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UNLOCKING SOCIAL EMPOWERMENT: A STUDY ON THE TRANSFORMATIVE ROLE OF MICROFINANCE SERVICES IN EMPOWERING MARGINALIZED GROUPS

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ABSTRACT

This study explores the role of microfinance services in enhancing the social empowerment of marginalized groups in Kerala, focusing on two major components: micro savings and microcredit. The respondents are members of Self-Help Groups (SHGs) who belong to Scheduled Castes (SC), Scheduled Tribes (ST), and Persons with Disabilities (PwDs). A total of 180 SHG members were selected through a multi-stage random sampling method, and the data were analyzed using Structural Equation Modeling (SEM). The findings show that both micro savings and microcredit have a positive and statistically significant influence on social empowerment, although the strength of these effects is relatively modest. Micro savings demonstrated a small but meaningful impact, suggesting that regular saving habits and access to secure savings platforms help improve financial discipline and planning, which supports empowerment. Similarly, microcredit showed a modest positive effect, indicating that access to small loans may boost financial independence and community participation. However, microcredit alone is unlikely to bring about major social change without additional support. The results emphasize the need for an integrated approach to microfinance. To make it more effective, financial services should be combined with non-financial support such as financial literacy programs, entrepreneurship training, and community capacity-building. Overall, the study finds that microfinance emerges not only as a tool for poverty reduction but also as a means for empowerment and inclusion. It enables marginalized individuals to participate actively in society and lead lives with dignity. These insights can help guide policymakers and practitioners in promoting inclusive development.

Keywords: Marginalized Groups, Microcredit, Microfinance, Micro Savings, Social Empowerment

1. INTRODUCTION

Marginalized sections of the population, such as Scheduled Castes (SCs), Scheduled Tribes (STs), and Persons with Disabilities (PwDs), have historically faced systemic exclusion from mainstream financial, social, and economic institutions, hindering their participation in India's broader socio-economic development agenda. Historically, these communities have been excluded from the development process due to entrenched social hierarchies, persistent poverty, and socio-economic marginalization, resulting in limited access to education and essential resources (Thorat & Newman, 2010). Microfinance became a revolutionary instrument to catalyze their social empowerment beyond access to finances, but also through self-esteem, social integration, and decision-making participation.

Microfinance, generally understood to include microcredit, savings, insurance, and other financial services for the poor, has been widely recognized as a vital tool for development (Yunus, 2003). More recent approaches to microfinance have moved beyond an exclusive focus on women's empowerment, shifting attention toward the most excluded and disadvantaged populations such as SCs, STs, and PwDs who face compounded structural disadvantages. Scheduled Castes

(SCs) and Scheduled Tribes (STs) are among the most marginalized communities in Indian society, often subjected to deep-rooted social discrimination, exclusion, and isolation from mainstream societal and economic systems (Deshpande, 2011). Due to high risk, traditional banking has neglected these communities. On the other hand, MFIs and SHGs work on the principles of group lending, social collateral, and peer monitoring, which are more relevant to the realities of these segments (Harper, 2002). Significantly, SHG-based microfinance models have been interlinked with SC/ST members' participation in financial decision-making and collective action, therefore improving their social status and increasing bargaining power within the household and community level. Research affirms that access to microfinance can lead to positive outcomes in terms of social empowerment among SC/ST beneficiaries. Evidence from Madhya Pradesh and Tamil Nadu indicates that microfinance programmes have had particularly strong impacts on scheduled caste women, leading to improvements in self-esteem, mobility, and engagement in community affairs (Sinha, 2005). In a similar study among ST women in the tribal districts of Odisha, it was concluded that involvement in self-help groups (SHGs) from a livelihood perspective helped reduce the prevalence of domestic violence and improved access to health and education services (Rao & Raju, 2014). Although not easily measurable, these social gains reflect a transition from passive reliance to active participation in society, which is a fundamental aspect of empowerment.

