

Impact of Microfinance / Self-Help Groups on the Financial Stability and Economic Outcomes of Low-Income Women in India

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ABSTRACT

India operates the largest microfinance programme in the world, with Self-Help Group (SHG)–bank linkage now reaching some 17.75 crore (177.5 million) households, the overwhelming majority of them women. Yet scale of access is not the same as financial security, and this study asks to what extent microfinance and SHGs actually improve the financial stability and economic outcomes of low-income women in India. It draws a deliberate distinction between short-term consumption smoothing, the day-to-day ability to cover emergencies and even out irregular cash flow, and long-term wealth accumulation through productive assets, durable savings, and reduced dependence on informal lenders. Using a mixed-methods design that combines nationally representative secondary data (NABARD, the Bharat Microfinance Report, NFHS-5, and DAY-NRLM) and peer-reviewed impact studies with an original survey of 50 women, the study compares participants with non-participants across four measured outcomes. The survey reveals a strictly nested ordering: every participant reports the liquidity and emergency-coping benefits, income and regular saving appear for a clear majority but not all, and no higher outcome occurs without the lower ones. This pattern, corroborated by the longitudinal literature, indicates that stabilising a household comes first, and that accumulation builds on that base rather than competing with it. Loan-quality data further show that the disciplined, savings-first SHG model is more robust than commercialised microfinance channels. The study concludes that microfinance reliably improves financial stability and, for most women, income and saving, while asset accumulation follows more gradually and remains incompletely inclusive.

Keywords: microfinance; self-help groups; SHG–bank linkage; financial inclusion; India; women’s economic empowerment; consumption smoothing; asset accumulation; over-indebtedness

1. INTRODUCTION

What began in 1992 as a modest pilot linking around 500 self-help groups to India's banks has since grown into the world's largest such programme by client base and outreach. By 31 March 2024, NABARD's Self-Help Group–Bank Linkage Programme covered some 17.75 crore (177.5 million) households, with 83.52% of the groups composed exclusively of women (NABARD, 2024). On paper, this is an extraordinary feat of financial inclusion, tens of millions of women who once had no position in

the formal financial system are now part of a self-managed network of savings and credit. Yet, sheer scale is not the same thing as security. Even now, only about 11% of Indian women have ever taken a microcredit loan, despite awareness of such programmes having risen to 51% (NFHS-5; IIPS & ICF, 2021), and roughly 44% of women who hold a savings account of their own report that they do not actually control the money in it (NFHS-5; IIPS & ICF, 2021). Reach, in other words, has outpaced genuine financial stability, and the distance between the two is the starting point for this study.

For generations, low-income and rural women in India were effectively shut out of formal finance. Without collateral, documentation, or a credit history, they depended on village moneylenders charging punishing interest rates, leaving households exposed to every seasonal downturn, illness, or crop failure. Microfinance and Self-Help Groups (SHGs) emerged to close exactly this gap. A Self-Help Group is a small, voluntary association, usually of ten to twenty women, who pool regular savings, lend to one another from that common fund, and eventually link to a formal bank for larger credit. Microfinance refers more broadly to the small-scale savings, credit, and insurance services designed to reach borrowers whom conventional banks ignore. In India, these mechanisms have been scaled through deliberate policy: the SHG–Bank Linkage Programme, the National Rural Livelihoods Mission (NRLM), and the Pradhan Mantri Jan Dhan Yojana (PMJDY), which together drew millions of previously unbanked women into the financial fold. More recently, a wave of digital financial inclusion, UPI-linked accounts, mobile banking, and digital wallets, has begun to reshape how SHG members save, repay, and access credit. This digital shift is not a peripheral detail; it is steadily redefining the operational landscape in which these groups function.

It is tempting to treat this expansion of accounts and tools as empowerment in itself. This paper resists that assumption and draws a deliberate distinction that anchors the analysis: financial stability is understood not as access to credit, but as the capacity to build lasting economic resilience. That means separating two outcomes too often conflated. The first is short-term consumption smoothing, the ability to manage cash-flow shocks, cover an emergency, or get through a lean season without selling off essentials. The second is long-term wealth accumulation, the building of productive assets, durable savings, and genuinely reduced dependence on high-interest informal lenders. Consumption smoothing matters, and this study treats it as a real first-order benefit rather than a failure, but it is not the same as stability: a woman who can borrow to survive a bad month is differently placed from one steadily accumulating the assets that make bad months survivable. Keeping the two apart is essential to judging what microfinance actually delivers.

This study therefore asks: to what extent do microfinance and Self-Help Groups improve the financial stability and economic outcomes of low-income women in India? Rather than asking simply whether women gain access to credit, by that measure, the scale figures above already suggest a broadly affirmative answer, it interrogates whether that access translates into durable security. It does so by examining four measurable dimensions: savings behaviour, income stability, productive asset accumulation, and reduced dependence on informal lenders. Using a mixed-methods design that sets nationally representative secondary data alongside an original survey of 50 women, and contrasting

participants with non-participants, the study assesses not whether these tools reach women, but whether they leave women materially and lastingly better off, and under what conditions that promise holds.

2. LITERATURE REVIEW

2.1 Consumption Smoothing Versus Capital Accumulation

The most foundational and durably contested question in the microfinance literature concerns what credit actually produces for poor households once received. The central debate is whether microcredit functions primarily as a ladder or as a cushion, in the established vocabulary of the field, whether it drives asset building or merely consumption smoothing. The asset-building view casts credit as a tool for productive investment and long-term wealth accumulation; the consumption-smoothing view casts it as short-term liquidity that stabilises household expenditure across lean periods without generating the durable economic security that constitutes genuine financial stability.

The most rigorous empirical treatment of this question for the Indian context is provided by Klaus Deininger and Yanyan Liu across two companion World Bank Policy Research Working Papers (2009). The first, *Economic and Social Impacts of Self-Help Groups in India* (Working Paper No. 4884), drew on survey data from Andhra Pradesh and reached a finding that is analytically central to this study: “evidence of higher consumption, but not income or asset formation, by participants suggests that at the time of the survey, the program’s main economic impact had been through consumption smoothing and diversification of income sources rather than exploitation of new income sources” (Deininger and Liu, 2009a). In the short to medium term, therefore, SHG credit stabilises household expenditure rather than generating new wealth. The companion paper, *Longer-Term Economic Impacts of Self-Help Groups in India* (Working Paper No. 4886), provides the decisive temporal counterpoint. Using a two-round panel of approximately 2,400 households and applying double-difference, propensity score matching, and pipeline comparison methodologies, Deininger and Liu (2009b) found that longer programme exposure has positive impacts on consumption, nutritional intake, and asset accumulation and that even the poorest households were able to benefit from the programme. Taken together, these two papers establish consumption smoothing not as evidence of programme failure but as a necessary precondition for capital accumulation: households must first stabilise expenditure volatility before they can redirect surplus towards productive investment. This sequential interpretation is the empirical foundation of this paper’s core argument.

