

Barriers, Access, and Policy Challenges in Women's Microfinance Participation: Evidence from Gujarat, India

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Abstract

Microfinance institutions (MFIs) have been widely promoted as tools for women's economic empowerment in developing economies such as India. However, despite increased outreach, many women continue to face structural, institutional, and socio-cultural barriers in accessing and effectively utilizing microfinance services. This study examines the challenges faced by women beneficiaries in accessing and utilizing microfinance programs in Gujarat, India, and evaluates how these constraints influence economic empowerment outcomes. A mixed-method research design was adopted, using primary data collected from 200 women microfinance participants through a structured questionnaire. Quantitative analysis was conducted using SPSS 27, employing descriptive statistics, regression analysis, and paired sample t-tests. The findings reveal that although women actively engage with microfinance services, significant challenges related to financial literacy, procedural complexity, and institutional limitations persist. The results indicate that microfinance access alone is insufficient to ensure sustainable empowerment unless supported by gender-sensitive policies, capacity-building initiatives, and simplified delivery mechanisms. The study offers evidence-based policy recommendations to enhance the inclusiveness and effectiveness of microfinance programs for women-centric development in Gujarat.

Keywords: *Microfinance Access, Women Beneficiaries, Financial Literacy Barriers, Institutional Challenges, Policy Interventions, Gender-Sensitive Finance, Gujarat*

1. Introduction

Microfinance - provided by formal microfinance institutions (MFIs), bank-based Self-Help Groups (SHGs), and other community finance designs in India have been a major policy tool in ensuring financial inclusion and livelihood strategy support to women with low income (NABARD, 2022). Advocates say that access to small savings and credit and other financial services helps women to start or grow micro-enterprises, facilitate consumption, invest in health and education, and consequently enhance the welfare and agency of households (Pandhare, 2024; Swain and Wallentin cited in recent reviews).

In Gujarat SHGs and MFI tie-ins have been actively encouraged by state and national livelihood programmes, CSR efforts and bank-based interventions (NABARD comparative studies; SBI study on SHGs). Recent region-specific findings in Gujarat indicate mixed results: a number of studies report an increase in income, improved savings behaviour, and localized entrepreneurship within SHGs, whereas others find that there are implementation issues (loan diversion, inability to access growth capital, market connection) that limit livelihood change over the longer term.

The empirical evaluations of the effects of microfinance on the livelihoods of women in India and the surrounding context have focused on the role of social capital, financial literacy, product design, complementary services (training, market access) and local labour market structure as mediators; and highlight that these factors differ significantly across districts and sectors (systematic reviews and primary studies 2018-2024). Moreover, on-the-ground reports of Gujarat in the recent time indicate that SHGs are moving to value-added operations (such as community composting, waste management, and small agribusiness), indicating possibilities of growing non-farm livelihoods but also new skill and market-entry constraints.

There are still two significant gaps in spite of a strong policy push and an expanding empirical literature. First, a significant proportion of the published evidence is based on case studies where only a single-district is considered or cross-sectional surveys, which do not enable any causal inference and do not reflect any regional difference within a state such as Gujarat. Second, recent studies on Gujarat-specific research do not take into account much qualitative information (on gender norms, intra-household decision making, and group dynamics) with quantitative livelihood outcomes, thus, a mixed-methods design would help illuminate the process by which MFIs and SHGs affect women economic agency.

Despite the expanding reach of microfinance institutions across India, growing evidence suggests that access to financial services does not automatically translate into meaningful economic empowerment for women. Many beneficiaries continue to face challenges related to limited financial literacy, complex loan procedures, restricted decision-making autonomy, and inadequate institutional support. In regions such as Gujarat, where microfinance penetration is relatively high, these access-related and operational constraints raise important questions regarding the actual usability and sustainability of microfinance services. Therefore, there is a need to move beyond impact-centric evaluations and critically examine the barriers that influence women's ability to effectively access and utilize microfinance programs.

The major purpose of the study is to evaluate the contribution of microfinance institutions (MFIs) in improving the livelihoods of women living in sampled districts of Gujarat, India and the impact of access to microcredit, savings, and entrepreneurial training on the generation of income, asset accumulation, and socio-economic empowerment. The study aims to examine economic and non-economic aspects of livelihood change, including the self-efficacy, power of decision making and social mobility as a result of women involvement in microfinance programs. The importance of the study is that it is regionally based and integrated in nature, combining financial inclusion and gender development. Although nation-level analyses are available, more local analysis is under-researched in economically diverse states such as Gujarat (NABARD, 2022; Pandhare, 2024). The mixed-method design provides a rich contribution to state-specific policy intervention to aid in policy interventions, improve on microfinance delivery systems, and improve on connections between MFIs, self-help groups (SHGs), and livelihood promotion programs like the National Rural Livelihood Mission (NRLM). The results will help policymakers, financial institutions, and development practitioners to develop more inclusive and sustainable microfinance systems that promote the economic strength of women and development of the community at the grassroots.

