



The Role of Microfinance in Women's Empowerment: Contributing Elements in Odisha's Selected Districts

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Abstract

This study examines the role of Microfinance Institutions (MFIs) in poverty alleviation and economic development by extending financial services to financially excluded and underserved populations. MFIs improve access to credit and financial inclusion, thereby promoting micro-entrepreneurship, income diversification, and sustainable livelihood generation. The study employs a quantitative research design based on SHG members from Khurda and Sambalpur districts, analysing key socioeconomic indicators such as income level, household decision-making autonomy, and quality of life. Findings reveal that microfinance enhances financial empowerment, intra-household bargaining power, and community participation, particularly through SHG engagement and income-generating activities. Overall, MFIs play a crucial role in poverty reduction and women's empowerment, influenced by factors such as institutional efficiency, interest rate structures, and regulatory frameworks governing financial inclusion mechanisms.

Keywords: Microfinance Institutions, Poverty, Socio-Economic Development, Financial Institutions.

1. Introduction

Microfinance Institutions (MFIs) promote poverty alleviation, financial inclusion, and economic development by providing financial services to underserved and financially excluded populations (Adnan & Kumar, 2021). They began as community-based micro-lending systems focused mainly on women and have evolved into formal institutions offering microcredit, savings, insurance, and remittance services (Ukanwa, Xiong & Anderson, 2018). MFIs aim to enhance inclusive growth and economic empowerment by improving access to productive financial capital, helping reduce barriers such as credit risk and information asymmetry (Durrani et al., 2011; Giraldo et al., 2024).

This study uses a quantitative framework on SHG members in Khurda and Sambalpur districts to assess impacts on income, assets, and decision-making autonomy, while also identifying gaps in district-level empirical evidence.



Problem Statement

Microfinance supports women's empowerment and financial inclusion, but there is limited micro-level evidence from Khurda and Sambalpur districts. This study examines its impact on income, assets, and decision-making autonomy based on women's empowerment theory. It highlights the need for empirical analysis of localized socioeconomic outcomes of microfinance.

Objective of the study

- To provide low-income individuals with access to essential financial services such as credit, savings, insurance, and remittances.
- To reduce poverty by offering financial support that helps individuals meet basic needs and invest in income-generating activities.
- To empower marginalized groups, especially women, by improving their economic participation and decision-making ability.
- To promote entrepreneurship by providing microloans and training for small business development.
- To enable asset creation by helping households build savings and acquire productive assets for long-term security.
- To ensure financial sustainability of microfinance institutions while maintaining social impact.
- To monitor and evaluate the effectiveness of microfinance programs for continuous improvement.

Research Hypotheses

- **H1:** -Microfinance has significant impact on monthly income of SHG women in Sambalpur and Khurda districts
- **H2:** -Microfinance has significant impact on decision making power of SHG women in Sambalpur and Khurda Districts.
- **H3:** -Microfinance has significant impact on Improved role in decisions regarding the general welfare of Family of SHG women in Sambalpur and Khurda Districts.
- **H4.** Microfinance has a significant impact on Overall Empowerment by SHG women in Sambalpur and Khurda districts.

II. Literature Review

- **Asumawardhany et al. (2025):** Micropreneurs focus on innovation, sustainability, and long-term viability of their businesses. They emphasize developing creative solutions to market needs with limited resources. Their approach ensures steady growth and resilience in competitive environments.



- **Bagheri et al. (2024):** Women entrepreneurship promotes financial independence and strengthens social status. It also contributes to household welfare and broader community development. Such initiatives empower women to take active roles in economic decision-making.
- **Sarangi et al. (2022):** Local entrepreneurship plays a significant role in employment generation. It supports regional economic development by utilizing local resources. It also helps in reducing migration by creating livelihood opportunities locally.
- **Field et al. (2021):** Increased financial choices improve women's control over their income and savings. It enhances their employment opportunities and economic participation. Such empowerment leads to better household and social decision-making.
- **Agarwal et al. (2021):** Entrepreneurs face challenges such as high operational costs and limited resources. They also struggle with inadequate skilled labor and marketing difficulties. These barriers hinder business expansion and sustainability.
- **Dokku et al. (2021):** Micropreneurship supports the growth of small-scale enterprises. It plays a key role in generating employment opportunities. It also contributes to economic diversification across sectors.
- **Chaudhry & Paquibut (2021):** Micropreneurs operate very small businesses with minimal capital investment. They usually manage production, marketing, and finance on their own. These ventures typically employ a very small number of people.