Microfinance isn't all about caste and tribe based exclusion, its transformative power is much wider. PwDs are subject to different struggles, such as physical inaccessibility, social discrimination, and fewer livelihood options. As documented by World Bank (2009), people with disabilities (PwDs) in India face greater unemployment and poverty rates. In this context, microfinance has emerged as a beacon of hope, carrying the promise of economic stability and social inclusion. The people with disabilities (PwDs) can start small businesses that suit their physical capabilities and passions with the help of microcredit, leading to less reliance on relatives or social welfare. New models of microfinance have evolved with special focus on PwDs. In India, inclusive SHGs such as those promoted by the SERP in Andhra Pradesh have been initiating groups that actively try to bring in PwDs not just for credit, but also offer capacity building experience, vocational training and assistive devices (Singal, 2011). Such interventions target various aspects of empowerment, including psychological (self-esteem), social (community status), and economic (income). The framework directly aligns with the concept of microfinance that expands choices available for PwDs. An equally significant element is the sense of community and togetherness that microfinance cultivates among marginalized populations. The SHG platform turns into an arena for not just financial transactions but also shared learning, mutual support and collective voice. This fosters a strong sense of belonging and collective agency, particularly among SCs, STs, and PwDs, who often experience social isolation and invisibility, making it a profoundly empowering experience. The social capital generated through group-based microfinance mechanisms facilitates challenge to status quo and negotiations for power dynamics within existing socio-political structures, as summarized by Batliwala (2007).

Microfinance should be viewed with caution, as it does not offer a simple or complete solution to long-standing social inequities. Without supportive policy frameworks, microfinance has at times led to negative outcomes such as over-indebtedness and the replication of existing social hierarchies within group structures (Shylendra, 2006). Programs must be culturally appropriate and specifically tailored to the needs of SCs, STs, and PwDs, rather than adopting a one-size-fits-all approach aimed at the general population. In this context, it is essential to recognize the critical role of the state through both policy frameworks and institutional arrangements. Several schemes, including the National Rural Livelihoods Mission (NRLM) and the Deendayal Disabled Rehabilitation Scheme (DDRS), have integrated aspects of microfinance and Self-Help Groups (SHGs) to incorporate social inclusion functions within their frameworks. But this requires good implementation and regular monitoring to ensure that the benefits truly reach their intended beneficiaries. In order to scale inclusive microfinance initiatives, the engagement of a multi-stakeholder approach such as public-private partnerships, community-based organizations and many other NGOs with a focus on quality, accountability and empowerment outcomes is needed.

Microfinance has proved to be immensely powerful in impacting SC/STs and Persons with Disabilities (PwDs) by contributing to resource access, self-dependence and, social inclusion. Despite existing challenges, the implementation of microfinance continues to demonstrate that, when executed effectively, it can play a transformative role in empowering marginalized individuals and integrating them into the broader socio-economic fabric of the nation. The journey from exclusion to empowerment is not a straight line; however, microfinance can and does uplift families. When integrated into a broader social justice strategy, it can serve as a pathway toward change, dignity, and the agency that all individuals rightfully deserve.

2. SOCIAL EMPOWERMENT AND MARGINALIZED GROUPS

Social empowerment refers to the process through which individuals, by becoming aware of their situation, gain the capacity to exercise control over their lives, access essential resources, and engage meaningfully in social structures and political institutions. According to Kabeer (1999), empowerment involves the expansion of people's ability to make strategic life choices in contexts where such capacity was previously denied. For marginalized communities such as Scheduled Castes (SCs), Scheduled Tribes (STs), and Persons with Disabilities (PwDs), social empowerment must encompass both structural transformation and psychological upliftment. According to Batliwala (2007), social empowerment encompasses multiple dimensions, including the reconfiguration of power dynamics, a rise in self-worth and confidence, and improved access to public services and institutions. Empowerment is said to be more collective for historically disadvantaged communities, and group-based interventions are more effective than individual-based ones (Corn-wall & Edwards, 2010). At the core of microfinance-based models, particularly self-help groups (SHGs) are straightforward principles that create a structure for empowerment by facilitating access to financial resources and fostering social capital.

