

# Role of Microfinance in catalysing the vision of Viksit Bharat 2047: A case study of Vindhyachal Mandal

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## Abstract

*The Indian government's vision of "Viksit Bharat" (Developed India) serves as a strategic framework aimed at driving inclusive socio-economic development. This vision goes beyond mere aspiration, addressing the dual challenge of increasing per capita GDP while bridging the economic gap between different societal segments. Over the past decade, policies have aimed at narrowing this chasm and improving infrastructure to enhance the quality of life. However, significant challenges remain, particularly in creating livelihood opportunities for the 80 crore people in the productive age cohort and ensuring access to credit for these means. The demographic dividend could become a double-edged sword if not managed carefully, underscoring the need for a robust and inclusive financial services sector. The objective of this paper is to analyze the economic development of the poor people through the intervention of micro-finance. An attempt has been made to examine the Micro finance activities in poverty alleviation with a view to present a comprehensive depiction of its role in economic development of the individual.*

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## I. Introduction:

As India marches confidently towards its vision of a developed nation, it strides with a promise to elevate its rural communities. At the heart of this transformative journey are 'Microfinance Institutions' (MFIs), taking charge to ensure that the fruits of progress reach every corner of the country, seamlessly connecting the vibrant pulses of rural and urban India. These institutions are at the forefront of promoting grassroots economic prosperity, providing essential financial services to unserved and underserved individuals who often excluded from traditional banking systems, even in the most underpenetrated areas. To truly support the Viksit Bharat vision, reimagining the formal financing sector is crucial. It is essential to make credit available for skilling, upskilling or even working capital for those seeking livelihood means, at smaller ticket sizes. Traditional financing institutions are not able to address these consumer segments due to biases in credit assessment and high distribution costs. Leveraging India's extensive Digital Public Infrastructure (DPI) can ensure inclusive access to financial services, thereby aligning with the essence of Viksit Bharat. Advanced technologies like artificial intelligence and machine learning can transform credit assessment processes, enabling more accurate and inclusive evaluations by analysing alternative data sources such as transaction histories and social media activities.

There is immense potential at the bottom of the pyramid that can be harnessed if capital is made available. Financial institutions that cater to these segments with tailored credit products can generate significant returns. By providing access to appropriate financial instruments, individuals can be empowered to contribute meaningfully to the economy, driving both personal and national growth. Investors and financial institutions can tap into this vast, underserved market, fostering a more inclusive and prosperous economic landscape. However, challenges such as lack of formal documentation and irregular income streams in the informal sector require innovative solutions and tailored approaches to effectively serve these crucial yet underserved markets.

Developing innovative financial products tailored to different population segments is vital. Tools such as micro-loans, peer-to-peer lending platforms, and digital wallets can bridge the financial inclusion gap, empowering individuals and small businesses to invest in their futures and drive economic growth. Political mandates alone cannot address the financial needs of underserved segments effectively. Instead, regulatory frameworks must normalise and support how regulated financial entities manage anticipated risks associated with financing these perceived-risky consumer segments. Such frameworks should provide guidelines for handling potential losses while incentivising institutions to engage actively with these markets.

The vision of Viksit Bharat encompasses robust economic growth that benefits all. Infrastructure development, digital transformation, and industrial modernisation are setting the stage for a more dynamic and resilient economy. Initiatives like smart cities, expanded transportation networks, and enhanced rural connectivity are critical to bridging the urban-rural divide, creating jobs, and stimulating local economies. Sustainable development is also a cornerstone of this vision. Climate change poses another critical challenge. India must navigate its development path while mitigating the impacts of climate change, which threaten agriculture, water resources, and overall sustainability, consequently impacting lives and livelihood. Balancing

economic growth with environmental stewardship through investments in renewable energy, sustainable agriculture, and green technologies will help mitigate climate change impacts and create new economic opportunities.

Currently, climate financing in India for both mitigation and adaptation remains weak. An integrated approach to climate financing across all financial regulatory systems needs to be driven at the Financial Stability and Development Council (FSDC) level as a priority item. This includes developing and implementing a formal, India-specific climate taxonomy to standardise and streamline investments in climate-related projects. Such an approach is essential to effectively address climate change impacts on agriculture, water resources, and overall sustainability, ensuring that India's development path is resilient and environmentally sustainable. Prioritising climate financing will enable India to balance robust economic growth with environmental stewardship, fostering a sustainable and inclusive future.

