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Microfinance and Women Empowerment: A Five-Year Comparative Analysis of SHG Savings, Bank Linkage and Credit in Andhra Pradesh and Telangana"

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ABSTRACT

Microfinance has become a significant tool for fostering financial inclusion and enhancing women's economic engagement through Self-Help Groups (SHGs). This research investigates the impact of microfinance on empowering women by comparing SHG savings, bank connections, and credit in the regions of Andhra Pradesh and Telangana. The analysis spans a period of five years, from 2020-21 to 2024-25, primarily relying on secondary data sourced from the National Bank for Agriculture and Rural Development (NABARD), specifically the reports on the Status of Microfinance in India. Key metrics examined include the quantity of savings-linked SHGs, dedicated women SHGs, SHG savings, SHGs that have accessed bank credit, amounts of credit disbursed, SHGs with outstanding loans, and total loan amounts. To evaluate the evolving landscape of SHG-driven microfinance in both states, the study utilizes year-on-year growth rates, compound annual growth rates (CAGR), and comparative assessments. The results reveal notable distinctions between Andhra Pradesh and Telangana regarding the scope and development of SHG savings and institutional credit. While Andhra Pradesh boasts a relatively larger financial portfolio for SHGs, Telangana shows more robust growth in SHG savings during the analyzed timeframe. The results indicate that the increase in SHG savings, bank connections, and institutional credit has improved women's access to formal financial services and offered enhanced opportunities for economic involvement. The research suggests that bolstering SHG-bank connections, enhancing financial literacy, and extending more support for women-driven economic and entrepreneurial initiatives could amplify the role of microfinance in advancing women's empowerment.

(Keywords: Microfinance, Women Empowerment, Self-Help Groups, SHG Savings, Bank Linkage, Credit, Financial Inclusion, Andhra Pradesh and Telangana)

Introduction:

1.1 Meaning and Importance of Microfinance

Microfinance involves offering small financial services, such as saving, lending, insurance, and other financial resources, to individuals and groups with limited access to established financial institutions. In India, microfinance has become a vital tool for achieving financial inclusion, especially for women in rural areas and economically disadvantaged communities. The Self-Help Group (SHG)-Bank Linkage Program, initiated by NABARD, has been crucial in linking low-income women to official banking services. By enabling savings and providing access to institutional loans, microfinance aids in activities that generate income, enhance livelihoods, and promote financial self-sufficiency.

1. 2 SHGs and Women's Empowerment

Self-Help Groups serve as a key institutional framework for advancing women's empowerment in India. Typically, SHGs are made up of members who regularly save money, collectively access loans, and engage in economic and livelihood ventures. Being part of SHGs can enhance women's ability to access financial means, improve their financial literacy, and foster their involvement in making decisions both at home and within the community. Beyond economic advantages, collective engagement can build confidence, boost social involvement, and promote entrepreneurial growth. Consequently, SHGs act as a platform through which financial inclusion can lead to more extensive forms of women'sempowerment.

1.3 Significance of SHG Savings and Credit

Savings and credit form the foundational financial elements of the SHG model. Consistent savings foster financial responsibility, establish a communal fund, and allow members to address small household or livelihood needs

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through internal lending. A robust savings foundation can enhance the credit rating of an SHG and improve its ties with traditional financial institutions.

Bank loans allow SHG members to engage in ventures that might not be feasible through their savings alone. These loans can support activities in agriculture, animal husbandry, food processing, sewing, small-scale trading, and other micro-businesses. Access to institutional loans can diminish reliance on informal lenders, offering women chances to earn income, purchase productive resources, and contribute to family expenses.

However, the success of microfinance relies not just on the availability of loans but also on their effective application, affordability, and timely repayment. Loans provided without sufficient financial education, training for livelihoods, or market access can lead to increased repayment stress and a risk of becoming over-indebted. Hence, SHG savings and bank loans must be complemented by capacity-building, business development, digital and financial literacy, as well as effective market connections.

1.4AndhraPradeshandTelanganaastheStudyArea

Andhra Pradesh and Telangana represent an essential context for comparative study due to their well-established SHG networks and significant presence of community institutions led by women. While Telangana was created after the division of undivided Andhra Pradesh in 2014, both states have since adopted distinct institutional and developmental strategies regarding the encouragement of SHGs, savings mobilization, and links with banks.

