Assessing the Socio-Economic Impact of NGO-Facilitated Microfinance and Skill Training on Rural Women

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Abstract — In India, non-governmental organisations (NGOs) have played a central part in forming self-help groups (SHGs) of rural women, linking them to banks and training them in trades and enterprise. This paper assesses the economic and social impact of this work using published secondary data from NABARD, the National Family Health Survey (NFHS) and the Ministry of Rural Development, together with a review of field studies from India and South Asia. Between 2020-21 and 2023-24 the number of savings-linked SHGs grew from 112.23 lakh to 144.22 lakh, and their savings from ₹37,478 crore to ₹65,089 crore, a compound annual growth of 20.2%. More than 83% of these groups are women-only, and SHG loan defaults fell to 2.05% in 2023-24. Over the same period, the share of women in India with a bank account they use themselves rose from 53.0% to 78.6%. About 71% of candidates trained by Rural Self Employment Training Institutes, two-thirds of them women, went on to self-employment or jobs. The evidence shows strong gains in savings, credit access and financial inclusion, but smaller and uneven gains in paid work, asset ownership and decision-making. The paper recommends pairing credit with market-linked skill training, regular impact measurement and stronger support for NGO promoters.

Keywords: NGOs, Microfinance, Self-Help Groups, Skill Training, Rural Women, Women's Empowerment, Financial Inclusion

I. Introduction

Rural women in India have long been excluded from formal credit. Without collateral or a regular income, many depend on moneylenders and have little say over household finances. Microfinance, the provision of small loans and savings services to people on low incomes, was developed to close this gap. Its best-known early model, the Grameen Bank in Bangladesh, lent mainly to women organised in small groups [1].

India followed a different route. Here, NGOs formed self-help groups of 10 to 20 women who saved together and then borrowed from banks under NABARD's SHG-Bank Linkage Programme, which began as a pilot in 1992. The model was later scaled up by the government's Deendayal Antyodaya Yojana–National Rural Livelihoods Mission (DAY-NRLM), which has mobilised more than 10 crore rural women into about 90.9 lakh SHGs [2]. Alongside credit, many NGOs also run skill training so that women can use loans to start or grow an enterprise.

This paper asks whether this combination of microfinance and skill training has changed the economic and social position of rural women, and where its limits lie.

II. Literature Review

Kabeer [3] defines empowerment as the expansion of people's ability to make strategic life choices, and identifies three parts: resources, agency and achievements. This framework is widely used to judge whether microfinance does more than raise incomes. Sen [4] similarly views development as an expansion of real freedoms, not only of income.

Early studies from Bangladesh were positive. Hashemi, Schuler and Riley [5] found that women in credit programmes were more mobile, made more purchases and had more say in family decisions. Pitt and Khandker [6] found that borrowing by women raised household consumption more than borrowing by men. Other studies were more cautious: Goetz and Sen Gupta [7] showed that male relatives often controlled loans taken in women's names, and Banerjee et al. [8] found in urban Hyderabad that microcredit helped existing businesses but did not change average household consumption, health or education. Kabeer [9] concluded that microfinance is not a "magic bullet" and that results depend on how programmes are designed.

Studies of Indian SHGs give a more positive picture. Swain and Wallentin [10] found significant gains in women's empowerment among SHG members across five states. Deininger and Liu [11] found that SHG members in Andhra Pradesh improved their nutrition and assets, and Datta [12] found that JEEViKA in Bihar reduced high-cost debt and raised women's participation. Kilby [13] shows that NGO-led groups have the most lasting effect when members own and run them. Duflo [14] notes that women's empowerment and economic development reinforce each other but neither follows automatically from the other. Few recent studies combine the latest national data on SHGs, skill training and women's empowerment, which this paper attempts.

III. Objectives of the Study

- To describe the role of NGOs in microfinance and skill training for rural women.
- To analyse recent trends in SHG savings, credit and repayment.
- To assess changes in women's economic and social indicators at national and state level.
- To identify challenges and suggest measures to improve impact.

IV. Research Questions and Hypotheses

- RQ1: Has NGO-facilitated SHG microfinance expanded rural women's access to savings and credit?
- RQ2: Has this been accompanied by better economic and social indicators for women?
- RQ3: Does skill training help women move into self-employment?
- H1: The growth of SHG-bank linkage is associated with higher savings and credit for rural women.

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- H2: Wider access to SHG finance is accompanied by gains in women's financial inclusion, paid work, asset ownership and decision-making.
- H3: Skill training leads a majority of trained women into self-employment or wage work.

V. Research Methodology

The study is descriptive and analytical and is based entirely on secondary data. SHG data for 2020-21 to 2023-24 were taken from NABARD's Status of Microfinance in India reports [15], [16]. Indicators of women's empowerment were taken from the NFHS-4 (2015-16) and NFHS-5 (2019-21) fact sheets for India and Maharashtra [17], [18]. Skill-training data came from Ministry of Rural Development releases on Rural Self Employment Training Institutes (RSETIs) [19], [20]. Field studies were reviewed to interpret the trends. Data were analysed using percentages, averages and the compound annual growth rate (CAGR):

$$CAGR = (V_{end} / V_{start})^{1/n} - 1 \quad (1)$$

where V is the value in the first and last year and n is the number of years. Fig. 1 shows the framework used to organise the analysis.

