

## **The Influence of Microfinance on Women's Employment and Income Generation in Gujarat**

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### **Abstract**

In developing countries like India, microfinance is emerging as a significant tool for improving financial inclusion and financial empowerment of women. The objective of this study is to analyze the impact of microfinance on employment and income generation among the women in Gujarat. The study focuses specifically on the effects of microfinance participation on employment options, the effects of microfinance services on income generation, and the microfinance access and women's micro-enterprise and self-employment activities. Employing the positivist philosophy, deductive approach and quantitative research design, primary data were obtained from 200 women beneficiaries using a structured questionnaire and subsequently analysed using descriptive statistics, multiple regression and Pearson correlation techniques in SPSS 27. The results indicated that those who are participating in microfinance showed positive impact on employment opportunity and income generation and access to microfinance positively contributes to enterprise development and self-employment. The study finds microfinance to be a good tool for economic empowerment and inclusive growth of women in Gujarat.

**Keywords:** Microfinance, Women Empowerment, Employment Opportunities, Income Generation, Women Entrepreneurship

### **1. Introduction**

#### **➤ Microfinance and Women's Economic Participation in Gujarat**

Microfinance has become one of the most important tools to enhance financial inclusion and alleviate poverty for the poor, especially women in developing countries. Microfinance institutions (MFIs) offer small loans, savings options, insurance products and financial literacy training, which helps women overcome some of the traditional barriers for access to formal banking services. Lack of collateral, women's limited participation in decisions over productive assets, and limited access to institutional credit are some of the constraints that they face in the Indian context. The thrust given to the formation of the Self-Help Groups (SHGs) and microfinance institutions has made it easier for women to access financial services, and thus to undertake small-scale business activities and production. Several research studies have recently shown that microfinance improves women's capacity to engage in income-generating activities and their bargaining position in the household (Kaur & Kapuria, 2020; Sultana & Hasan, 2021).

Gujarat is an interesting context to explore the linkages between microfinance and women's economic performance due to its entrepreneurial culture and the growing SHG-MFI network. The remarkable industrial development in Gujarat has not erased the disparity of employment opportunities and financial inclusion for women particularly from rural and tribal areas. Studies in Gujarat have found that women in the microfinance programmes are more economically independent and are more active in productive activities than those who do not participate. Empirical studies from rural Gujarat indicated that women's participation in SHGs and microfinance resulted in significant positive impacts on household income and decisions regarding economic activities, demonstrating the transformative potential of financial inclusion initiatives (Patel & Patel, 2021). Moreover, the recent evidence from the region indicates that involvement in microfinance positively influences the livelihood enhancement and economic resilience of women, with certain issues of financial literacy and market access still playing a major role as challenges. (Parmar & Dhameliya, 2026).

Over the years, microfinance has transformed from being a credit instrument into a much wider strategy for empowerment of women in terms of their socio-economic status. Increasingly today, the entrepreneurial training and skill development and business mentoring programs are also being combined with microfinance services. At

the same time, such integrated interventions provide women the opportunity to access capital and to use the resources productively. Empirical studies conducted recently reveal that microfinance programs or participation in these programs is associated with women members' asset ownership, better saving habits and economic security (Nguyen & Doan, 2022; Sunitha et al., 2020). These outcomes are especially relevant for the developing state of Gujarat where the women owned micro-enterprises form an important part of the economic development of the state.

➤ **Microfinance as a Driver of Employment and Income Generation among Women**

Employment and income generation are key areas of economic empowerment and sustainable development of women. Microfinance helps create jobs by allowing women to start micro businesses in fields like handicrafts, dairy farming, tailoring, food processing, retail business, and agriculture. Women's inclusion in access to financial capital can take them from unpaid household work to paid work in the economy, which enhances both their welfare and that of their households. Recent studies found that women borrowers using microfinance have created a great opportunity for self-employment and stayed away from the informal moneylender (Kumar & Singh, 2023; Mengstie, 2022). Additionally, better income generation has indirect effects on better health, education and nutrition expenditures, thus bringing long-term development gains to families and communities.

