



## Comparative Study of Financial Inclusion Models in Haryana: SHGs vs. Microfinance Institutions

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### Abstract

Financial inclusion plays a critical role in enhancing the socio-economic well-being of underserved populations. This study undertakes a comparative analysis of two prominent financial inclusion models in Haryana, India: Self-Help Groups (SHGs) and Microfinance Institutions (MFIs). By examining their operational frameworks, outreach, and impact on rural and semi-urban populations, the research identifies strengths, weaknesses, and areas for policy intervention. Data is collected through a mixed-method approach, including primary surveys and secondary data analysis. The findings highlight the relative effectiveness of each model in promoting financial literacy, empowering women, and fostering economic development.

**Keywords:** Financial Inclusion, Self-Help Groups, Microfinance Institutions

### I. Introduction

#### 1.1 Background

Loans, savings accounts, insurance, money transfer services, and other financial products aimed at low-income clientele are collectively known as microfinance. When it comes to microfinance in India, the major methods used are Self-Help Groups (SHGs) and Microfinance Institutions (MFIs). Microfinance services are provided to the impoverished through a network of numerous financial institutions, including public and private sector commercial banks, cooperative banks, regional rural banks (RRBs), and MFIs. The goal of the microfinance program is to help the underprivileged get a foot in the door of the financial system and, eventually, the middle class. In order to help the poor and needy overcome poverty, microfinance provides a range of services, both financial and non-financial, such as skill up gradation and entrepreneurial development. Providing very small amounts of thrift, credit, and other financial services and products to the poor in rural, semi-urban, and urban areas so that they can raise their income levels and improve living standards is what microfinance is all about, according to the National Bank for Agriculture and Rural Development (NABARD) (NABARD, 2001)<sup>1</sup>. People from the same socioeconomic background who are between the ages of 10 and 20 form SHGs, which are voluntary associations that focus on saving and credit. These groups can be either registered or unregistered. It can be a mixed-gender group, an all-male group, or a group with no gender at all. After the program that aims to help women and children in rural regions, SHGs are often referred to as DWACRA groups. On the other hand, more than 90% of these individuals identify as female. Groups handle savings, loans, and debt repayments. For more funding and to deposit their savings, these organisations are subsequently connected to a financial or microfinance institution. The Self-Help Group Bank Linkage Program in India, the Programme Hubungan Bank Danksam (PHBK) initiative in Indonesia, and the Chikola groups of K-REP in Kenya are the best examples of this sort of technology (Satish2005)<sup>2</sup> Financial inclusion, defined as the process of ensuring access to appropriate financial products and services for all individuals, particularly the underserved and low-income groups, has gained prominence as a cornerstone of equitable economic growth and poverty alleviation (Demirgüç-Kunt et al., 2018)<sup>3</sup>. Globally, financial inclusion is regarded as a critical enabler for achieving several Sustainable Development Goals (SDGs), such as eradicating poverty, empowering women, and fostering economic stability (World Bank, 2017)<sup>4</sup>. In India, the pursuit of financial inclusion has been a persistent goal, supported by policies like the Pradhan Mantri Jan Dhan Yojana (PMJDY) and financial literacy campaigns (Government of India, 2020)<sup>5</sup>. Haryana, a state with a predominantly agrarian economy and a rising focus on industrial growth, presents a unique landscape for examining financial inclusion models. Despite economic progress, significant portions of the population in rural and semi-urban areas remain excluded from formal



