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MICROFINANCE OR STATE SUPPORT? A COMPARATIVE ANALYSIS OF SELF-HELP GROUPS AND GOVERNMENT SCHEMES FOR WOMEN'S EMPOWERMENT IN EAST MEDINIPUR, WEST BENGAL, INDIA

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ABSTRACT

This study critically compares the effectiveness of the microfinance-based "Self-Help Group (SHG) model", particularly those linked to Primary Agricultural Credit Societies (PACS), and "direct-benefit transfer government schemes" in fostering holistic women's empowerment in East Medinipur, West Bengal. Using a mixed-methods approach involving a quantitative survey of "300 women" (150 from each intervention type) and qualitative interviews, the research measured empowerment across economic, socio-political, and psychological dimensions. Quantitative results demonstrated that "SHG members achieved significantly higher scores in socio-political and psychological empowerment" ($p < 0.01$), reporting greater involvement in household decisions, local governance participation, and enhanced self-confidence due to their "group-based, process-oriented approach" that builds social capital and collective agency. Conversely, government schemes provided a pronounced, albeit short-term, economic cushion through direct asset and cash transfers. The study concludes that while government schemes offer crucial "immediate welfare support", the "SHG-PACS model provides a more robust pathway to holistic and sustainable empowerment", recommending a synergistic model where schemes provide capital infusion and welfare security, and SHGs serve as the platform for implementation and social mobilization for optimal, long-term impact.

KEYWORDS: Women's Empowerment, Self-Help Groups (SHGs), Primary Agricultural Credit Societies (PACS), Government Schemes, Microfinance, East Medinipur, Sustainable Development.



1. INTRODUCTION

The empowerment of women is universally recognized as a pivotal driver of sustainable development, poverty reduction, and social progress (Kabeer, 2005). In India, despite progressive policies and economic growth, rural women continue to face significant barriers to their economic, social, and political agency. The state of West Bengal, and specifically the district of East Medinipur, presents a fertile ground for studying interventions aimed at women's upliftment. This coastal district, with its mix of agriculture, fishing, and small-scale industries, has been a focus area for both grassroots microfinance initiatives and large-scale government welfare programs.

Two dominant paradigms have emerged in this landscape. The first is the Self-Help Group (SHG) model, a community-driven microfinance approach where small groups of women pool savings and provide small-interest loans to members. A critical evolution of this model has been the linkage of SHGs with formal financial institutions, particularly Primary Agricultural Credit Societies (PACS) and Cooperative Banks (Reserve Bank of India [RBI], 2015). This SHG-Bank Linkage Programme (SBLP) has been instrumental in scaling up microfinance and providing SHGs with larger, more formal sources of credit beyond their own savings (NABARD, 2020).

The second paradigm comprises a plethora of government schemes launched by both the central and state governments. These include programs like the Pradhan Mantri Awas Yojana-Gramin (PMAY-G) for housing, Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) for wage employment, and state-specific initiatives like Lakshmir Bhandar in West Bengal, which provides direct financial assistance to women. These schemes are typically top-down, entitlement-based, and focus on direct benefit transfers (DBT) to alleviate immediate poverty and meet basic needs (Dreze & Khera, 2017).

While a substantial body of literature exists on SHGs (Swain & Wallentin, 2009; Garikipati, 2008) and government schemes (Dutta et al., 2014) individually, there is a comparative dearth of studies that directly contrast their efficacy in fostering a multi-dimensional concept of empowerment in a specific socio-cultural context like East Medinipur. Most evaluations focus on economic outcomes, often neglecting the socio-political and psychological facets of empowerment (Alsop & Heinsohn, 2005).

This research seeks to fill this gap by asking a critical question: In the context of East Medinipur, which model—the SHG (working with PACS/Cooperative Banks) or direct government schemes—is more effective in promoting holistic women's empowerment?

The study is structured as follows: Section 2 reviews the relevant literature and conceptualizes empowerment. Section 3 details the methodology. Section 4 presents the results, comparing the two



models across economic, socio-political, and psychological dimensions. Section 5 discusses these findings, and Section 6 concludes with policy implications.