III. Conceptual Framework

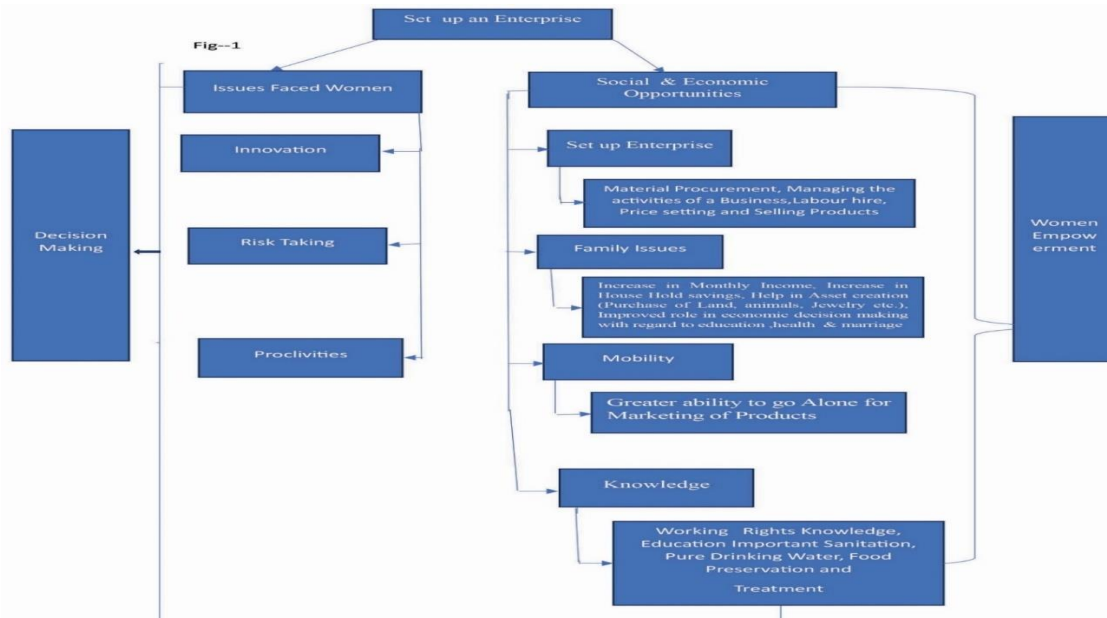


Fig.1: Conceptual Framework



IV. Methodology

The study is based on primary cross-sectional data collected through a structured questionnaire in Khurda and Sambalpur districts to assess the impact of microfinance on SHG women’s income, savings behavior, asset accumulation, mobility, and decision-making autonomy. A total of 500 respondents were selected using a non-probability sampling technique, including 400 from Sambalpur and 100 from Khurda. The instrument was developed using a literature-based construct validation approach.

Data were collected using a five-point Likert scale and analyzed through SPSS software using descriptive statistics and independent sample t-tests.

V. Data Analysis and Interpretation

Following the completion of the data entry t- tests are utilized to determine the characteristics of the respondent’s profile.

Table 1: Statistical gist of monthly income (SHG Women)

	N	Mean	Std. Deviation	Std. Error Mean
K_Income	100	4.53	0.540	0.054
S_Income	400	4.20	0.832	0.042

Note: - K= KHURDA, S= SAMBALPUR

Monthly Income of SHG women in KHURDA and SAMBALPUR districts.

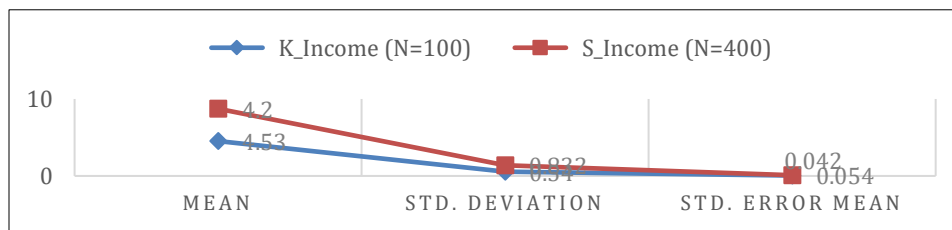


Fig.2: Statistical Gist of Monthly Income (SHG Women)

Table 2: One-Sample Test

	Test Value = 3	Test Value = 3	Test Value = 3	Test Value = 3	Test Value = 3	Test Value = 3
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	95% Confidence Interval of the Difference
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper



K_Income	28.313	99	0.000	1.530	1.42	1.64
S_Income	28.856	399	0.000	1.200	1.12	1.28