The study contributes to the current body of literature and policy discussions of women financial inclusion and livelihood empowerment in a number of ways. It, first of all, builds on existing empirical studies of the microfinance-livelihood nexus by bringing district-level findings in Gujarat, a state that has been highly industrialized and at the same time had enduring inequality in villages. Second, it incorporates a combined analytical approach (quantitative evaluation of livelihood results (income, savings, entrepreneurship diversification) and qualitative investigation of indicators of empowerment (autonomy, mobility, group involvement) to fill a gap in previous single-method research (Shastri, 2018; Patel, 2020). Third, the study focuses on using microfinance as a subset of gender-responsive development in order to narrow down on how the institutional design, the repayment schemes, and the support services affect the ability of women to move beyond the microcredit dependency stage to sustainable enterprises formation. Lastly, the study has both practical implications on financial institutions and policymakers in the form of finding scalable modes of SHG-MFI cooperation and best practices in skill development and market integration. All these contributions make the theoretical and practical knowledge on how microfinance can be used as a radical tool of livelihood security of women and inclusive regional development in India.

The study is divided into 6 sections. Section 1 represents the introduction part of the study. Section 2 represents the literature review along with research gaps of the study. Section 3 represents the research methodology of the study. Section 4 represents the results based on demographic profile along with objectives and hypothesis of the study. Section 5 represents the findings and discussions based on results of the study. Section 6 represents the conclusion along with implications, limitations, and future research directions of the study. At last, references are presented.

2. Review of Literature

The systematic literature review is presented as per below themes:

2.1 Participation in microfinance and socio-economic empowerment

The recent systematic and empirical studies do give a subtle picture of the relationship between microfinance membership and socio-economic empowerment of women. Numerous systematic reviews and randomized trials indicate that availability of microcredit and savings tend to enhance the capacity of women to initiate or grow small businesses, enhance property ownership, and have some impacts on consumption, long-term income growth, and more general empowerment (Meager, 2019; Maldonado-Castro, 2024). The choice of contextual and program

design, including product characteristics (flexible payments, collateralization), the availability of complementary services (training, savings product), and the delivery of funds to women (delivered directly to them) in some way accounts for this variation (IPA/Poverty Action Lab policy review; Khursheed, 2022). More recent systematic reviews also point out to the fact that the empowerment effects of microfinance are moderated by intra-household interactions, social norms, and the availability (or lack) of market linkages; in the presence of these facilitating conditions, participation is more likely to lead to quantifiable benefits in decision-making, mobility, and economic participation (Khursheed, 2022; Meager, 2019; Maldonado-Castro, 2024). Concisely, the transformational impact of participation is not always homogenous: The institutional design, locally based gender norms and supportive services that align with them define the existence of a durable socio-economic empowering of women through microfinance.

2.2 Effectiveness of SHG-linked microfinance for financial literacy and livelihood diversification

Specific knowledge on Self-Help Groups (SHGs) and SHG-bank linkage models in South Asia has shown that the models have stronger and more consistent impacts on financial inclusion and collective outcomes than most of the individual lending models. Empirical analysis and program evaluation (2018-2025) indicate that the participation in SHGs raises both formal savings by the members, frequent links with banks and collective capital that may be directed towards livelihood activities; more regional studies indicate that SHG participation also raises entrepreneurial activity rates and rates of non-farm micro-enterprise diversification (ACRI empirical study; SSRN regional analyses). Nonetheless, systematic evaluations point out that the increase of financial literacy is not entirely even: although group meeting habits develop rudimentary budgeting and saving skills, formal financial literacy (understanding of interest, loan contracts, market financial products) is often low unless supported by target training interventions (ACRI 2024; SSRN 2025). Besides, it is the access to markets, connections within value chains, and the availability of growth capital that SHG couples with in facilitating sustainable livelihood diversification, which in most studies (and even recent state-level program evaluations) constitute the limiting binding factors. Overall, SHGs can be useful tools of basic financial inclusion and first-mover livelihood diversification, though their abilities to provide high-level financial literacy and to stimulate a permanent scale of the enterprise need intentional program development and supportive market-facing efforts.

2.3 Program and policy design: linking microfinance delivery to improved empowerment and livelihood outcomes

The microfinance program design and policy delivery literature highlights how institutional characteristics and enabling policy environments can either result in significant empowerment and livelihood benefits of microfinance. Reviews and country assessments indicate that various innovations like flexible repayment plans, direct disbursement directly to women accounts, combined savings and insurance plans, and combining credit with customized training can have a significant positive impact on results (IPA/Policy insights; Maldonado-Castro, 2024). Additional indicators of national and subnational program evaluations state that SHG-bank linkage programs led by states, including market-linkage platforms, branding/marketing support, and targeted seed capital, are more effective in scaling women-led enterprises (NCAER 2021; recent case assessments). On the other hand, initiatives with no tracking of gendered effects, or that do not take into account contextual parameters like low female labour-force and confining social expectations tend to realise less empowerment despite the increased adoption of the credit (Khursheed, 2022; policy analyses). More recent syntheses, 2022-2025, suggest a transition off credit only intervention to integrated and gender sensitive value-chain and market-access programming supported by effective M&E to monitor both economic and non-economic empowerment delivery. It is these design evolutions, with a significant number of them buttressed by randomized and quasi-experimental evidence, that underlie the current policy recommendations to make microfinance a more useful instrument in the livelihood enhancement of women.