Women availed of the microfinance program in Gujarat have now taken more keen interest in SHG and cooperative supported entrepreneurial activities. The dairy cooperative model and the ecosystem of rural enterprises in the state are conducive to the conversion of microcredit into productive jobs. A study of women's access to microfinance in North Gujarat and other parts of the state suggests that microfinance women exhibit greater income diversification and financial security compared to women that lack access to institutional credit. Patel and Patel (2021) noted that women's economic empowerment has been a significant improvement after being a part of the microfinance program and witnessed women becoming more involved in family financial affairs. Likewise, a recent study in Gujarat found that the women beneficiaries' livelihood outcomes were found to have improved by the involvement in microfinance programs, with some differences noted between education levels and gender groups.

With the increasing importance of inclusive growth and gender equality as part of the United Nations Sustainable Development Goals, the relevance of analysing the impact of microfinance on women's employment and income generation has grown. More specifically, microfinance has a direct impact on poverty reduction, gender equality, decent work and economic growth goals. But the impact of the microfinance interventions can vary from one region to another as it is influenced by the institutional supports, market conditions, financial literacy and socio-cultural norms. Hence, there is an urgent need to study the empirical impact of microfinance on women employment and income generation in Gujarat so as to gain insight into the actual impact of microfinance on the development of women and make policy recommendations for improving the financial inclusion of women.

➤ **Aim, Significance, and Problem Statement**

The current study set out to explore the impact of microfinance on employment and income generation of women in Gujarat and to assess the level of economic participation, self-employment opportunities, entrepreneurial activity and household income improvement among the microfinance beneficiaries (women). The importance of this study is that it may provide empirical evidence on the effectiveness of MFIs as an instrument for economic empowerment and inclusive development of women in one of the most economically active states of India. Gujarat has achieved significant industrial and economic development but women, especially in rural and semi-urban areas, still face problems with employment, availability of formal financial services and lack of income generation opportunities. Although MFIs and SHG programmes have been expanding rapidly, there is a lack of evidence at the regional level on the real impact of such financial interventions on the employment outcomes and earning power of women. This work aims to fill this gap by examining whether the participation of women in microfinance has led to sustainable jobs creation and improvement of women's income generation in Gujarat, which will inform policy development and design of more effective financial inclusion initiatives for women.

**1. Literature Review**

**Theme 1: Microfinance Participation and Women's Employment Opportunities**

Microfinance is gaining growing importance in terms of its effects on the labour force participation and on job creation of women in developing economies. Microfinance institutions offer collateral-free credit, savings facilities and business support to women, which allows them to participate in gainful economic activities which were out of reach due to lack of financial resources. The empirical evidence of recent years indicates that the use of microfinance plays a significant role in women borrowers' self-employment, informal sector activities, and home-based enterprise activities. For instance, it has been shown that MF membership leads to women's transition from non-remunerative to remunerative economic activities, thereby contributing to their economic empowerment and employment status (Mengstie, 2022). In the same way, recent studies show that financial inclusion via microfinance boosts women's employability and their entrepreneurial involvement, mitigating constraints in the credit market and enhancing business skills (Azziz, 2025). Moreover, it has been discovered that community-based lending channels and SHG can foster collective entrepreneurship and employment generation for women in rural areas which, in turn, can enhance social and economic development results (Thai-Ha, 2021; Kaushal, 2021).

In the Indian context, the significance of microfinance in relation to women's employment has grown even more significant in the wake of the exponential rise of women entrepreneurship in MSME and informal businesses. Women are found to be also an important source of job creation and economic development in the country as indicated from the government statistics, but there is still a huge problem in getting formal finance to expand their businesses. Women entrepreneurs are also driving employment creation, as evidenced by recent National data, where over 25% of the registered enterprises are owned by women and they play a significant role in employment generation in India. (Government of India, 2024) Furthermore, the microfinance backed enterprises have showed immense potential in creating employment opportunities within the community, especially in industries like tailoring, food processing, handicrafts, dairy business and retail trade (Economic Times, 2026). Recent research further highlights the positive impact of microfinance on women's self-confidence, decision-making power and engagement in the labour market, which helps to foster sustainable employment results (Magali, 2026; Lahkar, 2025). The findings of this research serve as a robust basis to explore the impact of involvement in microfinance on employment opportunities of women in Gujarat.