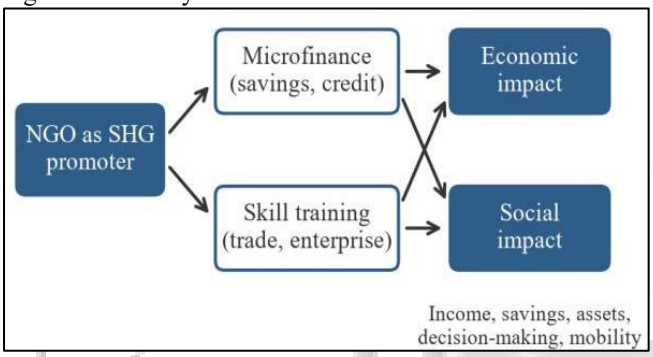


Fig. 1: Conceptual framework of the study.

VI. NGO Sector in India

India has more than three million registered non-profit institutions [21]. In microfinance, NGOs act as Self-Help Promoting Institutions: they form groups, train members in bookkeeping, help open bank accounts and support the first loans. Some, such as MYRADA in Karnataka, helped design the SHG model itself; others, such as SEWA in Gujarat and the Mann Deshi Foundation in Maharashtra, run their own banks or business schools for women. In Maharashtra, the state agency MAVIM and the State Rural Livelihoods Mission (UMED) work with NGOs to promote women's SHGs. Maharashtra had 16.31 lakh savings-linked SHGs in March 2024, the highest of any state [15].

VII. Role of NGOs

- Group formation: organising women into SHGs and training them to save, keep records and run meetings.
- Bank linkage: helping groups open accounts and obtain their first loans.
- Skill training: courses in tailoring, food processing, dairy, beauty services and other trades, and in basic business skills.
- Market linkage: helping women sell products through fairs, cooperatives and online platforms.
- Social change: awareness on health, legal rights and gender-based violence, often through SHG meetings.

VIII. Challenges Faced by NGOs

- Dependence on short-term grants, and stricter rules on foreign funding.
- Over-indebtedness when women borrow from several lenders; the 2010 Andhra Pradesh crisis is a reminder of this risk. The RBI now caps a household's loan repayments at 50% of its income [22].
- Training that is not linked to local markets, so skills are not used.
- Weak tracking of outcomes after loans and training end.
- Social norms that limit women's control over loans and mobility [7].

IX. Data Analysis and Results

A. Growth of SHG Microfinance

Table I and Fig. 2 show steady growth in the SHG-Bank Linkage Programme. Savings-linked SHGs grew at a CAGR of 8.7%, while their savings grew at 20.2%, so average savings per group rose from ₹33,394 to ₹45,132. Women-only groups made up 83.5% of all SHGs in 2023-24 and accounted for 95.1% of loans outstanding [15].

Year	SHGs (lakh)	Women SHGs (lakh)	Savings (₹ crore)	Savings per SHG (₹)
2020-21	112.23	97.25	37,477.61	33,394
2021-22	118.93	104.05	47,240.48	39,721
2022-23	134.03	112.92	58,892.68	43,940
2023-24	144.22	120.44	65,089.15	45,132

Table I: Progress Of SHG-Bank Linkage Programme

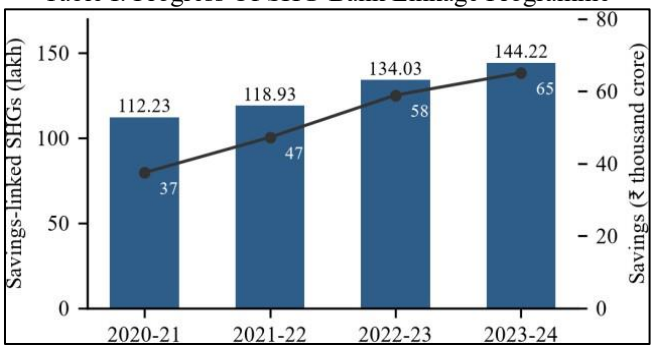


Fig. 2: Savings-linked SHGs and their savings. Source: NABARD [15], [16].

Credit has grown alongside savings. In 2023-24 banks lent ₹2,09,286 crore to 54.82 lakh SHGs, and 77.42 lakh SHGs had loans outstanding of ₹2,59,664 crore, an average of ₹3.35 lakh per group. Repayment has also improved: the share of non-performing SHG loans fell from 3.80% in 2021-22 to 2.79% in 2022-23 and 2.05% in 2023-24 [15].

This is far lower than the 8.72% reported for the wider microfinance industry in 2023-24.

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B. Women's Economic and Social Indicators

Fig. 3 compares NFHS-4 and NFHS-5 for India. The largest change was in financial inclusion: women with a bank or savings account that they use themselves rose from 53.0% to 78.6%. Mobile phone use and ownership of house or land also rose. Paid work changed little, from 24.6% to 25.4%.

