

SHG-Bank Linkages in Uttar Pradesh: Pathways to Women Empowerment through Microfinance

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Abstract: *This study examines the performance of Self-Help Groups (SHGs), particularly women-exclusive SHGs, in Uttar Pradesh, focusing on their financial inclusion and empowerment role. Employing cluster analysis, benchmarking, and proportional analysis, the research evaluates disparities in the performance of public, private, regional rural, and cooperative banks across metrics such as savings mobilization, loans disbursed, and loans outstanding from 2007 to 2023. Findings reveal that public sector banks consistently outperform, driving the majority of SHG-linked activities and demonstrating their institutional commitment to rural financial inclusion. In contrast, private and cooperative banks lag significantly, indicating underutilized potential in fostering SHG participation. Women-exclusive SHGs emerge as the dominant contributors, accounting for a substantial share of savings and credit activities, underscoring their pivotal role in rural development and household financial stability. However, disparities in engagement across bank types highlight the need for targeted policy interventions to enhance the involvement of underperforming institutions. The study concludes with recommendations for strengthening capacity-building initiatives, promoting gender-sensitive financial policies, and incentivizing private sector participation to create a more equitable SHG ecosystem. While the findings provide actionable insights for policymakers, the study acknowledges limitations such as the reliance on secondary data and the geographic scope limited to Uttar Pradesh, suggesting directions for future research to explore qualitative perspectives and broader regional analyses.*

Keywords: Women-exclusive SHGs, Financial Inclusion, Banking Performance, Rural Development, Uttar Pradesh

INTRODUCTION

Globally, microfinance is recognized as a tool for poverty alleviation and women's empowerment. In India, it has been particularly impactful in bridging the gender gap in financial access. Studies, such as those by Kabeer (2005) and Sinha (2008), have highlighted the role of microfinance in enhancing women's decision-making power within households and communities. However, the effectiveness of these initiatives varies significantly across regions and institutional frameworks.

The need to focus on women-exclusive SHGs arises from their disproportionate impact on household welfare and community development. Evidence suggests that women-led SHGs exhibit higher repayment rates, better savings discipline, and more prudent financial management compared to mixed-gender or male-led groups. Yet, structural and systemic barriers persist, including inadequate financial literacy, limited digital access, and socio-cultural constraints, which restrict women SHGs from realizing their full potential. Furthermore, recent trends in financial inclusion highlight both progress and areas of concern. According to NABARD's annual reports, women-exclusive SHGs now dominate the SHG landscape in terms of savings and loan disbursement. However, the plateauing of growth in savings and outstanding loans in recent years suggests the possibility of saturation in certain regions, underscoring the need for innovative strategies to sustain the momentum.

1.1 Problem Statement

Despite its successes, the SHG movement faces significant challenges that threaten its sustainability and inclusivity. The uneven participation of different banking institutions in the SHG ecosystem, disparities in outreach across states, and limited engagement with women-exclusive SHGs by certain bank types have created bottlenecks in achieving equitable development. Uttar Pradesh, one of India's most populous states, provides a unique case for examining these issues. With high poverty levels, low literacy rates, and a predominantly rural population, the state represents both the opportunities and challenges of the SHG-BLP in India. Women-exclusive SHGs, which constitute the backbone of the program, often face difficulties accessing adequate credit and other financial services, limiting their potential for economic and social transformation.

In Uttar Pradesh, the performance of women SHGs is intrinsically linked to the role of banking institutions. Public Sector Banks (PSBs) have historically led in supporting SHGs, accounting for the majority of savings mobilization and credit disbursement. Regional Rural Banks (RRBs) and Cooperative Banks, although crucial for rural penetration, often lag in providing consistent support. Private Sector Banks exhibit limited engagement, reflecting a missed opportunity to

leverage their resources and technology for broader financial inclusion. These disparities necessitate a comprehensive examination of how different bank types contribute to the financial and social empowerment of women SHGs.

1.2 Objectives of the Study

This paper seeks to address the following research objectives:

1. To analyze the performance of SHGs and women-exclusive SHGs in Uttar Pradesh across different bank types from 2007 to 2023.
2. To identify patterns, disparities, and key contributors to the financial inclusion of women SHGs.
3. To evaluate the role of public, private, regional rural, and cooperative banks in fostering women's empowerment through SHG-linked activities.
4. To propose actionable recommendations for enhancing the impact and sustainability of women SHGs in Uttar Pradesh.