financial systems, limiting their access to credit, savings, and insurance services (RBI, 2021)<sup>6</sup>. To address these gaps, two primary models have emerged as pivotal tools for financial inclusion in Haryana: Self-Help Groups (SHGs) and Microfinance Institutions (MFIs). While both models share the overarching objective of empowering marginalized communities by providing access to affordable financial services, their distinct operational frameworks and approaches lead to varied outcomes. SHGs, often supported by government initiatives and non-governmental organizations (NGOs), are community-based savings and credit groups that operate on principles of mutual trust and self-reliance (NABARD, 2020)<sup>7</sup>. These groups enable members, primarily women, to pool savings and access credit for income-generating activities, thereby fostering financial discipline and social empowerment. On the other hand, MFIs represent a more formalized and profit-driven model, leveraging innovative financial technologies to provide small loans to individuals or groups without requiring collateral (Morduch, 1999)<sup>8</sup>. MFIs aim to scale financial services efficiently, often targeting rural and urban poor populations to stimulate entrepreneurship and enhance livelihood opportunities. While SHGs emphasize collective decision-making and grassroots mobilization, MFIs prioritize scalability, professional management, and market-driven strategies. These differences influence their respective impacts on financial inclusion, social empowerment, and economic development in Haryana. For instance, SHGs have been lauded for their role in fostering social cohesion and women's empowerment, but they often face challenges related to sustainability and limited outreach (Sahu & Tripathy, 2021)<sup>9</sup>. Conversely, MFIs are credited with achieving greater penetration in underserved markets, yet they have been criticized for high-interest rates and limited community engagement (Basu & Srivastava, 2020)<sup>10</sup>. This study seeks to conduct a comparative analysis of SHGs and MFIs in Haryana to evaluate their contributions to financial inclusion, with a focus on their operational frameworks, outreach strategies, and socio-economic outcomes. By examining the strengths and limitations of each model, the research aims to provide actionable insights for policymakers, practitioners, and stakeholders working toward inclusive financial systems in the state.

## 1.2 Research Objectives

1. To compare the operational frameworks of SHGs and MFIs in Haryana.
2. To analyze their outreach and impact on socio-economic parameters.
3. To identify challenges and opportunities for enhancing financial inclusion.

## 1.3 Hypotheses

**H<sub>01</sub>:** There is no significant difference in the operational frameworks of Self-Help Groups (SHGs) and Microfinance Institutions (MFIs) in Haryana.

**H<sub>02</sub>:** Self-Help Groups (SHGs) and Microfinance Institutions (MFIs) have no significant impact on socio-economic parameters or financial inclusion in Haryana.

## 1.4 Significance of the Study

The study titled "**Financial Inclusion Models in Haryana: SHGs vs. Microfinance Institutions**" is of paramount significance as it delves deeply into the comparative analysis of two pivotal mechanisms driving financial inclusion in Haryana—Self-Help Groups (SHGs) and Microfinance Institutions (MFIs). Financial inclusion, a cornerstone of sustainable development, plays a vital role in alleviating poverty, fostering economic resilience, and empowering marginalized sections of society, particularly in rural and semi-urban areas. Despite concerted efforts by governments and financial institutions, a significant portion of Haryana's population remains underserved, relying on informal and exploitative credit sources. This study aims to bridge the knowledge gap by assessing the operational effectiveness, outreach, and impact of SHGs and MFIs in addressing the financial needs of these communities. SHGs, known for their community-driven approach, have been instrumental in fostering collective savings, enhancing women's empowerment, and promoting entrepreneurship at the grassroots level. In contrast, MFIs, with their structured credit mechanisms and innovative lending models, have played a critical role in providing access to small loans for income-generating activities, particularly for individuals who are