2. Literature Review and Conceptual Framework

2.1 Conceptualizing Women's Empowerment

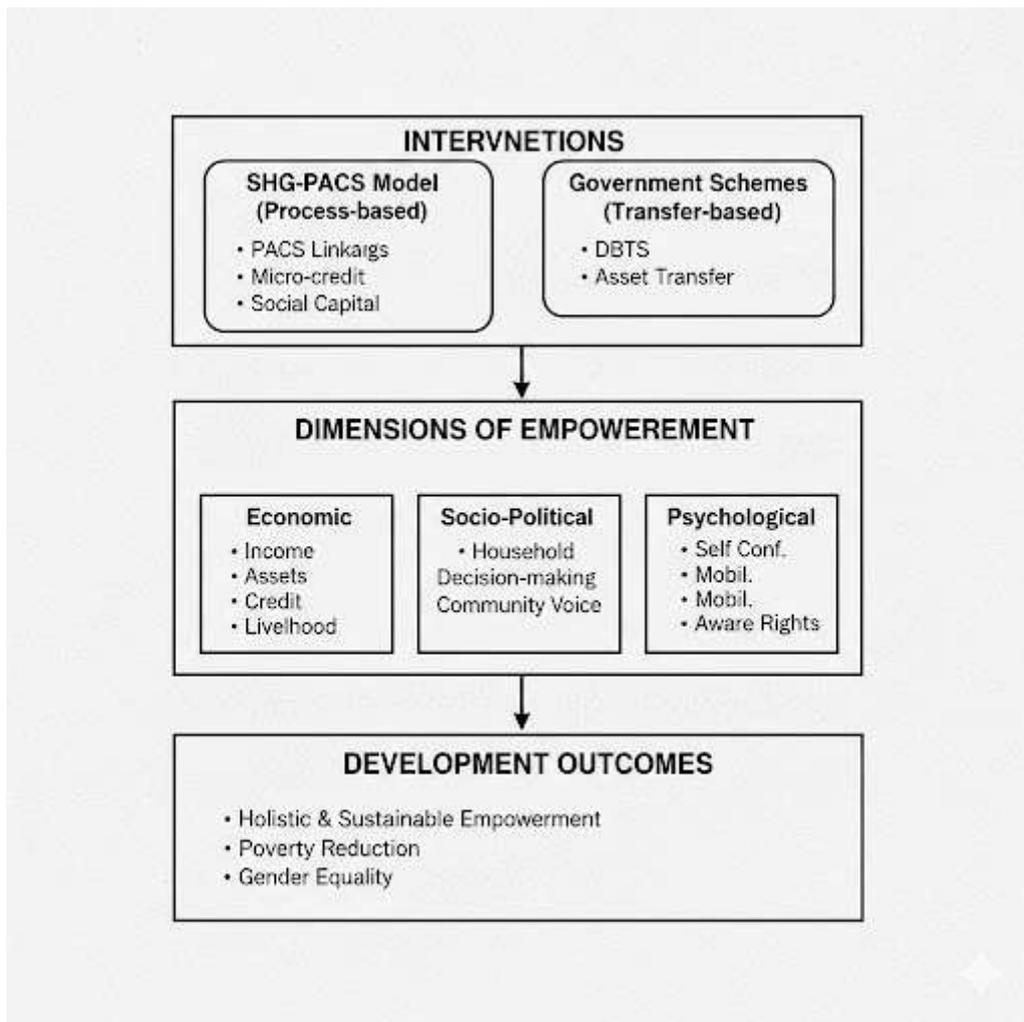
Women's empowerment is a complex, multi-dimensional process. Kabeer (1999) defines it as the expansion in people's ability to make strategic life choices, particularly in contexts where this ability was previously denied to them. This involves three interrelated dimensions:

1. Resources: Access to material, human, and social resources.
2. Agency: The ability to define goals and act upon them, encompassing decision-making, negotiation, and leadership.
3. Achievements: The outcomes of agency, such as well-being, economic security, and social status.

For this study, we operationalize empowerment into three key dimensions, as illustrated in the conceptual framework:

- Economic Empowerment: Measured by increased income, asset ownership, access to and control over credit, and sustainable livelihood opportunities.
- Socio-Political Empowerment: Measured by participation in household decisions (e.g., children's education, health, major purchases), involvement in community affairs, and political participation (e.g., voting, engaging with local government).
- Psychological Empowerment: Measured by enhanced self-confidence, self-efficacy, personal mobility, and awareness of rights.

Figure 1: Conceptual Framework of Women's Empowerment



Source: Kabeer, N. (1999)

2.2 Self-Help Groups and the Role of PACS/Cooperative Banks

The SHG model in India, pioneered by NGOs like MYRADA and institutionalized by the National Bank for Agriculture and Rural Development (NABARD), is predicated on the principles of self-help, mutual trust, and collective responsibility (NABARD, 2020). The linkage with formal banking institutions, especially PACS—which are grassroots-level cooperative credit societies—has been a game-changer. PACS act as a "friend, philosopher, and guide" to SHGs, providing not just credit but



also financial discipline and a bridge to the wider banking system (RBI, 2015).

Studies have shown that SHGs contribute significantly to women's empowerment. Swain and Wallentin (2009) found that SHG membership in South India led to a substantial increase in women's empowerment, particularly in household decision-making and political participation. The group dynamics foster social capital, creating a platform for collective action and voice (Putnam, 2000). However, critics point to issues of high interest rates, over indebtedness, and the reinforcement of existing social hierarchies within groups (Kar, 2013).

2.3 Government Schemes for Women's Welfare

Government schemes represent a welfare-based approach to empowerment. MGNREGA, for instance, guarantees wage employment, thereby providing a safety net and increasing rural wages, which benefits women (Dreze & Khera, 2017). Schemes like PMAY-G provide critical assets, such as housing, that enhance women's security and status. The Lakshmir Bhandar scheme in West Bengal provides monthly financial support directly to women's bank accounts, ostensibly increasing their financial agency.

