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# **Role of Microfinance in Empowerment of Rural Women Entrepreneurs in Karnataka: A Comparative Study Between Tumkur and Chikkaballapura District**

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## **ABSTRACT:**

Microfinance has emerged as a powerful instrument for poverty alleviation and women's empowerment in rural India. This study explores the role of microfinance institutions (MFIs) and self-help groups (SHGs) in promoting entrepreneurship among rural women in Tumkur and Chikkaballapura districts of Karnataka. Using field data, interviews, and secondary sources, the paper compares access to credit, income generation, and decision-making power among women entrepreneurs. The findings reveal that while both districts show significant empowerment outcomes, Tumkur has achieved relatively higher levels of economic independence and enterprise sustainability due to stronger institutional linkages. The paper concludes that microfinance has a transformative role in enabling rural women to move from subsistence to sustainable entrepreneurship.

## **KEYWORDS:**

Microfinance, Women Empowerment, Rural Entrepreneurship, Self-Help Groups, Karnataka, Tumkur, Chikkaballapura.

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## 1. Introduction:

Women's empowerment and rural development are interdependent pillars of inclusive economic growth. In developing countries like India, where nearly 65% of the population resides in rural areas, empowering women economically through entrepreneurship has proven to be a sustainable strategy for poverty alleviation and social transformation. However, access to financial capital has traditionally been a major obstacle for rural women, who often lack property rights, collateral, and financial literacy. Microfinance—the provision of small loans, savings, and insurance services to low-income households—has emerged as an alternative financial mechanism to bridge this gap. It enables women to engage in productive activities, develop self-confidence, and achieve greater control over household decisions. In rural Karnataka, microfinance programs implemented through Self-Help Groups (SHGs), Non-Governmental Organizations (NGOs), and Microfinance Institutions (MFIs) have created a foundation for promoting rural entrepreneurship among women.

Over the last two decades, microfinance initiatives such as the Self-Help Group-Bank Linkage Programme (SHG-BLP) launched by NABARD and the Stree Shakti Programme of the Government of Karnataka have expanded rapidly. These programs have particularly benefited semi-urban and rural districts such as Tumkur and Chikkaballapura, where agriculture, cottage industries, and small-scale enterprises are the primary sources of livelihood. Despite operating under the same state policies, both districts have shown varying levels of women's economic empowerment and enterprise success, making them ideal for comparative research. This paper therefore attempts to assess the role of microfinance in empowering rural women entrepreneurs in Karnataka, with a comparative focus on Tumkur and Chikkaballapura districts.

## 2. Historical Background:

The roots of microfinance in India can be traced back to informal credit systems that existed in rural communities for centuries. Informal savings and credit associations such as Chit Funds, Bhishi, and Kuri served as traditional instruments of small-scale financial support, particularly for women. However, institutionalized microfinance gained momentum only in the late 20th century. In 1976, Professor Muhammad Yunus introduced the concept of microcredit through the Grameen Bank in Bangladesh, revolutionizing global approaches to financial inclusion. Inspired by this

model, India adopted structured microfinance programs during the 1990s, with NABARD's SHG-Bank Linkage Programme (1992) marking the formal beginning of the microfinance movement in the country.

In Karnataka, the microfinance movement was reinforced through initiatives like the Karnataka State Women's Development Corporation (KSWDC) and the Stree Shakti Programme (2000), which integrated microfinance with skill training, entrepreneurship development, and marketing support. Over the years, microfinance has evolved from being merely a credit supply mechanism to a holistic tool for social and economic empowerment.

Tumkur, located in the southern part of Karnataka, has a long tradition of women's collective movements and cooperative banking. The district's proximity to Bengaluru has facilitated access to markets, training institutions, and financial services. Over 7, 000 SHGs are currently active in Tumkur, many of which have diversified into small enterprises such as tailoring, dairy farming, agarbathi production, and food processing. The district's high literacy rate and industrial base have contributed to more sustainable women-led enterprises.