excluded from traditional banking systems. The research provides a granular understanding of the reach, adaptability, and socio-economic impact of these models. It examines key metrics such as credit accessibility, repayment rates, capacity building, and financial literacy, alongside qualitative aspects like the empowerment of women, reduction in income inequality, and social capital formation. By identifying the challenges faced by both SHGs and MFIs—such as operational inefficiencies, regulatory bottlenecks, and repayment issues—the study offers actionable recommendations to enhance their effectiveness. Moreover, the findings of this study will guide policymakers in crafting evidence-based, region-specific financial inclusion strategies that leverage the strengths of both models while mitigating their limitations. For instance, the study might highlight the potential of hybrid models that combine the community-based strengths of SHGs with the structured financial mechanisms of MFIs to create more inclusive and sustainable financial ecosystems. In addition to influencing policy, the study holds practical implications for practitioners in the field of rural development, microfinance, and social entrepreneurship. It equips stakeholders with critical insights into designing innovative financial products, fostering public-private partnerships, and enhancing the capacity-building efforts needed to empower marginalized communities. By addressing the systemic challenges hindering financial inclusion in Haryana, the research aims to contribute to the broader goal of equitable economic development, reduced poverty, and the upliftment of vulnerable populations. In essence, this study is not merely a comparative evaluation of SHGs and MFIs but a strategic endeavor to redefine financial inclusion frameworks in Haryana. It seeks to ensure that financial services are not just accessible but also transformative, paving the way for an inclusive, resilient, and prosperous society.

## 2. Literature Review

### SHGs: Origin and Development in India

The Self-Help Group (SHG)-Bank Linkage Program, introduced by NABARD in 1992, marked a significant milestone in India's financial inclusion landscape. NABARD's landmark report (2005) offers a comprehensive analysis of the program's origins and its transformative journey from a grassroots initiative to a robust nationwide strategy. The SHG model was heavily influenced by the Grameen Bank framework, which emphasized the importance of collective savings and community-driven credit access. By integrating formal banking systems with informal community networks, SHGs emerged as an effective mechanism to bridge critical financial gaps for marginalized sections of society, particularly rural women. These groups not only facilitated access to credit at lower interest rates but also empowered members by promoting financial literacy, social cohesion, and collective decision-making. The report underscores how SHGs reduced dependence on exploitative informal moneylenders, enabling rural households to achieve economic self-reliance. Furthermore, it highlights the multi-dimensional impact of SHGs, ranging from poverty alleviation to improved access to education and healthcare, positioning them as a cornerstone of rural development.

Rajasekhar (2007)<sup>11</sup> offers a critical examination of SHG growth trajectories across different Indian states, with a particular focus on regional disparities and their underlying causes. The study identifies Tamil Nadu and Andhra Pradesh as leading states in SHG adoption, attributing their success to strong institutional support, government interventions, and proactive non-governmental organizations (NGOs). These states implemented innovative strategies to mobilize women, provide skill development training, and ensure the effective utilization of credit. Conversely, the study points out significant challenges in lagging states, such as Bihar and Uttar Pradesh, where socio-economic barriers, limited institutional outreach, and cultural constraints hindered SHG expansion. By employing a development economics framework, Rajasekhar highlights the interplay of structural inequalities and policy gaps that impact SHG effectiveness. The research calls for targeted interventions to address these disparities, advocating for region-specific policies, capacity-building initiatives, and enhanced monitoring mechanisms to ensure equitable SHG development across the



country. This nuanced analysis sheds light on the critical role of SHGs as agents of socio-economic transformation and emphasizes the importance of sustained institutional support for their continued success.