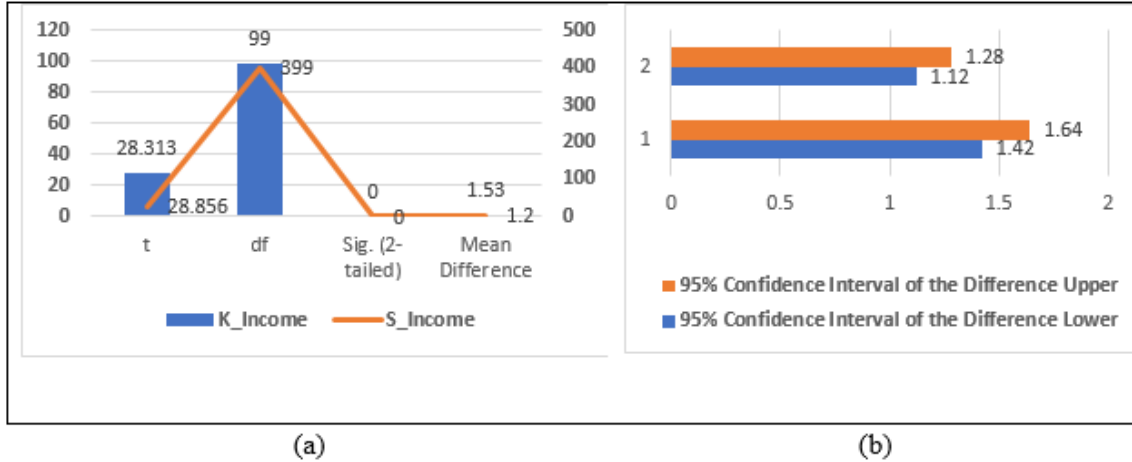


Fig. 3: One Sample Test

The t-values are extremely high, indicating an important variation between the mean incomes of the respective groups and the test value of 3.

The p-values are very close to zero, suggesting strong suggestion to dismiss the null hypothesis that the mean income above 3 in support of the other hypothesis that the mean income is significantly higher.

Table 3: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
K_Decion_Making_family	100	3.58	0.589	0.059
S_Decion_Making_family	400	3.33	0.726	0.036

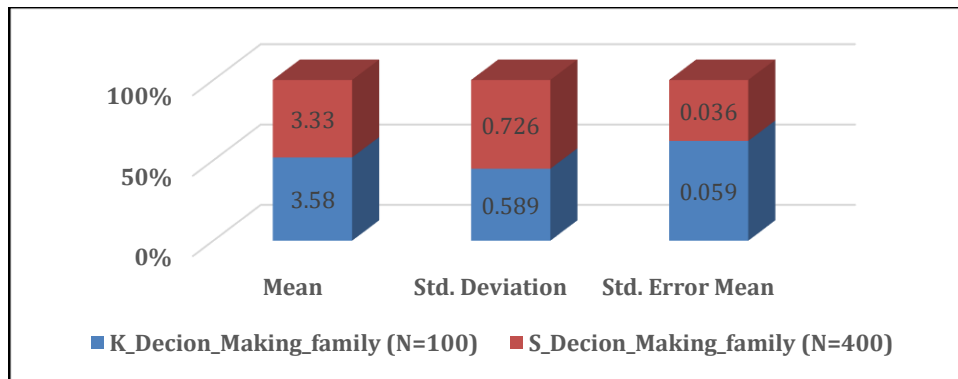


Fig. 4: One-Sample Statistics



Table 4: One-Sample Test

	Test Value = 3	Test Value = 3	Test Value = 3	Test Value = 3	Test Value = 3	Test Value = 3
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	95% Confidence Interval of the Difference
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
K_Decion_Making_family	9.845	99	0.000	0.580	0.46	0.70
S_Decion_Making_family	9.026	399	0.000	0.328	0.26	0.40