### **Theme 2: Microfinance Services and Income Generation among Women Beneficiaries**

One of the area's most extensively studied is income generation because of microfinance interventions. Microcredit helps women invest in productive assets, create income generating activities, supplement income, and limit the need to rely on informal credit providers. Empirical evidence on the impact of MFIs on women's savings and income has found that women engaged in MFIs have seen substantial gains. Mengstie (2022) had discovered that the involvement in microfinance was statistically significant in improving the economic empowerment outcome for women, as it led to the generation of income that enabled them to be more economically independent, to own assets, and to save. In a related vein, recent studies of microfinance programmes suggest that women beneficiaries of financial programmes that focus on financial education through SHG groups improve their financial knowledge and earning potential after joining SHG based financial programmes (Suryawanshi, 2024). Furthermore, research conducted in the developing world has found that training support and financial education that go along with microfinance services has a significantly positive impact on the productive use of credit and profitability of the business amongst women entrepreneurs (Baruah et al., 2022; Temba et al., 2023).

In recent years, the microfinance sector in India has made significant strides in efforts to link financial inclusion with women's income generation. Several microfinance developments have further reinforced this link between financial inclusion and women's income generation in India recently. Women entrepreneurship schemes indicate that small loans can help women upgrade their economic activities at the house to sustain them as a business enterprise to earn regular incomes. Research on women beneficiaries of the microfinance programmes has found significant contribution to household expenditure on education, healthcare and nutrition because of the increased earnings through micro-enterprises (Lahkar, 2025). In addition, a review of women empowerment programs conducted from 2021 to 2025 showed that a combination of complementary interventions like training, market linkages, and digital financial services is critical to the sustainability of microfinance programs (IJCRT, 2025). Financial inclusion initiatives have also been noted as a key element in enhancing the economic security and decreasing economic vulnerability of rural and semi-urban women (ICECD, 2025). The literature thus suggests

that microfinance has a significant impact on women beneficiaries' income generation in Gujarat.

**Theme 3: Microfinance, Women-Owned Micro-Enterprises, and Self-Employment Development**

One of the more conspicuous results of greater utilization of microfinance is the growth of women-owned micro-enterprises. Women entrepreneurs have been unable to engage in business activity or enhance the existing business due to lack of sufficient finances. Microfinance institutions mitigate this problem by providing enterprise-formation and sustainability services, such as group lending, flexible repayment schedules and collateral-free loans. Studies from recent years show that microfinance has a significant impact on the development of entrepreneurship, particularly on access to start-up capital and on decreasing financial exclusion of women entrepreneurs (Mengstie, 2022). Likewise, studies on social innovation and microfinance emphasize the importance of financial services for building entrepreneurial ecosystems and for women entrepreneurs in developing countries (Heenkenda, 2026). Furthermore, in India, it has been revealed that microfinance-backed organisations not only create self-employment but also local employment and economic development at the community level (Women's World Banking, 2026).

The contribution of women-led MSMEs to the MSME ecosystem has also been evident in recent times. The national statistics reveal very high percentage of women entrepreneurs in the micro-enterprise segment which underscores the need for their access to affordable finance for continuity and growth of their businesses (ResearchGate, 2026). It has also been found that SHGs and the microfinance programme support women entrepreneurs in textiles, handicrafts, food processing, beauty cosmetic services, agriculture and animal husbandry, etc., and help them diversify their activities and increase their income from self-employment (IJFMR, 2026). Furthermore, policy measures like the Women Entrepreneurship Platform and government support for credit have made finance more available and business mentorship more accessible to women entrepreneurs (NITI Aayog, 2025). However, the recent studies have shown that problems like market access, scaling up business operations and technological adoption are still hampering the growth of the enterprises of women entrepreneurs and need further empirical studies in state specific contexts like Gujarat (World Bank, 2021; Economic Times, 2026). The results in these reports offer strong evidence to support investigation into the link between the access to microfinance and the growth of women entrepreneurs' micro-enterprises and the activities of self-employment.