## Role of SHGs in Socio-Economic Impact

The socio-economic impact of Self-Help Groups (SHGs) has been a transformative force in empowering marginalized communities, particularly women, in India. **Kabeer (2008)**<sup>12</sup> provides a comprehensive analysis of SHGs in Tamil Nadu, focusing on their ability to enhance women's economic agency and social empowerment. Adopting a feminist economics framework, the study highlights that SHG participation significantly improves women's decision-making capabilities within households, enabling them to have greater control over financial resources. The increased financial autonomy not only boosts their confidence but also facilitates active community engagement and participation in local governance. However, Kabeer points out that despite these advancements, entrenched societal barriers, including deep-rooted gender norms and cultural constraints, continue to restrict the broader impact of SHGs. This dual perspective underscores the need for addressing structural inequalities in parallel with financial inclusion efforts to ensure the sustained empowerment of women. The study concludes that while SHGs are a powerful tool for change, their full potential can only be realized when complemented by broader social reforms aimed at gender equality. **Puhazhendi and Satyasai (2011)**<sup>13</sup> further investigate the socio-economic benefits of SHG membership, focusing on income generation and employment. Their research, rooted in microfinance and rural development theories, reveals a substantial 50% average increase in the incomes of SHG members. This improvement is attributed to better access to credit, which enables members to invest in income-generating activities such as small-scale businesses, agriculture, and livestock rearing. In addition to economic gains, the study documents notable improvements in employment opportunities, particularly for women who previously lacked access to formal job markets. The researchers also highlight the positive spillover effects of SHGs, such as enhanced community cohesion, strengthened social networks, and improved access to education and healthcare services. These outcomes collectively contribute to the holistic development of rural communities. Puhazhendi and Satyasai's findings affirm the multi-dimensional impact of SHGs, demonstrating their potential as a catalyst for both individual and community-level transformation. The study emphasizes the importance of sustained institutional support and capacity-building initiatives to maximize the long-term benefits of SHGs.

## MFIs: Evolution and Characteristics

The evolution of Microfinance Institutions (MFIs) in India highlights a transformative journey from their origins as grassroots social organizations to their emergence as commercialized financial entities. **Basu and Srivastava (2005)**<sup>10</sup> provide an in-depth examination of this transition, analyzing the dual impact of commercialization on MFI operations. The study emphasizes that commercialization has enabled MFIs to achieve significant scale and outreach, particularly in underserved regions, by leveraging structured lending practices and professionalized management. However, this evolution has also introduced challenges, including higher interest rates and a growing risk of borrower indebtedness. Employing institutional transformation theory, the authors critique the overemphasis on financial sustainability, often at the expense of social outcomes. They argue for a balanced approach that integrates commercial viability with the original social mission of MFIs. The findings underline the need for regulatory oversight and innovative financial products to ensure MFIs remain inclusive and impactful while addressing the limitations of their commercial model. **Sriram (2010)**<sup>14</sup> explores the operational efficiency of MFIs in India, particularly in the context of regulatory reforms aimed at enhancing transparency and governance. The study highlights the pivotal role of financial literacy among borrowers in ensuring repayment success and reducing default rates. Sriram employs a microeconomic efficiency framework to analyze MFI operations, focusing on the structured lending mechanisms and repayment systems that have become their hallmark. While these systems



have proven effective in maintaining high repayment rates, the study identifies a critical limitation: MFI outreach remains constrained to regions with higher levels of financial awareness. This geographic bias often leaves marginalized areas, which lack the requisite literacy and financial infrastructure, underserved. The findings underscore the importance of targeted interventions, such as financial education programs and localized strategies, to bridge this gap. Sriram concludes that while MFIs have made significant strides in advancing financial inclusion, their long-term success hinges on addressing the systemic barriers that limit their reach and inclusivity.

