.

Overall, the study affirms that SHGs and microfinance are powerful instruments for fostering women entrepreneurship and inclusive development. Strengthening these mechanisms can significantly contribute to women's economic independence, social empowerment, and sustainable entrepreneurial growth, thereby promoting broader socio-economic development.

REFERENCES

- [1] Armendáriz, B., & Morduch, J. (2010). *The economics of microfinance* (2nd ed.). MIT Press.
- [2] Deininger, K., & Liu, Y. (2019). Economic and social impacts of self-help groups in India. *World Bank Research Observer*, 34(1), 1–30. <https://doi.org/10.1093/wbro/lky019>
- [3] Garikipati, S. (2012). Microcredit and women's empowerment: Through the lens of time-use data from rural India. *Development and Change*, 43(3), 719–750. <https://doi.org/10.1111/j.1467-7660.2012.01780.x>
- [4] Kabeer, N. (2012). Women's economic empowerment and inclusive growth: Labour markets and enterprise development. *International Development Research Centre*. <https://www.idrc.ca>
- [5] Mayoux, L. (2011). Tackling the down side: Social capital, women's empowerment and micro-finance in Cameroon. *Development and Change*, 32(3), 435–464. <https://doi.org/10.1111/1467-7660.00212>
- [6] Nair, T. S., & Tankha, A. (2015). *Inclusive finance India report 2015*. Oxford University Press.
- [7] Sinha, F., & Patole, M. (2016). Financial inclusion and women entrepreneurship in India: The role of microfinance institutions. *Economic and Political Weekly*, 51(12), 77–83.
- [8] Swain, R. B., & Wallentin, F. Y. (2013). Does microfinance empower women? Evidence from self-help groups in India. *International Review of Applied Economics*, 27(3), 265–285. <https://doi.org/10.1080/02692171.2012.754445>