Financial inclusion is a cornerstone of Viksit Bharat. Ensuring that all citizens have access to financial services empowers individuals and communities, fostering a more inclusive economy. Initiatives like Pradhan Mantri Jan Dhan Yojana have made significant strides in bringing millions into the formal banking system. The resilience of India's financial services sector is integral to realising the vision of Viksit Bharat. Strengthening regulatory frameworks with increased and tighter supervisory standards, promoting digital financial services, and enhancing financial inclusion will build a financial ecosystem that supports sustainable and inclusive socio-economic development. These can ensure that Viksit Bharat is not just a vision but a lived reality for every Indian. Through strategic and persistent efforts, India can uplift one-sixth of humanity with progress and dignity for all, driving developmental politics over mere politicking and creating a prosperous future for all its citizens.

In FY 2023-24, the microfinance industry in India witnessed impressive growth, expanding by 24.5% YoY and surpassing the INR 4 trillion mark. The customer base grew by 17% YoY, reaching 78 million, with 45 million from rural and semi-urban areas, underlining its role in democratizing financial access. With a 21% CAGR over the past six years, the sector is now a key part of the mainstream financial landscape. By FY2025, microfinance is set to become the fourth-largest retail segment, following housing, personal, and agriculture loans, highlighting its pivotal role in driving economic growth across India.

The integration of 'technology' into microfinance operations is another key factor driving rural development. MFIs are leveraging digital platforms to enhance access to financial services, ensuring that rural populations benefit from modern innovations. Mobile banking, digital loan disbursements, and online financial literacy programs have all contributed to making financial services more accessible and efficient. This technological advancement not only simplifies transactions but also integrates rural communities into the broader financial system, bring up greater economic participation and resilience.

'Education' and 'skill development' are significant to the rural transformation agenda. These institutions focus on expanding educational opportunities and providing vocational training to rural youth. By investing in skill development programs and educational grants, they are nurturing a new generation of leaders to drive economic and social progress. As our Hon. Prime Minister Narendra Modi emphasizes, today's youth, will be instrumental in India's growth trajectory well into its centenary. Accelerating the "*Skill India Mission*" with renewed vigour and leveraging the new institutions formed in the past six years is essential for building a "*self-reliant India*." According to the Ministry of Rural Development, skill development programs supported by MFIs have already significantly enhanced employment rates and income levels among rural youth.

One of the most impactful contributions of MFIs is their role in promoting 'gender equality' through job creation and financial independence for women. Women are a significant demographic within MFI programs, and their participation in microenterprise activities has far-reaching socio-economic implications. By providing them with financial resources and entrepreneurial opportunities, these firms are not only enhancing gender equality but also empowering women to become active contributors to their communities.

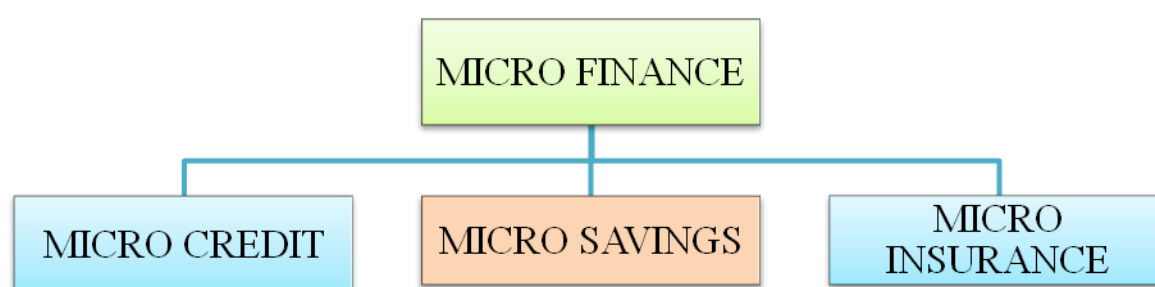
'Financial literacy' and 'inclusion' are crucial drivers of rural empowerment. MFIs are leading the way in advancing financial education, equipping individuals with the knowledge needed to make informed financial decisions. Data from the RBI shows that these literacy programs are making a significant impact. Early financial education, starting at home, is essential—teaching the ABC of finance and banking to young girls can encourage lifelong financial prudence. The saying, "*When a woman is educated, she educates her entire family*," points out the ripple effect of financial literacy. As the NBFC-MFI organizations provide small loans and financial training, they help women manage finances effectively, set aside money for future goals, and explore entrepreneurial opportunities. With more than 6 crore women in India benefiting from these institutions, this enhanced understanding allows individuals to better manage their finances, access essential services, and engage more fully in the economy, contributing significantly to a more equitable and accessible financial system.