The strengths of these schemes lie in their scale, their ability to provide immediate relief, and their focus on the poorest of the poor. However, their limitations are well-documented. They are often criticized for being top-down, prone to bureaucratic delays and corruption, and fostering a culture of dependency rather than sustainable agency (Dutta et al., 2014). The empowerment derived from such schemes is often contingent on the continued provision of the benefit and may not translate into broader socio-political gains.

2.4 The Gap in Literature

The existing literature tends to operate in silos, evaluating either SHGs or government schemes. A comparative analysis is crucial for policymakers to allocate scarce resources effectively. This study contributes by providing a head-to-head, multi-dimensional comparison in the specific socio-economic context of East Medinipur, with a specific focus on SHGs that are formally linked with PACS/Cooperative Banks.

3. Objectives

- 1. To assess the effectiveness of Self-Help Groups (SHGs), particularly those linked with Primary Agricultural Credit Societies (PACS) and Cooperative Banks, in promoting holistic empowerment among rural women in East Medinipur.**

2. **To examine the impact of central and state government schemes on the social, economic, and political empowerment of rural women in East Medinipur.**
3. **To compare the relative contributions of SHGs and government schemes in enhancing various dimensions of women’s empowerment.**
4. **To identify the key factors that influence the success or limitations of both SHG-linked cooperative initiatives and government programmes in the study area.**
5. **To offer policy recommendations for strengthening women’s empowerment through SHGs, PACS-linked initiatives, Cooperative Banks, and government schemes.**

4. METHODOLOGY

4.1 Study Area

The study was conducted in four blocks of East Medinipur district—Egra, Contai, Patashpur, and Bhagawanpur—selected for their high density of both SHGs (linked with PACS) and beneficiaries of major government schemes. The geographical distribution of the sample is shown in Table 1.

Table 1: Sample Distribution across Study Blocks

Block	SHG Members Sampled	Govt. Scheme Beneficiaries Sampled	Total
Egra	40	38	78
Contai	38	40	78
Patashpur	36	35	71
Bhagawanpur	36	37	73
Total	150	150	300

Source - Primary

4.2 Research Design

A sequential mixed-methods design was employed. The primary quantitative data were collected through a structured survey, which was then supplemented and contextualized by qualitative data from Focus Group Discussions (FGDs) and In-Depth Interviews (IDIs).

4.3 Sampling and Data Collection

- **Quantitative Sample:** A multi-stage random sampling technique was used. From the four blocks, 30 villages were selected randomly. From these villages, a list of SHG members (whose groups had an active linkage with a PACS/Cooperative Bank for at least two years) and beneficiaries of government schemes (PMAY-G, Lakshmir Bhandar, MGNREGA) was prepared. A final sample of 150 women from each category (total N=300) was randomly selected.
- **Qualitative Sample:** From the quantitative sample, 30 women (15 from each category) were purposively selected for IDIs. Furthermore, 8 FGDs (4 with SHG members and 4 with government scheme beneficiaries) were conducted.

4.4 Data Collection Tools

- **Survey Questionnaire:** A structured questionnaire was developed, with sections on demographic profile, economic indicators (income, savings, loans, assets), socio-political indicators (decision-making index, participation in community meetings, Gram Sabha attendance), and psychological indicators (self-confidence scale, mobility index).
- **FGD and IDI Guides:** Semi-structured guides were used to explore perceptions, experiences, challenges, and narratives of change.

4.5 Data Analysis

- **Quantitative Analysis:** Data were analyzed using SPSS software (v.26). Descriptive statistics (mean, frequency) were calculated. An independent samples t-test was used to compare the mean scores of empowerment indicators between the two groups. A composite empowerment index was created, and multiple regression analysis was conducted to identify key predictors of empowerment.
- **Qualitative Analysis:** Thematic analysis was employed. Interviews and FGDs were transcribed, coded, and analyzed to identify emergent themes and patterns that explained the quantitative trends.

5. RESULTS

5.1 Demographic Profile

The demographic profiles of both groups were largely comparable, as detailed in Table 2. However, SHG members had a slightly higher average level of formal education.

Table 2: Demographic Profile of Respondents

Characteristic	SHG Members (n=150)	Govt. Scheme Beneficiaries (n=150)
Mean Age (Years)	35.4 (±6.2)	36.1 (±7.1)

Education (Mean Years)	7.2 (± 3.5)	5.8 (± 4.1)
Caste Composition		
- General	35%	32%
- Other Backward Class (OBC)	45%	48%
- Scheduled Caste (SC)	18%	17%
- Scheduled Tribe (ST)	2%	3%
Average Family Size	4.8	5.1