3. SELF-HELP GROUPS IN INDIA AND KERALA

The SHG movement in India started in the 1980s and was accelerated when NABARD launched the SHG-Bank Linkage Programme in the early 1990s. The goal was to assimilate the rural poor, particularly women, into the formal financial system. As per Sinha (2005), SHGs are one of the most powerful instruments to address poverty, initiate social mobilization, and empowerment both in rural and semi-urban areas. The Kudumbashree Mission in Kerala is one of the best among the SHG in India combining both economic development along with social empowerment. John (2009) highlights that Kudumbashree's decentralized, community-based model has improved women's participation in local governance, enhanced livelihood opportunities, and led to positive shifts in gender roles. The model's success lies in its convergence of microfinance, capacity-building, and community development under one umbrella. Studies by Nair (2013) and Thomas & Raj (2014) show that SHGs in Kerala, especially under the Kudumbashree initiative, have had a measurable impact on increasing the agency, voice, and decision-making power of marginalized women. The inclusiveness of SHG platforms has also helped bridge caste and class divisions to a certain extent, although challenges persist in ensuring full participation of SC/ST and PwD members.

4. MICRO SAVINGS AND MICRO CREDIT – A CRITICAL ANALYSIS

Micro-savings, as a key component of microfinance, allow low-income individuals to accumulate small amounts of money over time. These savings help households cope with emergencies, consumption, and invest in productive activities. Rutherford (2000) asserts that poor people prioritize safety and accessibility over interest rates when it comes to savings, and micro-savings schemes provided through SHGs or MFIs fulfill

needs effectively. In the Indian context, Harper (2002) found that micro-savings contribute not only to economic resilience but also to a sense of financial discipline and independence among SHG members. Particularly for SC/ST groups who have limited or no access to formal banking, micro-savings provide a critical entry point into financial inclusion. Moreover, savings group participation fosters peer accountability and collective management, reinforcing social capital and cohesion.

Microcredit is the most recognized form of microfinance and is aimed at providing small loans to poor and marginalized people for income-generating activities. The Grameen model and its adaptations in India have shown that access to credit can transform livelihoods when combined with supportive structures. Yunus (2003) emphasizes that microcredit is not charity but a strategy for building capacity and entrepreneurial behavior among the poor. Empirical studies in India show that microcredit has enabled SHG members to start small enterprises, invest in agriculture or trade, and reduce dependency on moneylenders (Shylendra, 2006). For SC/ST women, credit has allowed diversification of income sources and improved their position within the household. However, as pointed out by Deininger and Liu (2009), credit alone does not ensure empowerment; the outcomes depend on the control over loan usage and the social context of borrowers. In Kerala, research by Pradeep & Thomas (2015) confirms that microcredit initiatives have supported household-level economic activities and reduced income vulnerability, particularly among women in coastal and tribal regions. The study notes that sustained income generation often requires additional inputs such as marketing support and skill training.

5. PROBLEM STATEMENT AND STUDY OBJECTIVES

Even as a developing economy, India continues to suffer from systemic inequality and exclusion affecting marginalized social groups, particularly Scheduled Castes (SCs), Scheduled Tribes (STs) and Persons with Disabilities (PwDs). These groups tend to be more vulnerable to poverty, illiteracy, unemployment, and have less access to basic services such as health, education, and financial institutions. Continued structural barriers, including systemic caste discrimination, geographical remoteness, and restricted mobility, exclude them from the mainstream developmental processes. As a result, these groups continue to remain excluded from the broader wealth and socio-economic progress experienced by more privileged segments of society. Microfinance has been established in the last 30 years as a possible development tool to fight poverty and promote empowerment. Microfinance targets the unbanked by offering them small-scale financial services such as microcredit, micro-savings, micro-insurance and skill-building initiatives. But even more significantly, microfinance, bundled with SHGs, has worked wonders not just in enhancing incomes more broadly but also in building unity, confidence, and social participation. However, most microfinance programs in India have traditionally focused on women in general, with limited evidence regarding their outreach and impact among more vulnerable categories such as SCs, STs, and PwDs. There is a growing recognition that empowerment is not limited to economic gain; it also encompasses social empowerment, improvements in decision-making power, community engagement, and freedom from discrimination. Most of the empirical studies tend to emphasize income changes and financial sustainability, neglecting the broader and deeper social outcomes of microfinance participation. Furthermore, while Kerala has often been cited as a model state for SHG-led development through programs like Kudumbashree, research has examined whether and how these initiatives specifically empower SC/ST populations or integrate persons with disabilities into their fold.