Deininger and Liu (2009b) caution that this short-run asset deficit may be partly an artefact of survey timing and instrument design: productive assets characteristic of SHG members, livestock, sewing machines, and petty trade stock, are acquired incrementally and are easily undercounted over short observation windows. A finding of “no asset effect” within a short panel is therefore not equivalent to “no asset trajectory,” and the two should not be conflated when assessing financial stability.

The theoretical scaffolding for this sequential view was established earlier by Jonathan Morduch. In “Income Smoothing and Consumption Smoothing” (*Journal of Economic Perspectives*, 1995), Morduch

argued that consumption stabilisation is not a trivial outcome for poor households: it is structurally prerequisite to any longer-horizon accumulation strategy, because households perpetually managing income shocks are forced to liquidate nascent savings before those savings can compound into investable capital. His subsequent paper, “The Microfinance Schism” (World Development, 2000), extended this logic to institutional design, identifying a structural tension between financial sustainability, which drives microfinance institutions towards wealthier borrowers capable of servicing higher-cost loans, and social outreach, which demands reaching the poorest women whose near-term returns may only be sufficient to smooth consumption. The two arguments connect directly: when an institution prioritises its own financial survival, it tends to withdraw the small, flexible, rapidly disbursed emergency loans that poor households depend on, pushing them back towards informal moneylenders at the very moments of shock — and, as the 1995 analysis shows, each such episode forces the liquidation of nascent savings, steadily eroding the household’s capacity to accumulate capital over time. This “schism” is thus embedded in the SHG model itself: savings-disciplined groups oriented towards bank linkage are relatively sustainable but may, in practice, select against the most marginalised women who cannot meet regular contribution thresholds.

The 2013 World Development paper by Deininger and Liu reinforces this conditionality. Evaluating an enhanced SHG programme in Andhra Pradesh that combined microcredit with poverty-targeting and livelihood support, the authors found that the programme helped improve consumption smoothing and income diversification, but that benefits in female empowerment and nutritional intake were observed without significant short-run asset formation (Deininger and Liu, 2013). The institutional design surrounding the credit, not the credit alone, determines whether the trajectory towards capital accumulation is realised. This is echoed by the recent MDPI study of NRLM-linked SHGs in Maharashtra (Panda, 2026), which finds that the mission functions chiefly as a policy channel mediating the relationship between banking access, credit use and household economic well-being, rather than as a direct source of accumulation in its own right. The evidence Panda reviews makes the same point more sharply still: Raghunathan et al. (2023), drawing on a four-year panel of close to 2,500 households across five states, find that NRLM participation raises household food expenditure and livestock ownership but produces no comparable effect on other categories of expenditure or on broader asset accumulation, and that the effect of membership duration is modest. The binding constraint, on this evidence, lies in the livelihood support surrounding the credit rather than in the credit itself.

Table 1: Short-Run vs. Long-Run Financial Stability Outcomes in SHG Participation

Outcome Variable	Short-term (0–2 years)	Long-term (2.5+ years)
Consumption stability	Significant improvement	Sustained
Income diversification	Modest improvement	Moderate
Productive asset accumulation	Negligible	Significant
Nutritional intake	Modest	Positive
Female empowerment indicators	Moderate	Positive

Source: author's own synthesis of the Deininger and Liu studies. The short-term column summarises the cross-sectional findings of Working Paper No. 4884 (Deininger and Liu, 2009a), the long-term column the panel findings of Working Paper No. 4886 (Deininger and Liu, 2009b), and the nutritional and empowerment rows draw additionally on the 2013 World Development evaluation (Deininger and Liu, 2013).

2.2 Usury Relief and the Risk of Layered Indebtedness

The second major debate concerns how SHG credit interacts with the pre-existing informal credit markets that dominate rural India. For low-income women, access to credit has historically been mediated almost exclusively by village moneylenders operating outside any regulatory framework, at annual interest rates commonly ranging from 40 to 120 per cent (Deininger and Liu, 2009a). These rates reflect more than simple exploitation: informal lenders price in high default risk, hold no formal collateral they can recover through the courts, and rely instead on deep personal and local knowledge of their borrowers, information that substitutes, at a price, for the collateral and legal enforcement on which formal lending depends. Whether SHG participation genuinely displaces this dependence, or merely restructures household debt, is one of the most consequential empirical questions in the field.

The usury relief argument holds that group and bank loans, offered at collectively agreed or RBI-governed rates, provide a credible exit from moneylender dependency. At the interest rate differentials common in rural India, a household substituting an informal loan with an SHG loan can redirect a meaningful share of its annual income from debt service towards savings or productive investment. This gain may be termed interest premium savings: by shedding the premium that informal lenders charge, a household's disposable spending power increases directly without requiring an immediate increase in raw earnings. Deininger and Liu (2009a) identified this mechanism as a contributing factor to the higher consumption observed among participants, suggesting that part of the consumption gain reflects reduced debt service burden rather than new income generation. This finding is supported by Hoffmann, Rao, Surendra, and Datta (2021), whose impact evaluation of the NRLM-affiliated SHG programme found “significant positive effects on formal credit access from SHG initiatives,” confirming that participation successfully redirected households towards lower-cost formal credit channels (Journal of Development Economics, vol. 154). However, Hoffmann et al. (2021) simultaneously found that the short-run impact on asset ownership and material well-being was “modest to insignificant,” reinforcing the temporal sequencing argument from Section 2.1: formal credit access is a necessary but not sufficient condition for financial stability.

The scale of this relief is worth making explicit: where informal credit carries effective annual rates between 40 and 120 per cent (Deininger and Liu, 2009a), even a partial substitution towards regulated SHG and bank credit can free a substantial portion of a household's income that would otherwise be absorbed by interest alone. Because these interest premium savings raise disposable resources without raising earnings, they are largely invisible to income-side measurement yet highly material to household welfare, and it is the magnitude of the rate differential, not any single point estimate of impact, that makes displacement consequential wherever it genuinely occurs.

