

The Evolution of Microfinance in India: A Comparative Assessment of UPA and NDA Governance (2004-2024)

Hitarth Diwan

Fountainhead School, Kunkni Village, Dandi Road, Surat-395005

Dr. Vatsal Patel

Department of Business and Industrial Management, Veer Narmad South Gujarat University, Udhana Magdalla Canal road, Opp. GD Goenka School, Surat-395007

Dr. Janki Mistry (Corresponding Author)

Department of Business and Industrial Management, Veer Narmad South Gujarat University, Udhana Magdalla Canal road, Opp. GD Goenka School, Surat-395007

Dr. Keren Khambhata

School of Business, Auro University, Earthspace, Hazira Road, opp. ONGC, Surat-394510

Dr. Dhaval Maheta

Department of Business and Industrial Management, Veer Narmad South Gujarat University, Udhana Magdalla Canal road, Opp. GD Goenka School, Surat-395007

Abstract:

This study compares microfinance sector growth under India's UPA and NDA administrations, examining budget allocations, spending, and policy shifts. The analysis reveals significantly higher loan disbursements under the NDA, with 4.8 times more loans overall and an average annual growth rate of 328.1%, compared to 19.2% under the UPA. The NDA period showed greater fluctuations in loan disbursements, suggesting policy shifts and aggressive lending practices. The research explores microfinance's historical development in India, its role in financial inclusion, and economic impact. It also addresses challenges like high-interest rates and regulatory issues. The findings illuminate how political administrations and policies influence the microfinance sector, affecting financial inclusion and economic development in India. This comparative analysis contributes to understanding the interplay between government policies and microfinance growth.

Keywords: Microfinance, Financial Inclusion, Poverty Alleviation, UPA, NDA, Loan Disbursements, Regulatory Changes

General Subject Class: Microfinance in India

Sub selection Class: Microfinance under different government regimes

Acknowledgement

The authors acknowledge the support of the Veer Narmad South Gujarat University, Surat, Fountainhead School, Surat and Auro University, Surat for their support in the conduct of the research.

1. Introduction:

Microfinance has emerged as a significant instrument for financial inclusion and poverty alleviation in India over the past few decades. This innovative approach to providing financial services to low-income individuals and small enterprises has its origins in the Grameen Bank model developed by Muhammad Yunus in Bangladesh during the 1970s. In India, the concept gained prominence in the 1980s and has subsequently evolved into a substantial sector of the country's financial landscape.

The microfinance industry presents both advantages and challenges. On the positive side, it provides access to credit for those traditionally excluded from formal banking systems, promotes entrepreneurship, and empowers women in rural areas. However, critics argue that high interest rates, over-indebtedness, and aggressive collection practices can potentially exacerbate poverty rather than alleviate it. A comparative analysis of India's microfinance sector with other countries reveals a diverse global landscape. While developed nations often integrate microfinance into broader financial inclusion strategies, developing countries such as India, Bangladesh, and Indonesia have experienced rapid growth in this sector. India's microfinance market is one of the largest and most dynamic globally, characterized by a combination of for-profit and non-profit entities.

The trajectory of microfinance in India has been significantly influenced by government policies and initiatives. This research paper aims to conduct a comparative analysis of the budget allocation, actual expenditure, and policy shifts in the microfinance sector under two distinct political administrations: the United Progressive Alliance (UPA) and the National Democratic Alliance (NDA). These two coalitions have governed India for significant periods since the early 2000s, each implementing its own approach to economic development and financial inclusion.

A critical aspect of this analysis will be the examination of how disbursement patterns have impacted the growth of the microfinance sector. The research will explore whether increased budget allocations and actual spending have correlated with expansion in microfinance outreach, improved loan quality, or enhanced financial sustainability of microfinance institutions.

This paper intends to provide a comprehensive overview of the microfinance landscape in India, focusing on the following key areas:

1. The historical development of microfinance in India and its current state
2. A detailed comparison of microfinance policies, budget allocations, and actual spending under UPA and NDA administrations
3. An analysis of the impact of government initiatives on the growth and sustainability of the microfinance sector
4. Evaluation of the effectiveness of microfinance as a tool for financial inclusion and poverty reduction in India
5. Examination of regulatory changes and their effects on the microfinance ecosystem
6. Assessment of challenges faced by the sector and potential future directions

By examining these aspects, this research aims to contribute to the understanding of how political administrations and their policies shape the microfinance sector, and ultimately, their impact on financial inclusion and economic development in India.

2. Review of Literature

Microfinance is a financial service designed to provide small loans and financial assistance to individuals in low-income communities, particularly those who lack access to traditional banking systems. It aims to empower the economically disadvantaged by facilitating entrepreneurship and improving financial inclusion, thereby contributing to poverty alleviation. The concept, popularized by figures like Muhammad Yunus and the Grameen Bank model, has gained traction globally, especially in developing countries like India. The following sections delve into the key aspects of microfinance. Microfinance encompasses a range of financial services, including loans, savings, and insurance, aimed at low-income individuals and small businesses (Sonawane et al., 2024). It seeks to promote self-sufficiency and economic empowerment among marginalized populations (Sonam et al., 2024).

2.1 History of Microfinance:

Microfinance became more popular on a large scale during the 1970s, starting in Bangladesh. This radical experiment was the brainchild of Bangladeshi economist Mohommed Yunus. Yunus surveyed a nearby slum community (Jobra), looking for opportunities to help the underprivileged. Here are some insights that were noticed by him:

Small operations similar to microfinance have existed since the 18th century. The first occurrence of microlending was witnessed in the Irish Loan Fund system (introduced by Jonathan Swift), whose aim was to improve conditions for underprivileged Irish citizens.

Microfinance became more popular on a large scale during the 1970s, starting in Bangladesh. This radical experiment was the brainchild of Bangladeshi economist Mohommed Yunus. Yunus surveyed a nearby slum community (Jobra), looking for opportunities to help the underprivileged. Here are some insights that were noticed by him:

- Low-income villagers had no opportunity of obtaining credit from any party/organization
- Transportation to conventional banks was highly inaccessible and unaffordable
- Even if someone managed to reach a bank, banks never gave loans to people without any assets or credit history
- The only option for these villagers was to borrow money from local moneylenders (loan sharks), who charged extremely high interest rates

Yunus concluded that the poor did lack resources, but not trustworthiness or financial sensibility. If they were given loans at reasonable interest rates, they would be able to return the loans.

Hence, Yunus created Grameen Bank, which divided loans among several recipients in order to reduce transaction costs. The lesson of this journey was that given the right tools, the poor have the capacity to help themselves.

2.2 Concept of Microfinance:

Microfinance encompasses the provision of financial services to individuals who are typically unable to access funds through conventional banking channels due to factors such as low income, absence of collateral, or limited financial history. Its primary objectives are to alleviate poverty, empower individuals, and foster entrepreneurship by facilitating access to financial resources. Microfinance operates through Microfinance Institutions (MFIs), which are specialized entities that enable the delivery of financial services to the intended beneficiaries. These institutions evaluate the creditworthiness of borrowers based on their character, capacity, and collateral (the three Cs), rather than relying solely on traditional credit scores. Additionally, they offer financial literacy training and ongoing support to borrowers. Microfinance plays a pivotal role in advancing financial inclusion by extending financial services to marginalized individuals and communities. It assists them in meeting their specific financial needs, generating income, and enhancing their overall economic well-being. By providing access to financial resources, microfinance empowers individuals to improve their quality of life. Microfinance offers numerous advantages that significantly contribute to the economic development of individuals and communities. Key benefits include:

Poverty Alleviation: Microfinance provides low-income individuals with opportunities to break the cycle of poverty by granting access to financial resources for income-generating activities.