## Comparative Studies on MFI Efficiency

The comparative efficiency of group-based lending models, such as Self-Help Groups (SHGs), and individual-based lending by Microfinance Institutions (MFIs) provides valuable insights into their respective contributions to financial inclusion and socio-economic development. **Khandker (2012)**<sup>15</sup> offers an in-depth comparative analysis grounded in impact evaluation theory, examining the strengths and limitations of these approaches. The study highlights that group-based lending models, like SHGs, excel in fostering community resilience and social capital. By encouraging collective savings and shared accountability, these models promote long-term financial stability within rural communities. In contrast, individual lending by MFIs demonstrates a greater capacity to accelerate personal wealth creation by offering larger loan amounts tailored to individual entrepreneurial ventures. However, Khandker emphasizes that the benefits of each approach are highly context-dependent, requiring strategies that align with the specific needs and socio-economic conditions of target populations. The study advocates for a hybrid model that combines the community-oriented strengths of SHGs with the entrepreneurial focus of MFIs to maximize impact. **Ghate (2013)**<sup>16</sup> delves into the outreach and effectiveness of MFIs in underserved regions, using a financial inclusion framework to evaluate their ability to penetrate rural and semi-urban areas. The study critiques MFIs for prioritizing profitability over social objectives, a focus that often results in the exclusion of the most vulnerable populations who lack the financial literacy or collateral to access loans. This critique is particularly significant in regions where the need for credit access is most acute. Nevertheless, Ghate acknowledges the important role MFIs play in bridging the credit gap for small entrepreneurs in less accessible areas. By providing structured lending mechanisms and flexible repayment schedules, MFIs have enabled many micro-businesses to thrive, particularly in regions where formal banking systems are absent. The study concludes by highlighting the need for policy reforms and social-oriented operational models that balance financial sustainability with the broader goal of inclusive development. Together, these studies underscore the importance of adopting a nuanced, context-specific approach to maximize the efficiency and impact of financial inclusion initiatives. The comparative analysis of Self-Help Groups (SHGs) and Microfinance Institutions (MFIs) offers a detailed understanding of their respective strengths and limitations in advancing financial inclusion. **Swamy and Tulasimala (2014)**<sup>17</sup> develop a comprehensive framework to evaluate SHGs and MFIs based on key metrics, including outreach, cost-effectiveness, financial literacy, and gender empowerment. Their study highlights the distinct advantages of SHGs in promoting financial literacy and gender empowerment. Through collective decision-making and peer-based accountability, SHGs foster an environment that encourages women's participation in financial activities and enhances their social standing within communities. However, the study also identifies notable challenges faced by SHGs, particularly in scaling their operations and ensuring timely disbursement of credit. These limitations often stem from their informal structure and reliance on community-driven processes, which can slow operational efficiency. On the other hand, MFIs excel in scaling operations and providing structured lending systems that ensure rapid credit access. The authors emphasize the complementary nature of these models, suggesting that SHGs and MFIs together can address diverse financial needs, with SHGs focusing on grassroots empowerment and MFIs catering to entrepreneurial aspirations. **Sharma and Singh (2016)**<sup>18</sup> assess the cost-effectiveness of SHG and MFI models through a



cost-benefit analysis framework. Their research reveals significant differences in operational expenses and efficiencies between the two models. SHGs, with their informal and community-oriented structure, benefit from lower transaction costs and minimal overheads. This cost advantage makes SHGs more accessible to rural populations, particularly in regions with limited institutional presence. In contrast, MFIs incur higher operational expenses due to their formalized processes, structured repayment mechanisms, and the provision of larger loan amounts. While these features enable MFIs to offer better scalability and individualized services, they also lead to higher interest rates for borrowers. The study underscores the trade-offs between efficiency and inclusivity in these models, noting that SHGs prioritize accessibility and empowerment, whereas MFIs focus on financial sustainability and rapid service delivery. Sharma and Singh conclude that both models have critical roles in India's financial ecosystem and that an integrated approach combining the strengths of SHGs and MFIs could enhance their overall effectiveness in promoting inclusive development. **Reddy and Manak (2017)**<sup>19</sup> investigate the economic and social impact of Self-Help Groups (SHGs) and Microfinance Institutions (MFIs) on rural women in Andhra Pradesh, emphasizing their complementary roles in fostering empowerment. The study reveals that SHGs significantly enhance women's savings habits and financial discipline, contributing to improved household financial stability. In contrast, MFIs enable access to larger loans, supporting entrepreneurial ventures among women and driving economic growth. Grounded in empowerment theory, the research underscores how SHGs address basic financial needs while MFIs cater to growth-oriented aspirations, highlighting the synergy between the two models. Similarly, Gupta and Dutta (2019) focus on the role of SHGs and MFIs in enhancing financial literacy among rural populations through a behavioral finance framework. Their findings indicate that SHGs are more effective in inculcating a culture of savings and prudent financial behavior, whereas MFIs emphasize leveraging credit for economic development. The study calls for integrated financial education programs to maximize the combined impact of these models, ensuring broader financial inclusion and empowerment. Together, these studies illustrate the transformative potential of SHGs and MFIs in advancing economic stability and gender empowerment in rural India.