The critical counterpoint is provided most incisively by K. Kalpana in IDS Working Paper No. 303, *The Vulnerability of 'Self-Help': Women and Microfinance in South India* (2008). Drawing on extensive qualitative fieldwork in Tamil Nadu, Kalpana documented three mechanisms through which SHG participation can deepen rather than reduce debt vulnerability. First, the joint-liability structure creates intense social pressure on borrowers experiencing repayment difficulty, with women reporting being held responsible for loan repayments taken by male relatives, effectively transferring credit risk to women while leaving them with limited control over loan use. This exposes a stark misalignment between liability and control: although the programme is addressed to women on paper, the men of the household frequently direct how the borrowed money is actually spent, so that the woman carries the full formal burden of repayment while exercising little or none of the decision-making power the loan is meant to confer. The financial risk, in effect, is fully feminised even where control over the funds is not. Second, widespread fabrication of loan purpose documentation was observed: because bank officials required loans to be directed towards income-generating activities, members and facilitators regularly manufactured evidence of non-existent enterprises, with actual loan use being consumption smoothing or prior debt repayment. Third, and most structurally significant, SHG credit in many cases ran parallel to continued informal borrowing rather than replacing it: members took group loans to service informal debts, or took informal loans to cover group repayments during income disruptions. The outcome was a deepening of total household indebtedness even as the cost of some credit declined. Kalpana terms this a restructuring rather than a displacement of debt networks, representing one of the most important qualifications to the financial stability claims made on behalf of the SHG model. This critique receives contemporary empirical support from Puliya Kot and Pradhan (2024), whose survey of 210 borrowing households in Tamil Nadu found over-indebtedness to be relatively widespread rather than exceptional, and located its principal drivers in external and lender-related factors rather than in the characteristics of borrowers themselves (*The Indian Economic Journal*, 72(1), 57–71). Their further finding that informal sources of credit exert a considerably stronger influence on over-indebtedness than formal sources, microfinance included, cuts in two directions at once: it corroborates Kalpana's account of parallel informal borrowing as the mechanism by which household debt deepens, while suggesting that of the two debts such a household carries, the group loan is usually the safer.

Read against one another, Hoffmann et al. (2021), Kalpana (2008), and Puliya Kot and Pradhan (2024) describe not a contradiction but a set of conditions. Displacement of moneylender dependence appears where formal SHG credit is dense enough to meet both routine and emergency needs and where household income is stable enough to service group obligations from earnings rather than from fresh informal borrowing. Restructuring, by contrast, predominates where microfinance markets are saturated, where credit density is insufficient to absorb large emergency expenditures such as medical crises, and where recurrent income shocks force households to bridge group repayments with informal loans. The same institutional instrument can therefore produce opposite welfare outcomes depending on local credit-market structure and household income volatility, a conditionality that any aggregate, nationally averaged assessment risks obscuring entirely.

Morduch's schism framework provides the institutional explanation for why both outcomes coexist. Institutional pressure to maintain near-perfect repayment rates, used to justify continued NABARD refinancing, creates incentives for group leaders to prioritise formal repayment discipline over genuine household financial resilience. A group that sustains 98 per cent repayment by encouraging members to borrow informally to service formal loans is technically performing well by programme metrics while reproducing the debt dependency the programme was designed to address (Morduch, 2000). This divergence between institutional success indicators and household welfare outcomes is a persistent and under-resolved tension in the SHG literature.

2.3 Research Gaps

Three productive gaps emerge from this review. First, the long-run evidence base remains limited: Deininger and Liu's 2.5 to 3-year panel demonstrates the consumption-to-asset transition but cannot resolve whether these gains persist and compound over a decade or more of sustained participation. Second, the interaction between digital financial infrastructure (UPI, PMJDY, mobile banking) and SHG outcomes has not been rigorously studied at scale; the institutional landscape has shifted faster than the academic literature, and the distributional consequences of digitalisation for the most marginalised members remain an open empirical question. Third, programme placement bias complicates causal inference across most existing studies: implementing agencies have been documented as preferring villages with better road access and higher baseline literacy (Deininger and Liu, 2009a), meaning that many positive impact evaluations may overstate programme effectiveness for the households most exposed to informal lender exploitation.

2.4 Positioning of This Study

This paper positions itself within these gaps by arguing that microfinance and SHGs do improve financial stability outcomes for women in India, but that the nature, magnitude, and durability of those improvements are conditional on programme duration, institutional quality, and the structural features of local credit markets. The academic evidence supports neither a uniformly optimistic nor a uniformly pessimistic conclusion. It describes a conditional and time-dependent spectrum, which is precisely the framing this paper adopts throughout the analysis that follows. Of the three gaps identified above, this paper engages most directly with the first and third: drawing on nationally representative secondary data alongside an original survey of 50 women, it reads the established evidence base against new primary evidence to show how the persistence and the distribution of financial-stability gains depend on those same three conditions, while identifying the digitalisation gap as the most pressing priority for the primary research that must follow.

3. METHODOLOGY

3.1 Research Design

This study adopts a mixed-methods research design, combining quantitative secondary data with primary survey data, to examine how participation in Self-Help Groups (SHGs) and the SHG-Bank Linkage Programme (SHG-BLP) influences the financial stability and economic autonomy of women in India. The basis for combining the two is that each operates at a different level of analysis and offsets the other's weakness. Nationally representative secondary data establish the scale, reach and macroeconomic significance of microfinance but cannot capture the circumstances of individual women, whereas a small primary survey captures those individual-level differences but cannot, on its own, establish national patterns. Used together, the secondary data provide the large-scale evidentiary foundation, while the primary survey supplies grounded, human context. The analysis is descriptive: the secondary data characterise the scale, reach and documented impact of microfinance on women who use it, while the primary survey compares SHG/MFI participants with non-participants.

The primary instrument is deliberately a six-item, closed (yes/no) questionnaire. Because many respondents face literacy, digital-access, and time constraints, it is more convenient since it can be translated unambiguously, and answered in minutes, keeping fieldwork feasible for a single researcher. The trade-off is that yes/no self-reports cannot capture magnitudes, loan uses, or debt layering. A longer, graduated instrument is therefore identified as a refinement for future research and revisited in the Discussion.