The need for this study arises from the imperative to critically evaluate whether microfinance, particularly in the form of SHG-based models, serves as a transformative force for the social empowerment of these marginalized communities. As inclusion becomes a central theme in development policy, examining the broader empowerment impacts of microfinance beyond its economic benefits is vital for fostering a more participatory development process. This study aims to address a significant research gap by exploring the social empowerment facilitated by microfinance among Scheduled Castes (SCs), Scheduled Tribes (STs), and Persons with Disabilities (PwDs). By addressing this gap, the study aims to offer insights that are both academically relevant and policy-informing, contributing to the design of more inclusive and responsive microfinance programs for India's most disadvantaged populations. To this end, the study outlines a set of objectives to be addressed, which will orient the research, organize the analysis, and render more transparent the extent and aims of the inquiry

1) To assess the role of micro savings in fostering the social empowerment of marginalized groups.
2) To examine the role of microcredit in enhancing the social empowerment of marginalized groups.

6. HYPOTHESES FRAMING AND CONCEPTUAL MODEL DEVELOPMENT

The key assumption of this study is access to microfinance and participation in micro-saving, micro credit contribute to the enhanced social empowerment of marginalized people

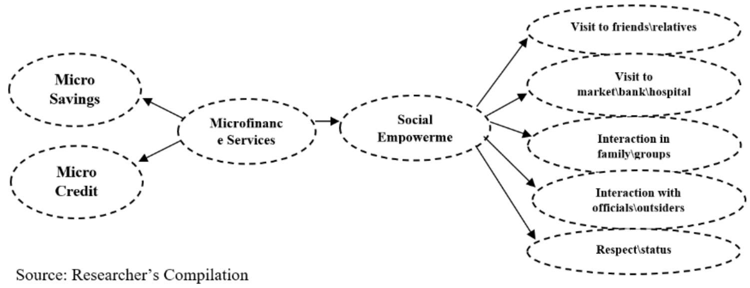


Figure 1 Conceptual Model

The present study proposes a conceptual model designed to examine the role of microfinance services including micro savings and micro credit on the social empowerment of marginalized individuals. The underlying premise of the model is that enhanced access to financial services specifically microcredit, micro-savings serves as a catalyst for broader social transformation. Within this conceptual framework, Microfinance is identified as the independent variable, comprising two key components: microcredit, micro-savings. The dependent variable is social empowerment, which is measured through five key indicators that collectively reflect changes in individual mobility, social interaction, community participation and self-confidence. The central assumption of the model is that when marginalized populations such as Scheduled Castes, Scheduled Tribes, and Persons with Disabilities gain greater access to these microfinance services, they are more likely to experience meaningful social empowerment. Following this conceptual framework, the following hypotheses are formulated:

H1: Participation in Micro savings positively effects social empowerment of marginalized groups.

H2: Access to Microcredit positively effects social empowerment of marginalized groups.

To test these hypotheses, a conceptual model has been developed to illustrate the relationships between the key variables. This model recognizes the potential of microfinance to contribute not only to financial and economic improvements but also to broader social outcomes. By integrating components of microfinance such as micro credit, micro savings, the framework establishes a foundation for empirically examining their influence on social empowerment. The conceptual framework thus serves as a roadmap for the study, directing its analytical focus toward understanding how enhanced financial access translates into measurable dimensions of social development and inclusion.

