

## Empowering Women through Microfinance in Odisha: SHGs as Catalysts for Change

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### *Abstract*

*In response to the prohibitive costs of credit and institutional neglect towards low-income people, microfinance, facilitated by Self-Help Groups (SHGs), has emerged as a vital tool for financial inclusion. This study assesses the impact of microfinance on women's empowerment, mainly through SHGs. These groups address financial needs and foster solidarity, skill development, and entrepreneurship. In Odisha, SHGs have significantly reduced Non-Performing Assets, achieved historic credit milestones, and empowered women economically, improving financial autonomy and decision-making. The success of Odisha's model emphasizes the transformative potential of SHGs in driving economic development, women's empowerment, and inclusive growth.*

**Keywords:** *Microfinance, Empowering Women, Financial Inclusion, Non-Performing Assets*

### **1. Introduction:**

The exorbitant cost of credit from traditional money lenders, the insufficient support from institutional credit sources and the neglect of mainstream banking institutions towards people with low incomes paved the way for the emergence of microfinance. Microfinance, a critical tool for financial inclusion, aims to provide essential financial services to those deemed unfit by conventional banking networks. This is particularly crucial for delivering affordable banking and credit services to individual borrowers and the financially marginalized poor through the innovative mechanism of group lending, primarily facilitated by Self-Help Groups (SHGs).

### **2. Objectives and Methodology of the study:**

This study has been carried out to evaluate the impact of participating in microfinance through Self-Help Groups leading to their empowerment. Secondary data sources based on a literature review and published data from Government sources have been used to infer conclusions.

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### 3. Empowerment of Women through Financial Inclusion:

The foundation of these SHGs lies in fostering a sense of solidarity among women. By providing a space for women to come together, these groups create an environment where individuals share their experiences, dreams, and challenges. This shared camaraderie becomes the bedrock for collective decision-making, enabling women to actively participate in shaping their destinies.

Skill development and entrepreneurship form pivotal components of these SHGs. Women are equipped with the skills necessary to engage in various economic activities through training programs and workshops. This not only enhances their capacities but also contributes to the region's overall economic development.

Microfinance through SHGs not only addresses financial needs but also enhances the status of women as active participants and decision-makers in their communities. As Tripathy (2015) suggests, these groups capacitate women to effectively encounter economic shocks and crises, contributing to their resilience and empowerment. Disparities in education, health, employment, income opportunities, asset control, personal security, and political participation underscore the deprivation experienced by women, impeding the nation's ability to realize its full potential (Biswas & Kabeer, 2001). Recognizing the urgency, the World Bank emphasizes that women's empowerment should be a central focus of social development programs (World Bank, 2001).

Women's empowerment encompasses a multidimensional approach involving the acquisition of resource materials, human and intellectual capabilities, and financial resources. This includes knowledge, information, ideas, access to financial resources, and control over decision-making at home, in the community, society, and the nation. The United Nations defines women's empowerment as asserting control and ownership over their lives by expanding their choices. Overall, women's empowerment denotes enhancing economic, social, spiritual, and political strength, elevating self-esteem, expanding decision-making capabilities, and facilitating better access to resources.

Economic empowerment, a cornerstone of women's ability to engage freely in economic activities, encompasses the right to earn and save, entrepreneurship skills, marketing abilities, managerial capacities, and ownership of assets. These components collectively signify progress towards

economic empowerment, endorsing women's sense of agency, the right to make choices, control their lives within and outside the home, and the ability to influence social change.

Women, facing credit constraints, limited access to the labour market, and unequal decision-making power within households, become the focus of poverty alleviation programs. The involvement of women in microfinance initiatives thus becomes a strategic approach to address these constraints and promote their empowerment.

### **3. Financial Inclusion's Impact on Women's Autonomy:**

In the heart of Odisha, a silent revolution is unfolding, driven by women's empowerment through Self-Help Groups (SHGs). Self-help groups (SHGs) are at the forefront of this initiative, seamlessly integrating with formal banking services to provide women access to credit facilities and financial literacy programs. This strategic move serves as a game-changer, dismantling barriers that previously impeded women's economic independence.

These groups transcend their role as mere financial entities; they serve as transformative platforms that unite women, fostering resource pooling, knowledge sharing, and collective decision-making (Tripathy, 2016, 2017).