3.2 Data Collection

3.2.1 Secondary Data Collection

Secondary data form the macro-level foundation of the study and are drawn from authoritative, publicly available sources. Three categories of source are used:

Microfinance programme data: NABARD's Status of Microfinance in India (2023-24) and Sa-Dhan's Bharat Microfinance Report (FY 2024-25) provide the scale and performance of the SHG-BLP, including the number of SHGs savings- and credit-linked, total savings mobilised, and loans disbursed and outstanding.

Women's-empowerment data: the National Family Health Survey (NFHS-5, 2019-21), with NFHS-4 (2015-16) for trend comparison, supplies nationally representative indicators on women's ownership and use of bank accounts, participation in household decisions, and ownership of house or land.

Programme-outreach data: the Ministry of Rural Development's Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM) documents the number of women mobilised into SHGs, community investment funds disbursed, and reported gains in household income.

These sources are justified by their authority, national coverage and recency, and are complemented by peer-reviewed impact studies of participation effects on women's finances. Together they constitute the large-scale evidence base on microfinance and women's financial inclusion in India, and establish the macroeconomic backdrop against which the primary findings are read. Indian numerical conventions are retained throughout, with international equivalents given in brackets on first and subsequent use; rupee amounts are converted at approximately ₹83 = US\$1, the average exchange rate for the 2023–24 financial year to which most of the reported figures relate. All dollar figures are indicative and rounded.

3.2.2 Primary Data Collection

Primary data are collected through a short, structured questionnaire administered to women in the researcher's local community. The instrument consists of six closed (yes/no) questions. The first two record whether the respondent has used a microfinance loan and belongs to an SHG or joint-liability group (JLG), defining the two groups compared; the remaining four record the outcomes she attributes to using these services: higher income, regular saving, reduced reliance on informal lenders, and a better capacity to manage financial emergencies.

Because many prospective respondents may face digital-literacy or language barriers, the questionnaire is interviewer-administered rather than distributed as an online link. The researcher meets each respondent in person, reads the questions aloud in the respondent's preferred language, and records the answers directly, transcribing them into a structured spreadsheet or equivalent form. This safeguards data quality and comprehension and keeps the survey accessible to respondents who might otherwise be excluded.

3.3 Sampling Techniques

The study uses purposive, quota-based sampling to ensure both groups of interest are represented within a small and manageable sample. Respondents are recruited through accessible local networks, family helper networks, small local businesses, and nearby non-governmental organisations working with women. The population is divided into two sections according to the characteristic central to the research question:

SHG/MFI members: women who currently participate in a Self-Help Group or microfinance institution.

Non-members: women who do not participate in any such group.

A sample of approximately 30–50 respondents was sought, with both groups represented; the realised sample comprised 50 women, 37 SHG/MFI members and 13 non-members. The sample is deliberately localised and modest in size; its purpose is to provide illustrative insight that complements the secondary data, rather than to achieve statistical representativeness of the national population.

3.4 Data Analysis

3.4.1 Analysis of Secondary Data

Secondary data are analysed descriptively. Relevant figures are extracted from each report, tabulated in a master spreadsheet against their source and reference year, and used to characterise the national context, the scale of the SHG-BLP, trends in women's financial inclusion, and the reach of government

microfinance programmes. No statistical modelling is applied to the secondary data; they provide the national context within which the primary findings are interpreted.

3.4.2 Analysis of Primary (Survey) Data

The survey responses are analysed using simple descriptive statistics. Answers are converted into percentages and compared across the two groups, for example, the proportion of members who save regularly in a bank against the corresponding proportion of non-members. The results are organised under the four outcomes the survey actually measured (regular saving, personal income, reliance on informal lenders, and the capacity to manage financial emergencies) and presented as bar charts and summary tables. The survey did not measure asset ownership or financial decision-making power, so these are not treated as primary-data themes. This omission requires explanation given the weight Section 2.1 places on asset accumulation. Productive assets, are acquired incrementally, are often seasonal, and are frequently registered in a husband's or household's name rather than the woman's own. Therefore, a single yes/no item such as "Do you own more productive assets than before?" would invite unreliable answers under exactly these conditions.

3.5 Limitations

3.5.1 Small, Localised and Unbalanced Sample

The primary survey is based on a small, non-random, geographically concentrated sample, its two comparison groups are unbalanced (37 members against 13 non-members), which makes non-member percentages especially volatile. Its findings are illustrative rather than statistically representative and cannot be generalised to all Indian women. This limitation is mitigated by the role assigned to the survey: it adds human context, while the nationally representative secondary data (NFHS, NABARD/RBI) provide the large-scale, macroeconomic evidence.

3.5.2 Potential Bias in Self-Reported Data

Because the survey relies on self-reported answers, the data are subject to recall and social-desirability bias; respondents may over- or under-state their savings behaviour or their role in household decisions. Interviewer administration improves comprehension but may introduce a degree of interviewer effect.

3.5.3 Cross-Sectional Time Frame

The data are collected at a single point in time. A cross-sectional design captures the situation as it stands but cannot trace changes in financial stability or decision-making over the longer term, nor establish causation between SHG participation and the outcomes observed. This carries a direct consequence for the study's central claim, a one-time survey cannot, by itself, prove a time-based "smoothing-before-accumulation" sequence.

3.5.4 Secondary Data Not Disaggregated by Membership

The national datasets are not broken down by individual SHG membership. They therefore describe the overall population and the programme environment rather than a direct member-versus-non-member

contrast, that contrast rests on the primary survey. The secondary figures also inherit any definitional and coverage limitations of their original source reports.

3.5.5 Sampling Bias in Local Networks

Because respondents were recruited through the accessible local channels described in Section 3.3, the sample may not be representative even of low-income women more broadly. This is particularly relevant given that 73% of participants reached the “Full Package” profile. Women reachable through the researcher’s personal and local networks may enjoy higher baseline financial literacy, stronger social capital, or better market access than the deeply marginalised rural women who are hardest to reach, and this selection effect could partly explain the highly positive primary survey figures. The results should therefore be read as illustrative of relatively better-connected participants rather than of the most marginalised population the programmes are ultimately intended to serve.

3.6 Ethical Considerations

Because the study engages a socio-economically vulnerable group and asks questions of a personal, financial nature, careful ethical safeguards were observed throughout. Each respondent gave verbal informed consent before the survey was administered, once the purpose of the study had been explained to her. To guarantee anonymity, no personally identifying details (names, addresses or telephone numbers) were recorded at any stage. Participants were also told clearly that taking part was wholly voluntary, and that they were free to skip any question or to stop the interview at any point.