7. RESEARCH METHODOLOGY

This study follows a descriptive and analytical research design, employing statistical tools such as descriptive statistics, confirmatory factor analysis (CFA), and structural equation modeling (SEM) to examine the relationship between microfinance services and social empowerment. Three randomly selected districts of Kerala that are Kannur, Ernakulam and Kollam from northern, central and southern regions of the state were selected for the study. The respondents of the study were members of Self-Help Groups (SHGs) belonging to marginalized sections of society, specifically Scheduled Castes (SC), Scheduled Tribes (ST), and Persons with Disabilities (PwDs). To ensure broader representation and improve the generalizability of the results, a multi-stage sampling technique was adopted. At the first stage, one district was randomly selected from each of the three regions of Kerala. At second stage, three blocks were selected randomly from each selected district. From these blocks, 20 self-help groups (SHGs) were randomly selected in the third stage. Finally, simple random sampling was applied again by choosing one member from each of the 180 SHGs selected. This sampling approach resulted in a final sample of 180 SHG respondents, with 60 participants selected from each district. The sampling procedure ensured fair representation of SHG members across various socio-economic groups and regions, thereby enhancing the generalizability of the findings.

A structured interview schedule was used to collect primary data, with specific emphasis on microcredit, micro-savings, and the key indicators of social empowerment. These indicators comprised frequency of visits to friends or relatives, frequency of attendance in home or group discussions, frequency of visits to markets and hospitals, frequency of attendance in official or external meetings, and nominal estimate of respect or social standing in the community. To provide further context for the study and support the findings of the literature review, efforts were made to source secondary data from the published works of government, previous empirical work and statistical reports. It also enabled additional insights regarding the prevalence and coverage of microfinance and empowerment initiatives in India along with the overall policy environment. Descriptive and inferential statistical tools were used for data analysis. Confirmatory factor analysis (CFA) was employed to evaluate the validity and reliability of the measurement constructs. Subsequently, structural equation modeling (SEM) was conducted to test the hypothesized relationships between micro savings, micro credit and social empowerment outcomes. The fit of the model was evaluated via multiple established indices, including the ratio of Chi-square to degrees of freedom (CMIN/df), the Comparative Fit Index (CFI), the Incremental Fit Index (IFI), the Goodness-of-Fit Index (GFI), and the Root Mean Square Error of Approximation (RMSEA).

8. RESULTS AND DISCUSSION

This section presents the main findings of the study as established through the statistical analysis that included CFA and SEM. The results of the descriptive statistics focused on presenting the pattern and distribution of the measures of social empowerment and those of micro savings and microcredit among the study population. The descriptive statistics can be viewed as the initial step in developing an overview of the level of the three core variables under investigation. As such, the subsequent analysis will be used to assess and explain the findings based on the study objectives and hypotheses. The section primarily aims to summarize the implications of the results in furthering the understanding of microfinance as a tool for empowering the marginalized.

8.1. DESCRIPTIVE STATISTICS OF SOCIAL EMPOWERMENT

This section presents the descriptive statistics related to key social empowerment indicators, offering summary of measures such as mean and standard deviation (SD). These items aim to capture the extent of social empowerment and changes in the respondents' status and recognition within their communities. The descriptive findings provide an overview of how respondents perceive and experience empowerment in various social contexts.

Table 1: Descriptive Statistics of Social Empowerment

Indicator Code	Items	Mean	Standard Deviation
SE1	Visit to friends\relatives	4.11	0.84
SE2	Visit to market\bank\hospital	3.94	0.89
SE3	Interaction in family\groups	4.02	0.91
SE4	Interaction with officials\outsiders	3.25	0.97
SE5	Respect\status	3.57	0.95
	Average Summated Score	**3.78**	**0.91**
	Summated Score	**18.89**	**4.56**

Source Primary Data

Table 1 provides descriptive statistics for social empowerment indicators. The highest mean was observed for "SE1= Visit to friends/relatives" with a score of 4.11 (SD = 0.84), indicating frequent social interaction and improved personal mobility among participants. "SE3=Interaction in family/groups", also scored high at 4.02 (SD = 0.91), suggesting active involvement in familial and peer discussions. "SE2=Visit to market/bank/hospital" recorded a mean of 3.94 (SD = 0.89), reflecting enhanced participation in public spaces and routine activities. However, "SE5=Respect/status" in society had a moderate mean of 3.57 (SD = 0.95), indicating partial improvement in perceived social recognition. The lowest score was found in "SE4=Interaction with officials/outsiders" at 3.25 (SD = 0.97), pointing to ongoing challenges in formal institutional engagement. Overall, the average summated score was 3.78 (SD = 0.91), and the total summated score was 18.89 (SD = 4.56), reflecting a moderate to high level of social empowerment with some variability across respondents.