Analyzing the two regions can uncover distinctions in the magnitude, development, and trends of microfinance based on SHGs. Andhra Pradesh possesses a more expansive SHG financial framework, whereas Telangana has demonstrated significant advancement in the accumulation of savings throughout the researched timeframe. Exploring these differences may reveal both advancements and shortcomings in savings integration, lending distribution, and loan accessibility.

1.5 Need for a Five-Year Comparative Analysis

An analysis focused on a single year only offers a limited view of the financial status of Self-Help Groups (SHGs) and may fail to reflect significant shifts in savings and access to credit. Observing a five-year timeframe allows for the recognition of trends, development patterns, and variations in the financial capabilities of SHGs. This current research spans from 2020-21 to 2024-25 and is based on data provided by the National Bank for Agriculture and Rural Development (NABARD). The study examines factors such as SHG savings, SHGs linked to savings, women-only SHGs, bank lending amounts, and outstanding loans, all evaluated through yearly growth rates and the compound annual growth rate (CAGR). The comparative assessment reveals distinctions between Andhra Pradesh and Telangana, offering understanding into how SHG-centric microfinance contributes to enhancing women's financial inclusion and economic power.

2. Review of Literature

1. Patel and Mistry (2024) conducted a comprehensive review of literature on women's empowerment through Self-Help Groups in India. The study examined economic, social and political dimensions of empowerment and highlighted the importance of the SHG-Bank Linkage Programme in integrating financially excluded women into the formal financial system. The review concluded that SHGs can contribute to women's economic independence, social participation and empowerment.

2. Nagabhushan et al. (2024) examined the relationship between microfinance and women's economic empowerment, particularly through financial inclusion. Using qualitative evidence from women, the study found that microfinance institutions can support poverty reduction and women's empowerment by improving access to financial resources. The study emphasised financial inclusion as an important pathway through which microfinance can contribute to women's economic empowerment.

3. Pandhare, Bellampalli and Yadava (2024) studied the role of microfinance and entrepreneurship in transforming the lives of rural women participating in Self-Help Groups in India. Their findings highlight the importance of combining access to finance with entrepreneurship for improving women's empowerment. The study suggests that credit alone may not be sufficient and that entrepreneurial opportunities are important for translating financial access into sustainable empowerment.

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4. Naik (2024) examined Self-Help Groups and microfinance as mechanisms for women's empowerment in Uttara Kannada, Karnataka. The study focused on women's participation in SHGs and their socio-economic outcomes, highlighting the role of SHGs in improving women's economic participation and access to financial resources. The findings support the importance of SHG-based microfinance in strengthening women's socio-economic position.

5. Islam and Brahmachary (2025) investigated the effectiveness of SHGs as a microfinance model for women's socio-economic empowerment in the Bodoland Territorial Region of Assam. Based on 280 participants, the study used chi-square tests, t-tests, regression and Kruskal-Wallis analysis. The findings indicated improvements in women's banking activities, household decision-making, financial management and monthly income after SHG participation. The study concluded that SHGs can strengthen women's economic agency, decision-making and entrepreneurial capabilities.

Research Gap

The recent literature establishes that microfinance and SHG participation are positively associated with women's financial inclusion, economic participation, decision-making and entrepreneurship. However, most recent studies are based on primary surveys conducted in specific regions or districts, while there is relatively less emphasis on longitudinal analysis using official state-level financial data. Further, limited studies compare Andhra Pradesh and Telangana using a common set of indicators such as SHG savings, bank linkage, credit disbursement and loans outstanding over a continuous five-year period. Therefore, the present study addresses this gap by using NABARD data for 2020–21 to 2024–25 to comparatively examine the growth and financial reach of SHGs in Andhra Pradesh and Telangana and discuss its implications for women's empowerment.

3. Objectives & Methodology:

1. To Analyze the five-year trends in SHG savings and bank linkage in Andhra Pradesh and Telangana.
2. To Compare bank credit disbursement and loans outstanding between the two states.
3. To examine the role of SHG-based microfinance in promoting women's financial and economic empowerment.