4. DATA ANALYSIS AND FINDINGS

4.1 Overview and Approach

This section presents two bodies of evidence. The primary evidence is an original survey of 50 women, of whom 37 (74%) had used a microfinance loan and belonged to a Self-Help Group (SHG) or Joint Liability Group (JLG), and 13 (26%) had not (Table 2). Participation was internally consistent: every respondent who reported a microfinance loan also reported SHG/JLG membership. The survey recorded four outcomes: dependence on informal lenders, the ability to manage unexpected emergencies, personal income, and regular saving (for the period since the respondent began using these services). The secondary evidence is drawn from national institutional reports (NABARD, the Bharat Microfinance Report, and DAY-NRLM), the NFHS-5 survey, and peer-reviewed impact studies; it is used here to describe the impact of microfinance on the women who use it.

Respondent group	Count (n)	Share
Participants (microfinance loan + SHG/JLG member)	37	74%
Non-participants	13	26%
Total	50	100%

Table 2. *Composition of the primary survey sample (N = 50). Source: author’s primary survey data.*

4.2 Primary Survey: What Participants Report

Among the 37 participants the four outcomes fall into two clear tiers (Figure 1). All 37 (100%) reported that participation had reduced their dependence on informal lenders, and all 37 (100%) that it had improved their ability to manage unexpected emergencies. A clear majority, but not all, reported the two financial-position outcomes: 30 of 37 (81%) reported higher personal income and 27 of 37 (73%) reported being able to save regularly. None of the 13 non-participants reported a positive change on any item. This is a structural artefact of the question wording rather than a substantive result: because every outcome item asked respondents about change “since using these services,” non-participants could only answer “No,” and they therefore cannot function as a genuine comparative control group. A valid comparison would require reframing these items for non-participants around general baseline habits, for example asking whether they are currently able to save regularly rather than whether their saving improved after joining a group. For this reason the non-participant responses are reported for transparency but are excluded from the comparative interpretation that follows. These percentages are the direct evidence the survey provides; what follows is interpretation built on them.

The clearest feature of Figure 1 is the gap between the two pairs of bars. The liquidity outcomes are complete, no participant fails to report them, whereas the accumulation outcomes leave seven participants (19%) without an income gain and ten (27%) without regular saving. The shortfall is therefore concentrated in particular respondents rather than spread thinly across the sample.

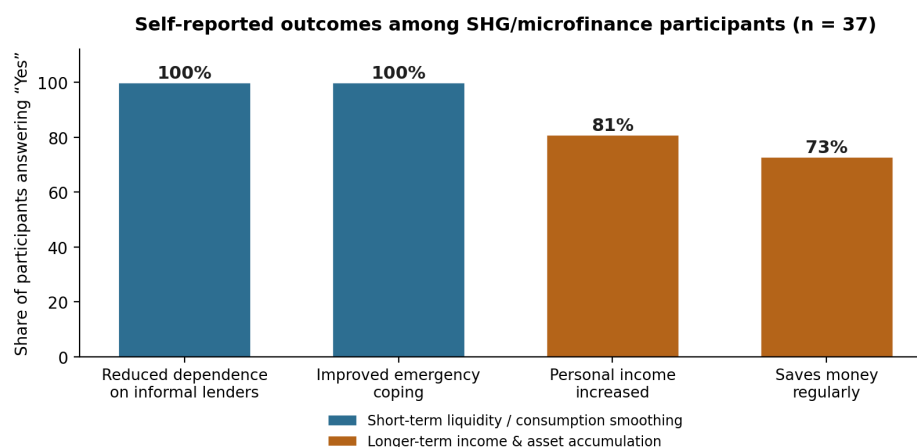


Figure 1. *Self-reported outcomes among participants, grouped by indicator type (n = 37). Source: author's primary survey data.*

The universal endorsement of the two liquidity items indicates that easing the pressure of informal credit and coping with emergencies are the functions microfinance performs first and most reliably, the entry-level benefits of membership. The 100% figure records perceived reduction, however, not the full displacement of moneylenders, a distinction taken up in Section 5. The lower rates on income and saving are firm evidence that the financial-position benefits are real but not universal, likely depending on factors the survey did not capture such as enterprise type, loan use, and time in the group.

4.3 Primary Survey: The Cumulative Structure of the Outcomes

The two tiers are not only different in size; they are strictly ordered. Only three response patterns occur among the 37 participants: seven report the two liquidity outcomes alone, three add an income gain but not regular saving, and twenty-seven report all four. No participant reports a higher outcome without also reporting every lower one, none saves regularly without reporting an income gain, and none reports higher income without both liquidity outcomes. This perfectly nested ordering, holding without exception across 37 respondents, is a direct empirical feature of the data (Figure 2), and it sorts participants into three profiles (Table 3, Figure 3): “protection-only” (7; 19%), “transitional” (3; 8%), and “full package” (27; 73%).

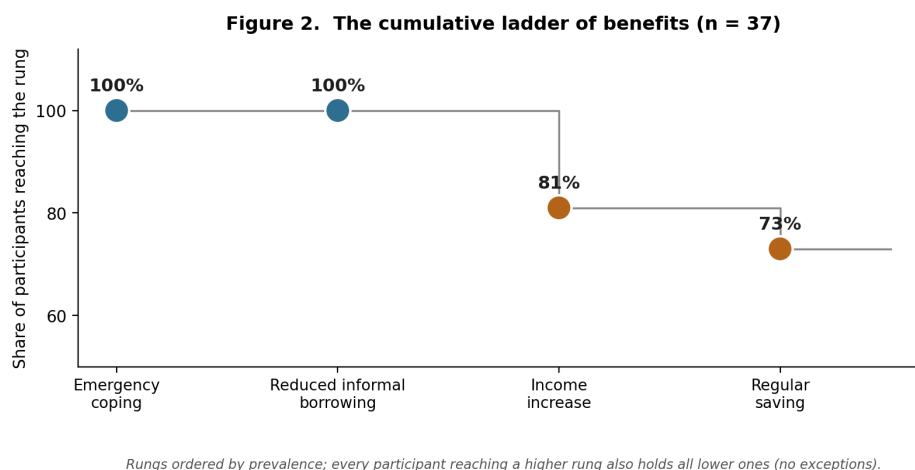


Figure 2. *The cumulative ladder of outcomes among participants (n = 37). Source: author’s primary survey data.*

Two inferences follow from this structure, and a third must be resisted. First, the nesting indicates that the outcomes are hierarchical rather than independent: in this sample there is no route to building savings that bypasses the liquidity stage, which suggests that stabilising the household against informal debt and shocks is a precondition for accumulation rather than an alternative to it. Second, the concentration of nearly three-quarters of participants at the top rung suggests that, for most members, that precondition is in fact converted into income and saving. The inference that must be resisted is the temporal one: because the survey is cross-sectional, the ladder is observed across different people at a single moment, not within the same people over time. The data are consistent with members climbing the rungs as their membership matures, and the longitudinal literature reviewed below supports that reading, but the primary data themselves do not prove a developmental sequence. The language of “stages” is therefore an interpretation, kept distinct here from the nested ordering, which is the evidence.