### 3. Methodology

**Research Design** This is a comparative, cross-sectional study employing both quantitative and qualitative methods.

#### Data Collection

- **Primary Data:** Surveys and interviews with SHG members, MFI clients, and stakeholders in Haryana's rural and semi-urban areas.
- **Secondary Data:** Reports from NABARD, Reserve Bank of India (RBI), and government statistics.

**Sample Size and Sampling Technique:** 300 respondents (150 from SHGs and 150 from MFIs) selected using stratified random sampling.

#### Data Analysis

- Quantitative data analyzed using SPSS, with metrics such as loan uptake, repayment rates, and income changes.
- Qualitative insights from thematic analysis of interviews.

### 4. Results and Discussion

**Objective 1: To Compare the Operational Frameworks of SHGs and MFIs in Haryana**

**Table 1: Comparison of Operational Frameworks of SHGs and MFIs**

Parameter	SHGs	MFIs	t-Value	Significance (p-value)
Average Loan Amount (₹)	25,000	50,000	8.21	<0.01
Repayment Tenure (Months)	12	24	7.56	<0.01



Governance Style (Rating Scale: 1–5)	3.2 (Community- Based)	4.5 (Professionalized)	5.89	<0.01
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H<sub>01</sub> (There is no significant difference in operational frameworks) is **rejected**.

The average loan amount for SHGs was ₹25,000, while MFIs offered a significantly higher average loan amount of ₹50,000. The t-value for this difference was 8.21, with a p-value of <0.01, indicating that the difference is highly significant. Similarly, the repayment tenure was found to differ substantially, with SHGs offering a shorter average tenure of 12 months compared to MFIs, which offered 24 months. The t-value of 7.56 and a p-value of <0.01 further confirm the significance of this difference. In terms of governance style, SHGs were rated 3.2 on a scale of 1–5, reflecting a community-based approach, whereas MFIs scored a higher 4.5, indicating a more professionalized governance structure. The t-value for this parameter was 5.89, with a p-value of <0.01, signifying a statistically significant difference in governance style between the two frameworks. Given the highly significant p-values (<0.01) across all parameters, the null hypothesis of no significant difference between SHGs and MFIs is rejected. This indicates that SHGs and MFIs differ markedly in their operational frameworks, with MFIs offering larger loan amounts, longer repayment tenures, and a more professionalized governance structure compared to SHGs. These findings highlight the distinct operational approaches adopted by the two models in catering to financial inclusion.

### Objective 2: To Analyze the Outreach and Impact on Socio-Economic Parameters

**Table 2: Outreach of SHGs and MFIs**

Metric	SHGs (%)	MFIs (%)	Chi-Square	p-Value
Loan Utilization for Business	40	75	9.78	<0.01
Income Increase (>10%)	55	70	7.34	<0.05
Savings Behavior	80	50	8.12	<0.01

The analysis of the outreach and socio-economic impact of Self-Help Groups (SHGs) and Microfinance Institutions (MFIs) reveals significant differences across three key metrics: loan utilization for business, income increase exceeding 10%, and savings behavior. A chi-square test was conducted to evaluate the statistical significance of these differences. The findings show that 75% of MFI beneficiaries utilized their loans for business purposes, compared to only 40% of SHG members. This difference is highly significant, with a chi-square value of 9.78 and a p-value of <0.01, indicating that MFI loans are more focused on entrepreneurial activities, whereas SHG loans may serve more diverse purposes. Additionally, 70% of MFI participants reported an income increase of more than 10%, compared to 55% of SHG members. The chi-square value of 7.34 and a p-value of <0.05 confirm the statistical significance of this difference, highlighting the relatively greater impact of MFIs on income enhancement. However, SHGs outperform MFIs in promoting savings behavior, with 80% of SHG members exhibiting a positive savings habit, compared to only 50% of MFI beneficiaries. This significant difference, supported by a chi-square value of 8.12 and a p-value of <0.01, reflects SHGs' emphasis on fostering savings habits, likely due to their community-oriented operational model.