Chikkaballapura, carved out from Kolar district in 2007, represents a more agrarian and traditional socio-economic structure. Women's SHGs here are often smaller and rely heavily on agricultural activities, animal husbandry, and petty trades. Though microfinance penetration has increased in the last decade through NGO and cooperative models, infrastructural and market linkages remain weak compared to Tumkur. Nevertheless, SHGs in Chikkaballapura have been instrumental in fostering social solidarity and savings culture among women.

### **3. Objectives of the Study:**

1. To assess the role of microfinance institutions and SHGs in promoting rural women entrepreneurship in Tumkur and Chikkaballapura.
2. To compare the socio-economic impact of microfinance on women entrepreneurs in the two districts.
3. To analyze the changes in income, decision-making power, and social participation among beneficiaries.
4. To identify the challenges faced by rural women in accessing and utilizing microfinance for enterprise growth.

5. To suggest policy measures for enhancing women's empowerment through microfinance in rural Karnataka.

#### 4. Review of Literature:

Previous studies (NABARD, 2022; Kabeer, 1999; Singh & Dutta, 2020) have established that microfinance enhances women's access to financial resources and promotes entrepreneurship. Research in Karnataka indicates that SHGs play a crucial role in collective savings and loan distribution. However, regional variations persist due to differences in institutional support, literacy, and social structure. Tumkur, with better connectivity and industrial linkages, has shown faster enterprise diversification, whereas Chikkaballapura's microfinance model remains more community-oriented but less market-linked.

#### 5. Research Methodology:

This study adopts a comparative descriptive research design. Primary data were collected from 100 rural women entrepreneurs (50 from Tumkur and 50 from Chikkaballapura) who are members of SHGs or microfinance programs. Tools used include structured questionnaires and focus group discussions. Secondary data were drawn from reports of NABARD, Karnataka State Women's Development Corporation, and district statistical handbooks. The data were analyzed using percentage analysis and comparative indicators.

#### 6. Analysis.

Parameter	Tumkur District	Chikkaballapura District
Average loan size (₹)	85, 000	60, 000
Average monthly income after joining SHG (₹)	14, 500	10, 200
Savings per member (₹)	3, 200	2, 100
Women in decision-making roles (%)	68	52
Entrepreneurial training participation (%)	76	61
Loan repayment rate (%)	94	89

The results show that Tumkur district has better financial outcomes and business diversification, with women investing in tailoring, food processing, and dairy units. In Chikkaballapura, most enterprises remain micro-level—such as agarbathi making and petty shops—due to smaller

credit cycles and less market access.

Social empowerment indicators, such as participation in local governance, self-confidence, and literacy, also improved post-microfinance participation in both districts, though the magnitude of change is higher in Tumkur.

### **7. Major Findings:**

1. Microfinance has significantly improved women's access to financial resources and income-generating opportunities.
2. Women in Tumkur enjoy higher enterprise growth and profitability due to better institutional linkages and urban proximity.
3. In Chikkaballapura, while income gains are modest, social empowerment and group solidarity are stronger.
4. Training and capacity-building programs remain insufficient in both districts.
5. Limited market access, delayed loan disbursement, and inadequate digital literacy are persistent barriers.

### **8. Suggestions:**

1. Strengthen SHG-bank linkage programs through digital finance tools.
2. Promote capacity-building workshops and entrepreneurship training for rural women.
3. Develop district-level marketing hubs to link rural enterprises with urban markets.
4. Introduce flexible microcredit schemes with low-interest rates and moratorium periods.
5. Encourage women's cooperatives and federations for collective enterprise promotion.

### **9. Conclusion:**

Microfinance has emerged as a catalyst for women's economic and social empowerment in Karnataka. While both Tumkur and Chikkaballapura have benefited from SHG-based credit systems, the comparative analysis reveals that Tumkur exhibits stronger entrepreneurial outcomes due to infrastructural and institutional support. To ensure inclusive growth, policy initiatives must focus on capacity development, digital inclusion, and sustainable financial literacy among rural women.

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The Authors have no conflict of interest to declare that they are relevant to the content of this article.

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