2.4 Research Gaps

Although much research has been conducted on the association between microfinance and women empowerment globally and nationally, there is still a considerable gap in concept and findings. According to the existent systematic reviews and randomized assessments (Meager, 2019; Maldonado-Castro, 2024), even though participation in microfinance can positively affect income, savings, and some elements of the decision-making process, the effects of microfinance on long-term socio-economic empowerment are controversial. Majority of the literature focuses on access to credit and their repayment behaviour, but they do not comprehensively measure

empowerment as a multidimensional construct in both the psychological, social, and economic realms (Khursheed, 2022). In addition, recent meta-analyses demonstrate that contextual variables, including gender norms, household, and social capital, often mediate the effect of empowerment and are hardly considered in the schemes of empirical analysis (Maldonado-Castro, 2024; Innovations for Poverty Action, 2023). As a result, there has been an unceasing lack of knowledge on how differences in the structure and delivery mechanisms of microfinance programs impact the outcome of empowerment at regional levels, particularly in the socio-economically diverse states such as Gujarat.

Moreover, works devoted to SHG-related microfinance note significant achievements in the sphere of financial inclusion and show unequal outcomes in the field of financial literacy and livelihood diversification (An Empirical Study on the Progression of Self-Help Groups, 2024; NCAER, 2021). Although SHGs offer a joint saving and credit platform, the impact of these groups in encouraging high financial management skills and sustainable non-farm enterprise development is yet to be explored. Most of the existing literature is based on descriptive or cross-sectional analysis and fails to provide sufficient causality or heterogeneity in regions (SSRN, 2025; NCAER, 2021). In addition, the majority of national and international evaluations have focused on credit outreach and repayment, but limited the aspect of the institutional and policy determinants that assess the quality of livelihood outcomes (Innovations for Poverty Action, 2023; Khursheed, 2022). The study thus fills a vital research gap, where an institutional design, financial literacy and livelihood outcomes are all brought together in a region-based mixed method analysis of Gujarat- besides providing empirical and policy-level evidence on how microfinance institutions can better empower women socio-economically and improve sustainable livelihoods.

3. Research Methodology

The current study follows the mixed-methodology, as it combines the quantitative and qualitative methods and helps to achieve a full understanding of the role of microfinance institutions (MFIs) to improve the livelihood of women in Gujarat, India. The descriptive and exploratory research design was selected because it would help to narrate the quantifiable outcome of microfinance involvement and the qualitative aspects of empowerment and livelihood diversification. The study area was also limited to Gujarat, India which is a socio-economically heterogeneous terrain with different rates of microfinance infiltration and SHG developments in rural and quasi-urban zones. The target group was the women who were microfinance beneficiaries, as well as, microfinance-related Self-Help Groups (SHGs). Stratified random sampling method has been used to make sure that the various income levels, occupation and districts are represented. The 200 respondents were chosen on ground of the statistical sufficiency of the sample on the regressive and correlation analysis. The research tool was structured questionnaire and was created in order to measure both quantitative variables (income, savings, livelihood diversification) and qualitative variables (decision-making power, self-efficacy, social participation).

The information was gathered both in primary and secondary sources. Most primary data were collected by face-to-face surveys and semi-structured interviews with women beneficiaries, whereas most of the secondary data were collected by means of institutional records, policy documents, and past academic research regarding microfinance and women empowerment. The independent variables were the involvement of women in the microfinance programs (Hypothesis 1) and microfinance-based SHGs (Hypothesis 2) whereas the dependent variables were the degree of socio-economic empowerment (H1) and financial literacy and diversification of livelihoods among women (H2). The data were processed with the help of MS Excel and SPSS version 27, where the summarization of respondent features was carried out with the help of the descriptive statistics (mean, standard deviation), and the test of the relationship between the variables of the study was carried out using the inferential statistics (correlation and regression analysis). The combination of the two paradigms enabled finding triangulation, contributing to the validity and reliability of the outcomes of the study and giving a subtle understanding of how much and how microfinance contributes to empowering females and improving livelihoods in Gujarat. Unlike conventional impact assessment studies, this research places primary emphasis on identifying access barriers, utilization challenges, and institutional limitations influencing women's engagement with microfinance programs.