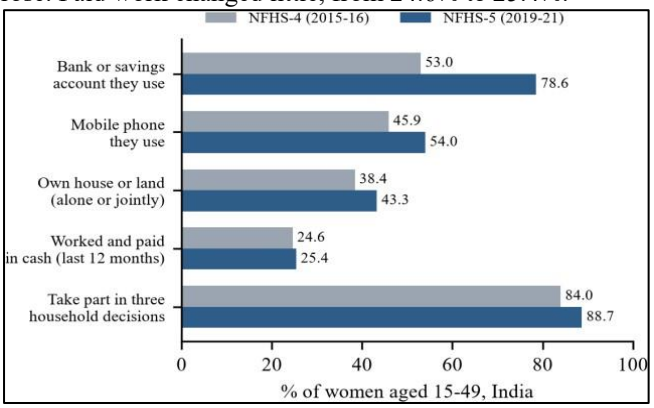


Fig. 3: Women's empowerment indicators, India. Source: NFHS [18].

Table II shows the same indicators for Maharashtra. Bank account use rose by 27.5 percentage points and paid work by 5.8 points, but reported ownership of house or land fell from 34.3% to 22.9%. Rural women in Maharashtra were more likely than urban women to be in paid work (39.6% against 29.1%).

Indicator	NFHS-4	NFHS-5	NFHS-5 rural
Bank account they use	45.3	72.8	70.9
Mobile phone they use	45.6	54.8	43.1
Worked and paid in cash	28.9	34.7	39.6
Own house or land	34.3	22.9	24.5
Three household decisions	89.3	89.8	89.2

Table II: Women's Indicators in Maharashtra (%)

C. Skill Training Outcomes

RSETIs, run by banks with state support, offer short residential courses in trades and enterprise. By February 2023 they had trained 44.42 lakh candidates, of whom 31.54 lakh (71.0%) were "settled" in self-employment or jobs [19]. Women made up 66% of trainees: 26.28 lakh women had been trained and about 18.7 lakh (71.2%) settled [20].

D. Assessment of Hypotheses

H1 is supported: SHG savings, credit and repayment all improved. H2 is partly supported: financial inclusion rose sharply, but paid work rose only slightly and asset ownership fell in Maharashtra. H3 is supported, as about seven in ten trained women were settled. Because the data are national aggregates, they show association, not cause.

X. Discussion

The results match the Indian SHG studies [10], [11], [12]: NGO-promoted groups have been very effective at building savings, opening access to bank credit and keeping repayment high. In Kabeer's terms [3], women's resources have clearly grown. The weaker change in paid work and assets suggests that resources have not always turned into agency and achievements, as Kabeer [9] and Banerjee et al. [8] warned. The rise in bank accounts also reflects government schemes such as Jan Dhan, so not all of it can be credited to NGOs. Skill training appears to be the missing link: where women receive both credit and

XI. Findings

- SHG savings grew at 20.2% a year from 2020-21 to 2023-24, much faster than the number of groups (8.7%).
- More than 83% of SHGs are women-only, and they hold 95% of SHG loans.
- SHG loan defaults (2.05%) are far below the wider microfinance industry (8.72%).
- Women's bank account use rose from 53.0% to 78.6% in India and from 45.3% to 72.8% in Maharashtra.
- Gains in paid work and asset ownership were small or negative.
- About 71% of women trained by RSETIs were settled in work.

XII. Recommendations

- Combine credit with training linked to local market demand, and follow up for at least a year.
- Support SHG federations and producer groups so women can reach larger markets.
- Promote joint or sole registration of assets bought with SHG loans in women's names.
- Track income, assets and decision-making, not only loans and repayment.
- Provide stable funding for NGO promoters, including through CSR, and enforce RBI limits to prevent over-borrowing [22].

XIII. Limitations of the Study

The study relies on secondary data, which are national or state aggregates and cannot separate the effect of NGOs from that of government schemes. NFHS data cover all women, not only SHG members, and the latest round ended in 2021. Primary field studies would be needed to measure impact directly.

XIV. Conclusion

NGO-facilitated microfinance has given millions of rural women access to savings and credit, with strong repayment and rapid growth in group savings. Women's financial inclusion has improved sharply. Gains in paid work, assets and decision-making have been slower, which shows that credit alone is not enough. Linking microfinance with market-oriented skill training and measuring outcomes for women, not only loans, would help NGOs turn financial access into lasting economic and social change.

XV. Appendix

Data sources and calculations used in the study:

- SHG data: NABARD, Status of Microfinance in India 2022-23 and 2023-24, highlights and Table 1.1.

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- Empowerment indicators: NFHS-5 fact sheets, India (indicators 119–123) and Maharashtra.
- Skill training: Ministry of Rural Development, PIB releases on RSETIs (2022, 2023).
- CAGR (2020-21 to 2023-24, n= 3): SHGs (144.22/112.23)^(1/3)− 1 = 8.7%; savings (65,089.15/37,477.61)^(1/3) − 1 = 20.2%.

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