Entrepreneurship Promotion: Microfinance facilitates the initiation or expansion of small businesses by aspiring entrepreneurs, thereby fostering economic growth and job creation.

Empowerment of Women: Microfinance plays a crucial role in empowering women by providing them with financial resources, promoting economic independence, and enhancing their decision-making capabilities.

Financial Inclusion: Microfinance addresses the gap left by traditional banks, integrating marginalized populations into the formal financial system.

Social Impact: By offering access to financial services, microfinance contributes to the enhancement of education, healthcare, and overall living standards in underserved communities.

Microfinance Institutions (MFIs) act as intermediaries between borrowers and lenders. They are tasked with assessing borrowers' creditworthiness, disbursing loans, collecting repayments, and providing support services. MFIs often possess a deep understanding of the local context, enabling them to tailor their offerings to the specific needs of the communities they serve.

Despite its benefits, microfinance faces challenges such as high-interest rates and sustainability concerns (Meki & Quinn, 2024). Critics argue that it may not always lead to the intended economic upliftment and can sometimes exacerbate debt cycles (Flejterski & Hariyani, 2025).

Among these challenges are:

Limited Access to Capital: Microfinance Institutions (MFIs) frequently face difficulties in securing affordable capital for lending purposes, which often results in elevated interest rates for borrowers.

Financial Sustainability: Striking a balance between social objectives and financial sustainability remains a persistent challenge for MFIs, as they strive to offer services to impoverished populations while managing their operational expenses.

Over-indebtedness: The potential for borrowers to accumulate excessive debt and encounter repayment difficulties is a concern in certain instances.

Regulatory Environment: MFIs operate within intricate regulatory frameworks, and navigating these regulations can be particularly challenging for smaller organizations.

Microfinance has emerged as a significant instrument for advancing financial inclusion, poverty alleviation, and economic empowerment. By facilitating access to financial services and supporting entrepreneurial initiatives, microfinance contributes to the overall development of individuals and communities. Furthermore, the role of MFIs is crucial in delivering microfinance services and ensuring responsible lending practices.

Despite the challenges confronting the microfinance sector, its benefits and societal impact remain substantial. Whether through microfinance or personal loans, access to financial resources can enable low-income individuals to achieve personal objectives and enhance their overall livelihoods (How Microfinance Works?, 2023).

Most microfinancing operations occur in developing nations - such as Afghanistan, Bangladesh, Cambodia, the Democratic Republic of Congo, Ecuador, India, Indonesia. Some microfinance institutions (MFIs), particularly focus on helping women. Microcredit is granted by MFIs to finance income-generating activities of low-income individuals to improve living conditions in their households. Studies indicate that microfinance can significantly reduce poverty by providing the necessary capital for small enterprises (Sonawane et al., 2024, Sonam et al., 2024). It enhances financial resilience and supports social development through improved access to financial resources (Overview of microfinance, financial inclusion, and development, 2023).

2.3 Microfinance Landscape in India:

Over the past three decades, microfinance in India has significantly improved the lives of about a hundred million rural households by boosting their incomes. The sector's growth has been supported by regulatory measures and policy interventions (Status of Microfinance in India-2022-2023, 2024, p. 11). Microfinance has become a vital mechanism for financial inclusion and economic growth, particularly in rural areas. Microfinance institutions (MFIs) and Self-Help Groups (SHGs) have emerged as key players in providing financial services to underserved populations, thereby enhancing

their livelihoods and fostering entrepreneurship. The following sections outline the critical aspects of microfinance in India.

Role in Financial Inclusion

Microfinance has been instrumental in reaching approximately 100 million rural households, improving their living standards (Fatima, 2024). MFIs offer diverse financial products, including microloans, micro-savings, and microinsurance, which cater to the needs of the unbanked population ("Role of Microfinance in Financial Inclusion in India': A Qualitative Study", 2023). Government initiatives and regulations have bolstered the sector's growth, facilitating access to financial services for marginalized groups (Fatima, 2024).

Economic Impact

The microfinance sector has witnessed a growth rate of 21% in FY2023, indicating its expanding role in the economy (Dhanalakshmi et al., 2025). By providing credit to small business owners and entrepreneurs, microfinance contributes to job creation and poverty alleviation (Kannoujiya et al., 2024). The SHG-Bank Linkage Program has been pivotal in offering cost-effective financial services to the poor (Kannoujiya et al., 2024).

2.4 Challenges and Future Directions:

- Despite its successes, the microfinance sector faces challenges such as high-interest rates and regulatory issues that hinder its potential ("Role of Microfinance in Financial Inclusion in India': A Qualitative Study", 2023).
- There is a need for improved infrastructure and innovative models, such as mobile banking, to enhance outreach and service quality ("Role of Microfinance in Financial Inclusion in India': A Qualitative Study", 2023).

While microfinance has made significant strides in promoting financial inclusion and economic development, it is essential to address the existing challenges to maximize its impact on India's socio-economic landscape.

2.5 Microfinance Growth Under UPA (2004–2014):

The growth of microfinance in India from 2004 to 2014, particularly under the United Progressive Alliance (UPA) government, has been significant in promoting financial inclusion and economic development. This period witnessed a transformation of microfinance from a niche development sector to a vital component of the financial services industry, driven by regulatory support and increased competition among microfinance institutions (MFIs) and Self-Help Groups (SHGs) (Fatima, 2024; Rastogi & Kumar, 2024).

Economic Impact

- Contribution to GDP: The microfinance sector has shown a strong correlation with India's GDP growth, indicating its role in economic development (Rastogi & Kumar, 2024).
- Financial Inclusion: MFIs have been pivotal in providing financial services to the unbanked population, particularly in rural areas, thus enhancing financial inclusion ("Role of Microfinance in Financial Inclusion in India': A Qualitative Study", 2023).

Growth Statistics

- Sector Expansion: The microfinance sector grew by 21% in FY2023 compared to FY2022, reflecting its ongoing relevance and expansion (Dhanalakshmi et al., 2025).
- Outreach: Approximately 100 million rural households have benefited from microfinance, improving their living standards (Fatima, 2024).

Challenges

- Regulatory Issues: Despite growth, challenges such as high-interest rates and insufficient infrastructure have hindered the sector's potential ("Role of Microfinance in Financial Inclusion in India': A Qualitative Study", 2023).

While microfinance has been a catalyst for economic growth and financial inclusion, it is essential to address the existing challenges to maximize its impact on the marginalized populations in India.

2.6 Microfinance Growth Under NDA (2014–Present):

The growth of microfinance in India since 2014, particularly under the National Democratic Alliance (NDA) government, has been significant, driven by various initiatives aimed at enhancing financial inclusion and supporting entrepreneurship. This period has seen a notable increase in microfinance activities, which have played a crucial role in addressing the financial needs of underserved populations. The following sections outline key aspects of this growth.

Financial Inclusion Initiatives

- The Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched in 2014 to provide universal banking services, significantly increasing access to financial services for unbanked households (Bonagani, 2022).
- The initiative has been complemented by the JAM (Jan Dhan-Aadhaar-Mobile) framework, facilitating digital transactions and financial literacy (Bonagani, 2022).

