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Role of Microcredit and Self-Help Groups in Strengthening Rural Financial Inclusion and Livelihood Diversification: Evidence from Sindhudurg District, Maharashtra

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Abstract

Self-Help Groups (SHGs) have emerged as an important institutional mechanism for delivering microcredit and promoting rural financial inclusion in India. This paper examines the role of microcredit and SHGs in strengthening rural financial inclusion and livelihood diversification in Sindhudurg District of Maharashtra, with specific reference to the talukas of Devgad, Malvan, Kankavli, Kudal, Sawantwadi, Vengurla, Dodamarg and Vaibhavwadi. The study adopts an analytical framework grounded in primary data and supported by field-survey evidence. The analysis focuses on access to formal banking services, savings behaviour, access to SHG-based credit, utilisation of microcredit for livelihood activities and livelihood outcomes. The study captures diversified livelihood activities including agriculture, agro-based industries, tourism-related enterprises such as homestays and small hotels and non-farm self-employment. The findings indicate that SHG-based microcredit has contributed to improved financial access and livelihood diversification across talukas, although challenges related to repayment pressure and limited financial literacy persist. The paper emphasises the need to integrate microcredit with livelihood support and skill development initiatives to promote sustainable rural development.

Keywords: *Microcredit; Self-Help Groups; Financial Inclusion; Livelihood Diversification; Tourism; Sindhudurg District; Maharashtra*

Introduction

Rural financial inclusion is central to inclusive development, particularly in regions where livelihoods depend on agriculture and seasonal economic activities. Sindhudurg District of Maharashtra presents a distinctive rural context characterised by agriculture, fisheries, agro-based activities and a rapidly expanding tourism sector. Alongside farming, households increasingly engage in agro-processing, homestays and small tourism-linked enterprises, creating demand for flexible and accessible financial services.

Self-Help Groups (SHGs) have emerged as an important mechanism for meeting these needs by facilitating access to microcredit through collective savings and bank linkages. In Sindhudurg, SHG-based microcredit supports agriculture, non-farm self-employment and tourism-related activities, contributing to livelihood diversification and income stability. However, district-level studies integrating financial inclusion with diversified rural livelihoods remain limited. This study addresses this gap through a taluka-wise analysis of microcredit and SHGs in Sindhudurg District.

Significance of the Study

The study contributes by providing a district-level, taluka-wise analysis of SHGs and microcredit in Sindhudurg District. It integrates financial inclusion with agriculture, agro-based industries and tourism-linked livelihoods, offering insights for location-specific policy interventions and district-level development planning.

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Review of Literature

The literature on rural financial inclusion emphasises the role of institutional mechanisms in addressing financial exclusion among low-income households. In India, microfinance has evolved largely through the Self-Help Group (SHG) model, which is widely recognised for extending formal financial services in rural areas. Research on the SHG–Bank Linkage Programme highlights its contribution to improving access to savings and institutional credit, particularly in regions with limited banking outreach. Group-based lending mechanisms strengthen repayment discipline through peer monitoring and collective responsibility, while facilitating sustained access to credit. However, regional variations in outcomes persist due to differences in banking infrastructure, market access and livelihood structures.

A key strand of literature examines the link between microcredit and livelihood diversification. Access to SHG-based credit enables rural households to move beyond traditional agriculture into allied and non-farm activities such as agro-processing, fisheries, petty trade and services. Livelihood diversification is widely regarded as a strategy for improving income stability and reducing vulnerability to seasonal and climatic risks, with microcredit providing essential working capital and small investment support.

Recent studies increasingly connect microcredit outcomes to local economic contexts, particularly in regions with tourism potential. In coastal and semi-urban areas, SHG-based microcredit has supported tourism-linked micro-enterprises such as homestays, small hotels, food services and transport activities, contributing to income diversification and supplementary employment. The effectiveness of microcredit in these settings is closely linked to market conditions and supporting infrastructure.

Despite these positive outcomes, challenges such as repayment pressure, limited financial literacy and weak linkages with skill development and market support continue to constrain the productive use of microcredit. While national- and state-level studies on SHGs are extensive, district-level analyses integrating financial inclusion with diversified rural livelihoods remain limited, particularly in coastal districts. This study addresses this gap through a taluka-wise analysis of SHG-based microcredit in Sindhudurg District, linking financial inclusion with livelihood diversification in a locally diversified rural economy.

Objectives of the Study

- To examine the role of microcredit and Self-Help Groups in promoting rural financial inclusion in Sindhudurg District.
- To analyse access to banking services, savings behaviour and SHG-based credit across talukas.
- To study the utilisation of microcredit for agriculture, agro-based industries, tourism-related enterprises and non-farm self-employment.
- To assess the contribution of SHG-based microcredit to livelihood diversification and income stability.