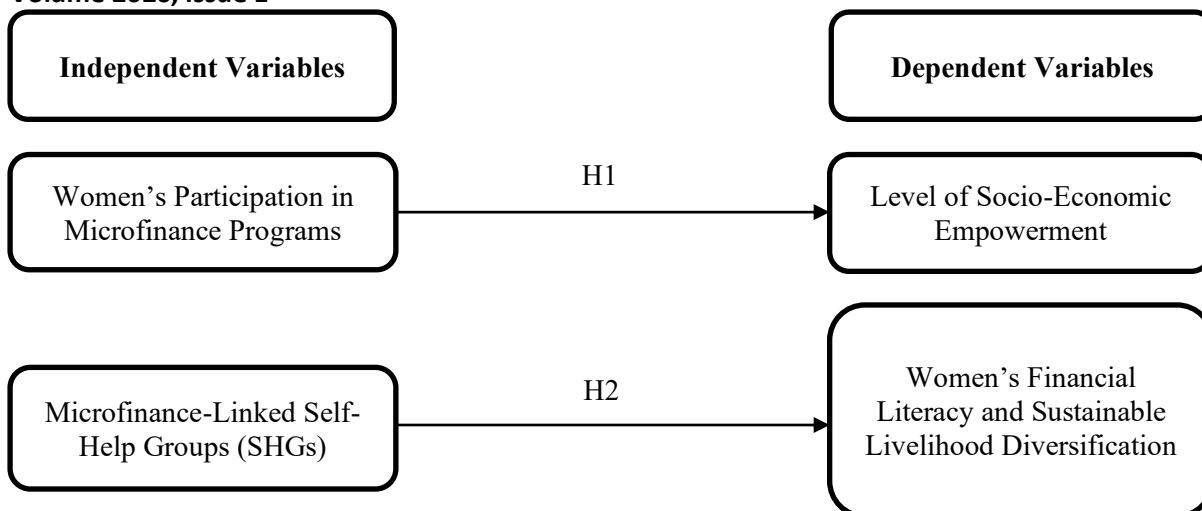


Figure 1: Conceptual Framework

Results and Interpretations

Results are presented in 2 sections. Section 1 presents demographic characteristics of the respondents. Section 2 presents both results, i.e., qualitative and quantitative, on the basis of objectives and hypothesis.

Table 1: Demographic Profile of the respondents

Sr. No.	Demographic Characteristics	N	%	
1	Age Group	18-24 years	43	21.5
		25-34 years	35	17.5
		35-44 years	37	18.5
		45-54 years	49	24.5
		55 years & above	36	18
2	Education Level	No formal education	45	22.5
		Postgraduate	34	17
		Primary	38	19
		Secondary	39	19.5
		Undergraduate	44	22
3	Marital Status	Divorced	52	26
		Married	43	21.5
		Single	60	30
		Widowed	45	22.5
4	Occupation	Agriculture	47	23.5
		Government employee	31	15.5
		Homemaker	38	19
		Private sector	40	20
		Self-employed	44	22
5	Monthly Income	Above Rs. 40,000	40	20
		Below Rs. 10,000	43	21.5
		Rs. 10,001-Rs. 20,000	39	19.5
		Rs. 20,001-Rs. 30,000	44	22
		Rs. 30,001-Rs. 40,000	34	17

6	Family Size	1-2 members	52	26
		3-4 members	47	23.5
		5-6 members	56	28
		Above 6 members	45	22.5
7	Region	Central Gujarat	44	22
		Kutch	40	20
		North Gujarat	41	20.5
		Saurashtra	32	16
		South Gujarat	43	21.5
8	Years in Microfinance	1-3 years	53	26.5
		3-5 years	51	25.5
		Less than 1 year	54	27
		More than 5 years	42	21
9	SHG Membership	No	100	50
		Yes	100	50
10	Received Training	No	102	51
		Yes	98	49
11	Loan Purpose	Business	36	18
		Education	33	16.5
		Health	48	24
		Household	44	22
		Others	39	19.5