Profile	Outcomes reported	Participants
Protection only	Reduced informal borrowing + emergency resilience; no income or savings gain	7 (19%)
Transitional	Adds higher income, but not yet regular saving	3 (8%)
Full package	All four: smoothing, emergency resilience, income, and saving	27 (73%)

Table 3. Participant profiles defined by depth of outcome ($n = 37$). Source: author's primary survey data.

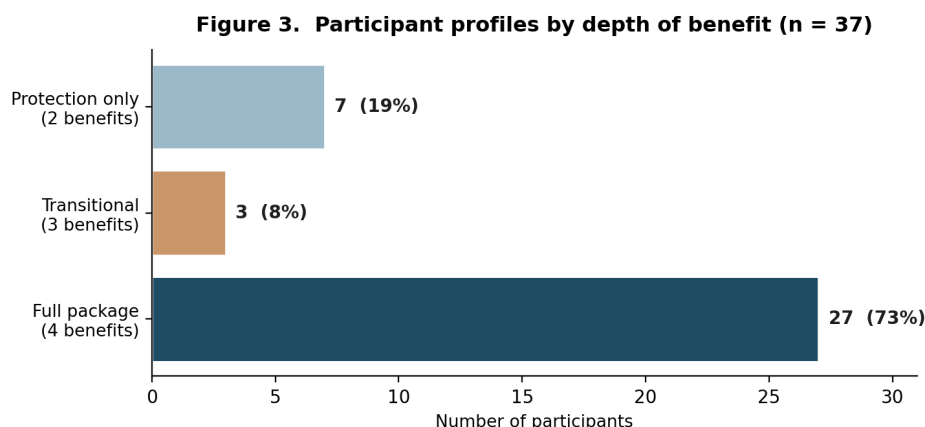


Figure 3. Distribution of participants across the three profiles. Source: author's primary survey data.

4.4 Secondary Data: The Scale and Reach of Women's Microfinance

The secondary sources first establish how large and how female women's microfinance is (Table 4). NABARD (2024) reports 144.22 lakh (14.42 million) SHGs savings-linked with banks as of 31 March 2024, covering about 17.75 crore (177.5 million) families, of which 83.5% are all-women groups; women's SHGs held 85% of the ₹65,089 crore (approximately US\$7.8 billion) SHG savings balance and 95.1% of the ₹2.59 lakh crore (₹2.59 trillion, or approximately US\$31.2 billion) in outstanding SHG loans, and average savings per SHG rose to ₹45,132 (approximately US\$545) from ₹39,721 (approximately US\$479) two years earlier. The microfinance-institution channel adds 6.72 crore (67.2 million) borrowers, over 95% of them women, with 91% of loans taken for income generation. DAY-NRLM has mobilised 10.05 crore (100.5 million) women and reports 1.15 crore (11.5 million) “Lakhpatti Didis” earning above ₹1 lakh (approximately US\$1,200) a year. This is direct evidence of reach and of the large female composition of the sector. It is not, in itself, evidence of impact: that women hold these accounts and loans does not show what the finance does for them, which is the question the impact studies in the next section address.

Indicator	Value (women's share)	Source
SHGs savings-linked with banks	144.22 lakh (14.42 mn); 120.44 lakh (12.04 mn) are women's (83.5%)	NABARD, 2024
Outstanding SHG loans	₹2.59 lakh crore (≈US\$31.2 bn); 95.1% to women's SHGs	NABARD, 2024
Average savings per SHG	₹45,132 / ≈US\$545 (up from ₹39,721 / ≈US\$479 in 2021-22)	NABARD, 2024
Microfinance (MFI/JLG) borrowers	6.72 crore (67.2 mn); over 95% women	Bharat MF Report, 2025
MFI loans for income generation	91% of loans; avg loan ₹38,005 (≈US\$458)	Bharat MF Report, 2025
DAY-NRLM women mobilised	10.05 crore (100.5 mn) into 90.87 lakh (9.09 mn) SHGs	DAY-NRLM / PIB, 2024
All-India credit-linkage gap	46% of groups save but do not yet borrow	NABARD, 2024

Table 4. *Scale and gender composition of women's microfinance. Source: compiled by the author from NABARD (2024), the Bharat Microfinance Report (2025), and DAY-NRLM/PIB (2024), as indicated row by row.*

4.5 Secondary Data: The Impact of Microfinance on Women's Economic Outcomes

The impact studies document what changes for women who use microfinance; the qualitative findings are set out in Table 5 and the quantified effects in Figure 4. On saving, women save regularly into a compulsory group corpus, and this savings discipline is the entry condition for credit, a pattern consistent across the reviewed studies (Brody et al.; Deininger & Liu, 2009). On credit, quasi-experimental evidence from the JEEViKA programme in Bihar finds a significant positive effect of participation on access to formal credit, shifting borrowing towards institutional sources and lowering its cost, microfinance loans carry an effective rate of roughly 19–24% against the 40–120% per annum typical of informal lenders, though the studies are careful to record that the move away from moneylenders is partial rather than complete (Hoffmann et al., 2021; Kalpana, 2008).