Growth Metrics

- Microfinance in India has experienced a growth rate of 21% in FY2023 compared to FY2022, indicating a robust expansion in services offered to the unorganized sector (Dhanalakshmi et al., 2025).
- The establishment of MUDRA Banks has further empowered small entrepreneurs by providing necessary financial support and acting as a regulatory body for microfinance institutions (Ghose, 2018).

Economic Impact

- Research indicates that micro-lending positively impacts economic growth, contributing to poverty alleviation and income equality in India ("Exploring the relation between micro-lending and economic growth - evidence from Indian macro environment", 2022).
- Microfinance has been instrumental in fostering entrepreneurship, particularly in rural areas, thereby enhancing overall economic development (Dhanalakshmi et al., 2025; Abubakar, 2022).

While the growth of microfinance under the NDA has been promising, challenges such as high-interest rates and inadequate financial literacy persist, potentially hindering its effectiveness in some regions (Abubakar, 2022). Addressing these issues will be crucial for sustaining the momentum of microfinance growth in India.

2.7 Comparative Analysis:

The comparative analysis of the UPA and NDA administrations in terms of microfinance reveals significant differences in their approaches and outcomes. Both administrations recognized microfinance as a tool for poverty alleviation, yet their strategies and effectiveness varied considerably.

UPA Administration

- Focus on Self-Help Groups (SHGs): The UPA government emphasized the formation of SHGs, which acted as intermediaries between banks and the poor, facilitating access to credit (Ghosh, 2015).
- Regulatory Framework: The UPA initiated various poverty alleviation programs but faced challenges in implementation, leading to inefficiencies and increased Non-Performing Assets (NPAs) in microfinance (Singh & Gupta, 2017).
- Microfinance Institutions (MFIs): The UPA era saw the rise of MFIs, which provided loans to low-income individuals, yet many struggled with sustainability and regulatory compliance (Chatterjee, 2022).

NDA Administration

- Policy Reforms: The NDA government focused on creating a more robust regulatory framework for MFIs, aiming to enhance their operational efficiency and accountability (Al & Bose, 2014).
- Financial Inclusion Initiatives: The NDA promoted financial inclusion through digital platforms, expanding access to microfinance services and improving the reach of financial products (Morduch, 2003).
- Performance Metrics: Under NDA, MFIs reported improved performance metrics, including increased loan disbursement and borrower outreach, indicating a more effective microfinance landscape (Chatterjee, 2022).

In contrast, while the UPA administration laid the groundwork for microfinance, the NDA administration built upon these foundations with reforms that enhanced the sector's effectiveness. However, some critics suggest that the focus on formalization may overlook the needs of the most vulnerable populations, potentially limiting access to essential microfinance services (Singh & Gupta, 2017).

Methodology

3.1 Research Design:

This study has employed a mixed-methods approach, combining quantitative analysis of financial data with qualitative assessment of policy documents. The research is comparative in nature, examining the microfinance sector under the UPA (2004-2014) and NDA (2014-present) administrations.

3.2 Data Collection:

The methodology for this study encompasses both quantitative and qualitative data collection and analysis. Quantitative data includes budget allocations and actual expenditure on microfinance initiatives from government financial reports (2004-2024), loan disbursement data from microfinance institutions and banks, and economic indicators related to financial inclusion and poverty rates. Qualitative data comprises policy documents, regulatory frameworks, and academic literature on microfinance in India. The analysis uses statistical methods such as descriptive statistics and t-tests for quantitative data, while qualitative analysis includes content analysis of policy documents and comparative analysis of regulatory frameworks under UPA and NDA administrations. An integrated analysis triangulates quantitative and qualitative findings to develop a comprehensive understanding of microfinance growth and assess how policy changes correlate with quantitative trends in the sector. Limitations of this methodology include potential data gaps, especially for earlier years, and challenges in isolating the effects of government policies from other economic factors. This approach aims to provide a rigorous, multi-faceted analysis of microfinance growth under the UPA and NDA administrations.

This section may be divided by subheadings. It should provide a concise and precise description of the experimental results, their interpretation, as well as the experimental conclusions that can be drawn.

4. Data Analysis and Interpretation

4.1 Comparative analysis of Loans Disbursed between UPA & NDA Tenures (Absolute amount, ₹ Lakhs)

Table 1: Analysis of Loans Disbursed Under UPA vs. NDA

t-Test: Two-Sample Assuming Equal Variances		
	UPA	NDA
Mean	1120848.06	4754126.027
Variance	1.64327E+11	1.8801E+13
Observations	8	9
Pooled Variance	1.01039E+13	
Hypothesized Mean Difference	0	
df	15	
t Stat	-2.352321058	
P(T<=t) one-tail	0.016365072	
t Critical one-tail	1.753050356	
P(T<=t) two-tail	0.032730143	
t Critical two-tail	2.131449546	

Key Results from Welch's t-Test (Accounting for Unequal Variances)

UPA Average Loans Disbursed: ₹1,120,848 lakhs

NDA Average Loans Disbursed: ₹4,754,126 lakhs

t-Statistic: -2.50

p-Value: 0.0363

Effect Size (Cohen's d): -1.14 (Large Effect)

95% Confidence Interval for the Difference: (-6,728,938, -537,617)

Key results:

Loans Disbursed Under NDA Were Significantly Higher Than Under UPA

The NDA government disbursed significantly more loans compared to the UPA government.

The mean difference is substantial, with NDA disbursing approximately 4.2 times more loans on average than UPA.

Statistical Significance (p-Value Analysis)

Given that $p = 0.0363 < 0.05$, we reject the null hypothesis, confirming that the increase in loan disbursement under NDA is statistically significant and not attributable to random chance.

Magnitude of the Difference (Effect Size: Cohen's $d = -1.14$)

Cohen's d of -1.14 indicates a large practical impact, suggesting that the NDA government's loan disbursements were substantially higher than UPA's, not merely marginally.

Confidence Interval Interpretation

The 95% confidence interval ranges from ₹-6,728,938 to ₹ -537,617, indicating that even in the most conservative estimate, NDA disbursed at least ₹537,617 more than UPA.

As the entire confidence interval is negative, there is a high degree of confidence that NDA disbursed more loans than UPA in all possible scenarios.

Variance Comparison: Higher Fluctuations Under NDA

UPA Variance: ₹ 1.64×10^{11}

NDA Variance: ₹ 1.88×10^{13}

The significantly higher variance under NDA suggests that the disbursement levels fluctuated more compared to UPA regime, potentially indicating policy shifts or different loan distribution strategies.