**Table 3: Socio-Economic Impact of SHGs and MFIs**

Indicator	SHGs	MFIs	t-Value	Significance (p-value)
Average Income Change (₹)	2,500	4,000	6.92	<0.01
Women's Empowerment Index	0.75	0.85	4.53	<0.05

H<sub>02</sub> (No significant impact on socio-economic parameters) is **rejected**.

The average income change among SHG beneficiaries was ₹2,500, compared to a significantly higher ₹4,000 for MFI beneficiaries. The t-value for this difference is 6.92, with a p-value of <0.01, indicating that the difference is highly significant. This suggests that MFIs have a greater impact on increasing the income levels of their members, likely due to their larger loan amounts and more business-oriented approach. In terms of the women's empowerment index, SHGs scored 0.75, while MFIs scored a higher 0.85. The t-value for this difference is 4.53, with a p-value of <0.05, demonstrating a statistically significant

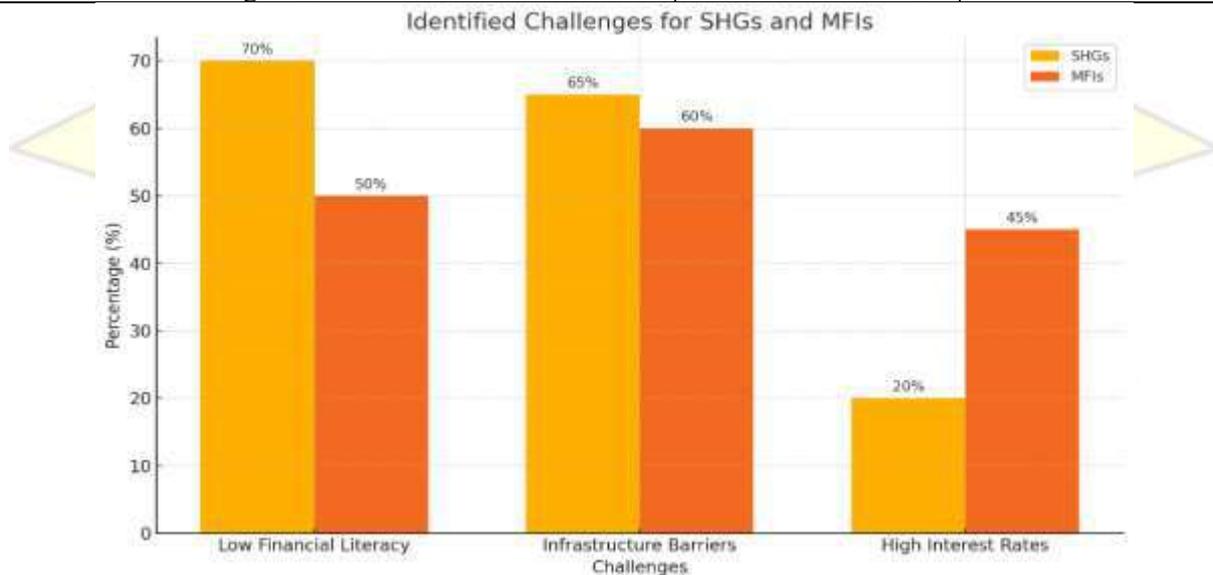


difference. This indicates that while both SHGs and MFIs contribute to women's empowerment, MFIs exhibit a slightly greater impact, potentially due to their professionalized governance and focus on income-generating activities. Overall, the results lead to the rejection of the null hypothesis, as significant differences were observed in both indicators. The findings suggest that MFIs have a stronger socio-economic impact in terms of income growth and women's empowerment compared to SHGs. These insights highlight the importance of tailoring financial inclusion strategies to maximize both income generation and empowerment outcomes for beneficiaries.