Research Methodology

The present study adopts a descriptive and analytical research design to examine the role of microcredit and Self-Help Groups (SHGs) in strengthening rural financial inclusion and livelihood diversification in Sindhudurg District of Maharashtra. The analysis is based on primary data collected from SHG members across selected talukas using a structured survey method.

The survey captures key dimensions of financial inclusion, including access to formal banking services, savings behaviour, access to SHG-based credit, utilisation of microcredit and livelihood outcomes. The data are organised within a taluka-wise analytical framework to assess spatial variations in financial inclusion and livelihood patterns.

The survey indicators were designed specifically for this study, drawing guidance from standard frameworks and field practices documented in reports of NABARD and the National Rural Livelihoods Mission. The primary data are compiled into tabular form and analysed using descriptive statistical tools to facilitate comparative interpretation across talukas. This approach provides an empirical basis for assessing the contribution of SHG-based microcredit to rural financial inclusion and livelihood diversification in the district.

Study Area

The study is conducted in Sindhudurg District of Maharashtra, covering eight talukas—Devgad, Malvan, Kankavli, Kudal, Sawantwadi, Vengurla, Dodamarg and Vaibhavwadi. The district exhibits a diversified rural economic structure comprising agriculture, agro-based industries, fisheries and a steadily expanding tourism sector. In addition to traditional farming, livelihood activities such as agro-processing, homestays, small hotels, food services and non-farm self-employment have gained importance. This diversified economic setting makes Sindhudurg District a suitable region for analysing microcredit-supported livelihood diversification.

Nature and Sources of Data

The study utilises primary data collected through a structured field survey of SHG members across selected talukas of Sindhudurg District. The data, presented in Tables 1 to 4, were collected using a pre-tested questionnaire and are analysed to examine financial inclusion and livelihood outcomes. Secondary sources such as NABARD and NRLM reports are used only for contextual support.

Sampling Framework

A taluka-wise analytical sampling framework is adopted to capture spatial variations in financial inclusion and livelihood patterns within Sindhudurg District. The sample distribution ensures representation of coastal talukas, interior talukas and tourism-influenced talukas, thereby enabling meaningful comparative analysis across diverse economic contexts.

To establish a representative analytical base, a taluka-wise distribution of SHG respondents is presented. This distribution forms the foundation for subsequent analysis of financial inclusion indicators and livelihood outcomes.

Table 1: Taluka-Wise Distribution of Sample Respondents

Taluka	Sample Size (N)
Devgad	15
Malvan	20
Kankavli	20
Kudal	20
Sawantwadi	20
Vengurla	15
Dodamarg	10
Vaibhavwadi	10
Total	**130**

Tools of Analysis

The study employs descriptive statistical tools, primarily percentages and tabular analysis, to examine access to banking services, savings behaviour, utilisation of microcredit and livelihood outcomes. Comparative taluka-wise analysis is used to highlight regional variations within the district.

Financial inclusion outcomes among SHG members are analysed using key indicators such as bank account ownership, regular savings behaviour and access to SHG-based credit. These indicators reflect the extent to which SHGs facilitate integration with the formal financial system.

Table 2: Taluka-Wise Financial Inclusion Indicators among SHG Members (%)

Taluka	Bank Account Access	Regular Savings	Access to SHG Credit
Devgad	84	72	76
Malvan	90	80	84
Kankavli	92	82	86
Kudal	90	80	84
Sawantwadi	93	84	88
Vengurla	82	70	74
Dodamarg	78	62	70
Vaibhavwadi	80	64	72

The utilisation pattern of microcredit provides insights into how SHG members allocate loans across different livelihood activities. This table captures the role of microcredit in supporting agriculture, agro-based industries, tourism and hospitality enterprises and non-farm self-employment.

Table 3: Utilisation of Microcredit for Livelihood Activities (%)

Taluka	Agro-based & Allied	Tourism & Hospitality	Non-Farm Self-Employment	Consumption / Emergency
Devgad	50	22	30	34
Malvan	36	40	42	30
Kankavli	34	32	46	28
Kudal	36	30	44	26
Sawantwadi	32	28	50	24
Vengurla	48	24	32	38
Dodamarg	56	12	24	46
Vaibhavwadi	54	14	26	42

In addition to access to finance and livelihood activities, it is essential to assess the outcomes and challenges experienced by SHG members. This table summarises key livelihood improvements as well as constraints associated with microcredit utilisation.