On income and consumption, a before-and-after evaluation of DAY-NRLM beneficiaries finds household income about 19% above its pre-participation level, and panel studies identify higher per-capita consumption and food spending as the most robust short-run effect of participation (Deininger & Liu, 2009; Kumar, Raghunathan et al., 2021); a systematic review nonetheless records that of ten income studies, seven are positive and three find no effect. On assets and work, participation is associated with productive-asset structures roughly 30% larger and economic activity about 34% higher, with livestock the most consistently affected asset, although these effects are weak in the short run and strengthen with longer membership (Deininger & Liu, 2009a). On agency, women who participate gain about 0.39 additional credit sources over which they exercise decision-making power, alongside higher control over income; the same studies find weaker effects on control over assets and on attitudes to intimate-partner violence (Kumar et al., 2021; Brody et al.). Two further findings bear on stability: benefits are documented to be weaker for the very poorest women, who may struggle to meet regular contributions

(Brody et al.; Morduch, 2000), and loan quality differs by channel, SHG-bank loans carried a non-performing-asset ratio of 1.74% in 2024-25 while the microfinance-institution portfolio's average rose from 2.04% to 4.83% in a single year (Bharat Microfinance Report, 2025).

Outcome	What the evidence shows for women who use microfinance	Source
Saving discipline	Regular saving into a compulsory group corpus; saving is the entry condition for credit	Brody et al.; Deininger & Liu, 2009
Formal credit access	Access shifts towards institutional sources	Hoffmann et al., 2021
Cost of borrowing	Effective rate ~19-24% vs 40-120% on informal loans; informal use reduced but only partly	Hoffmann et al., 2021; Kalpana, 2008
Consumption	Higher per-capita consumption & food spend; most robust short-run effect	Deininger & Liu, 2009; Kumar et al., 2021
Household income	~19% above pre-participation level; 7 of 10 studies +, 3 null	DAY-NRLM eval, 2024
Productive assets	Asset structure ~30% larger; livestock most robust; stronger with longer membership	Deininger & Liu, 2009a
Employment activity	Economic activity ~34% higher	Deininger & Liu, 2009a
Decision-making over credit	~0.39 more credit sources she controls; higher control over income	Kumar et al., 2021
Reach to poorest	Benefits weaker for the very poor; conditional on targeting	Brody et al.; Morduch, 2000

Table 5. Documented impact of microfinance/SHG participation on women who use it. Source: author's own synthesis of the peer-reviewed impact studies cited in each row; the table compiles findings across multiple papers and is not reproduced from any single study.

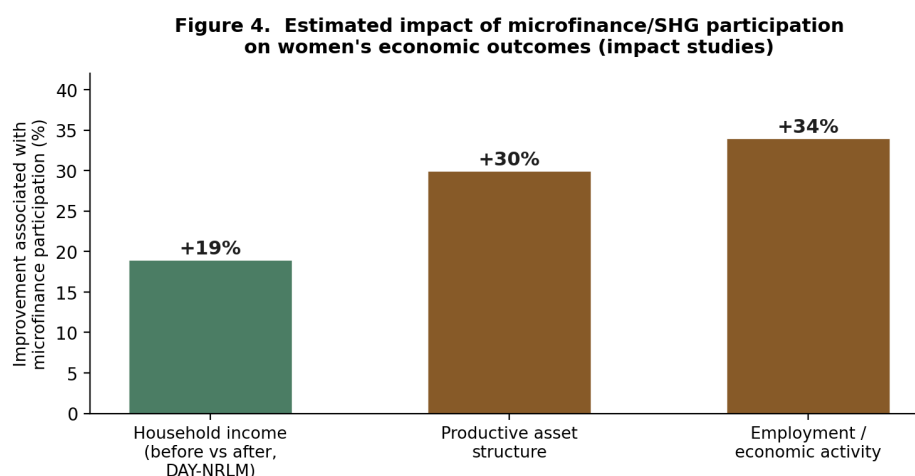


Figure 4. Estimated effects of participation on women's economic outcomes, from impact studies. Source: author's synthesis of point estimates drawn from Deininger & Liu (2009a), Hoffmann et al. (2021), Kumar et al. (2021), and the DAY-NRLM evaluation (2024). Credit sources under a woman's control rise by roughly 0.39 (Kumar et al., 2021), reported separately as it is not a percentage effect.

Read together, these findings support the inference that microfinance most reliably improves women's liquidity, consumption, and the terms of their borrowing, while its effects on income, assets, and economic agency are positive but more variable and more dependent on time and programme design. The rising repayment stress in the MFI channel is a reminder, inferred from the loan-quality data, that expanded credit is not automatically stabilising.

4.6 Secondary Data: National Context (NFHS-5)

National survey data provide context, though they describe all women rather than members specifically (Table 6). Between NFHS-4 (2015–16) and NFHS-5 (2019–21), the share of women using a bank account rose from 53% to 78.6%, the largest single gain among the empowerment indicators, house-or-land ownership rose from 38.4% to 43.3%, and participation in household decisions among married women rose from 84% to 88.7%, while the share of women paid in cash for work barely moved (24.9% to 25.4%). These are population trends, and the contribution of microfinance to them cannot be isolated from other drivers such as the national financial-inclusion programme. That the fastest-rising indicators, accounts and savings, are precisely those on which microfinance acts most directly is suggestive, but the connection is an inference, not a measured effect.

Indicator (all women 15-49)	NFHS-4 (2015-16)	NFHS-5 (2019-21)	Change
Has a bank account she uses	53.0%	78.6%	+25.6 pp
Owns house and/or land	38.4%	43.3%	+4.9 pp
Participates in household decisions (married)	84.0%	88.7%	+4.7 pp
Decides how to use her own money	—	51.0%	—

Indicator (all women 15-49)	NFHS-4 (2015-16)	NFHS-5 (2019-21)	Change
Worked & was paid in cash (12 mo.)	24.9%	25.4%	+0.5 pp

Table 6. *NFHS-5 women's-empowerment benchmarks (national; all women, for context). Source: NFHS-4 (2015–16) and NFHS-5 (2019–21), IIPS & ICF.*

5. DISCUSSION

The research question asks to what extent microfinance and SHGs improve the financial stability and economic outcomes of low-income women, and whether they mainly provide short-term consumption smoothing, longer-term asset accumulation, or both. The primary and secondary material point to a consistent answer: microfinance most dependably delivers short-term financial stability, liquidity, shock-coping, and better borrowing terms, while improvements in income and assets are real for a majority of users but more variable and slower to appear.