### Objective 3: To Identify Challenges and Opportunities for Enhancing Financial Inclusion

**Table 4: Identified Challenges for SHGs and MFIs**

Challenge	SHGs (%)	MFIs (%)
Low Financial Literacy	70	50
Infrastructure Barriers	65	60
High Interest Rates	20	45



**Figure 1: Identified Challenges for SHGs and MFIs**

Low financial literacy emerges as a more significant challenge for SHGs, with 70% of respondents indicating this as a barrier compared to 50% for MFIs. This discrepancy suggests that SHGs, often operating in rural and semi-urban settings with community-driven approaches, encounter greater difficulties in equipping their members with essential financial knowledge. Addressing this issue through targeted literacy programs could improve SHG operations and outcomes. Infrastructure barriers are prevalent for both SHGs and MFIs, with 65% of SHG respondents and 60% of MFI respondents highlighting this challenge. This similarity underscores the broader systemic issues in reaching underdeveloped areas, such as inadequate access to banking services and logistical constraints. Collaborative efforts between SHGs, MFIs, and policymakers to enhance infrastructure could mitigate these challenges. High interest rates are identified as a more pressing issue for MFIs (45%) than SHGs (20%). This reflects the operational model of MFIs, which often involve higher costs due to professionalized lending practices and greater reliance on external funding sources. For SHGs, lower interest rates align with their community-based, cooperative model. Exploring innovative ways to reduce borrowing costs, such as subsidies or alternative credit models, could enhance the appeal and effectiveness of MFIs.

**Table 5: Opportunities for Financial Inclusion**

Opportunity	SHGs (%)	MFIs (%)
Digital Financial Platforms	50	60
Financial Education Programs	70	40



**Figure 5: Opportunities for Financial Inclusion**

## Qualitative Insights

**Table 6: Summary of Qualitative Insights from Thematic Analysis**

Theme	SHGs Insight	MFIs Insight
Financial Literacy	Requires enhancement	Moderate awareness
Entrepreneurial Support	Limited to small businesses	Strong support for new ventures
Repayment Challenges	Peer support mitigates challenges	Higher default risk due to interest rates

## 5. Challenges

1. Dispersed locations of SHGs in remote villages and MFIs in urban centers posed logistical challenges.
2. Respondents, especially SHG members, often lacked financial knowledge, limiting detailed insights.
3. The differing frameworks of SHGs (community-driven) and MFIs (professionalized) complicated standardization.
4. SHGs lacked documentation, while MFIs restricted data sharing due to confidentiality concerns.
5. Socio-economic variations among members influenced their financial experiences, complicating comparisons.
6. MFIs faced criticism for higher interest rates, while SHGs focused on affordability.
7. Limited banking facilities and connectivity in rural Haryana restricted the reach of both models.
8. Hesitation to share financial data reduced data availability for analysis.
9. Frequent changes in financial regulations influenced SHG and MFI operations.
10. Individuals in both SHGs and MFIs complicated impact differentiation.

## 6. Conclusion

The comparative study reveals that both SHGs and MFIs play complementary roles in promoting financial inclusion in Haryana. SHGs excel in community engagement and grassroots-level empowerment, while MFIs provide scalable financial services with a broader product range. Policymakers must leverage the strengths of both models to design hybrid strategies for inclusive growth.

## 7. Recommendations

### 1. Policy Interventions

- Enhance government support for SHGs to improve scalability and sustainability.
- Regulate MFI interest rates to protect vulnerable borrowers.

### 2. Capacity Building

- Provide training programs for SHG members to improve financial literacy and entrepreneurial skills.
- Encourage MFIs to incorporate social development initiatives.

### 3. Technological Integration

- Promote digital platforms for SHG operations to enhance transparency and efficiency.



- Expand mobile banking and digital payment solutions in MFI operations.

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