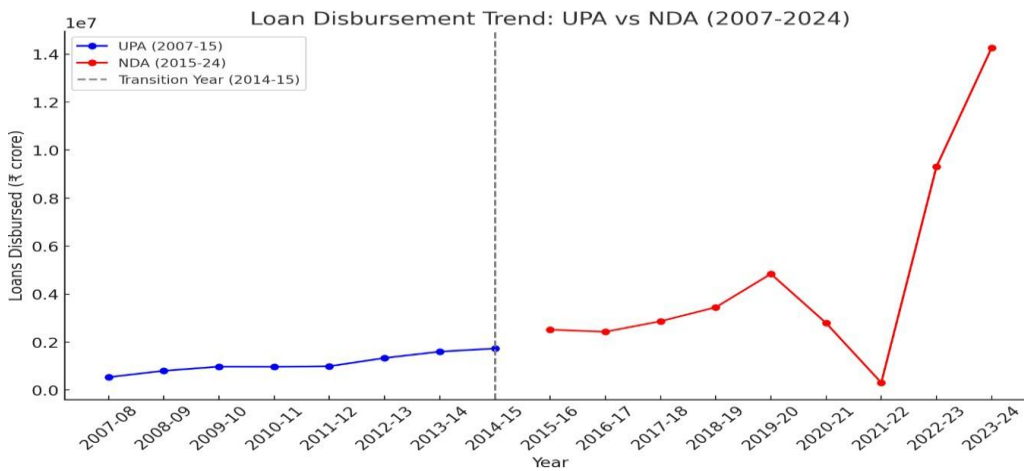
1. Loans disbursed under NDA were significantly higher than under UPA.
2. The difference is both statistically significant ($p = 0.0363$) and practically large (Cohen's $d = -1.14$).
3. The confidence interval confirms NDA's disbursement was consistently higher.
4. The high variance suggests greater fluctuations in loan disbursements under NDA.

Total Loan Disbursed under UPA (2007-08 to 2014-15) was ₹8,966,784.48 crore, while under NDA (2015-16 to 2023-24) it was ₹42,787,134.24 crore. NDA disbursed approximately 4.8 times more loans than UPA overall.

The Average Annual Growth Rate under UPA (2007-08 to 2014-15) was +19.2% per year, whereas under NDA (2015-16 to 2023-24) it was +328.1% per year. Loan disbursements under NDA grew approximately 17 times faster than under UPA.

UPA exhibited steady but moderate growth (approximately 19.2% per year). NDA demonstrated exponential growth (approximately 328.1% per year), particularly in 2022-23 and 2023-24. A sharp decline was observed in 2020-21 and 2021-22 (COVID-19 impact), followed by a substantial recovery. NDA significantly outperformed UPA in both total disbursements and growth rate. Growth under NDA was nearly 17 times faster.

Chart 1: Loan Disbursement Trend: UPA vs NDA (2007-2024)



(Source: Created by authors)

Chart 1 illustrates the trend in loan disbursements across two political regimes in India. During the United Progressive Alliance (UPA) period from 2007 to 2015, represented by the blue line, there was a gradual increase in loan disbursements. This period was characterized by slow but steady growth in the micro-finance sector. The transition to the National Democratic Alliance (NDA) regime in 2014-15 is marked by a dashed line, signifying a shift in governance. The NDA period, depicted by the red line from 2015 to 2024, shows a more dynamic pattern. Initially, from 2015 to 2019, there was moderate growth in microfinance disbursements. However, a substantial surge is evident from 2022 onwards, indicating a significant expansion in loan disbursements under the NDA government. This sharp increase suggests a possible change in policy, economic conditions, or other factors that have led to a rapid expansion of microfinance activities in recent years. The total loan disbursement under the UPA government (2007-08 to 2014-15) amounted to ₹8,966,784.48 crore, whereas the NDA government (2015-16 to 2023-24) disbursed ₹42,787,134.24 crore—approximately 4.8 times more. The average annual growth rate of loan disbursements under UPA was 19.2%, compared to a staggering 328.1% under NDA, indicating a 17-fold increase in growth rate. This sharp rise suggests significant policy shifts, including an emphasis on financial inclusion, increased microfinance accessibility, and stimulus-driven lending, particularly post-2022. The pandemic-induced decline in 2020-21 and 2021-22 was followed by an unprecedented surge, likely due to aggressive credit expansion and economic recovery measures (Source: Government Financial Reports, 2024).

The comparison highlights fundamental differences in economic strategies, with UPA following a steady but moderate approach, while NDA implemented an aggressive lending policy, particularly after 2022. The surge in disbursements under NDA suggests proactive government interventions and increased liquidity to support economic growth, infrastructure, and MSMEs. However, such rapid expansion raises concerns regarding financial sustainability, credit quality, and long-term economic impact, necessitating careful policy evaluation (Source: RBI Annual Reports, 2024).

4.2 Comparative analysis among UPA & NDA Tenure (Per SHG Metric)

Total Savings, loan disbursed and loan outstanding as amount / SHG (2007-2024)

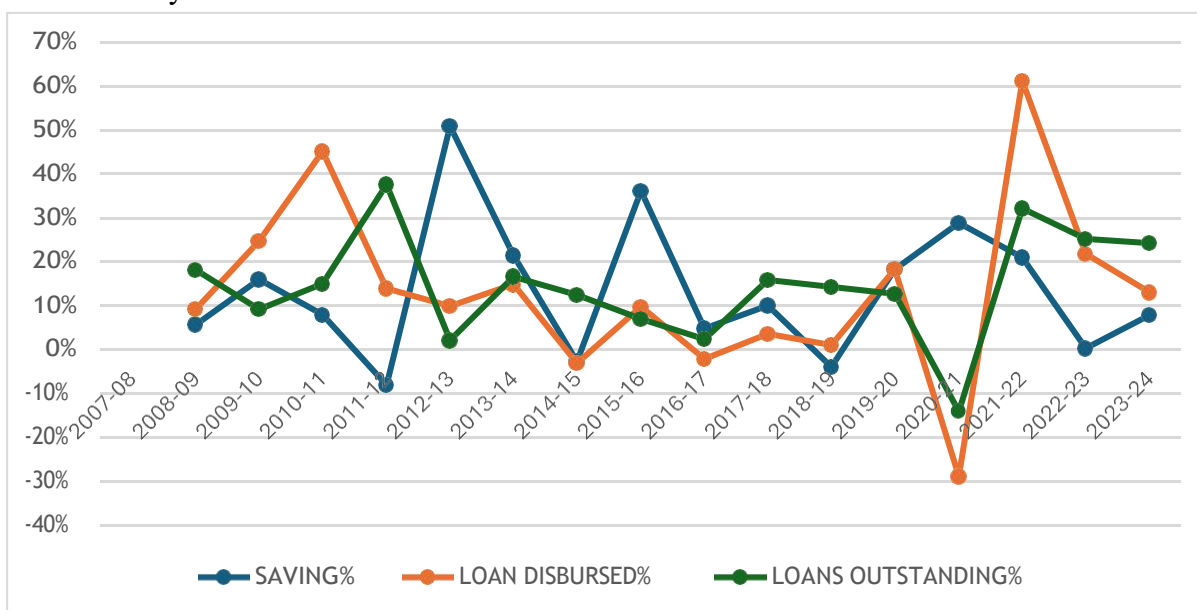
Table 2 (all amounts are in Rs. Lakhs)

Year	Savings	Loan Disbursed	Loans Outstanding	Saving %	Loan Disbursed %	Loans Outstanding %

2007-08	7392.09	73510.39	382338.69			
2008-09	7812.31	80237.18	307567.81	6%	9%	18%
2009-10	9064.81	100050.89	245495.00	16%	25%	9%
2010-11	9783.94	145198.70	185767.82	8%	45%	15%
2011-12	8992.86	165478.18	216156.42	-8%	14%	38%
2012-13	13570.24	181966.08	191785.94	51%	10%	2%
2013-14	16484.63	209024.83	167860.22	21%	15%	17%
2014-15	16032.30	202566.79	144809.23	-3%	-3%	13%
2015-16	21820.39	222426.87	141433.65	36%	10%	7%
2016-17	22882.64	217629.02	132208.32	5%	-2%	2%
2017-18	25172.52	225531.77	117494.73	10%	4%	16%
2018-19	24174.62	227988.02	100755.43	-4%	1%	14%
2019-20	28612.81	269645.96	98617.98	18%	18%	13%
2020-21	36871.57	191805.92	71666.79	29%	-29%	-14%
2021-22	44611.90	309229.13	62289.38	21%	61%	32%
2022-23	44743.14	376659.18	57037.42	0%	22%	25%
2023-24	48281.89	426016.15	48239.60	8%	13%	24%