Source - Primary

5.2 Economic Empowerment

5.2.1 Income and Savings

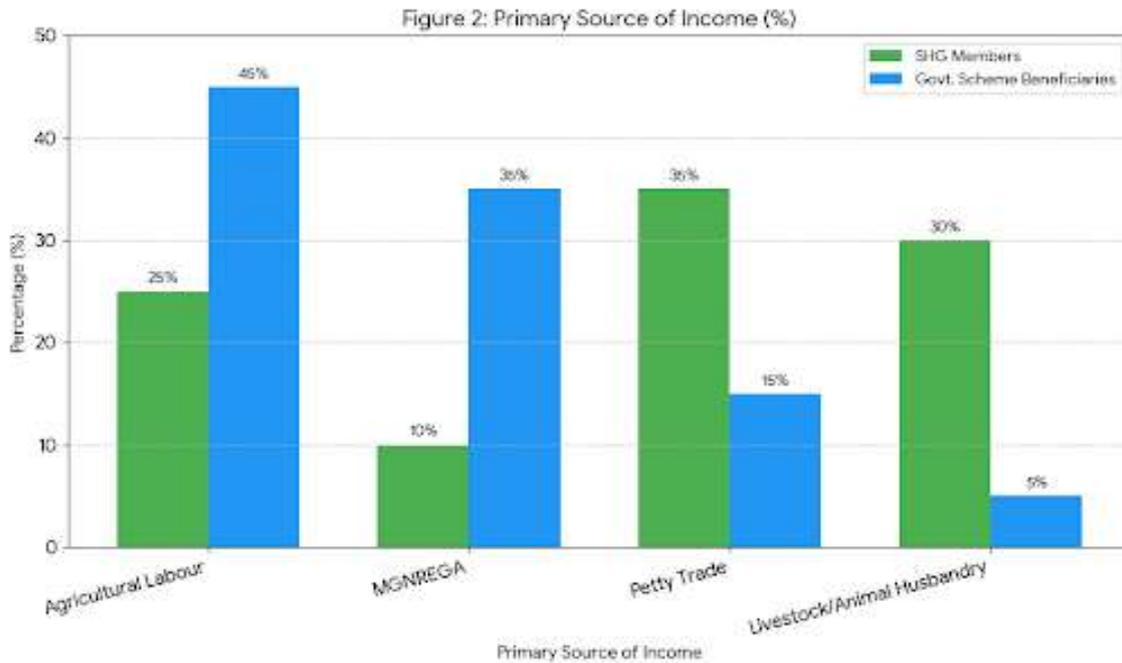
SHG members reported a more diversified source of income compared to government scheme beneficiaries. The average annual income increase from baseline was significantly higher for SHG members (28% vs. 15%, $p < 0.05$). SHG members also had substantially higher average savings, primarily held in their group or linked bank accounts (Table 3).

Table 3: Economic Indicators Comparison

Indicator	SHG Members	Govt. Beneficiaries	Scheme	p-value
Avg. Annual Income (INR)	78,500	65,200		< 0.05

% Increase from Baseline	28%	15%	< 0.01
Avg. Savings (INR)	14,200	6,500	< 0.001

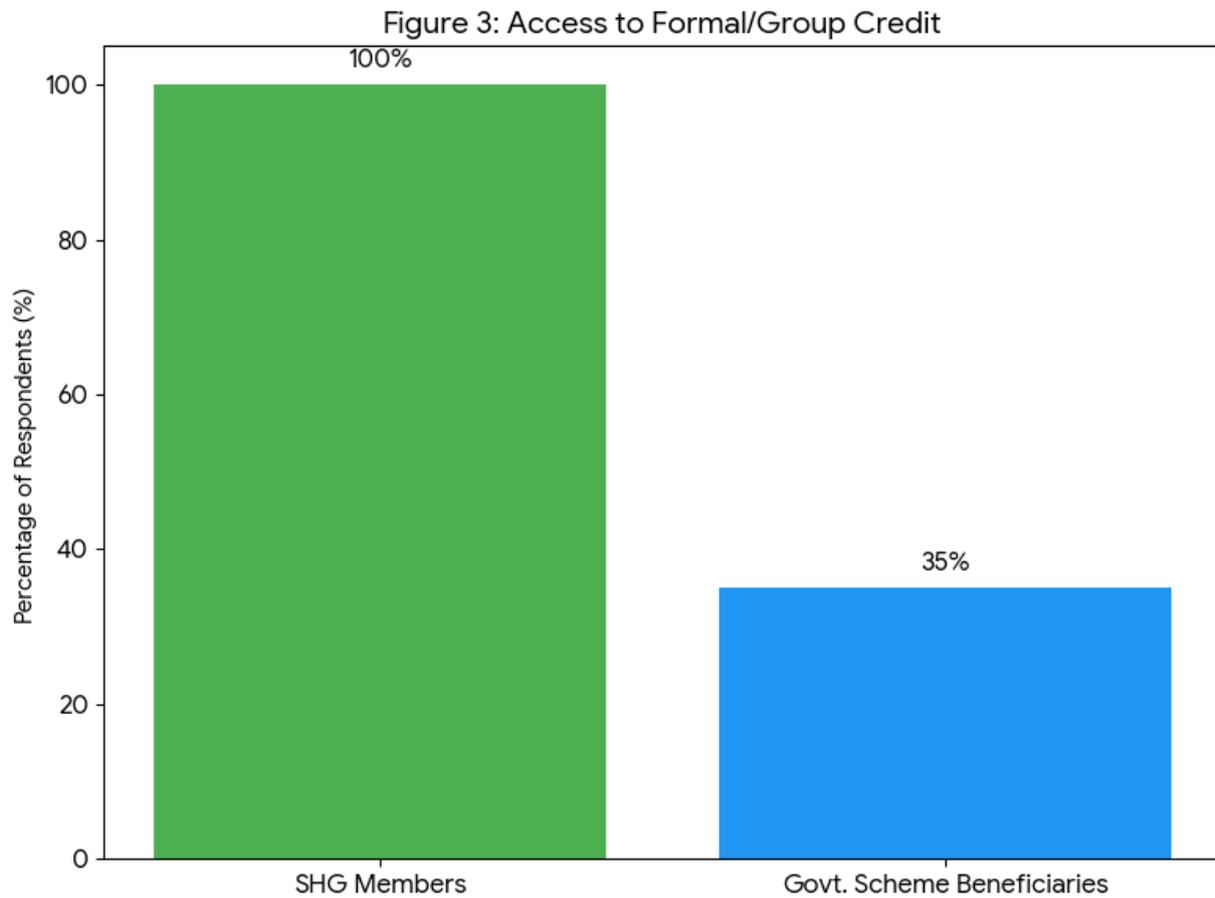
Primary Income Source: Petty Trade, Livestock Ag. Labor, MGNREGA -