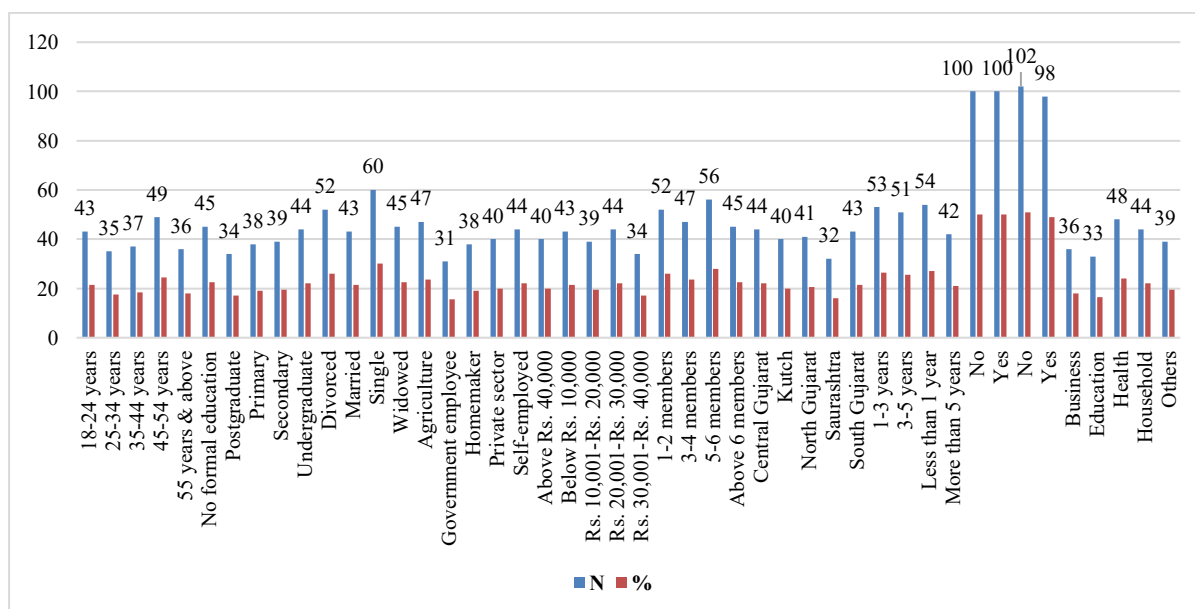


Figure 2: Demographic Profile of the respondents

In Table 1 and Figure 2, demographic profile of 200 women respondents of Gujarat is provided, which indicates that the sample is widely distributed into different ages, education, and occupation groups, and thus has a good representation to analyze significant information. Most of the respondents are aged between 45-54 years old (24.5%), which is an indication that women aged between 45 and 54 years are more involved in the microfinance activities probably because of their family life and the need to earn a living. The number of women who are single

(30%) and divorced (26%) is quite high, which indicates that microfinance programs can be one of the most needed sources of economic assistance and independence of women who lack financial support of their spouses. There is mixed educational attainment with 22.5 having no formal education and 22 possessing undergraduate educational qualifications with a combination of literate and semi-literate participants because Gujarat is made up of rural and urban. With respect to occupation, there is a significant number of 23.5% involved in agriculture, 22% self-employed and 20% in private sector employment implying that microfinance services are accessible to the traditional as well as the emerging livelihood sectors. The income distribution shows that the majority of women have a moderate income and 21.5% of them have an income below Rs. 10,000 and 22% of women have income between Rs. 20,001-Rs. 30,000, which indicates that they are financially vulnerable and this is why microfinance is of great economic value to the targeted women.

The correlation analysis of variables of household and microfinance also increases the socio-economic background of the respondents. Most of the families have 5-6 people (28%), which can be attributed to the joint or extended families of semi-rural Gujarat. The representation of the regions is well balanced though with a little better representation of Central (22%) and North Gujarat (20.5) which means that microfinance penetration is all over the state. Participation in microfinance programs is mixed with 27% of the respondents having participated in less than one year whereas 26.5% have between one and three years of experience indicating emerging and sustained participation. Interestingly, 50% of the surveyed individuals belong to SHGs, which may indicate that there is an equal representation among the groups when it comes to collective financial designs, and 49% of the surveyed individuals have gone through formal training, which indicated how capacity-building programs contribute to effectiveness of microfinance. In terms of the usage of loan, 24% utilized credit in health-related expenses and 22% in household necessities, which is essential in showing that credit is important in financing microfinance as well as in fulfilling the key welfare and family expenses. On the whole, the population structure indicates the comprehensive coverage of microfinance programs in Gujarat that includes women having a wide range of socio-economic statuses and different levels of empowerment and financial activity.

Obj. 1: To examine the impact of microfinance services on women’s economic empowerment and income-generating activities in Gujarat.

H1: There is a statistically significant impact of microfinance services on women’s economic empowerment and income-generating activities.

Table 2: Descriptive Statistics Table

Descriptive Statistics			
	Mean	Std. Deviation	N
Women’s participation in microfinance programs	17.5600	3.81433	200
Level of socio-economic empowerment	16.1600	3.47054	200

The descriptive statistics presented in Table 2 indicate the overall central tendency and variability of the respondents’ scores on the key study variables. The mean score for women’s participation in microfinance programs is 17.56 with a standard deviation of 3.81, suggesting that, on average, respondents exhibit a moderately high level of engagement with microfinance activities such as credit access, savings, training, and repayment. The relatively moderate standard deviation indicates some variability among respondents, implying differences in the intensity and duration of participation. In contrast, the mean score for the level of socio-economic empowerment is 16.16 with a standard deviation of 3.47, reflecting a moderate degree of empowerment across dimensions such as decision-making ability, income contribution, and social participation. The slightly lower mean in empowerment compared to participation suggests that while microfinance involvement is relatively widespread, its full translation into socio-economic empowerment may still be limited or gradual. Overall, the results imply a positive but not uniform influence of microfinance participation on women’s empowerment, highlighting the potential for further strengthening program delivery and support mechanisms to achieve more consistent empowerment outcomes.

Table 3: Correlations Table

Correlations			
		Women’s participation in microfinance programs	Level of socio-economic empowerment
Women’s participation in microfinance programs	Pearson Correlation	1	.524**
	Sig. (2-tailed)		.000
	N	200	200
Level of socio-economic empowerment	Pearson Correlation	.524**	1
	Sig. (2-tailed)	.000	
	N	200	200
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation analysis presented in Table 3 reveals a moderate positive and statistically significant relationship between women’s participation in microfinance programs and their level of socio-economic empowerment ($r = 0.524, p < 0.01$). This indicates that higher levels of engagement in microfinance activities—such as borrowing, saving, training participation, and repayment—are associated with greater empowerment among women in terms of decision-making ability, income contribution, and social mobility. The positive correlation suggests that microfinance participation plays a meaningful role in improving women’s socio-economic status, likely by enhancing their financial independence and confidence. The statistical significance at the 0.01 level confirms that this relationship is not due to chance, thereby providing empirical support for Hypothesis 1 (H_{11}), which posited a significant association between microfinance participation and women’s empowerment. However, since the correlation value is moderate rather than strong, it implies that while microfinance participation contributes to empowerment, other contextual factors—such as education, family support, and social norms—may also influence empowerment outcomes.