(Source: Compiled by the authors from the NABARD website)

Chart 2: Trends of Savings, loans disbursed and loans outstanding between the years 2007 to 2024



(Source: Created by authors)

Table: 3 Descriptive statistics (all amounts are in Rs. Lakhs)

	Savings	Loan Disbursed	Loans Outstanding	Saving%	Loan Disbursed%	Loans Outstanding%
Mean	22723.81	213233.24	157148.47	0.13	0.13	0.14

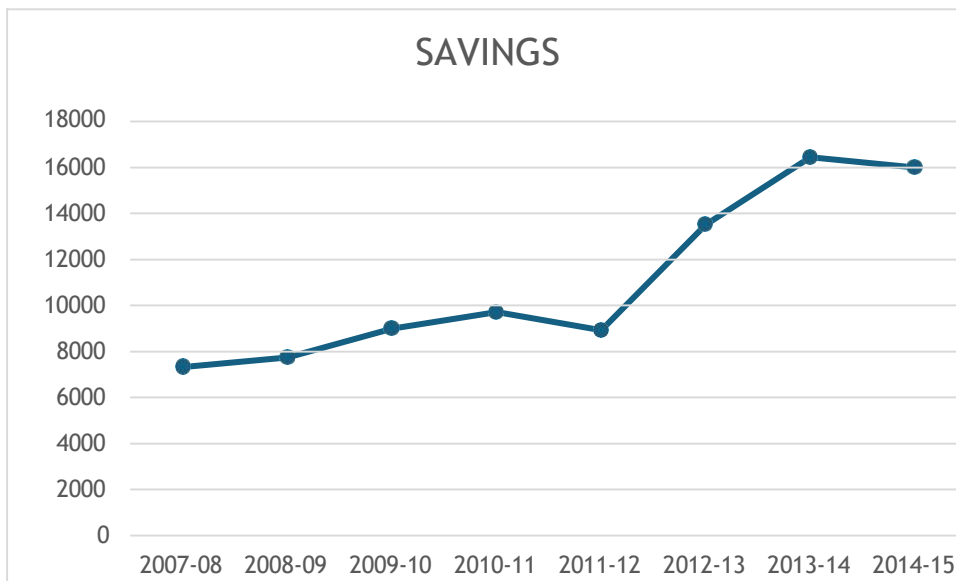
Standard Error	3336.73	22957.22	22207.71	0.04	0.05	0.03
Median	21820.40	209024.84	141433.65	0.09	0.12	0.15
Standard Deviation	13757.70	94655.02	91564.74	0.16	0.20	0.12
Sample Variance	18927438.271	895957365.8.19	8384101673.42	0.02	0.04	0.02
Kurtosis	-0.74	0.59	0.95	0.71	2.09	1.09
Skewness	0.69	0.67	1.07	0.90	0.55	-0.29
Range	40889.80	352505.76	334099.08	0.59	0.90	0.52
Minimum	7392.10	73510.39	48239.61	-0.08	-0.29	-0.14
Maximum	48281.89	426016.16	382338.69	0.51	0.61	0.38
Sum	386304.76	3624965.14	2671524.03	2.15	2.13	2.31
Count	17.00	17.00	17.00	16.00	16.00	16.00

Table 4: Savings, Loans disbursed, Loans outstanding during the UPA regime Phase 1 (2007-2014) (all amounts are in Rs. Lakhs)

Year	Savings	Loan Disbursed	Loans Outstanding	Saving%	Loan Disbursed%	Loans Outstanding%
2007-08	7392.09	73510.39	382338.69			
2008-09	7812.31	80237.18	307567.81	6%	9%	18%
2009-10	9064.81	100050.89	245495	16%	25%	9%
2010-11	9783.94	145198.70	185767.82	8%	45%	15%
2011-12	8992.86	165478.18	216156.42	-8%	14%	38%
2012-13	13570.24	181966.08	191785.94	51%	10%	2%
2013-14	16484.63	209024.83	167860.22	21%	15%	17%
2014-15	16032.30	202566.79	144809.23	-3%	-3%	13%

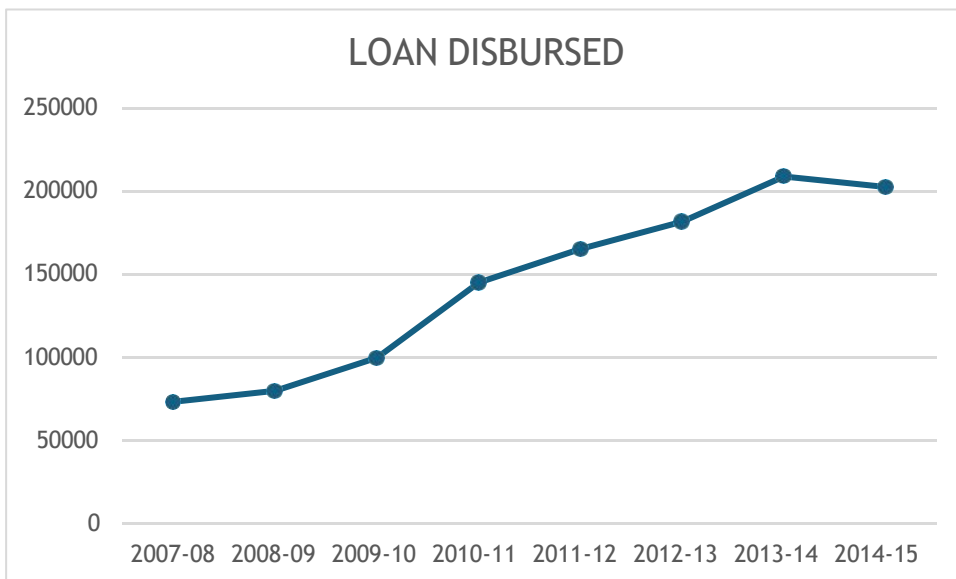
(Source: Compiled by the authors from the NABARD website)

Chart 3: Saving trends during phase 1 (UPA Regime)



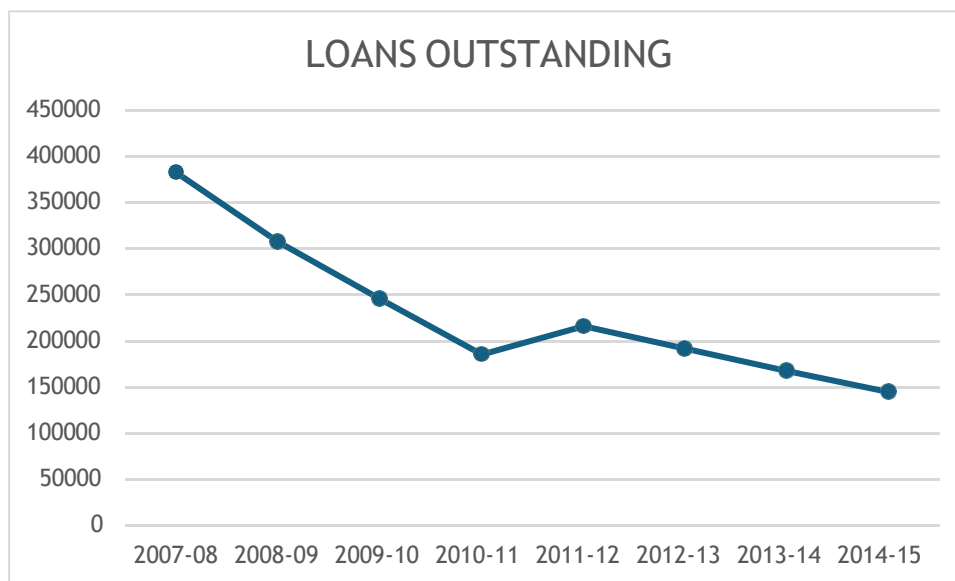
(Source: Created by authors)