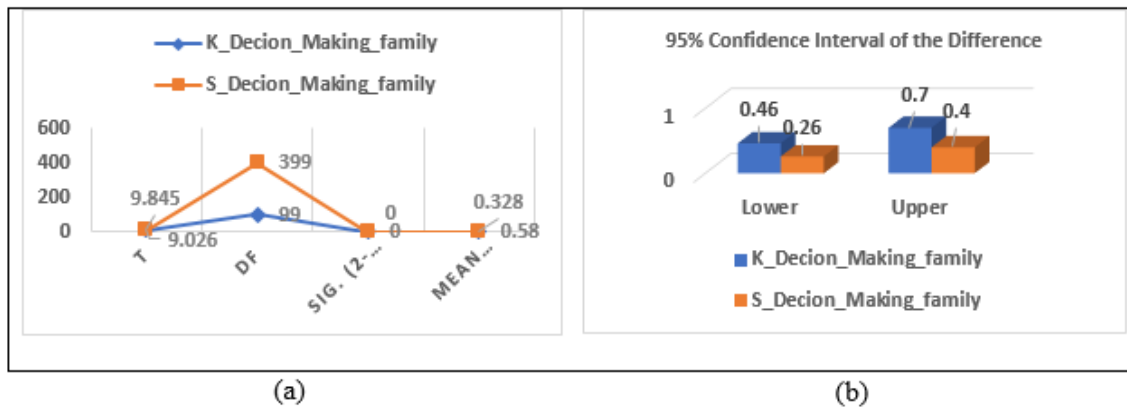


Fig: 5: One-Sample Test

The t value 9.845 and 9.026 signifies that after joining microcredit the decision-making quality of both Khurda and Sambalpur SHG members improved. The p-values are very close to zero, suggesting strong suggestion to dismiss the null hypothesis that the mean income above 3 in favor of the alternative hypothesis that the Decision-making quality in the family is better after joining the microfinance institution.

Table-5: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
K_Rol_decisions_welfare_family	100	2.72	0.697	0.070
S_Rol_decisions_welfare_family	400	3.36	0.828	0.041

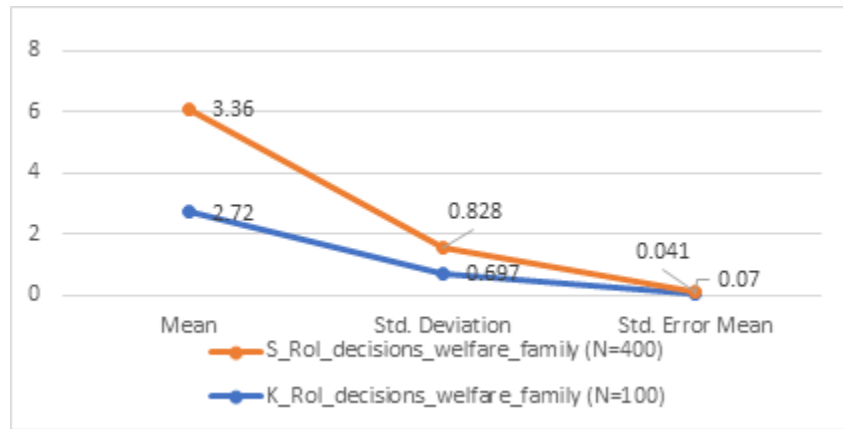
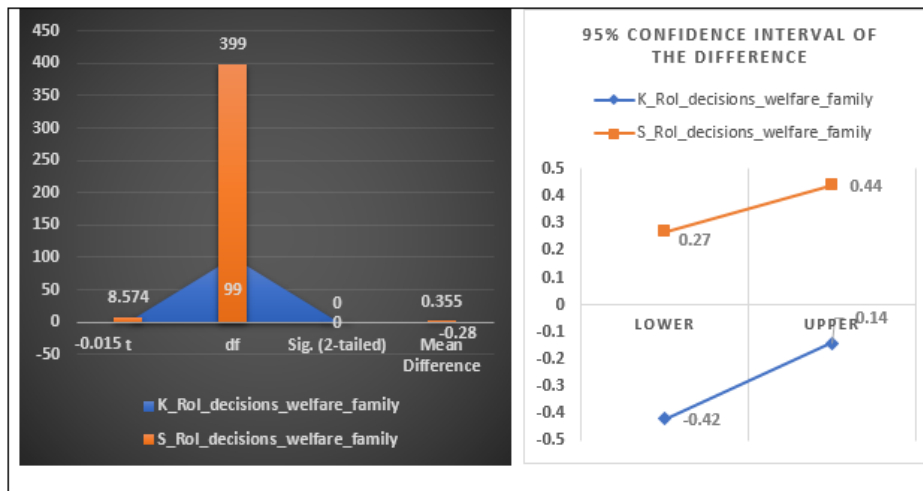


Fig. 6: One-Sample Statistic

Table-6: One-Sample Test

	Test Value = 3	Test Value = 3	Test Value = 3	Test Value = 3	Test Value = 3	Test Value = 3
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	95% Confidence Interval of the Difference
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
K_Rol_decisions_welfare_family	-0.015	99	.000	-0.280	-0.42	-0.14
S_Rol_decisions_welfare_family	8.574	399	.000	0.355	0.27	0.44



(a)

(b)



Fig. 7: One-Sample Test

The t value -4.015 and 8.574 signifies that after joining microcredit the decision on welfare of family of both khurda and Sambalpur SHG members improved. The p-values are very near to zero, suggesting strong fact to discard the null hypothesis that the mean income above 3 in favor of the alternative hypothesis that the Decision-making quality for welfare of family is better after joining the microfinance institution.