➤ **Research Gap**

The literature has already covered in detail the positive impact microfinance can have on women's empowerment, job creation and entrepreneurial involvement in developing economies. Research in various national and international settings has shown that microfinance can lead to an increase in women's labour market participation, self-employment opportunities, and livelihood diversification (Thai-Ha, 2021). Likewise, studies have established that microfinance interventions enhance women's economic autonomy and aid in their shift from household unpaid labor to economic activities (Mengstie, 2022). Although various studies have explored the entrepreneurial engagement of women and the development of MSMEs in India, most have been limited to national-level trends or aspects of women's empowerment but not conducted on the same study to explore the employment opportunities, income generation, and outcomes of enterprise development for women (Government of India, 2024). Moreover, Kaushal (2021) and Azziz (2025) have conducted a conceptual and theoretical study of the relationships, with little empirical evidence relating to the magnitude and interrelationship of the outcomes in state-specific contexts. As a result, integrated empirical models which consider the impact of participation in microfinance on multiple economic outcomes within the same analytical framework for women beneficiaries are still lacking.

There is also a huge geographical and methodological lacuna of literature regarding the status of Gujarat despite the rapid penetration of microfinance institutions and Self-Help Groups and its robust entrepreneurial ecosystem. While regional studies have recognised the role of microfinance in improving livelihoods and financial inclusion, the direct impact of microfinance on job creation, income generation and women entrepreneurship in Gujarat is yet to be synthesized and documented in detail. Despite the recognition of the role of microfinance in improving livelihoods and financial inclusion, the direct contribution of microfinance on job creation, income enhancement and development of women owned micro-enterprise in Gujarat is still fragmented and insufficient (Lahkar, 2025). Furthermore, while recent research has highlighted the increased relevance of market linkages, digital finance and

institutional support for enhancing the impact of microfinance interventions (Women's World Banking, 2026), these have been studied less often than employment and income outcomes for women clients. Current research has focused on descriptive methods and seldom involved the use of analytical frameworks that could test several relationships at once using sophisticated statistical techniques (Heenkenda, 2026). The present study aims to fill these theoretical, contextual and methodological gaps and examines the impact of microfinance participation on employment opportunities, income generation and women's micro-enterprise and self-employment activities in Gujarat in an integrated empirical framework.

## 2. Research Methodology

The research philosophy used in this study is positivist, the research approach is deductive, and the research method is quantitative in which it is investigation on the effect of microfinance towards the employment and income generation of women in Gujarat. An Explanatory and Cross-sectional research design is used to explore the hypothesized relationship between the participation in the microfinance program and the employment opportunities, income generation and the development of women owned micro-enterprise and self-employment activities. The study is done in selected districts of Gujarat which is having high concentration of microfinance institutions (MFIs) and Self-Help Groups (SHGs). This target group includes women beneficiaries who have been linked to the microfinance programs. Stratified random sampling method is used to ensure that the results are representative and generalizable, and a sample size of around 200 women beneficiaries is sufficient for data analysis and hypothesis testing.

The primary data is collected by using a structured questionnaire on a 5-point Likert scale from strongly disagree to strongly agree. To complement the empirical results, secondary data are retrieved from the report of the various microfinance institutions, Government documents, policy documents and peer-reviewed journal articles. The collected data are analyzed using MS Excel and SPSS 27, and includes techniques such as descriptive statistics (mean, standard deviation, and standard error mean) and inferential statistics (multiple regression and Pearson correlation). The hypothesis is tested for the impact of microfinance participation on employment opportunities, income generation of women and growth of women's micro-enterprise and self-employment activities in Gujarat.