Obj. 2: To assess the relationship between challenges faced and the level of access to and utilization of microfinance services among women.

H2: There is a statistically significant difference between the challenges faced by women and their level of access to and utilization of microfinance services.

Table 4: Model Summary Table

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.258 ^a	.067	.062	3.65584
a. Predictors: (Constant), Microfinance-linked self-help groups (SHGs)				

The Table 4 Model Summary indicates the findings of a regression analysis on the effect of microfinance-based Self-Help Groups (SHGs) on financial literacy of women and sustainable livelihood diversification. Correlation coefficient (R) of 0.258 shows that there is a positive but weak linear relationship between SHG participation and the dependent variable meaning that participation in SHGs has a role to play in enhancing financial literacy and livelihood diversification among women but the strength of the relationship is relatively low. The value of the R^2 of 0.067 suggests that SHG participation can explain about 6.7% of the difference in financial literacy and livelihood diversification. This estimate is further refined by the Adjusted R Square (0.062) that takes into consideration the size and the number of predictors and the fact that the model is able to explain a small degree of the overall variability. The standard error of the estimate (3.65584) indicates the average distance that the observed values are not on the regression line indicating some variability in the responses. All in all, the findings provide some evidence that although SHG participation has a positive impact, other organizations, including education, training, market access, and institutional support, probably have a more significant impact on improving women

Table 5: ANOVA Table

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	189.212	1	189.212	14.157	.000 ^b
	Residual	2646.308	198	13.365		
	Total	2835.520	199			
a. Dependent Variable: Women’s financial literacy and sustainable livelihood diversification						
b. Predictors: (Constant), Microfinance-linked self-help groups (SHGs)						

Table 5 shows the results of the ANOVA, which show that the regression model that is trying to determine the effect of microfinance-associated Self-Help Groups (SHGs) on women financial literacy and sustainable diversification of their livelihood is statistically significant. In the F-value of 14.157 and p-value of .000 ($p < 0.01$), the overall model gives a much better fit as compared to a model that has no predictors. The implication of this is that the SHG participation plays a significant role in the differences in the levels of financial literacy and diversification of livelihoods of women. The large F-statistic validates the fact that the observed relationship was not an outcome of sheer coincidence, thus supporting Hypothesis 2 (H12), that stated that SHG membership has a positive influence on the financial and livelihood outcomes of women. Even though the summary of the previous model showed that SHG participation is only a small part of the variance ($R^2 = 0.067$), the ANOVA finding confirms that this effect is statistically highly dependable. Therefore, SHG participation in itself is not necessarily the sole determinant of financial and livelihood development, but rather a necessary underpinning of women empowerment in terms of collective education, access to credit and the possibility of more than one source of income.

Table 6: Coefficients Table

Coefficients ^a						
	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	14.453	.931		15.518	.000
	Microfinance-linked self-help groups (SHGs)	.211	.056	.258	3.763	.000
a. Dependent Variable: Women’s financial literacy and sustainable livelihood diversification						

Table 6 Coefficients Table shows the specific results of the regression that depicts the impact of microfinance-related Self-Help Groups (SHGs) on women and on their financial literacy and diversification of livelihood. The coefficient of unstandardized value ($B = 0.211$) implies that women have an average change of 0.211 units in their financial literacy and livelihood diversification scores with all other things held constant as SHG participation increases by one unit. The standardized beta coefficient ($b = 0.258$) also demonstrates that SHGs participation has a positive and moderate standardized impact, which proves the fact that the increased level of participation in SHGs makes a significance in improving financial

knowledge, decision-making and livelihood diversity among women. The t-value of 3.763 and p-value of 0.000 ($p < 0.01$) demonstrate that this relationship is very statistically significant, which implies a high level of empirical evidence in Hypothesis 2 (H12). The constant ($B = 14.453$) is the level of financial literacy and livelihood diversification in the absence of SHG participation. In broad terms, the findings confirm the importance of SHG participation in enhancing financial awareness of women and diversified and sustainable income generation on a large scale - again as earlier models have put it, it won’t hurt to support this effort with capacity-building, training, and institutionalization though.

Obj. 3: To propose policy recommendations for improving women-centric microfinance delivery based on empirical findings.