'Sustainability' and 'environmental stewardship' are central to India's developmental vision, and these institutions are at the forefront of this transformation.

Microfinance institutions have long recognized the importance of reducing carbon footprints and are increasingly financing projects that cut greenhouse gas (GHG) emissions. With a growing emphasis on

combating climate change from both societies and regulators, these institutions are actively supporting renewable energy efforts, promoting energy efficiency, and offering green loans such as solar and cycle loans. This focus on green initiatives not only aligns with the government's net zero emissions goals but also reflects a broader shift towards responsible financial services. Many MFIs are adopting sustainable practices within their own operations, such as using green buildings powered by renewable energy, while striving for higher ESG ratings, as mandated by SEBI, to meet the growing stakeholder demand for sustainability. This approach is helping to significantly reduce the GHG emissions and overall carbon footprint associated with their activities.

'Sanitation' is another critical area where MFIs are making a difference. Improving facilities in rural areas is essential for achieving the goals of a developed nation. According to the World Health Organization (WHO), better sanitation contributes to improved health outcomes and enhanced economic productivity. MFIs are supporting sanitation projects that provide clean drinking water, improved waste management, and better hygiene facilities. These initiatives are crucial for enhancing the quality of life in rural communities and aligning with the broader objectives of national development.



### Objectives:

The overall objective of the study is to evaluate the impact of microfinance on social upliftment and empowerment of rural women households in three districts of Vindhyachal Mandal. This has been initiated with following sub objectives;

- To appraise the female members ability of participation in social affairs/public issues and availing employment after joining SHGs.
- To evaluate the female members ability to face the problems after joining SHGs.
- To analyse the female members ability of control over use of money after joining SHGs.

### Methodology of the study:

The present paper is based on primary sources of data and information. The primary data and information have been collected by interviewing the various stakeholders involved in Swarn Jayanti Gram Swarajgar Yojana i.e. the SHG members, bank, officials of government agencies, NGOs, Village Panchayat members, rural educated self employed people, individual volunteers at village level on the basis of structured questionnaire. One of the objectives of the SBLP is to enhance socio-economic empowerment, which includes self confidence of the members of the rural households, especially women through promotion of group and own activities and the conduct of training, organized mainly by SHPIs. The area of the study chosen was Vindhyachal Mandal. The 500 women beneficiaries of selected SHGs from three districts of Vindhyachal Mandal (i.e Mirzapur, Sonbhadra and Sant Ravidas Nagar) were surveyed on the above mentioned indicators of women empowerment. The impact of the programme has been analysed by comparing pre and post SHG situations.

### Survey findings of the study:

Before describing the analysis, we present the overview of the profile of women beneficiaries. The overviews include important indicators such as Age, Marital Status Educational Attainment, Occupation.

**Table 1: Profile of the Female Respondents**

Particulars	No. of Respondents	
	SHG Households	Non-SHG Households
<b>A. Age:</b>		
<20 years	15 (3 %)	17(4%)
20-30 years	119 (24 %)	114 (23%)
31-40 years	176(36 %)	149(30%)
41-50 years	90 (18 %)	120(24%)
50 years	100 (20 %)	100(20%)