REVIEW OF LITERATURE

Kabeer (2005) emphasizes the transformative potential of microfinance in enhancing women's agency, decision-making power, and social status. Her work underscores the importance of designing SHG programs that address structural barriers, such as gender norms and unequal access to resources. Similarly, Sinha (2008) argues that SHG participation leads to improvements in household welfare, particularly through increased income stability and reduced vulnerability to economic shocks.

Chakrabarti and Ravi (2011) explore the role of SHGs in financial inclusion, noting that women-led groups demonstrate higher repayment rates and savings mobilization compared to mixed-gender groups. Their findings highlight the pivotal role of public sector banks in facilitating SHG activities, a trend corroborated by NABARD's annual reports. However, they caution against over-reliance on public institutions, advocating for greater engagement from private and cooperative banks.

In the context of Uttar Pradesh, Mishra and Reddy (2016) provide a detailed analysis of regional disparities in SHG performance. They identify infrastructural gaps, such as limited banking penetration and inadequate financial literacy programs, as major impediments to the success of SHG initiatives. Their study suggests that targeted interventions, including digital banking solutions and capacity-building workshops, can significantly enhance the impact of SHGs in underserved areas.

More recent studies, such as those by Bansal et al. (2020), examine the role of technology in SHG operations. They find that digital platforms, such as mobile banking and e-wallets, have improved transparency, reduced transaction costs, and expanded access to credit for women SHGs. However, their adoption remains uneven, with rural and semi-urban areas lagging behind due to digital literacy challenges.

Additionally, Sharma (2022) analyzes the impact of COVID-19 on SHG-linked banking, revealing disruptions in savings and loan disbursement activities. Despite these challenges, women SHGs exhibited resilience by leveraging community networks to sustain operations. This underscores the importance of strengthening SHG frameworks to withstand external shocks.

The literature collectively highlights the critical role of SHGs in driving financial inclusion and women's empowerment in India. However, significant gaps remain, particularly in addressing regional disparities, enhancing digital adoption, and fostering private sector participation. These findings provide a robust foundation for the present study, which seeks to analyze the performance and impact of women SHGs in Uttar Pradesh, with a focus on bank-linked activities from 2007 to 2023.

METHODOLOGY

1. Period of Study The study spans 16 years, from 2007 to 2023.

2. Analytical Tools

Cluster Analysis is used to group banks based on their performance metrics, identifying distinct patterns in SHG support. By categorizing banks into high-performing and low-performing groups, this method provides insights into disparities in SHG-linked activities across different bank types. The performance metrics such as savings, loans disbursed, and loans outstanding are normalized, allowing the clustering algorithm to classify banks into homogenous groups. This approach ensures a scientific basis for performance comparison and helps pinpoint areas requiring policy intervention.

Benchmarking involves comparing the performance of different bank types against established benchmarks derived from average performance across the sector. This tool evaluates how well banks perform relative to each other and highlights areas for improvement. Benchmarks are calculated for each variable, and deviations are analyzed to identify underperforming bank types. This comparative analysis not only underscores disparities but also establishes a standard for best practices in SHG-linked banking.

Proportional Analysis evaluates the contribution of women-exclusive SHGs to overall SHG activities, emphasizing the gender-sensitive dimensions of financial inclusion. This analysis involves calculating the share of women SHGs in metrics such as savings, loans disbursed, and loans outstanding. By quantifying their contribution, the study provides a nuanced understanding of how women-centric financial programs drive rural development and economic inclusion.

Trend Analysis examines temporal changes in the key metrics of SHG performance, particularly those related to women-exclusive SHGs. By analyzing year-wise data, this tool identifies growth trajectories, key turning points, and stabilization periods. Visualizing these trends enables the study to assess the long-term impact of policy interventions and economic conditions on SHG performance.

