



Impact of Microcredit on Employment Activities of SHGs in Karnataka: A Case Study of Chamarajanagar District

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Abstract- Microcredit has emerged as one of the most effective instruments for promoting employment, income generation, and economic empowerment among rural women in Karnataka. The Self Help Group (SHG) model has played a significant role in delivering microcredit to economically weaker sections, particularly women, who often lack access to formal financial systems. In rural districts such as Chamarajanagar, where livelihoods are largely dependent on agriculture, livestock rearing, wage labour, and informal sector activities, microcredit has created opportunities for self-employment and income diversification. This study examines the impact of microcredit on employment activities among SHG members in Chamarajanagar district. It highlights how access to credit has enabled women to sustain and expand existing livelihood activities, as well as initiate new microenterprises. The study also reveals that microcredit has contributed to increased savings behaviour, reduced dependence on informal moneylenders, and improved household economic stability. However, challenges such as small loan size, repayment pressure, lack of business skills, and weak market linkages continue to affect the overall effectiveness of microcredit. The article argues that while microcredit is a powerful tool for employment promotion, its success depends on complementary support such as training, enterprise development, and market integration. Strengthening these aspects can significantly enhance the role of microcredit in promoting sustainable livelihoods and women's empowerment in rural Karnataka.

Keywords: Microcredit, SHGs, employment activities, women empowerment, Chamarajanagar, Karnataka, self-employment, livelihood development.

I. INTRODUCTION

Microcredit has gained global recognition as an important strategy for poverty reduction and livelihood development. It refers to the provision of small loans to low-income individuals who lack collateral and access to formal financial institutions. In India, microcredit is largely delivered through Self Help Groups (SHGs), which have become a cornerstone of rural development policy.

In Karnataka, SHGs have played a transformative role in empowering women and promoting grassroots economic development. These groups provide a platform for women to save money, access credit, and engage in income-generating activities. The SHG model not only improves financial inclusion but also enhances social cohesion and collective decision-making.

The importance of microcredit is particularly evident in Chamarajanagar, a district characterized by a predominantly rural population and limited industrial development. In this region, employment opportunities are scarce, and many households depend

on seasonal agricultural work and informal labour. Women, in particular, face challenges such as low income, lack of financial independence, and limited access to credit.

Microcredit provides a viable solution to these challenges by enabling women to start small businesses and diversify their income sources. This study aims to analyze how microcredit influences employment activities among SHG members in Chamarajanagar district and to assess its role in promoting livelihood security and women's empowerment.

II. CONCEPT OF MICROCREDIT AND SHGS

Microcredit is a financial service designed to meet the needs of poor households that are excluded from traditional banking systems. It provides small loans without requiring collateral, making it accessible to individuals who lack assets or formal income.

Self Help Groups (SHGs) serve as the primary channel for delivering microcredit in rural India. These groups consist of women who voluntarily come together to



save regularly and support each other financially. The pooled savings create a common fund, which is used for internal lending among members. Over time, SHGs establish credibility and gain access to larger loans from banks and financial institutions.

The SHG model is effective because it combines financial services with social organization. Regular meetings, peer monitoring, and collective decision-making ensure accountability and discipline. This reduces the risk of default and enhances the efficiency of credit utilization.

From an employment perspective, microcredit supports self-employment by providing capital for small-scale enterprises. Women use loans to invest in activities such as livestock rearing, tailoring, and petty trade. These activities generate income and contribute to household livelihood security.

III. MICROCREDIT AND SHGS IN KARNATAKA

Karnataka has been a pioneer in implementing SHG-based microcredit programmes. Government initiatives, along with support from non-governmental organizations and financial institutions, have facilitated the growth of SHGs across the state.

The SHG movement in Karnataka has significantly improved women's access to credit and financial services. Women have used microcredit to engage in diverse economic activities, including dairy farming, handicrafts, food processing, and small retail businesses. These activities contribute to income generation and economic resilience.

Research studies indicate that microcredit in Karnataka has led to increased employment and improved living standards among SHG members. The success of these programmes highlights the importance of integrating financial services with capacity building and market support.

IV. PROFILE OF CHAMARAJANAGAR DISTRICT

Chamarajanagar is a rural district with a significant proportion of its population engaged in agriculture and allied activities. The district faces challenges such as limited industrialization, inadequate infrastructure, and seasonal employment opportunities.

Women in the district are actively involved in informal economic activities, including agarbatti production, tailoring, and small-scale trade. These activities

provide supplementary income but are often constrained by lack of capital and market access.