Chart 4: Loans Disbursement trends during Phase 1 (UPA Regime)



(Source: Created by authors)

Chart 5: Loans Outstanding trends during Phase 1 (UPA Regime)



(Source: Created by authors)

Chart 6: Percentage growth in Savings, Loans disbursement and Loans outstanding between 2007 to 2014 (UPA Regime)



(Source: Created by authors)

Phase 1: 2007-08 to 2014-15

The data in tables 2, 3 and 4 and charts 2, 3, 4, 5 and 6 presents financial trends from 2007-08 to 2014-15 across three key metrics: savings, loans disbursed, and loans outstanding. Savings exhibited significant growth, increasing from ₹7,392.09 lakhs in 2007-08 to ₹16,032.31 lakhs in 2014-15, with a notable surge between 2011-12 and 2013-14. Loans disbursed demonstrated a consistent upward trend, rising from ₹73,510.39 lakhs in 2007-08 to a peak of ₹209,024.84 lakhs in 2013-14, followed by a slight decline in 2014-15. In contrast, loans outstanding showed an overall declining trend, decreasing from ₹382,338.69 lakhs in 2007-08 to ₹144,809.24 lakhs in 2014-15. Growth percentages for these metrics from 2008-09 to 2014-15 revealed considerable volatility. Savings growth ranged from -8.09% to 50.90%, while loan disbursement growth varied between -3.09% and 45.12%. This

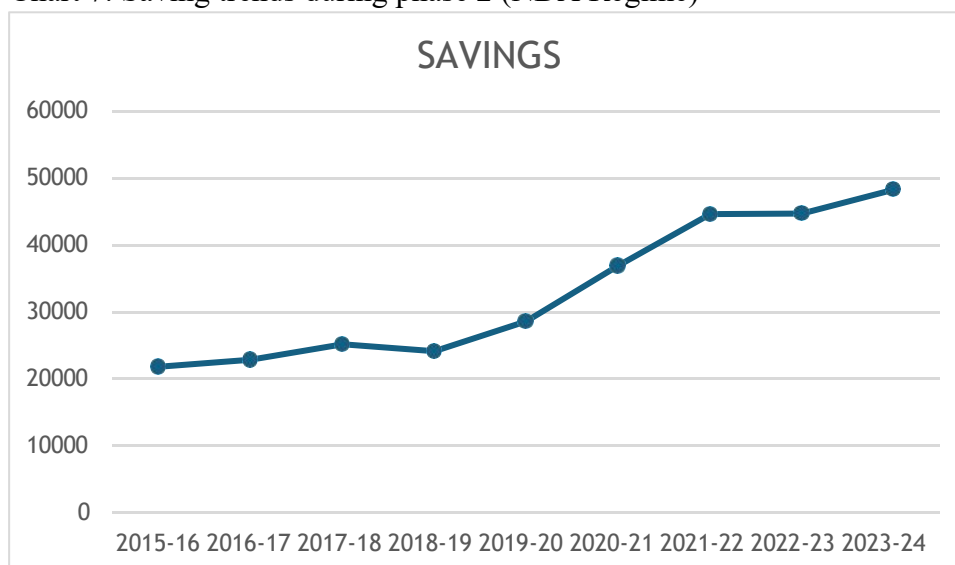
data suggests dynamic changes in financial activities during the period, with increasing savings and loan disbursements contrasting with decreasing outstanding loans.

Table 5: Savings, Loans disbursed, Loans outstanding during the NDA regime Phase 2 (2015-2024) (all amounts are in Rs. Lakhs)

Year	Savings	Loan Disbursed	Loans Outstanding	Saving%	Loan Disbursed%	Loans Outstanding%
2015-16	21820.39	222426.87	141433.65	36%	10%	7%
2016-17	22882.64	217629.02	132208.32	5%	-2%	2%
2017-18	25172.52	225531.77	117494.24	10%	4%	16%
2018-19	24174.62	227988.02	100755.43	-4%	1%	14%
2019-20	28612.81	269645.96	98617.98	18%	18%	13%
2020-21	36871.57	191805.92	71666.79	29%	-29%	-14%
2021-22	44611.90	309229.13	62289.38	21%	61%	32%
2022-23	44743.14	376659.18	57037.42	0%	22%	25%
2023-24	48281.89	426016.15	48239.60	8%	13%	24%

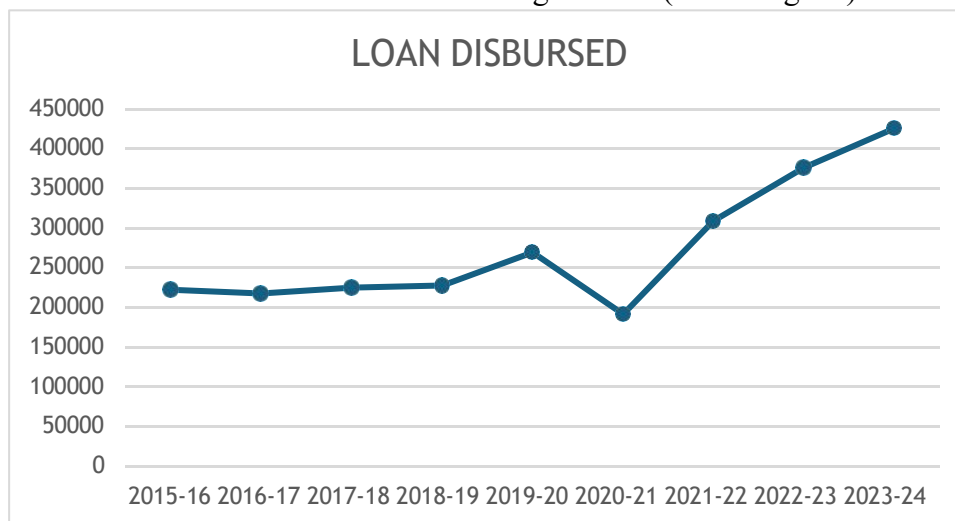
(Source: Compiled by the authors from the NABARD website)

Chart 7: Saving trends during phase 2 (NDA Regime)