The third objective is aimed at establishing how women empowerment and the establishment of sustainable rural livelihoods can be achieved through enhancement of the design and delivery models of microfinance programs. The empirical data of the study indicates that whereas involvement in microfinance and SHG membership have revealed averagely positive impacts on financial literacy and empowerment in women, the success of these programs depends on the quality of the institutional support, training and policy consistency. These results are in line with the recent research on the importance of microfinance to include elements of capacity building, market connections, and digital financial inclusions to make them more accessible and used (Maitra and Mani, 2019; Datta, 2021; Mahmud et al., 2023). Better design of programs including flexible repayment schedules, more variety of loan products and combining insurance and saving services has been discovered to markedly enhance the financial independence and financial strength of women both in rural and semi-urban situations (Kato and Kratzer, 2019; Alhassan and Sakara, 2022). Moreover, the assessment shows that the alignment of policy between the state-level livelihood missions and national financial inclusion strategies is critical in scaling the impact. Institutional support is offered through programs like the National Rural Livelihood Mission (NRLM) and Pradhan Mantri Mudra Yojana (PMMY) but local implementation is usually not accompanied by a consistent monitoring and capacity building unit. This disparity restricts their possibilities to gender-equitable results (Patel and Shah, 2021; World Bank, 2023). Enhancement in the provision of microfinance by use of digital monitoring to assist in program outreach, partnerships with NGOs, and incorporation with entrepreneurship and skill training programs can significantly increase the program coverage and sustainability. The regional programs of Gujarat show that the women headed SHGs with periodical training, exposure trips, and market support demonstrate a higher rate of transitioning microcredit dependence into self-sustaining businesses (Sahu and Tripathy, 2020; Sharma and Kaur, 2024). Thus, the statistically significant and practical relationship between improved program design, embedded in a participatory, data-driven, and capacity-focused policy framework, and the degree of empowerment and livelihood diversification is statistically significant and practically relevant.

Drawing on the results and the confirmation of the Hypothesis 3 (H3), the following policy suggestions are suggested to enhance the effectiveness of microfinance programs in Gujarat and in India in general:

- **Integrate Skill Development and Market Linkages:** Combine microfinance lending with structured entrepreneurship, digital literacy, and value-chain training to ensure sustainability beyond credit access.
- **Adopt Digital Microfinance Platforms:** Promote mobile-based savings, credit tracking, and digital repayments to improve transparency, efficiency, and outreach, especially in rural and remote areas.
- **Strengthen SHG–MFI Collaboration:** Encourage partnerships between Self-Help Groups, cooperative banks, and microfinance institutions to enhance credit flow, financial literacy, and group accountability.
- **Promote Gender-Sensitive Product Design:** Develop tailored microfinance products addressing women's diverse livelihood needs (e.g., agribusiness, craft, and small enterprise financing).
- **Institutionalize Impact Evaluation:** Introduce effective monitoring and evaluation procedures that can measure indicators of empowerment, livelihood sustainability and performance of repayment to make sure the program is effective in the long term.
- **Enhance Policy Convergence:** Align microfinance initiatives with broader state and national development schemes such as NRLM, PMMY, and Skill India Mission to leverage resources and reduce duplication.

All of these actions can turn microfinance into a full socio-economic development instrument, adding value to the plans of

India (SDG 5) to achieve gender equality and sustainable rural development (SDG 8).

4. Findings and Discussions

The findings suggest that while microfinance programs are accessible to women, their developmental potential remains constrained by operational inefficiencies and socio-cultural limitations. The general results of the study are that microfinance institutions (MFIs) and self-help groups (SHGs) have a substantial but diverse contribution to the socio-economic empowerment of women and diversifying their livelihood in Gujarat, India. The quantitative analysis showed that there is a moderate positive relationship ($r = 0.524$, $p < 0.01$) between the

involvement of women in microfinance programs and the extent of socio-economic empowerment of women, thus, the access to microfinance, their participation in savings programmes, and their exposure to training programs has a significant role to play in enhancing decision making power, confidence and contribution of women to their households. Likewise, the results of regression have demonstrated that SHG participation has a positive statistically significant effect ($b = 0.258$, $p < 0.01$) on financial literacy and sustainable livelihood diversification among women, but the clarification of the model ($R^2 = 0.067$) indicates that the impact of SHG participation on the specified categories is affected by other contextual and institutional factors. The study also discovered that women who participated longer in microfinance and had either received skills or entrepreneurship training had more economic independence and asset ownership. Altogether, these results confirm that the involvement in microfinance and collective group arrangements such as SHGs are the effective drivers of empowerment, but their effect can be significantly increased with the help of a better design of programs, long-term capacity-building, and policy alignment with other rural development and financial inclusion policies.

The results of this study support the assumption of women involvement in the microfinance programs as a major factor of socio-economic empowerment, consistent with the current empirical and meta-analytic data on the topic at both national and international levels. The moderate positive association between microfinance participation and empowerment ($r = 0.524$, $p < 0.01$) is not a novel finding due to the conclusions by Banerjee and Jackson (2019), who discovered that women have a better economic decision-making capacity and household bargaining power through access to microcredit, despite the fact that the outcomes of empowerment depend on contextual and culture-related factors. On the same note, a longitudinal study conducted by Rahman and Khan (2021) in Bangladesh found that persistent participation in microfinance programs enhances the income, mobility, and involvement of women in the community- findings that are reflected in the present findings in Gujarat. But, as it is also indicated by Alam and Sultana (2022), the benefits of empowerment are likely to stabilize without further capacity-building and contact with entrepreneurial training. The findings of this study mirror such observations by showing that empowerment with microfinance in Gujarat though important is slow and needs institutional and long-term policy backing to transform the lives permanently and not temporarily with financial relieve.