3. Variables and Data Summary

Variable	Denomination	Data Source	Period of Coverage
Savings	? Cr	NABARD Annual Reports	2007–2023
Loans Disbursed	? Cr	NABARD Annual Reports, Microfinance Reports	2007–2023
Loans Outstanding	? Cr	Status of Microfinance in India Reports	2007–2023
Bank Categories	Types	NABARD Reports	2007–2023
Women-Specific Metrics	Proportions (%)	NABARD Annual Reports, Government Reports	2007–2023

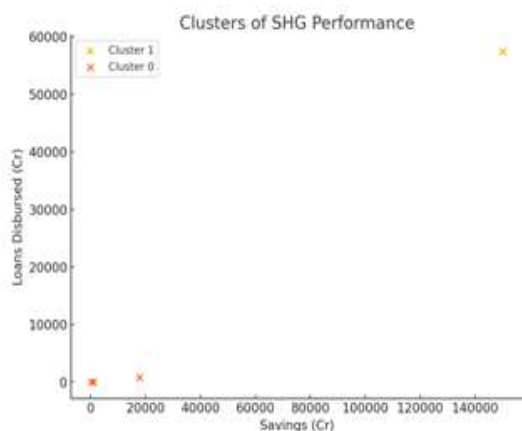
This temporal perspective adds depth to the analysis, highlighting periods of significant progress or stagnation.

RESULTS

1. Results of Cluster Analysis

The cluster analysis performed on SHG-linked banking metrics categorized the four types of banks (Public Sector, Private Sector, Regional Rural Banks, and Cooperative Banks) into two distinct clusters based on their performance across the key indicators such as total savings, loans disbursed, loans outstanding, women SHGs' contributions.

Figure 1



Cluster Composition

Cluster 0: Low Performers

It Includes Private Sector Banks, Regional Rural Banks (RRBs), and Cooperative Banks. It is Characterized by relatively lower savings, loan disbursements, and outstanding loans, both in total and exclusively for women SHGs.

Cluster 1: High Performer

It Includes Public Sector Banks. It Stands out with significantly higher values across all performance metrics.

Cluster Characteristics

Cluster 0 (Private, RRB, Cooperative Banks):

Savings (? Cr): Ranges between ?320.69 Cr (Private Banks) and ?17,777.35 Cr (RRBs), with Cooperative Banks at ?1,053.09 Cr. Women-exclusive SHGs contribute substantially to these figures but still lag behind Public Sector Banks in absolute terms.

Loans Disbursed (? Cr): Values are modest, peaking at ?776.62 Cr for RRBs, while Cooperative Banks and Private Banks remain below ?50 Cr.

Loans Outstanding (? Cr): A similar trend persists, with figures like ?2,492.45 Cr (Private Banks) and ?656.07 Cr (Cooperative Banks).

These banks cater to smaller-scale SHG activities or operate in regions with limited financial inclusion, particularly for women SHGs. Their collective focus on rural and underserved populations presents potential for targeted support to amplify their impact.

Cluster 1 (Public Sector Banks):

Savings (? Cr): Outshines with ?150,039.50 Cr in total savings, of which ?126,865.68 Cr comes from women SHGs.

Loans Disbursed (? Cr): Dominates with ?57,368.56 Cr in total loans disbursed, with ?55,461.45 Cr directed to women SHGs.

Loans Outstanding (? Cr):

Leads significantly with \$62,334.32 Cr in total outstanding loans, nearly all (?55,817.26 Cr) attributable to women SHGs.

Public Sector Banks are pivotal to SHG development in Uttar Pradesh, especially in enabling women's financial empowerment. Their extensive network and government backing may contribute to their ability to support large-scale SHG operations.

2. Results of Benchmarking Analysis

This analysis compares the performance of different bank types (Public, Private, Regional Rural Banks (RRBs), and Cooperative Banks) against the average performance (benchmark) for the following metrics: Total Savings, Total Loans Disbursed, Total Loans Outstanding, Savings by Women SHGs, Loans Disbursed to Women SHGs, Loans Outstanding by Women SHGs.

1. Public Sector Banks

Savings: Outperform the benchmark by ?107,741.84 Cr, with a significant contribution from women SHGs (?91,181.46 Cr above the benchmark).

Loans Disbursed: Exceed the benchmark by ?42,822.96 Cr, driven largely by loans to women SHGs (?41,394.75 Cr above the benchmark).