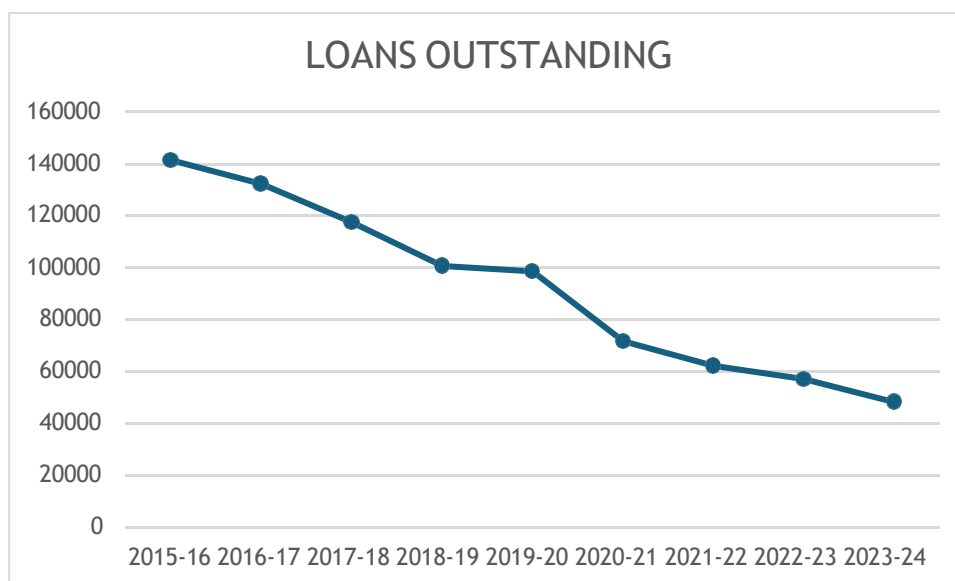
(Source: Created by authors)

Chart 8: Loan Disbursement trends during Phase 2 (NDA Regime)



(Source: Created by authors)

Chart 9: Loans outstanding trends during Phase 2 (NDA Regime)



(Source: Created by authors)

Chart 10: Percentage growth in Savings, Loans disbursement and Loans outstanding between 2015 to 2024 (NDA Regime)



(Source: Created by authors)

Phase 2: 2015-16 to 2023-24

Between 2015–16 and 2023–24, the financial indicators show distinct and notable trends. **Savings** exhibited a strong and consistent upward trajectory, rising from ₹21,820.40 lakhs to ₹48,281.89 lakhs, with particularly exceptional growth observed during the 2019–21 period. Over the full 17-year span, savings increased significantly from ₹7,392.09 lakhs to ₹48,281.89 lakhs, indicating a robust improvement in saving behaviour. **Loan disbursement**, while also showing overall growth—from ₹73,510.39 lakhs to ₹426,016.16 lakhs—was marked by periods of volatility. A sharp decline occurred in 2020–21, where disbursements dropped to ₹191,805.92, but this was followed by a rapid recovery, culminating in the highest disbursement level by 2023–24. In contrast, **loans outstanding** followed a consistent downward trend, decreasing from ₹382,338.69 lakhs in 2015–16 to ₹48,239.61 lakhs in 2023–24. This suggests a significant reduction in outstanding loan obligations, likely due to improved repayment rates or a decline in new borrowing. Growth rates across all metrics were highly volatile, with year-on-year percentage changes fluctuating dramatically. For example, loan disbursed growth varied from a steep decline of -28.87% to a strong increase of 61.22%, while loans outstanding mostly reflected negative growth rates, aligning with their steady decrease. Overall, the period reflects dynamic financial conditions, with improvements in savings, fluctuating loan activity, and a steady decline in debt burdens. The above analysis is based on Table 5 and charts 7 to 10.

Table 6: Comparative analysis between Phase 1 (UPA) and Phase 2 (NDA) regimes (all amounts are in Rs. Lakhs)

t-Test: Two-Sample Assuming Equal Variances						
	Savings Phase - 1	Savings Phase - 2	Loan Disbursed Phase - 1	Loan Disbursed Phase - 2	Loans Outstanding Phase - 1	Loans Outstanding Phase - 2
Mean	11141.65	33019.06	144754.14	274103.56	230222.65	92193.65
Variance	13468802.23	113376045.12	2931989611.25	6495923030.49	6312972168.92	1157997871.30
Observations	8.00	9.00	8.00	9.00	8.00	9.00
Pooled Variance	66752665.11		4832754101.51		3563652543.52	

Hypothesized Mean Difference	0.00		0.00		0.00	
df	15.00		15.00		15.00	
t Stat	-5.51		-3.83		4.76	
P(T<=t) one-tail	0.00		0.00		0.00	
t Critical one-tail	1.75		1.75		1.75	
P(T<=t) two-tail	0.00		0.00		0.00	
t Critical two-tail	2.13		2.13		2.13	

4.3 Statistical Comparison (t-Test Results):

The statistical comparison reveals significant differences between two phases, representing UPA and NDA periods. Savings per SHG are substantially higher in phase 2 (NDA period) with a mean of ₹33019.06 lakhs compared to ₹11141.65 lakhs in phase 1 (UPA period), supported by a t-statistic of -5.51 and a p-value of 0. Similarly, loan disbursement per SHG is significantly higher in phase 2 (₹274103.56 lakhs) compared to phase 1 (₹144754.14 lakhs), with a t-statistic of -3.83 and a p-value of 0. Interestingly, loans outstanding show a reverse trend, with phase 1 having a higher mean (₹230222.65 lakhs) compared to phase 2 (₹92193.65 lakhs), supported by a t-statistic of 4.76 and a p-value of 0. However, when considering percentages rather than absolute values, there are no statistically significant differences between the phases for savings percentage, loan disbursed percentage, and loans outstanding percentage, as indicated by high p-values (0.93, 0.61, and 0.69 respectively). These results suggest that while absolute values of financial metrics differ significantly between the two periods, the relative proportions remain similar.

5. Findings and Discussion

• Dramatic Decline in Loans Outstanding Per SHG

One of the most unexpected findings is the substantial and steady decrease in loans outstanding per SHG, dropping from ₹382,338.69 lakhs in 2007-08 to just ₹48,239.61 lakhs in 2023-24. This is counterintuitive because, with rising savings and loan disbursal, one might expect outstanding loans to increase or at least remain stable, not decline so sharply. This suggests either a significant improvement in repayment rates or changes in SHG borrowing behavior, which is not a typical pattern in microfinance growth phases.

• Volatility Amidst Long-Term Growth

While the overall trends are positive, the year-to-year volatility-especially sharp drops and rebounds in loan disbursal during the NDA period-stands out. Such fluctuations, particularly the steep decline and rapid recovery around 2020-21, are surprising and likely tied to external shocks (like the pandemic), but the speed of recovery is notable and may indicate unusual resilience or policy interventions.

• Statistically Significant Shifts Between Regimes

The t-test results show highly significant differences between the UPA and NDA periods for all key metrics. While some difference might be expected due to economic growth or policy changes, the magnitude and consistency of these differences-especially the much higher savings and loan disbursal, and much lower loans outstanding during the NDA years are striking and suggest a structural shift rather than incremental improvement.

• Simultaneous Growth in Savings and Credit Access

It is somewhat surprising that both savings and loan disbursal per SHG have grown robustly together, as often increased credit access can sometimes dampen the

growth in savings if members rely more on borrowing than saving. The parallel growth in both metrics suggests a unique dynamic or synergy in the SHG sector during this period.

These findings challenge some typical expectations about microfinance and SHG dynamics, where rapid credit growth can sometimes lead to higher outstanding debt and less emphasis on savings. The data instead reveals a sector that has managed to expand access while improving financial health, which is both surprising and noteworthy.