<b>Total</b>	<b>500</b>	<b>500</b>
<b>B. Marital Status:</b>		
Never Married	57 (12 %)	67 (14%)
Married	400 (80 %)	399 (80%)
Divorced/Separated/Widowed	43 (8%)	34 (7%)
<b>Total</b>	<b>500</b>	<b>500</b>
<b>C. Caste</b>		
General	46 (10 %)	50 (10%)
OBC	100(20 %)	100(20%)
SC/ST	354(70 %)	350 (70%)
<b>Total</b>	<b>500</b>	<b>500</b>
<b>D. Educational Attainment:</b>		
Illiterate	184 (37 %)	166(34%)
Up to Primary	89 (18 %)	106(22%)
Up to Middle	51 (11 %)	99(20%)
Up to Schooling	50 (10 %)	45(9%)
Above Schooling	46 (10 %)	7(2%)
Literate	80 (16%)	77(16%)
<b>Total</b>	<b>500</b>	<b>500</b>
<b>E. Occupation:</b>		
Farmers (Own land)	50 (10%)	82 (17%)
Artisans	100 (20 %)	93 (19%)
Traders/Shopkeepers	96 (20 %)	72 (15%)
Agricultural labour	93 (19 %)	87 (18%)
Non-agricultural labour	100 (20 %)	100 (20%)
Others	61 (13 %)	66 (14%)
<b>Total</b>	<b>500</b>	<b>500</b>

Source: Primary Survey (Field Data)

Note: Figures in parentheses are the percentages.

### 1- Profile of the Female Respondents:

The table shows that 36 percent of the respondents were in age group 31-40 years in case of SHG households and 30 percent in case of Non-SHG households. The distribution of the sample also reveals that around 80 percent of the respondents were married and 12 percent of the respondents were not married. The caste desegregated profile of the respondents reveals that 70 percent of the respondents belonged to SC/ST category, while 20 percent belonged to OBC category and 10 percent were from general category. As far as literacy rate is concerned 37 percent of the respondents were illiterate and nearly half of the respondents were upto primary and upto middle and 16 percent of the respondents were literate. The table highlights that 23 percent of the respondents were Non-Agricultural labourers, Traders and Artisans and 10 percent of them were farmers. (Table 1)

**Table:2 Participation of Female SHG Members in Public Issues**

Activity	Frequency	Pre-SHG Period		Post- SHG Period		Change	
		N	%	N	%	N	%
a. Approaching Govt. officials to solve the problems	Yes	50	10	178	55	128	45
	No	400	80	141	42	(-) 259	(-) 38
	No Response	50	10	31	3	-19	-7
b. Attending committees/ village Meetings	Yes	75	15	192	58	117	43
	No	400	80	124	35	(-) 276	(-) 45
	No Response	25	5	34	7	9	2
c. Member of Village/Govt. Committees.	Yes	40	8	46	15	6	7
	No	420	84	276	72	(-) 144	(-) 12
	No Response	40	8	28	13	-12	5
<b>TOTAL</b>		<b>500</b>	<b>100.00</b>	<b>500</b>	<b>100.00</b>	<b>-</b>	<b>-</b>

### Change in Participation in Public Issues at Village Level:

Regarding the participation of women in public issues at village level, female SHG members were asked to provide their perceptions for the pre and post SHG periods on:

- Whether they have ever approached a government official to obtain services to solve a problem,
- Whether they attended any committee or village meeting such as Panchayat, Gram Sabha or other Committee meetings,
- Whether they have been members of any village or government Committee.

Table 2 provides the percentage of women members on participation in various activities noted in both pre and post SHG situations. Significant improvements were observed from `10% (pre SHG) to about 55 % (post SHG) on the aspects of approaching government officials. Similar is the case with attending committees and village meetings, having an improvement of about 15% (pre SHG) to 58% (post SHG) after joining the SHG. The changes were much less pronounced on the side of female SHG members becoming members in the village/ Government committees where membership increased from about 8 percent to 15 percent only.

**Table : 3 Distribution of Female SHG Members in Ability to Face the Problems Source: Primary Data**

Activity	Frequency	Pre-SHG Period		Post- SHG Period		Change	
		N	%	N	%	N	%
a. Health Related Problems	Always/Frequently	120	24	335	67	(+)215	43
	Rarely	190	38	115	23	(-)75	(-)15
	Never	150	30	25	5	(-)125	(-)25
	No Response	40	8	25	5	(-)15	(-)3
b. Family Disputes	Always/Frequently	100	20	275	55	(+)175	35
	Rarely	130	26	100	20	(-)30	(-)6
	Never	200	40	100	20	(-)100	(-)20
	No Response	70	14	25	5	(-)45	(-)9
c. Financial Crisis	Always/Frequently	30	6	175	35	(+)145	29
	Rarely	50	10	175	35	(+)125	29.14
	Never	350	70	75	15	(-)275	(-)55
	No Response	70	14	75	15	(+)5	(-)1
<b>Total</b>		<b>500</b>	<b>100</b>	<b>500</b>	<b>100</b>	<b>-</b>	<b>-</b>