Table-7: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
K_Overall_Empowerment	100	4.49	.541	.054
S_Overall_Empowerment	398	3.98	.679	.034

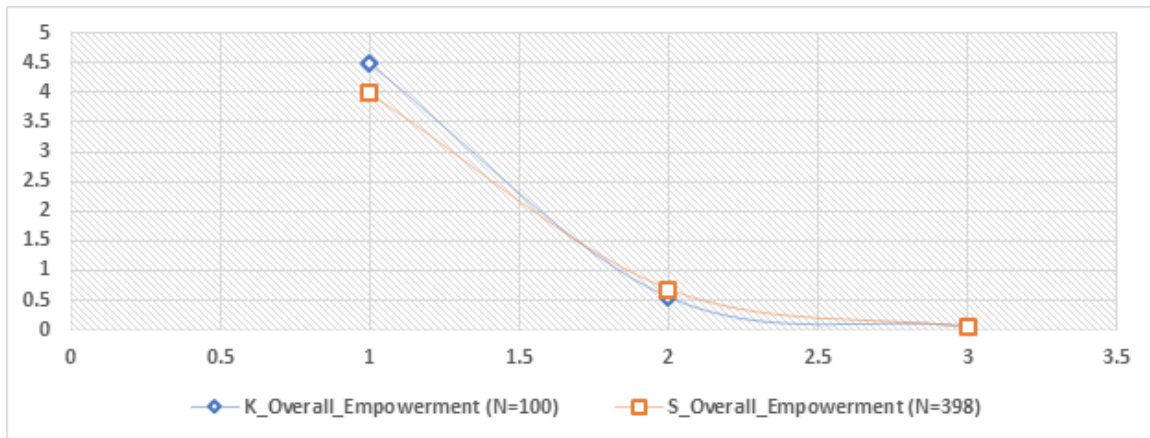


Fig. 8: One-Sample Statistics

Table-8: Hypothesis Testing Results

Variable	Test	Value	p-value	Significance Level	Null Hypothesis
K_Overall_Empowerment	t-test	27.535	0.000	< 0.05	Reject
S_Overall_Empowerment	t-test	28.736	0.000	< 0.05	Reject
Pearson Chi-Square	χ^2	67.531	0.021	< 0.05	Reject
Deviance Chi-Square	χ^2	51.376	0.032	< 0.05	Reject

Interpretation

The t-test results show that both Khurda and Sambalpur have significantly higher empowerment levels than the test value ($p < 0.01$), indicating a positive impact of microfinance. Khurda shows a slightly higher mean difference than Sambalpur.



The Chi-square results are also significant ($p < 0.05$), confirming a strong association in the data. Overall, microfinance positively influences women's empowerment in both districts.

VI. Conclusion

Microfinance plays a vital role in reducing financial constraints and promoting sustainable rural development by enhancing income generation, employment, and social welfare outcomes. It contributes to poverty reduction, improved living standards, and livelihood resilience in rural areas. It also strengthens women's empowerment through SHGs, improving income levels, decision-making autonomy, and confidence, particularly in the districts of Sambalpur and Khurda. Overall, microfinance is an important instrument for promoting inclusive and equitable rural economic development.

Future Scope of Research

Future studies should use a longitudinal design to assess the long-term impact of microfinance on income stability and poverty reduction. The role of fintech tools (mobile banking, AI systems) in improving financial inclusion and operational efficiency should also be explored.

Research should focus on vulnerable groups, evaluate regulatory frameworks and ethical lending, and study the integration of microcredit, micro savings, and micro insurance for better risk management and poverty alleviation.

Funding

The study reveals that microfinance has a statistically significant positive impact on women's empowerment in Khurda and Sambalpur districts. It enhances key socioeconomic indicators such as income generation, asset accumulation, and decision-making autonomy among SHG members.

The results indicate improved financial inclusion, livelihood diversification, and social mobility, along with increased bargaining power and agency at the household level. Overall, MFIs contribute significantly to poverty alleviation, human capital development, and inclusive rural economic growth in the study area.

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