1.SHG Savings -Year-wise Growth

Year	Andhra Pradesh SHGs	AP Savings ₹ crore	AP Growth %	Telangana SHGs	Telangana Savings ₹ crore	Telangana Growth %
2020–21	10,58,053	10,933.05	—	7,29,018	4,324.56	—
2021–22	10,85,485	11,668.23	**6.72%**	7,37,611	5,094.58	**17.80%**
2022–23	10,80,977	18,606.19	**59.46%**	6,09,319	5,156.96	**1.22%**
2023–24	10,99,161	17,292.16	**–7.06%**	6,10,882	5,768.69	**11.86%**
2024–25	10,92,317	16,813.05	**–2.77%**	5,65,276	7,937.82	**37.60%**

(Sources: NABARD, *Status of Microfinance in India 2020–25)*

Interpretations:

SHG savings increased in both Andhra Pradesh and Telangana during the study period. Andhra Pradesh maintained a substantially higher absolute level of SHG savings, indicating a larger financial base of SHGs. However, Telangana recorded stronger overall growth, particularly during 2023–24 and 2024–25. Andhra Pradesh experienced a decline in savings during the last two years, whereas Telangana continued to show positive growth. The findings indicate increasing participation of women in collective savings and formal financial services. The higher growth in Telangana suggests strengthening financial inclusion, while the larger savings base in Andhra Pradesh reflects its greater scale

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of SHG financial activity. Overall, the trend highlights the importance of SHG savings as a foundation for access to institutional credit and women's economic empowerment.

2. Credit Disbursement

Year	AP SHGs receiving credit	AP Credit ₹ crore	AP Growth %	Telangana SHGs receiving credit	Telangana Credit ₹ crore	Telangana Growth %
2020–21	416,621	14,609.85	—	342,801	7,818.26	—
2021–22	545,091	28,920.00	97.95%	281,951	11,883.93	52.00%
2022–23	526,732	40,230.63	39.10%	240,478	14,589.08	22.76%
2023–24	673,378	59,777.00	48.58%	---	20,932.00	43.48%
2024–25	671,397	43,169.57	–27.78%	312,189	21,120.38	0.90%

(Sources: NABARD, *Status of Microfinance in India 2020–25)*

Interpretation:

Credit Disbursement: Andhra Pradesh recorded a higher level of SHG credit disbursement than Telangana throughout the study period. AP's credit disbursement increased substantially up to 2023–24, but declined in 2024–25. Telangana showed a comparatively gradual and consistent increase in credit disbursement. This indicates a stronger overall credit base in Andhra Pradesh, while Telangana demonstrated steady growth in institutional credit access.

Loans Outstanding: In 2024–25, Andhra Pradesh had 9,98,096 SHGs with outstanding loans amounting to ₹80,223.19 crore, compared with 4,81,992 SHGs and ₹31,800.25 crore in Telangana. Thus, AP had a considerably larger outstanding credit portfolio. Overall, the expansion of SHG credit and outstanding loans indicates improved access to formal finance, which can support women's livelihood activities, financial inclusion and economic empowerment.

3. Loans Outstanding

Loans Outstanding against SHGs, 2024–25

State	SHGs with Loans Outstanding	Loans Outstanding (₹ crore)
Andhra Pradesh	9,98,096	80,223.19
Telangana	4,81,992	31,800.25

(Source: NABARD, *Status of Microfinance in India 2020–25*)

Interpretation:

Andhra Pradesh had 9.98 lakh SHGs with outstanding bank loans, compared with 4.82 lakh in Telangana. The amount of outstanding credit was also substantially higher in Andhra Pradesh at ₹80,223.19 crore, compared with ₹31,800.25 crore in Telangana. Thus, Andhra Pradesh had a considerably larger outstanding SHG credit base in 2024–25, indicating greater overall institutional credit exposure of SHGs.

Conclusion

The comparative study reveals that Andhra Pradesh possesses more robust microfinance frame work for Self-Help Groups (SHGs), characterized by elevated levels of SHG savings, credit distribution and outstanding loans. In contrast Telangana exhibited a greater increase in SHG savings throughout the observation period, signifying a more effective recent mobilization of savings. The results illustrate that microfinance centred on SHGs has improved womens ability

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to access formal savings and institutional credit in both regions.

Additionally, the research suggests that enhancing the relationships between SHGs and banks promoting financial education, ensuring timely access to credit, and providing support for livelihoods can improve the use of microfinance. Focusing more on the development of entrepreneurship, access to markets and building capacity can assist women in transforming financial opportunities into sustainable income generating endeavors.

In summary, Andhra Pradesh excels in the scale of SHGs financial activities, whereas Telangana shows a stronger growth trend. Both regions possess significant potential for leveraging SHG-based micro finance as a means to achieve womens financial inclusion and economic development Nevertheless, relying solely on financial metrics does not fully capture empowerment; future research could integrate NABARD data with primary information regarding women's income, their decision-making roles, entrepreneurship endeavors, and control over the financial services

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