## 3. Results and Interpretations

**Table 1: Demographic Profile of Respondents**

Sr. No.	Demographic Variables	Characteristics	Frequency (N)	Percentage (%)
1	Age (Years)	18–25 years	28	14.0
		26–35 years	72	36.0
		36–45 years	61	30.5
		Above 45 years	39	19.5
2	Marital Status	Married	138	69.0
		Unmarried	41	20.5
		Widowed	15	7.5
		Divorced/Separated	6	3.0
3	Educational Qualification	Primary Education	32	16.0
		Secondary Education	57	28.5
		Higher Secondary	49	24.5
		Graduate	46	23.0
		Postgraduate and above	16	8.0
4	Place of Residence	Rural	119	59.5

		Semi-Urban	52	26.0
		Urban	29	14.5
5	Occupation Before Joining Microfinance	Homemaker	96	48.0
		Agriculture	38	19.0
		Wage Labour	29	14.5
		Small Business	22	11.0
		Others	15	7.5
6	Monthly Household Income (INR)	Below ₹10,000	37	18.5
		₹10,001–₹20,000	69	34.5
		₹20,001–₹30,000	54	27.0
		Above ₹30,000	40	20.0
7	Duration of Association with MFIs/SHGs	Less than 2 years	35	17.5
		2–4 years	74	37.0
		5–7 years	58	29.0
		More than 7 years	33	16.5
8	Primary Use of Microfinance Loan	Small Business/Enterprise	81	40.5
		Agriculture/Livestock	44	22.0
		Household Consumption	29	14.5
		Education and Healthcare	21	10.5
		Other Purposes	25	12.5

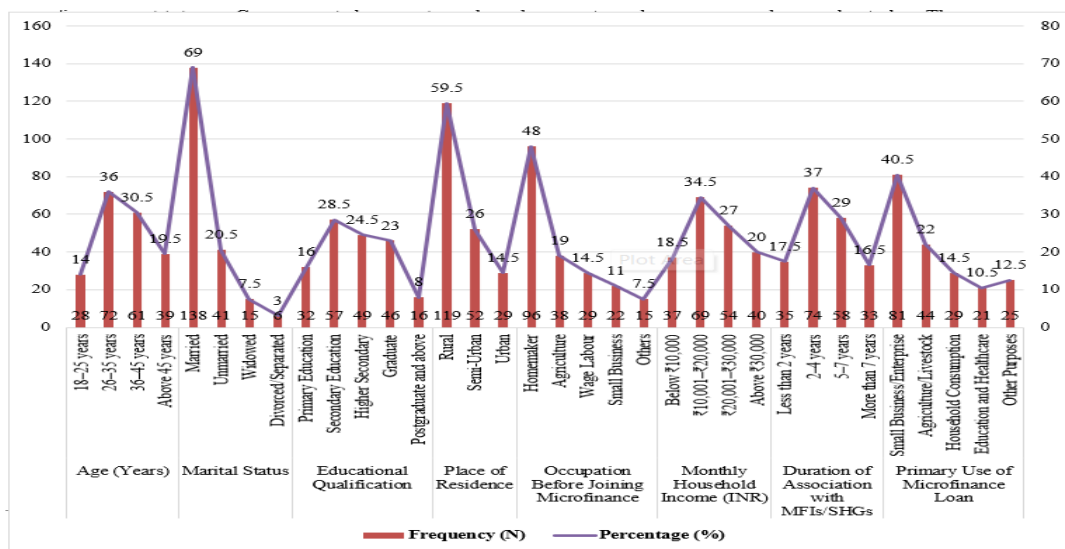


Figure 1: Demographic Characteristics of the Respondents

The demographic profile of the respondents in table 1 and figure 1 reveals that the participation in microfinance in Gujarat is mainly from women of economically active age group. The age group 26–35 years accounted for the largest proportion of respondents (36.0%) and 36–45 years (30.5%) indicating that the age group of women actively engaged in generating income for the family and in entrepreneurship also are the major beneficiaries of microfinance programs. The high percentage of married people among the respondents illustrates the significant role of microfinance in supporting the economic stability of households and livelihoods of families (69.0%).

Relative the educational level of the respondents, most of them had secondary education (28.5%) or higher secondary education (24.5%) suggesting that women with moderate education levels are taking advantage of financial service provisioning by microfinance institutions and SHGs. Moreover, most respondents were from rural areas (59.5%) and the rest were from semi-urban areas (26.0%) reflecting the wide reach of microfinance activities which are reaching out to underserved and financially excluded communities in Gujarat.