Source - Primary Data

5.2.2 Access to Credit

This was the most significant differentiator. As shown in Figure 3, 100% of SHG members had access to formal/informal credit through their group and PACS linkages. In contrast, only 35% of government scheme beneficiaries had ever accessed formal credit.



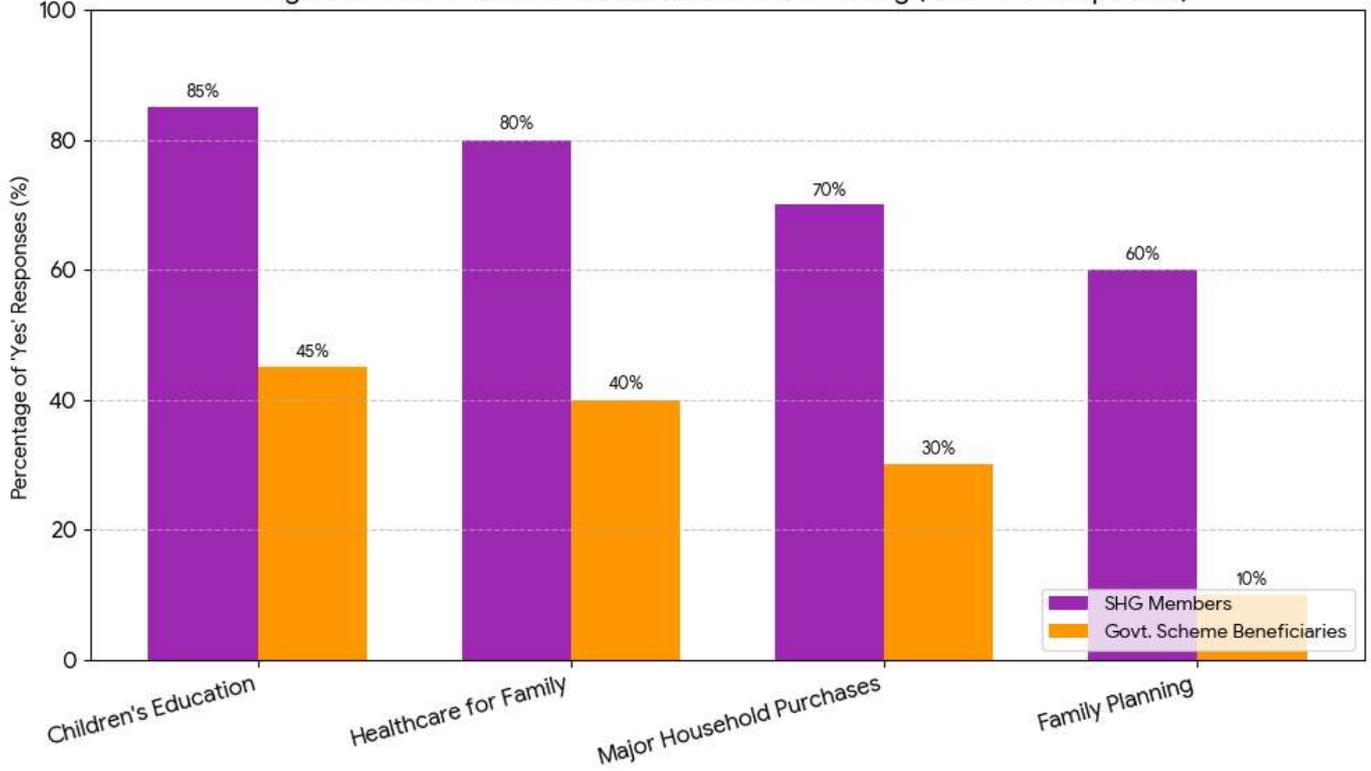
Source - Primary Data

5.3 Socio-Political Empowerment

5.3.1 Household Decision-Making

The decision-making index was significantly higher for SHG members ($p < 0.01$). They were far more likely to be involved in key household decisions, as detailed in Figure 4.