### 3. Changes in Ability To Face Problems

Three different aspects of problematic situations were indicated to the women members and information on the ability to face them during pre and post SHG period were recorded and compared. Their responses were solicited on the following problems:

- Heath related
- Financial Crisis in the family
- Family disputes

The percentage of women respondents indicating changes in abilities to face such situations is given in Table 3. We observed that about 67% of the women respondents said that they frequently and confidently handled health related problems of their family, during post SHG period, while 55% said that they could do so with regard to family disputes. During post SHG period 35% of the women respondents were able to face /handle the situation of financial crisis in the family.

**Table4: Distribution of Female SHG Members in Control Over Use Of Money**

Activity	Frequency	Pre-SHG Period		Post- SHG Period		Change	
		N	%	N	%	N	%
a. Buying consumer durables	Always/Frequently	30	6	90	18	60	12
	Rarely	50	10	260	52	210	42
	Never	390	78	125	25	(-)265	(-)53
	No Response	30	6	25	5	-5	-1
b. Buying physical assets	Always/Frequently	10	2	60	12	50	10
	Rarely	30	6	190	38	160	32
	Never	415	83	160	32	(-)255	(-)51
	No Response	40	8	90	18	50	10
c. Expenditure on family/social functions	Always/Frequently	60	12	150	30	90	18
	Rarely	60	12	235	47	175	35
	Never	370	74	100	20	(-)270	(-)54
	No Response	10	2	15	3	5	1
d. Expenditure on children's education	Always/Frequently	55	11	165	33	110	22
	Rarely	80	16	240	48	160	32
	Never	335	67	60	12	(-)275	(-) 55
	No Response	30	6	35	7	5	1
<b>Total</b>		<b>500</b>	<b>100</b>	<b>500</b>	<b>100</b>	<b>500</b>	<b>100</b>

Source: Primary Data

#### **4. Change In Control Over Use of Money :**

The women members were asked to indicate their control over use of money they earn during pre and post SHG situations. Information was collected with regard to the following aspects:

- Buying consumer durable goods
- Buying physical assets like land and plots etc.
- Expenditure on family/social functions
- Expenditure on children's education.

When the control over money earned by women was examined interesting results have been observed (Table 4). The highest rate of frequency of deciding the use of money by women households during post SHG period, was on expenditure for children's education (33%), followed by expenditure on family/social functions (30%), buying consumer goods (18%) and purchase of physical assets (12%). The percentage of frequent decisions taken by women members over the use of money earned by them on above mentioned expenditure heads was about 11%, 10% 6% and 2% respectively during pre SHG period. Thus, the observation recorded an increase of about 22%, 18%, 12% and 22% respectively in the number of women respondents who had frequently participated/ taken decisions regarding use of money earned by them in buying consumer durables, physical assets, expenditure on family/social functions and consumer assets.

## **II. Conclusion:**

In conclusion, Microfinance Institutions are vital in advancing India's vision of a "Viksit Bharat," driving economic growth, financial inclusion, and sustainability in rural areas. As India aims to become a developed nation by 2047, MFIs play a key role in laying the groundwork for a more inclusive and prosperous future. As the Government has laid down a clear roadmap of 'Viksit Bharat' where GYAN – Garib (poor), Yuva (youths), Annadata (the farmer) and Nari (Women) will remain at the centre of development, the Government will focus on bringing additional liquidity into the Microfinance sector in order to strengthen financial inclusion, entrepreneurship at the grassroots levels where micro-finance institutions will play a crucial role, stated Dr Saurabh Garg, Secretary, Ministry of Statistics and Programme Implementation, Government of India while speaking at the two – day 19th Sa-dhan National Conference on Inclusive Growth 2024 happening in New Delhi.

Dr Garg observed that the share of MFIs, NBFCs besides commercial banks has significantly increased over the years and in order to pursue the roadmap of 'Viksit Bharat', the Government would also encourage innovation and skill development of the last-mile beneficiaries where MFIs

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