The development potential of microfinance in advancing women's economic participation is further highlighted by the occupational and economic nature of the respondents. Almost 50 percent of the respondents were homemakers prior to being enrolled in microfinance programs, suggesting that access to financial services may have helped in the shift to productive employment and entrepreneurial activities. Most of the respondents were found to be from the household income group at ₹10,001 to ₹20,000 per month (34.5%), which is the range in which the microfinance institutions have focused. The length of association with financial inclusion programs was mainly 2–4 years (37.0%), indicating that beneficiaries were involved in the financial inclusion programs for a considerable period. In addition, most respondents used microfinance loans mainly in the small business and enterprise sector (40.5%) and then in agriculture and livestock related activities (22.0%). The pattern shows that most of the women beneficiaries use microfinance resources for productive and income-generating activities, thus contributing to employment generation, enterprise development and economic empowerment in Gujarat.

**Obj. 1: To examine the influence of microfinance participation on women's employment opportunities in Gujarat.**

**H1: There is a significant influence of microfinance participation on women's employment opportunities in Gujarat.**

**Table 2: Model Summary Table**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.724	.524	.521	.468

Table 2 shows the model summary of regression analysis which explores the effect of microfinance membership on the employment situation of women in Gujarat. A high positive correlation ( $R = 0.724$ ) is found between the participation of women beneficiaries in microfinance and employment opportunities. The coefficient of determination ( $R^2 = 0.524$ ) indicates that about 52.4% of the variation in women's employment opportunities is explained by the participation in microfinance and the rest (47.6%) may be explained by other factors not measured in the model. Adjusted  $R^2 = 0.521$  also indicates that the regression model is robust and explanatory after considering the number of samples and predictors. Furthermore, the standard error of estimate (SEE) is 0.468, which suggests a relatively low level of prediction error, and thus, a relatively good fit of the data to the model.

**Table 3: ANOVA Table**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	48.267	1	48.267	220.541	.000
Residual	43.333	198	0.219		
Total	91.600	199			

The ANOVA result of the regression model which examined the effect of microfinance participation on women's employment opportunities is shown in Table 3 below. A significant amount of employment opportunity variability is accounted for by the predictor variable, with a regression sum of squares of 48.267. The F-statistic calculated to be 220.541 and a significance value of 0.000 indicate that the regression model is statistically significant at 1% significance level. The p-value is less than the level value of 5 %, so the null hypothesis is rejected, and the alternative hypothesis is accepted. Based on this, it can be inferred that the involvement of microfinance has significant impact on employment opportunities of women in Gujarat.

Table 4: Coefficients Table

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	1.218	0.192		6.344	.000
Microfinance Participation	0.691	0.047	0.724	14.850	.000

The regression coefficients of the relationship between the influence of microfinance participation and women's employment opportunities are shown in Table 4. The unstandardized coefficient value or B = 0.691 suggests that for every unit increase in the participation in microfinance, there is an increase of 0.691 units in women's employment opportunities, other variables remaining constant. The standardized beta coefficient ( $\beta = 0.724$ ) indicates a strong positive link between being involved in a microfinance institution and employment results. Moreover, the value of the t variable calculated was 14.850 and the significance value was 0.000, which indicates that the predictor variable is statistically significant. The results suggest that involvement in MF schemes significantly enhances employment opportunities of women beneficiaries in Gujarat, thereby offering a support to the acceptance of H1.

**Obj. 2: To analyze the impact of microfinance services on income generation among women beneficiaries in Gujarat.**

**H2: There is a significant impact of microfinance services on income generation among women beneficiaries in Gujarat.**

Table 5: Model Summary Table

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781	.610	.608	.421

The model summary for the regression analysis of the effect of microfinance services on women beneficiaries' income generation in Gujarat is presented in Table 5. The correlation coefficient (R = 0.781) shows that there is a strong positive correlation between the variable's microfinance services and income generation. Access to and use of microfinance services account for 61.0% of the variation in women's income generation, as indicated by the R<sup>2</sup> value of 0.610. The adjusted R<sup>2</sup> is 0.608, which is a constant percentage of the overall value, even when sample features and model complexity are taken into consideration. Furthermore, the standard error of estimate of 0.421 represents a relatively low level of prediction error, suggesting that the regression model is good at predicting variation in income generation among the women beneficiaries.