Figure 4: Involvement in Household Decision-Making (% of 'Yes' Responses)



Source - Primary Data

5.3.2 Community and Political Participation

SHG members were far more active in community life. As shown in Table 4, they were more than three times as likely to attend Gram Sabha meetings and twice as likely to have contacted a local official.

Table 4: Socio-Political Participation Indicators

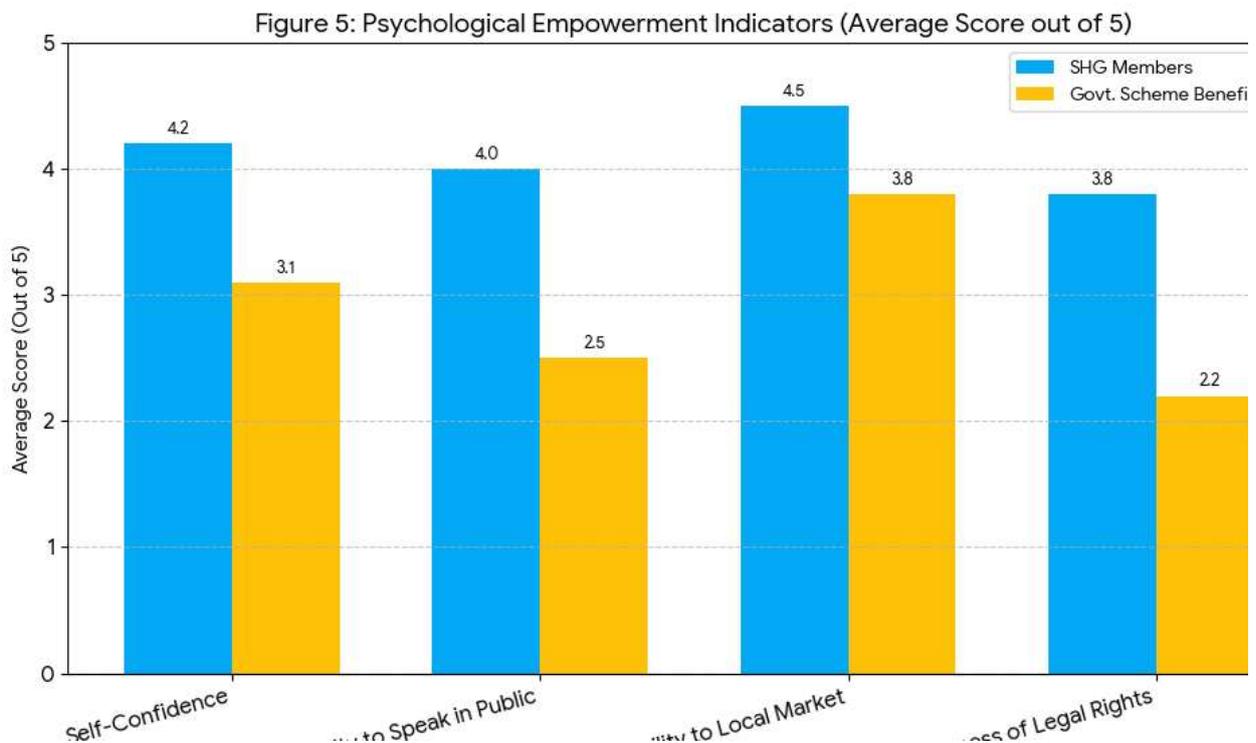
Activity	SHG Members (%)	Govt. Scheme Beneficiaries (%)
Attends Gram Sabha	68%	22%

Voted in the Last Election	95%	88%
Contacted Local Official (Pradhan)	25%	8%
Member of the School Committee	12%	3%