Loans Outstanding: Slightly below the benchmark by ?2,157.12 Cr, indicating better repayment performance or lower loan burden relative to their scale.

Public Sector Banks lead in all key metrics, reflecting their critical role in SHG support and financial inclusion, particularly for women. Their extensive outreach and government backing make them the backbone of SHG banking.

2. Private Sector Banks

Savings: Fall short of the benchmark by ?41,976.97 Cr, with women SHGs contributing ?35,464.44 Cr below the benchmark.

Loans Disbursed: Perform poorly, lagging behind by ?14,522.56 Cr, with minimal involvement in women SHG financing (?14,043.65 Cr below the benchmark).

Loans Outstanding: Lag significantly, being ?26,411.63 Cr below the benchmark.

Private Sector Banks exhibit limited engagement in SHG-linked banking. Despite potential resources and technological edge, their performance suggests a lack of focus or priority for SHG programs, particularly for women.

3. Regional Rural Banks (RRBs)

Savings: ?24,520.31 Cr below the benchmark, though less underperforming than private and cooperative banks.

Loans Disbursed: Fall short by ?13,768.98 Cr, with women-specific loans trailing by ?13,297.76 Cr.

Loans Outstanding: Exceed the benchmark by ?33,863.47 Cr, indicating higher reliance on long-term credit or slower repayment cycles.

RRBs are pivotal for rural areas but show moderate performance compared to public banks. Their higher outstanding loans suggest dependency on long-term financing, necessitating improved repayment facilitation.

4. Cooperative Banks

Savings: ?41,244.57 Cr below the benchmark, with women

SHGs trailing by ₹34,874.16 Cr.

Loans Disbursed: Lowest performance, lagging by ₹14,531.43 Cr, including a deficit of ₹14,053.34 Cr for women SHGs.

Loans Outstanding: Underperform by ₹32,459.37 Cr, with minimal loans to women SHGs (₹28,229.89 Cr below the benchmark).

Cooperative Banks struggle to compete, possibly due to operational constraints and limited resources. While they play an essential role in some rural areas, their current contribution to SHGs is minimal.

Results of Proportional Analysis

The proportion is calculated as:

$$\text{Proportion of Women SHGs} = \frac{\text{Metric for Women SHGs}}{\text{Total Metric for All SHGs}} * 100$$

Proportions by Bank Type

Metric	Public (%)	Private (%)	RRB (%)	Cooperative (%)
Savings	84.6	68.5	83.5	77.0
Loans Disbursed	96.7	100.0	99.0	94.3
Loans Outstanding	89.6	90.2	83.8	65.6

Analysis and Insights

1. Public Sector Banks

Savings (84.6%): Women SHGs account for an overwhelming majority of savings, reflecting their pivotal role in financial inclusion and savings mobilization.

Loans Disbursed (96.7%): Nearly all loans disbursed by Public Sector Banks are directed to women SHGs, showcasing their commitment to empowering women financially.

Loans Outstanding (89.6%): The high proportion of outstanding loans reflects both the scale of women SHGs' engagement and their continued access to credit.

Public Sector Banks have made women SHGs the focal point of their SHG-linked banking programs. This strategy not only boosts women's financial autonomy but also strengthens household economic resilience.

2. Private Sector Banks

Savings (68.5%): While women SHGs dominate, the absolute savings figures remain low compared to public banks.

Loans Disbursed (100%): Every loan disbursed by private banks is to women SHGs, but the total volume of loans is negligible.

Loans Outstanding (90.2%): A significant proportion of loans are attributed to women SHGs, reflecting their consistent engagement when private banks are involved.

Despite their limited overall involvement in SHG activities, private banks have prioritized women SHGs, ensuring their financial inclusion whenever participation occurs. However, the scale remains insufficient to create widespread impact.

3. Regional Rural Banks (RRBs)

Savings (83.5%): Women SHGs dominate the savings landscape, consistent with their primary role in rural financial inclusion.

Loans Disbursed (99.0%): Nearly all loans are directed to women SHGs, underscoring RRBs' commitment to supporting women-led initiatives.

Loans Outstanding (83.8%): The substantial proportion of outstanding loans highlights women SHGs' reliance on long-term credit in rural areas.