Table 6: ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	57.914	1	57.914	325.684	.000
Residual	35.206	198	0.178		
Total	93.120	199			

The ANOVA results presented in Table 6 are related to the regression model assessing the effect of the microfinance services on women's income generation. The regression sum of squares is 57.914, which means that a large percentage of the variation of income generation is explained by the predictor variable. The statistically significant value of the overall regression model is 0.000 with an F-statistic of 325.684, which indicates that this model is highly statistically significant. For this reason, the p-value is significantly smaller than the standard 0.05, allowing us to reject the null hypothesis and accept the alternative hypothesis. Based on these findings, the outcomes offer robust empirical evidence as to the impact of micro-finance on income generation of the women beneficiaries in Gujarat.

**Table 7:** Coefficients Table

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	0.987	0.176		5.608	.000
Microfinance Services	0.758	0.042	0.781	18.047	.000

Table 7 shows the regression coefficients of the association between microfinance services and income generation. The unstandardized coefficient value (B = 0.758) shows that for every additional unit of microfinance service provided, income generation of women beneficiaries will increase by 0.758 units. The standardized beta coefficient ( $\beta = 0.781$ ) shows that microfinance services have a strong and positive impact on income outcomes. Further, the t-value of 18.047 and the associated significance value of 0.000 shows that the predictor variable is statistically significant and highly explains income generation. Thus, the results corroborated the acceptance of the H2 which further justified the role of microfinance services in improving the income generation for women beneficiaries in Gujarat.

**Obj. 3:** To investigate the relationship between access to microfinance and the development of women-owned micro-enterprises and self-employment activities.

**H3:** There is a significant relationship between access to microfinance and the development of women-owned micro-enterprises and self-employment activities.

**Table 8:** Descriptive Statistics Table

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Access to Microfinance	200	1.80	5.00	3.96	0.624
Development of Women-Owned Micro-enterprises and Self-employment Activities	200	1.60	5.00	4.08	0.589
Valid N (listwise)	200				

Descriptive statistics for all variables used in the correlation analysis are shown in Table 8. The respondents on the whole reported good level of access microfinance services with moderate standard deviation, with the mean score of 3.96 on the variable "Access to Microfinance". In the same way, the variable "Development of Women-Owned Micro-enterprises and Self-employment Activities" also received a high mean score of 4.08 and a low standard deviation of 0.589 indicating that the respondents agreed to a high level that microfinance has a positive impact on entrepreneurial development and self-employment. Low standard deviation values were obtained for both variables, which reflect the uniformity in the perceptions and responses to the scale items of the 200 women beneficiaries sampled.

**Table 9:** Correlations Table

Variables	Access to Microfinance	Development of Women-Owned Micro-enterprises and Self-employment Activities
Access to Microfinance	1	.742**
Development of Women-Owned Micro-enterprises and Self-employment Activities	.742**	1
Sig. (2-tailed)	-	.000
N	200	200

\*\* Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation results relating the access to microfinance to the development of women owned micro-enterprises and self-employment activities are presented in table 9. A high positive correlation between the two variables ( $r = 0.742$ ) implies that there is a strong positive relationship between the development of women own businesses and self-employment and the access to microfinance. The significance value obtained is 0.000, which means that the relationship is statistically significant at the 0.01 level (2-tailed). Since the p-value is less than 0.01, the null hypothesis is rejected, and the alternative hypothesis is accepted. Hence, the results indicate that access to microfinance has a positive impact on the setup and growth of women owned micro-enterprises and self-employment in Gujarat, thus leading to the acceptance of H3.