Source - Primary Data

5.4 Psychological Empowerment

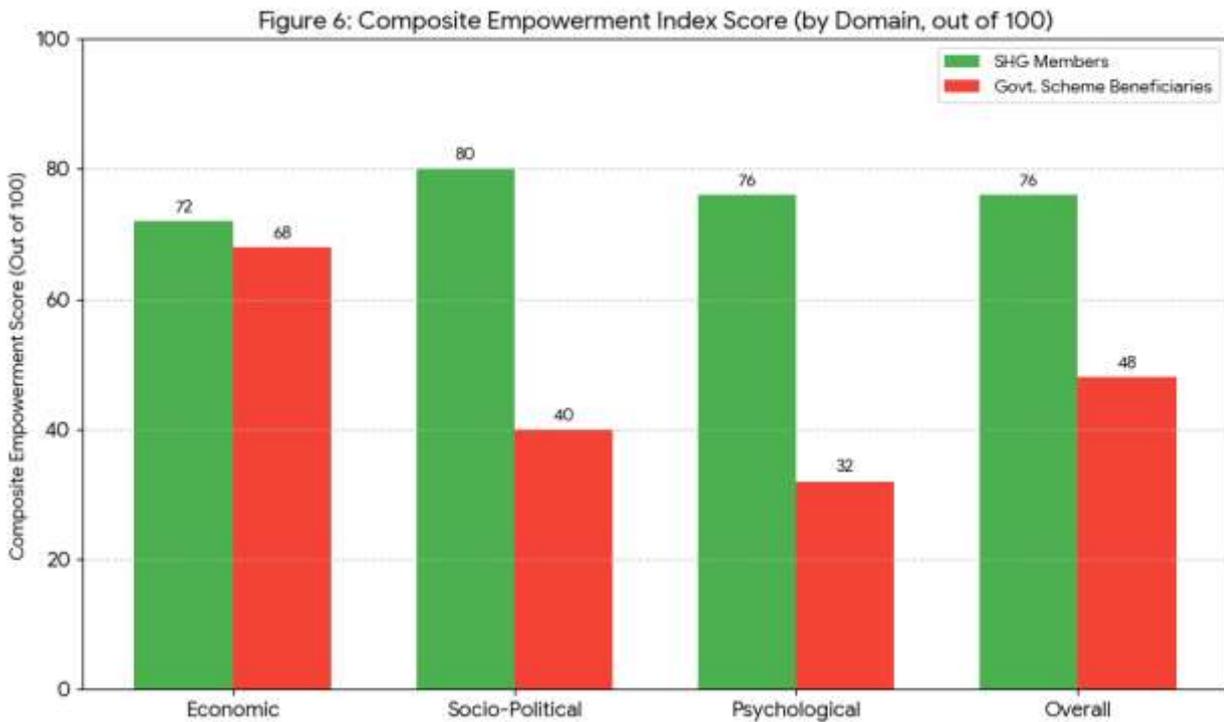
SHG members reported a dramatic increase in their self-confidence and mobility. The results from a 5-point Likert scale assessment are summarized in Figure 5.



Source - Primary Data

5.5 Composite Empowerment Index

A composite index was created by combining scores from all three dimensions. The results, shown in Figure 6, clearly demonstrate that SHG members scored significantly higher overall, with the gap being most pronounced in socio-political and psychological domains.



Source - Primary Data

6. DISCUSSION

The findings of this study underscore a fundamental divergence in the empowerment outcomes generated by the two models. Government schemes, such as Lakshmir Bhandar and PMAY-G, function as vital social safety nets. They provide direct, tangible economic benefits that alleviate immediate poverty and contribute to a basic sense of economic security, aligning with the "achievements" dimension of Kabeer's (1999) framework. However, this empowerment is often limited and conditional. The benefits are typically predetermined (a house, a cash transfer), leaving little room for female agency in deciding how the resource is used. The process is passive, fostering a clientelistic relationship with the state rather than building intrinsic capabilities (Dreze & Khera, 2017).

In contrast, the SHG model, particularly when linked with a formal institution like a PACS, is