6. Conclusion

This study provides a comprehensive analysis of the evolution of microfinance in India, focusing on a comparative evaluation of its growth under the United Progressive Alliance (UPA) and National Democratic Alliance (NDA) administrations. The findings reveal a significant transformation in the microfinance landscape over the past two decades, shaped heavily by differing political priorities, policy frameworks, and economic conditions.

Under the UPA regime (2004–2014), microfinance growth was steady but moderate. The UPA government emphasized the expansion of Self-Help Groups (SHGs) as intermediaries for financial access, reflecting a grassroots approach to poverty alleviation. While efforts were commendable in promoting financial inclusion, challenges such as regulatory inefficiencies, rising non-performing assets (NPAs), and relatively limited technological integration constrained the sector's potential. During this period, loan disbursements increased at an annual average growth rate of 19.2%, and the sector witnessed a gradual improvement in outreach and financial inclusion.

In contrast, the NDA administration (2014–present) adopted a more aggressive and technology-driven approach to financial inclusion, marked by initiatives like Pradhan Mantri Jan Dhan Yojana (PMJDY), the JAM trinity (Jan Dhan-Aadhaar-Mobile), and the establishment of MUDRA banks. As a result, the microfinance sector under NDA grew exponentially, with loan disbursements registering a staggering 328.1% average annual growth rate—nearly 17 times faster than during the UPA era. The NDA government disbursed loans approximately 4.8 times higher in total value compared to its predecessor, supported by strong policy reforms and digital penetration.

Statistical analyses, including t-tests, further reinforce that the differences in savings, loan disbursements, and loans outstanding per SHG between the two periods are not only significant but also structurally transformative. Savings per SHG and loan disbursements saw notable increases under NDA, while loans outstanding per SHG declined sharply, suggesting better repayment behavior or changes in borrowing patterns. This simultaneous growth in savings and credit access, without a corresponding rise in debt accumulation, is particularly noteworthy and challenges traditional assumptions in microfinance dynamics.

Nonetheless, the rapid expansion during the NDA period also introduces concerns about the sustainability of credit growth, the quality of loan portfolios, and the long-term resilience of microfinance institutions (MFIs). The volatility observed during events like the COVID-19 pandemic and the subsequent sharp recovery highlights the sector's vulnerability to external shocks despite its resilience. Overall, the study concludes that while the UPA administration laid the foundational framework for inclusive finance through SHGs, the NDA administration amplified microfinance growth through a combination of technological innovation, policy support, and institutional strengthening. Both periods contributed uniquely to India's financial inclusion journey, but the scale and intensity of growth under NDA represent a new phase in the microfinance evolution.

Future research should focus on evaluating the long-term sustainability of rapid credit growth, the impact of digital finance on marginalized communities, and the effectiveness of regulatory mechanisms to safeguard against systemic risks. Addressing these areas will be crucial to ensuring that microfinance continues to serve as a robust instrument for poverty alleviation, entrepreneurship, and inclusive economic development in India.

References:

1. Abdel Al, S. F., & Bose, S. (2014). Microfinance industries in emerging economies: A comparative investigation into effectiveness as a tool for poverty alleviation. *Social Science Research Network*.
2. Abubakar, A. (2022). The role of microfinance in enhancing entrepreneurial growth in sub-saharan africa: A comparative analysis of nigeria and kenya. *Jurnal Manajemen & Bisnis*. <https://doi.org/10.15575/jb.v1i2.38748>
3. Biswal, A., & Mishra, P. (2022). Exploring the relation between micro-lending and economic growth—Evidence from indian macro environment. *International Journal of Economics and Business Research*, 24(1/2), 145. <https://doi.org/10.1504/ijebr.2022.124287>
4. Bonagani, R. R. (2022). Public financial services schemes for the financial inclusion of people under the bjp led nda central government in india. *Research Journal of Humanities and Social Sciences*, 147–158. <https://doi.org/10.52711/2321-5828.2022.00025>
5. Chatterjee, S. (2022). Analysis of microfinance institution's performance in india. <https://doi.org/10.5281/zenodo.6655061>
6. Cull, R., & Hartarska, V. (2023). Overview of microfinance, financial inclusion, and development (pp. 2–19). Edward Elgar Publishing eBooks. <https://doi.org/10.4337/9781789903874.00006>
7. Dhanalakshmi, C., Rohith, B., & Bhavya, V. M. (2025). The role of microfinance in driving economic growth and financial inclusion in india (pp. 447–462). <https://doi.org/10.9734/bpi/mono/978-93-48859-98-3/ch29>
8. Fatima, S. (2024). Microfinance in india—A catalyst of financial inclusion and economic growth: With special reference to bihar. *International Journal For Multidisciplinary Research*, 6(3). <https://doi.org/10.36948/ijfmr.2024.v06i03.24032>
9. Flejterski, S., & Hariyani, H. F. (2025). Microfinance industry from the perspective of sustainable and inclusive financial systems (pp. 160–171). <https://doi.org/10.4324/9781003499138-11>
10. Ghose, P. (2018). Microfinance with reference to micro units development and refinance agency banks (mudra banks). *International Journal of Engineering and Management Research*, 8(1), 111–113.
11. Ghosh, B. C. (2015). A review of microfinance in india. *International Journal of Research in Economics and Social Sciences*, 5(5), 150–158.
12. How Microfinance Works? | Meaning, Definition and Importance. (2023, August 10). Poonawalla Fincorp. <https://poonawallafincorp.com/blogs/personal-loan/how-microfinance-works>
13. Kannoujiya, S., Singh, K., & Singh, S. B. (2024). A case study on micro financial institutions – effective tool for alleviating rural poverty in india. *Indian Scientific Journal Of Research In Engineering And Management*, 08(008), 1–4. <https://doi.org/10.55041/ijsrem37344>
14. Meki, M., & Quinn, S. (2024). Microfinance: An overview. *Oxford Review of Economic Policy*, 40(1), 1–7. <https://doi.org/10.1093/oxrep/grae004>
15. Morduch, J. (2003). Microfinance: Analytical issues for india.
16. Pant, K. (2023). Role of microfinance in financial inclusion in india: A qualitative study. <https://doi.org/10.52783/jas.v9i1.1454>

17. Rastogi, D., & Kumar, M. (2024). A comprehensive study on the effects of microfinance institutions' activities on economic growth of india. *International Journal For Multidisciplinary Research*, 6(5). <https://doi.org/10.36948/ijfmr.2024.v06i05.29610>
18. Singh, B., & Gupta, P. (2017). Microfinnce among financially weaker sections of society. *Abhinav-National Monthly Refereed Journal Of Research In Commerce & Management*, 6(10), 13–22.
19. Sonam, S., Rahaman, I., & Singh, A. K. (2024). Financial inclusion through microfinance in india: An overview. [https://doi.org/10.62823/ijira/4.3\(i\).6836](https://doi.org/10.62823/ijira/4.3(i).6836)
20. Sonawane, P. A., Taneja, D., Manocha, S., Saini, P., Madaan, V., Fajarinia, U., & Singh, P. (2024). A study on role effectiveness of micro finance in india: With special reference to poverty eradication. *Salud, Ciencia y Tecnología - Serie de Conferencias*, 4, 1178. <https://doi.org/10.56294/sctconf20251178>
21. Status of Microfinance in India-2022-2023. (2024). [Annual Report]. NABARD. <https://www.nabard.org/auth/writereaddata/tender/1409233729status-of-microfinance-in-india-2022-23.pdf>