The impact of Odisha's financial inclusion initiatives is profound, granting women unprecedented financial autonomy. No longer confined to the periphery, women in Odisha are actively contributing to the economic well-being of their households. This newfound economic power transforms individual lives and radiates across families and communities.

### **5. SHGs as Exemplars of Collective Action as Catalysts for Change in Odisha:**

Odisha's SHGs serve as shining examples of how collective action and empowerment can bring about transformative change. By investing in the potential of its women, the state ensures financial inclusion and contributes to the creation of a society where women actively participate in and shape their destinies. As these SHGs continue to thrive, Odisha sets a precedent for the nation, illustrating that actual progress is achieved when every individual, especially women, can flourish.

In a transformative journey over the past six years, Odisha's Self-Help Group (SHG) loans have witnessed an unprecedented reduction in Non-Performing Assets (NPA), showcasing a remarkable decline from 14.2% to an astonishingly low 1.99%. This significant achievement, spearheaded by Mission Shakti Secretary Sujata Rout Karthikeyan, is a testament to the state's commitment to financial inclusion and women's empowerment.

For the first time in history, the credit flow to SHGs in Odisha is poised to surpass Rs 15,000 crore, marking a historic milestone in the state's efforts to uplift and strengthen its grassroots communities. Under the dynamic leadership of Sujata Rout Karthikeyan, efforts are underway to enhance credit accessibility for SHGs further, fostering economic growth and self-sufficiency.

The journey to this financial milestone has been marked by a substantial increase in credit flow, reaching an impressive Rs 11,000 crore in the fiscal year 2022-23 – a quantum leap achieved over eight years. Notably, the average loan size has experienced substantial growth, soaring from Rs 1.06 lakh in 2016-17 to Rs 3.01 lakh, underscoring the expanding financial footprint and impact on SHGs.

The quantum leap in credit flow was catalyzed by the visionary decision of the State Government to provide zero-interest loans up to Rs 5 lakh. Over the past four years, a commendable Rs 587 crore has been reimbursed directly to the bank accounts of more than 4 lakh SHGs, with Rs 216 crore injected into the system in the last year alone. This injection of funds has been a crucial driver in fueling the economic activities of SHGs, contributing to their overall growth and sustainability.

One of the most remarkable achievements in this financial narrative is the unparalleled reduction in the NPA of SHG loans. The extraordinary decline from 14.2% to 1.99% over the last six years is not only a state record but also stands as one of the lowest in the country. Further highlighting this success is the fact that, for the first time, 1,103 Gram Panchayats (GPs) in Odisha are NPA-free, a feat acknowledged and praised by the Government of India.

Beyond financial metrics, Odisha has also made significant strides in promoting women's economic independence and decision-making. Women's usage of bank accounts has seen a commendable rise, with approximately 86.5% of women in Odisha now having their own bank or savings account. According to the National Family Health Survey (NFHS-5) report, 90.2% of families in Odisha have married women actively participating in household

decisions, surpassing the national average of 88.7%. This marks a substantial improvement from the NFHS-4 report of 2015-16, which indicated that only 56.2% of women in Odisha had bank or savings accounts.

To bridge the gap and ensure financial inclusion reaches the unreached, Mission Shakti has strategically deployed over 2,318 SHG members as Business Correspondent Agents (BCAs) in unbanked Gram Panchayats across Odisha. This initiative has facilitated financial transactions and generated a robust business turnover of Rs 1,159 crore in the last year, with BCAs earning a commendable Rs 3.68 crore.

The state's commitment to promoting SHGs goes beyond financial empowerment. The Cabinet's decision to provision government goods and services worth Rs 5,000 crore from SHGs has resulted in Rs 4,949.14 crore worth of government business being facilitated in collaboration with 20 government departments. This move not only provides SHGs with substantial business opportunities but also strengthens their role in contributing to the overall socio-economic development of the state.

## **6. Conclusion**

In conclusion, Odisha's success story in empowering SHGs is a testament to the effective implementation of policies, strategic initiatives, and the unwavering commitment of the state government. The substantial reduction in NPA, coupled with the impressive growth in credit flow, highlights the resilience and potential of SHGs as catalysts for economic development. As Odisha continues its journey towards inclusive growth, these achievements stand as a beacon for

other regions aspiring to foster financial inclusion, women's empowerment, and sustainable development.

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