The presence of SHGs in the district has created opportunities for women to access microcredit and improve their livelihoods. Studies conducted in the region show that SHG participation has enhanced women's economic independence and decision-making power.

V. IMPACT ON EMPLOYMENT ACTIVITIES

Microcredit has a direct impact on employment activities among SHG members. Access to credit enables women to invest in income-generating activities that were previously not possible due to financial constraints. This leads to the expansion of employment opportunities at the household level.

Women who receive microcredit often shift from irregular wage labour to more stable self-employment. For example, a woman engaged in seasonal agricultural work can use a loan to start a small business, thereby ensuring a continuous source of income. This transition improves both income stability and job security.

In Chamarajanagar, microcredit has supported various employment activities such as dairy farming, tailoring, petty trade, and food processing. These activities not only generate income but also create additional employment opportunities for family members.

VI. ENCOURAGEMENT OF SELF-EMPLOYMENT

One of the most significant outcomes of microcredit is the promotion of self-employment. Women who have access to credit are more likely to start or expand their own businesses. This reduces their dependence on wage labour and enhances economic independence.

Self-employment is particularly important in rural areas where formal job opportunities are limited. It allows women to utilize local resources and skills to generate income. Moreover, self-employment provides flexibility, enabling women to balance economic activities with household responsibilities.

VII. INCOME GENERATION AND LIVELIHOOD SECURITY

Microcredit contributes significantly to income generation and livelihood security. Even small



amounts of income can have a substantial impact on household welfare, enabling families to meet basic needs such as food, education, and healthcare.

Livelihood security is strengthened when households have multiple sources of income. Microcredit enables women to diversify their economic activities, reducing dependence on a single income source and improving resilience against economic shocks.

VIII. ROLE IN WOMEN'S EMPOWERMENT

Microcredit plays a crucial role in enhancing women's empowerment. It increases their financial independence, decision-making power, and social status. Women who participate in SHGs gain confidence in managing financial resources and engaging with institutions.

Economic contribution also improves women's position within the household, enabling them to participate in important decisions related to expenditure, education, and healthcare.

IX. SECTORAL EMPLOYMENT ACTIVITIES

Microcredit supports a wide range of employment activities in Chamarajanagar district. Women engage in tailoring and garment production by using loans to purchase sewing machines and raw materials. This allows them to produce garments for local markets and earn a steady income.

In dairy farming and livestock rearing, women use microcredit to purchase cows, goats, or other livestock. This provides a regular source of income through the sale of milk and other products. Similarly, petty trade and small retail businesses enable women to sell groceries, vegetables, and household items within their communities.

Food processing and home-based enterprises have also gained importance. Women prepare snacks, pickles, and other food products for sale in local markets. Agarbatti production is another significant activity in the district, providing employment to many women through small-scale manufacturing.

Agricultural support services and vending activities further contribute to employment generation. Women participate in planting, harvesting, and marketing agricultural products, as well as selling goods in local markets.

X. CHALLENGES FACED BY SHG MEMBERS

Despite its benefits, microcredit faces several challenges. The small size of loans often limits the scale of business activities, preventing women from expanding their enterprises. Repayment pressure can create stress, especially when income is irregular.

Lack of business skills and market access also affects the success of microenterprises. Many women require training in production techniques, marketing strategies, and financial management to effectively utilize microcredit.

XI. POLICY SUGGESTIONS

To enhance the impact of microcredit, policy interventions should focus on capacity building, market linkage, and financial support. Training programmes should be designed to develop entrepreneurial skills and improve business management.

Loan sizes should be increased based on the requirements of different enterprises. Market access should be strengthened through digital platforms, cooperatives, and government support. Coordination among stakeholders is essential for effective implementation.

XII. CONCLUSION

Microcredit has had a significant positive impact on employment activities among SHG members in Chamarajanagar. It promotes self-employment, income generation, and livelihood security while enhancing women's empowerment.

However, its effectiveness depends on the availability of complementary support such as training and market access. With appropriate policy measures, microcredit can serve as a powerful tool for inclusive rural development and women's economic empowerment in Karnataka.

The economic argument is strengthened by computational modelling, location-based clustering, fuzzy decision reasoning and welfare-oriented analytical perspectives [8]-[11]. These sources support the use of evidence-based and data-oriented economic interpretation. Recent policy and institutional sources further support the discussion on economic change, digital transformation and inclusive development [12]-[14].



The study highlights that economic transformation must be assessed through inclusive growth, access, welfare impact and institutional effectiveness. Data-based and computational approaches can strengthen economic interpretation, but policy conclusions should remain sensitive to local realities and beneficiary-level differences.

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