The strongest piece of primary evidence is the nested ordering of outcomes: every participant reports the liquidity outcomes, a majority add income and saving, and no one reaches the higher outcomes without the lower ones. This is precisely the shape the macro literature predicts a cross-section should take. Deininger and Liu's companion papers make a temporal claim, in the short run SHG credit raises consumption but not income or assets (2009a), while longer exposure produces accumulation (2009b), and the survey's snapshot matches it: liquidity benefits universal, accumulation benefits confined to a subset, and no respondent showing accumulation without stabilisation. The same holds for Morduch's (1995) argument that households battered by income shocks cannot hold savings long enough for them to compound, so that stabilisation is structurally prior to accumulation: the survey found not a tendency but an absence, with no woman among 37 saving regularly without first reporting the liquidity benefits. Even the one apparent divergence is instructive. The 73% “full package” share is higher than short-run panel estimates would suggest, yet this does not contradict the model; it is consistent with the sample's network-based recruitment of better-connected women, a local echo of the very programme-placement bias that Deininger and Liu (2009a) document at the macro level. In this respect the theory disciplines the survey, it explains why this particular sample should sit unusually high on the ladder.

On income and assets, the two bodies of evidence agree in substance. The survey's 81% reporting higher income and 73% reporting regular saving align with the impact evidence that participation raises household income, by roughly a fifth for DAY-NRLM beneficiaries, and builds productive assets, and both also show these gains to be less than universal. The review's seven-positive, three-null split on income mirrors the survey's minority of members who report no income gain. The survey could not measure two of the four indicators named in the research question, productive asset ownership and financial decision-making power, and here the conclusion rests, as an inference, on the secondary data, which document asset structures roughly 30% larger and about 0.39 additional credit sources under women's control among participants.

One contrast deserves to be engaged rather than smoothed over. The survey's participants are unanimous that participation reduced their dependence on informal lenders, yet the impact studies describe that displacement as partial (Hoffmann et al., 2021; Kalpana, 2008). The two are not in conflict once evidence and inference are separated: the survey records perceived reduction, which a woman borrowing even somewhat less at 40–120% interest would reasonably report, whereas the studies measure whether informal borrowing is eliminated and find it is usually only restructured. A binary Yes/No instrument cannot expose this debt-layering directly, a respondent who has substituted some informal borrowing with SHG credit will reasonably report reduced dependence even if she continues to borrow from a moneylender to service group repayments, so the unanimous figure is compatible with both genuine displacement and hidden restructuring, and this is the one macro debate the local data cannot adjudicate. A future survey should therefore include a targeted item, for example "Have you ever borrowed from a moneylender to make an SHG repayment?", allowing the perceived reduction finding to be tested against the restructuring mechanism Kalpana (2008) documents; this is recommended as a priority refinement of the instrument. Meanwhile, the growing repayment strain in the MFI channel noted in Section 4.5 cautions that additional credit can itself become a source of fragility (Bharat Microfinance Report, 2025).

A second qualification concerns who benefits. Both the survey and the literature describe women who are already members; the documented benefits are weaker for the very poorest, who may be unable to sustain the regular contributions membership requires (Brody et al.; Morduch, 2000). Morduch's "schism" thesis (2000) predicts exactly this stalling at the protective rung, and it appears at both scales: locally as the survey's 19% protection-only profile, and nationally as NABARD's 46% credit-linkage gap, which shows nearly half of enrolled groups saving without yet borrowing. On the logic of the ladder, millions of enrolled women remain structurally stuck on the baseline protection rung, unable to move past consumption smoothing and emergency resilience towards the income-generating and asset-building rungs above it. This is the equity boundary of an otherwise positive picture.

Taken together, the evidence supports a confident but bounded conclusion, and the local findings behave, in most respects, as a small-scale model of the macro theories: they corroborate the sequential model of Deininger and Liu and the smoothing-first logic of Morduch, support the schism's equity prediction, and leave the usury-relief question, the field's most contested, open exactly where the literature leaves it. The channel through which credit is delivered matters as much as its volume: the loan-quality contrast reported in Section 4.5, sound SHG–bank portfolios against MFI defaults that more than doubled in a single year, shows that rapid commercial expansion can introduce fragility rather than stability, and that the disciplined, savings-first SHG model remains the more robust vehicle for durable security. For the women who use it, the picture is one of dependable stabilisation first, with income gains and regular saving following for a clear majority.

6. CONCLUSION

This study set out to establish to what extent microfinance and Self-Help Groups improve the financial stability and economic outcomes of low-income women in India, separating the near-term capacity to absorb shocks from the longer-term accumulation of durable assets. That distinction proved to be the analytical core of the answer. Across both the primary survey and the wider evidence base, microfinance emerges not as a single, uniform benefit but as a sequence. It reliably delivers financial stability in the sense of liquidity, shock-coping capacity, and cheaper credit, and it converts that stability into income and savings for a clear majority of women. However, asset accumulation and genuine control over credit follow more gradually, less certainly, and less evenly.

The strongest contribution of the primary data is the strictly nested ordering of outcomes: no woman in the sample reported building savings without first reporting the liquidity benefits beneath them. This mirrors, at the scale of a single community, the stabilise-first, accumulate-later trajectory that Deininger and Liu's panels trace nationally, and it aligns with Morduch's argument that smoothing is structurally prior to saving. It thereby supports the study's central claim that securing a household against informal debt and emergencies is the foundation on which accumulation rests, not a competing use of credit.

Two qualifications, developed in Section 5, bound that finding. The first is that the delivery channel conditions the result as much as the volume of credit does. The second concerns who is reached: everything documented here belongs to women who are already members, and the credit-linkage gap indicates that a large minority of enrolled groups have yet to move beyond baseline protection. For them, the ladder currently ends where it begins.

The most accurate answer to the research question is therefore a bounded affirmative. For the low-income women who use it, microfinance materially improves financial stability: it relieves the squeeze of informal debt, cushions households against emergencies, and cheapens credit, and for most it also raises income and builds a saving habit, with asset accumulation and greater control over credit appearing later and less uniformly. Microfinance provides both consumption smoothing and asset accumulation, but not in equal measure. Smoothing is the dependable, near-universal effect, and accumulation the frequent, time-dependent, and still incompletely inclusive one built upon it.

These findings carry a clear implication for policy and for future research. Because the durability and distribution of the gains depend on how long a woman participates, on the quality of the institution she joins, and on the structure of the local credit market, expanding outreach alone will not secure stability; embedding livelihood support and protecting the savings-first discipline of the SHG model matter more than the raw volume of credit disbursed. The most pressing gap that remains is the interaction between digital financial infrastructure and SHG outcomes, which has reshaped the operational landscape faster than the evidence base can follow. Testing whether digitalisation extends the ladder to the most marginalised women, or quietly raises the rung they must reach before they can climb it, is the priority for the primary research that must come next.

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