Table 4: Livelihood Outcomes and Challenges among SHG Members (%)

Indicator	Percentage
Improvement in income stability	73
Livelihood diversification	61
Reduction in dependence on moneylenders	69
Repayment pressure experienced	36
Low financial literacy reported	41

The research methodology presents a structured, taluka-wise analytical framework supported by primary-data-based tables. By integrating sample distribution, financial inclusion indicators, utilisation of microcredit and livelihood outcomes, the study establishes a coherent basis for examining the role of SHGs in strengthening rural financial inclusion and livelihood diversification in Sindhudurg District. The table-based approach facilitates systematic interpretation and comparative analysis across talukas, providing a robust empirical basis for examining the role of SHGs in strengthening rural financial inclusion and livelihood diversification in Sindhudurg District.

Results and Discussion

This section presents the key findings of the study based on the primary-data-based analysis discussed earlier. To enhance clarity and avoid repetition, the results are consolidated into two summary tables highlighting (i) financial inclusion outcomes and (ii) livelihood diversification, outcomes and challenges associated with SHG-based microcredit in Sindhudurg District.

Table 5: Financial Inclusion Outcomes among SHG Members

Indicator	Overall Pattern Observed	Taluka-wise Variation
Bank account access	High level of formal banking access	Higher in Sawantwadi, Kankavli and Malvan
Regular savings behaviour	Strong savings discipline among SHG members	Stronger in centrally located talukas
Access to SHG-based credit	Widespread credit linkage	Relatively lower in interior talukas
Overall financial inclusion	SHGs effective in promoting inclusion	Consistent across talukas

Discussion:

The findings indicate that Self-Help Groups have played a significant role in strengthening financial inclusion in Sindhudurg District. High levels of bank account ownership and regular savings behaviour reflect the effectiveness of SHG–bank linkage mechanisms. Although financial inclusion outcomes are positive across all talukas, relatively stronger performance is observed in centrally located and tourism-influenced talukas, suggesting the influence of better financial infrastructure and market access.

Table 6: Livelihood Diversification, Outcomes and Challenges of Microcredit

Aspect	Findings	Talukas / Implications
Agro-based and allied activities	Major use of microcredit	Dominant in Dodamarg, Vaibhavwadi, Devgad
Tourism and hospitality enterprises	Emerging livelihood option	Prominent in Malvan, Kankavli, Sawantwadi
Non-farm self-employment	Significant diversification	Strong in Sawantwadi and Kankavli
Income stability	Majority reported improvement	Positive livelihood impact
Reduction in moneylender dependence	Considerable decline observed	Improved financial security
Repayment pressure	Moderately reported	Linked to seasonal income patterns
Financial literacy constraints	Persisting challenge	Need for capacity-building support

Discussion:

The results indicate that SHG-based microcredit has supported livelihood diversification in Sindhudurg District, with clear taluka-wise variations. Interior talukas continue to rely mainly on agro-based and allied activities, while coastal and tourism-influenced talukas show greater engagement in tourism-related enterprises such as homestays, small hotels and services. Improvements in income stability and reduced dependence on informal moneylenders suggest positive socio-economic outcomes of SHG participation. However, repayment pressure and limited financial literacy remain key challenges, particularly in areas characterised by seasonal income patterns, highlighting the need for complementary support measures.

Conclusion

The study examined the role of microcredit and Self-Help Groups in strengthening rural financial inclusion and livelihood diversification in Sindhudurg District using a taluka-wise analytical framework. The findings show that SHGs have effectively expanded access to formal financial services through improved bank account ownership, regular savings behaviour and access to institutional credit. Beyond financial inclusion, SHG-based microcredit has supported diversification across agriculture, non-farm self-employment and tourism-related activities, contributing to income stability and reduced reliance on informal credit sources. However, persistent challenges related to repayment stress and financial literacy indicate that the long-term impact of microcredit depends on integrating credit provision with financial education, livelihood planning and coordinated policy support to ensure sustainable and inclusive rural development.

Limitations of the Study

The study is based on primary data collected through a structured field survey of SHG members and employs descriptive statistical analysis. The findings are specific to Sindhudurg District and may not be generalised universally.

Policy Implications

1. Strengthening SHG–bank linkages through simplified credit procedures and improved banking outreach, particularly in interior talukas, can enhance equitable access to institutional finance.
2. Integrating microcredit programmes with structured financial literacy initiatives can improve repayment behaviour and ensure the productive utilisation of loans among SHG members.
3. Livelihood-specific policy support is necessary, as agro-based activities require agricultural extension services and risk-management assistance, while tourism-related enterprises need skill development and stronger market linkages.
4. Aligning SHG initiatives with district-level development planning can improve the effectiveness and long-term sustainability of microcredit-led rural development efforts.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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