RRBs serve as a lifeline for women SHGs in rural areas, enabling them to secure credit and savings opportunities. Their contribution is critical for women in underserved regions.

4. Cooperative Banks

Savings (77.0%): Women SHGs contribute a majority to the savings pool, but their absolute figures are modest.

Loans Disbursed (94.3%): Women SHGs receive nearly all loans disbursed, reflecting a strong gender-sensitive focus despite limited overall volumes.

Loans Outstanding (65.6%): The lower proportion of outstanding loans indicates either smaller loan sizes or higher repayment rates for women SHGs.

Cooperative banks play a niche role in women SHG financial inclusion. Despite their limited resources, their prioritization of women SHGs demonstrates an understanding of the transformative potential of empowering women economically.

Across all bank types, women-exclusive SHGs represent a significant majority in savings, loans disbursed, and loans outstanding, reflecting their integral role in SHG-linked banking. Women SHGs' financial activities indicate a direct link between access to credit and increased financial autonomy. This autonomy often translates into improved household welfare, community leadership, and entrepreneurial ventures. Sector Banks lead in scaling women's financial inclusion, other bank types—particularly private and cooperative banks—need to expand their outreach and increase engagement with women SHGs to ensure equitable development.

DISCUSSION

The results of this study offer critical insights into the performance disparities of different bank types in supporting Self-Help Groups (SHGs), with a focus on women-exclusive SHGs in Uttar Pradesh. Cluster analysis revealed clear groupings, with public sector banks consistently emerging as high performers across key metrics such as savings mobilization, loans disbursed, and loans outstanding. Their dominance reflects an institutional commitment to financial inclusion, aligning with existing literature that underscores the pivotal role of public sector banks in rural and social banking initiatives. In contrast, private sector banks and cooperative banks clustered as low performers, indicating significant gaps in their engagement with SHG-linked activities.

Benchmarking analysis further highlighted the uneven performance across bank types. Public sector banks consistently exceeded benchmarks, demonstrating their expansive outreach and resource allocation towards SHGs. Regional Rural Banks (RRBs) showed moderate performance, with savings and loans metrics close to benchmarks but lagging in overall support relative to their rural penetration. Private and cooperative banks significantly underperformed, raising concerns about their limited participation in SHG-related financial inclusion. These disparities emphasize the need for equitable policy interventions to encourage greater engagement from underperforming bank types. Proportional analysis underscored the dominance of women-exclusive SHGs, with contributions exceeding 80% of total SHG

activities across most bank types. Public sector banks exhibited the highest proportional support, particularly in savings and loans disbursed, reinforcing their focus on gender-sensitive financial inclusion. However, the relatively lower engagement of private and cooperative banks with women-exclusive SHGs highlights untapped potential. These findings resonate with prior studies that emphasize the higher repayment rates and financial discipline of women SHGs, yet they reveal an uneven distribution of institutional support that warrants targeted interventions.

CONCLUSION

This study highlights the critical role of women-exclusive SHGs in fostering financial inclusion and economic empowerment in Uttar Pradesh. Public sector banks emerged as the dominant supporters of SHG-linked activities, demonstrating their capacity to drive large-scale financial outreach. Regional Rural Banks showed potential but require enhanced support to optimize their rural penetration. Private and cooperative banks, however, displayed significant underperformance, indicating missed opportunities to contribute meaningfully to SHG-linked financial inclusion. The overwhelming contributions of women-exclusive SHGs, particularly in savings and loan disbursement, underline their pivotal role in rural development and household financial stability. These findings reaffirm the importance of gender-sensitive financial policies and targeted interventions to maximize the impact of SHG programs. Addressing the disparities identified in this study will require a multi-pronged approach, including stronger policy frameworks, capacity-building initiatives for underperforming banks, and sustained investments in women-centric financial programs.

In conclusion, the study provides a comprehensive analysis of SHG performance in Uttar Pradesh, offering actionable in-sights to enhance financial inclusion. By leveraging the strengths of public sector banks and addressing the gaps in private and cooperative banks, policymakers and stakeholders can create a more equitable and effective SHG ecosystem. Future research should expand on these findings by incorporating qualitative perspectives and exploring innovative strategies to sustain and scale the impact of SHGs in India.

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