This study supports trends observed in other developing economies considering that the regression outcomes depict that SHG participation has significant but weak predictive power ($b = 0.258$, p under 0.01) on financial literacy and livelihood diversification among women. To provide an example, Kumar and Narayan (2020) have found that SHG-based microfinance programs in India promote financial literacy mainly when they are accompanied by a formal training and market exposure. Similarly, Ejor and Okafor (2023) discovered that although group-based microfinance in Sub-Saharan Asia leads to collective savings and social capital, it has little direct influence on income diversification without institutional credit connections. Such parallels indicate that the Gujarat experience may be seen as a more general developmental problem, specifically, the necessity to shift the credit-based models of microfinance to the capability-based financial ecologies. The results obtained are thereby reminiscent of the demands of Arora (2024) and Tadesse and Mekonnen (2022) to incorporate skill-building, digital financial instruments, and market connections into the process of microfinance delivery to attain sustainable livelihoods. Altogether, the findings emphasize that although microfinance and SHG membership are key facilitating factors to women empowerment and economic autonomy, their change potential can be fully achieved in case accompanied by inclusive policy frameworks, unceasing learning opportunities, and gender-sensitive institutional policies.

5. Conclusion

As ended in the present study, microfinance institutions (MFIs) and self-help groups (SHGs) significantly but differentiated roles in ensuring that women in Gujarat are socio- economically empowered and diversify their livelihoods. The results showed that the level of participation in the microfinance programs and empowerment among the women were positively and significantly correlated ($r = 0.524$, $p < 0.01$), implying that the microfinance programs are effective in increasing the levels of financial autonomy, decision-making power, and income reliability. Similarly, the involvement in SHG-based microfinance had a moderate but significant impact ($b = 0.258$, $p < 0.01$) on financial literacy and livelihood diversification of women, showing that organizational financial tools increase the knowledge exchange and business growth, only with a limited extent and scope. All in all, the study confirms that microfinance is a driver of economic inclusion and women empowerment but insists

that the design, efficiency of delivery and institutional support systems of the programs mostly define the sustainability of such effects. This study concludes that microfinance must transition from a credit-centric model to a women-centric development framework to achieve sustainable empowerment outcomes.

6.1 Implications of the study

The results are important both theoretically, practically and in policy terms. In theory, the study contributes to the discussion of gender and microfinance in that it proves that the impact of empowerment is multidimensional and context-specific and follows the capability and social capital paradigms. In practice, what the findings indicate is that viable microfinance projects should go beyond credit delivery and provisioning to also encompass training, digital literacy, entrepreneurship development, and market ties. To policymakers, the study offers evidence-based advice on refining the state and national microfinance policies particularly those in programs like the National Rural Livelihood Mission (NRLM) and Pradhan Mantri Mudra Yojana (PMMY) to incorporate gender-specific initiatives and the need to be a perpetual capacity-building program. These findings can also be used by financial institutions and NGOs to enhance SHG-MFI partnerships, product diversification and inclusive and sustainable development of microenterprises. All these implications work together to suggest that an integrated ecosystem solution is necessary, which will involve financial inclusion and social empowerment coupled with livelihood resilience.

6.2 Limitations of the study

Even with the holistic nature of the study, it has a number of limitations that must be admitted. To begin with, the sample used to gather the data consisted of 200 women in certain districts in Gujarat, and although representative, it might be a limitation to the generalisability of the findings to other areas in India. Second, self-reported data can result in bias in the response, especially when it comes to sensitive topics of income and autonomy of decision making. Third, although the association between variables was determined using correlation and regression tests, it cannot be confirmed as causal, as the data was cross-sectional. In addition, the study mainly concentrated on microfinance and SHG involvement without addressing other determining issues like digital finance embrace, household support, and market accessibility, which could also be used to mediate the empowerment outcome. These shortcomings highlight the significance of the contextual interpretation and against overgeneralization of the results.

6.3 Future Research Directions

The present study can be further developed by the future research using longitudinal or experimental design to evaluate the long-term causal impacts of participation in microfinance on women empowerment and livelihood sustainability. It could have been better to conduct the study in various states or regions in order to conduct comparative analysis to get regional differences in effectiveness of the policy and performance of the institutions. Also, the researchers ought to examine the mediating and moderating impacts of digital financial inclusion, entrepreneurial orientation, and social capital to determine the paths to empowerment. Additions of the qualitative information, including life histories, focus groups or participatory rural appraisals may further deepen an insight into the impact of gender norms, social networks and institutional constraints on the financial behaviour of the women. Lastly, the inclusion of impact evaluation frameworks with a representation of the economic and non-economic aspects of empowerment would provide more comprehensive evidence to inform the microfinance reforms in relation to the Sustainable Development Goals of India (SDGs 5, 8, and 10).

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