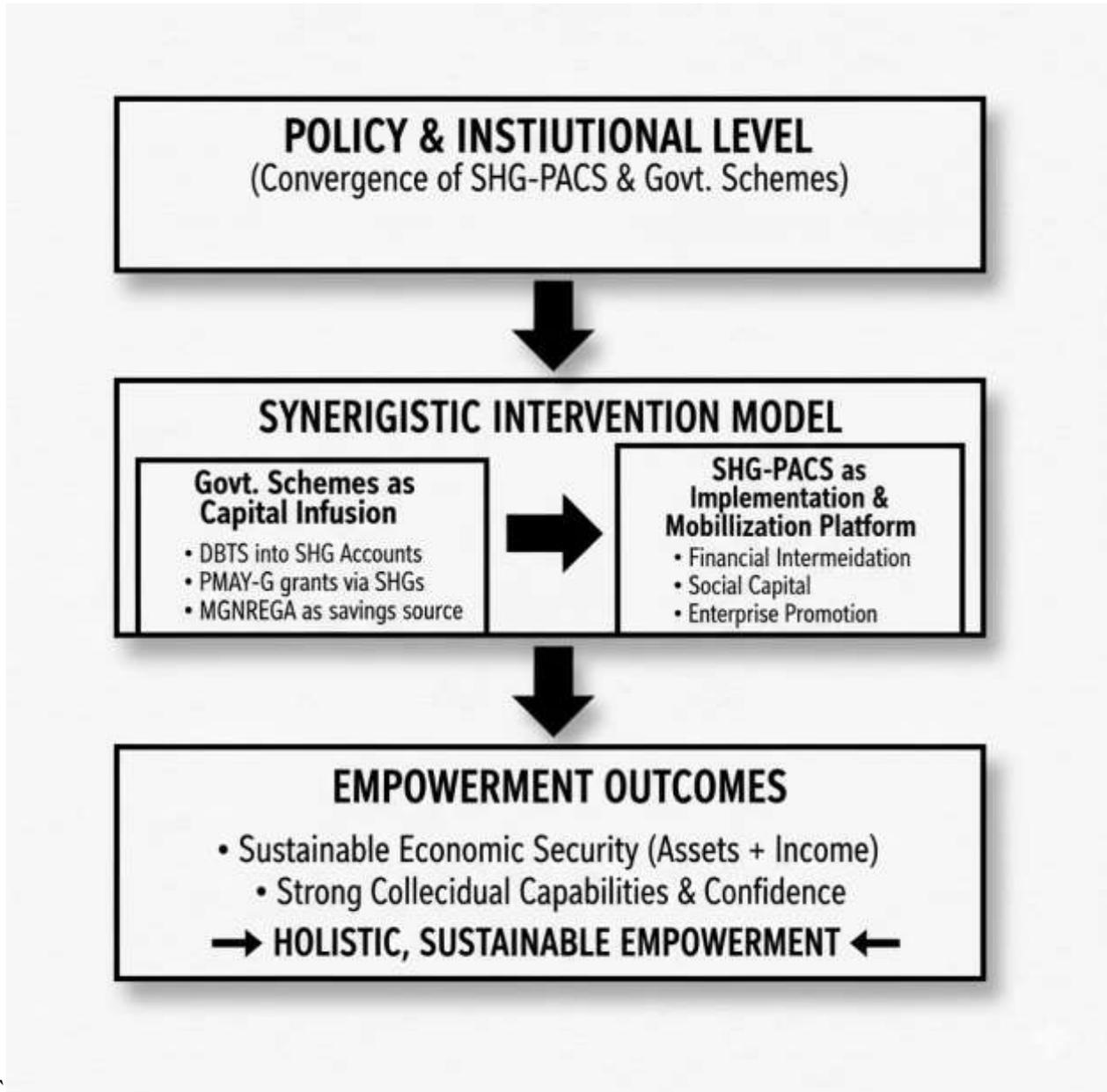
fundamentally a process-oriented intervention. Its power lies in fostering agency. The regular meetings create a "counterpublic" sphere (Fraser, 1990) where women develop social capital, practice leadership, and engage in collective deliberation. The process of saving, accessing credit, and managing a micro-enterprise is an active one that builds financial literacy, risk-taking ability, and a sense of ownership. The linkage with PACS is critical here; it moves the SHG beyond a mere savings club into the formal financial ecosystem, enabling larger investments and instilling financial discipline (RBI, 2015).

The results clearly show that this process translates into superior outcomes in socio-political and psychological empowerment (Figure 6). The collective identity of the SHG gives women the confidence and the "power with" others to engage with patriarchal institutions, be it the family (Figure 4) or the local state (Table 4). This finding resonates strongly with the work of Swain and Wallentin (2009), who emphasized the role of social capital in empowerment.

However, the SHG model is not without its challenges, as observed in the field. The pressure to repay loans can be stressful. The sustainability of micro-enterprises is often threatened by market fluctuations. Furthermore, the quality of linkage with PACS varies, with some PACS being proactive and others merely functioning as credit dispensers.

The government scheme model, for all its limitations in fostering agency, plays an irreplaceable role in providing welfare security. The ideal, therefore, is not to choose one over the other but to envision a synergistic integration, as proposed in the conceptual model below (Figure 7).

Figure 7: Proposed Synergistic Model for Women's Empowerment



Source - Primary Data

7. Conclusion and Policy Implications

This study concludes that in the context of East Medinipur, Self-Help Groups linked with Primary Agricultural Credit Societies provide a more effective and sustainable pathway to holistic women's empowerment compared to direct-benefit government schemes. While government schemes offer



crucial welfare support, their impact is largely confined to short-term economic relief. The SHG-PACS model, through its group-based, process-driven approach, builds the foundational capabilities—agency, social capital, and financial autonomy—that enable women to become agents of their own long-term development.

Based on these findings, the following policy recommendations are proposed:

1. Strengthen the SHG-PACS Ecosystem: State and central government policies should focus on strengthening and deepening the linkage between SHGs and PACS/Cooperative Banks. This includes capacity-building for PACS officials on gender-sensitive banking and providing interest subventions for loans to women-owned collectives.
2. Convergence of Models: A convergent model should be promoted, as illustrated in Figure 7. For instance, the capital grant component of a scheme like PMAY-G could be routed through the woman's SHG bank account, accompanied by financial literacy training from the group. Lakshmir Bhandar funds could be partially leveraged as a guaranteed source for women to contribute to their SHG savings, building their credit history.
3. Focus on Federations: Support should be provided for forming and strengthening SHG federations at the cluster and block levels. These federations can act as more powerful platforms for advocacy, collective bargaining, and managing larger livelihood projects.
4. Beyond Credit: The role of SHGs should be expanded beyond microcredit to include platforms for gender sensitization, legal literacy, and market linkages, making them holistic institutions for women's development.

In the final analysis, empowering women is not about making them passive recipients of state benevolence but about activating their innate potential as change-makers. The SHG model, with its roots in solidarity and self-reliance, comes closer to achieving this transformative goal, especially when robustly supported by the formal financial architecture of cooperative banks and strategically integrated with welfare schemes to create a powerful, synergistic ecosystem for change.

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