#### **4. Findings and Discussion**

This study's findings are very strong in terms of empirical evidence and show that participation in microfinance significantly improves employment opportunities and income generation for women in Gujarat. The regression results showed that the participation in microfinance had a significant positive impact on employment opportunities of women ( $\beta = 0.724$ ,  $p < 0.001$ ) meaning that the access to microfinance resources enables women to move from their unpaid domestic activities to productive economic activities. The results are in line with those of Mengstie (2022) which found that in developing economies, women's engagement in microfinance significantly increase women's employment, labour productivity and self-employment. Likewise, recent studies have shown that the use of microfinance and the participation in the Self-Help Groups also provides sustainable livelihood opportunities to women, through the creation of small business and their involvement in remunerative economic activities (Thomas, 2025). The results also support the views of Kaushal (2021) that microfinance institutions play a significant role in enhancing women's access to productive assets and entrepreneurial opportunities, which improve their economic empowerment. Moreover, empirical studies in rural India reveal that the SHG-based MFIs have a significant impact on enhancing the employment rates of women and reducing their reliance on informal credit markets and moneylenders (Eswaramma & Reddy, 2023). The present study's finding of a positive correlation also reinforces the notion that microfinance is an effective tool to encourage inclusive growth and labour market entry of women in developing regions.

The results on income generation and enterprise development also closely match the empirical literature. Microfinance services were found to have a significant positive impact on women income generation ( $p < 0.001$ ,  $\beta = 0.781$ ), and access to microfinance also had a strong positive correlation with the development of women's micro-enterprises and self-employment activities ( $r = 0.742$ ,  $p < 0.001$ ). These results align with recent studies indicating that women's ability to access collateral-based credit encourages them to invest in productive assets, diversify their income sources, and grow their business ventures (ICECD, 2025). Likewise, research has shown that women borrowers are more likely to allocate their funds for community multipliers such as education, healthcare, and business expansion (Women's World Banking, 2025). The results are also validated by recent analyses which highlight the role of microfinance-supported businesses in reducing poverty, increasing women beneficiaries' employment opportunities and strengthening their economic resilience (Social Research Foundation, 2025). Yet existing research has also found that microfinance interventions are likely to be more effective in the long term if they are accompanied by other interventions, including financial education, business skills training, financial inclusion, and financial market linkages; and that credit is not enough to ensure sustainable growth of enterprises (Thomas, 2025). Hence, the present study not only validates the positive economic effect of microfinance in Gujarat but also emphasizes the importance of the need for integrated policy interventions towards the enhancement of the entrepreneurial ecosystem of women beneficiaries.

#### **5. Conclusion**

The study concludes that microfinance is essential to economic empowerment of women as it helps build employment opportunities, income generation, and women entrepreneurship in the state of Gujarat. The empirical findings show that the participation in the microfinance market has a significant impact on women's employment opportunities and that the provision of microfinance services has a positive effect on income generation and financial stability. In addition, financial inclusion was found to be highly correlated with the development of

women's micro-enterprises and self-employment activities, demonstrating that financial inclusion is one of the important drivers of entrepreneurship and livelihood creation. The results underscore the potential and success of the microfinance institutions and SHGs in enabling women, especially from low and middle-income group households, to participate in productive economic activities. Overall, the study confirms that microfinance is not only a credit tool, but a strategic tool to promote inclusive growth and reduce gender disparity in the economic development of the state of Gujarat and contribute towards the economic development of the local/regional level.

### ➤ **Implications, Limitations, and Recommendations**

The study results have significant theoretical, managerial and policy implications as it offers empirical evidence to support the contribution of microfinance in the process of economic empowerment of women, financial inclusion and entrepreneurship development. This outcome not only adds to the existing body of knowledge on financial inclusion and women empowerment but also highlights the linkages between financial inclusion and employment, income generation and enterprise building in a state specific context. Policy implication from the findings indicates the need to strengthen women focused microfinance programs by providing quality and affordable credit, financial literacy, entrepreneurial training, digital financial service, and financial market linkage support. Although these contributions were made, the study has the following limitations: (1) This study has a cross-sectional design, (2) it is self-reported, (3) it is based on selected districts in Gujarat, and (4) potential moderating factors like education, digital literacy, social norms, and institutional support mechanisms are not considered. Future studies can address these limitations by using longitudinal designs, inter-state comparisons, greater sample sizes and more diverse samples, and more sophisticated designs like mediation and moderation analyses. In addition, future research can include the impact of financial education, digital inclusion, business training, and government support programs on the effectiveness of microfinance interventions and sustainability of women's businesses.

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