8.2. DESCRIPTIVE STATISTICS OF MICRO SAVINGS

This section reports descriptive statistics for micro savings capturing responses of the participating individuals about their perceptions and experiences with different indicators of micro savings service. The indicators have factors that include interest rates, attractiveness of products, procedural simplicity, ease of withdrawal, and whether savings are mandatory offering a picture of perceived benefits and ease of use of micro saving.

Table 2 Descriptive Statistics of Micro Savings

Indicator Code	Items	Mean	SD
MFMS1	The savings interest is reasonable	2.15	1.07
MFMS2	The savings product option are attractive	2.32	1.01
MFMS3	The procedures are simple	3.85	0.99
MFMS4	The savings withdrawal is easy	3.54	0.97
MFMS5	The saving is compulsory	4.12	0.93
	Average Summated Score	**3.19**	**0.99**
	Summated Score	**15.98**	**4.97**

Source Primary Data

Table 2 presents the descriptive statistics of respondents' perceptions of micro-savings services within Self-Help Groups (SHGs). The overall average summated score is 3.19, indicating a moderate level of satisfaction with micro-savings features among SHG members. Among the individual items, "MFMS5=Saving is compulsory" recorded the highest mean score of 4.12, suggesting strong agreement and perceived effectiveness of mandatory saving practices in ensuring financial discipline. This is followed by "MFMS3=Procedures are simple" with a mean of 3.85, and "MFMS4=Savings withdrawal is easy" at 3.54, indicating positive experiences in accessing and managing savings. On the lower end, "MFMS1=The savings interest is reasonable" scored the lowest mean of 2.15, and "MFMS2=The savings product options are attractive" scored 2.32, reflecting dissatisfaction in the interest rates and variety of saving products offered. The summated score of 15.98 (SD = 4.97) reinforces the overall perception of micro-savings as somewhat effective but with area for potential improvement, particularly in terms of product attractiveness and financial returns.

8.3. DESCRIPTIVE STATISTICS OF MICRO CREDIT

This section contains descriptive statistics of the microcredit variables and gives a general overview of respondent perception and experiences in relation to different indicators of microcredit performance. These measures include loan interest rates, application process and terms of repayment in order to provide an idea of the perceived accessibility and user-friendliness of microcredit.

Table 3 Descriptive Statistics of Micro Credit

Indicator Code	Items	Mean	SD
MFMC1	The loan interest is reasonable	2.99	0.94
MFMC2	The loan obtaining procedure is simple	3.48	0.90
MFMC4	The loan repayment period is sufficient	3.01	0.98
MFMC5	The loan repayment procedure is easy	3.43	0.96
	Average Summated Score	**3.22**	**0.94**
	Summated Score	**12.91**	**3.78**

Source Primary Data

Table 3 provides the descriptive statistics on the respondents' perceptions regarding microcredit services received through Self-Help Groups (SHGs). The average summated score is 3.22, reflecting a moderate level of satisfaction with the microcredit provisions among SHG members. The item "MFMC2=Loan obtaining procedure is simple" received the highest mean score of 3.48, indicating that the respondents find the process of availing loans relatively straightforward. This is closely followed by "MFMC5=Loan repayment procedure is easy" with a mean of 3.43, highlighting positive experiences in repaying loans. In contrast, "MFMC4=Loan repayment period is sufficient" and "MFMC1=Loan interest is reasonable" received relatively lower mean scores of 3.01 and 2.99, respectively. This suggests that some respondents may find the interest rates high or the repayment periods inadequate to match their financial capacity. The summated score of 12.91 (SD = 3.78) further supports the perception of microcredit services being generally accessible and manageable, though there remains scope for improvement in terms of interest rates and repayment flexibility.

8.4. ASSESSMENT OF MEASUREMENT MODEL

The assessment of the measurement model is a crucial step before examining the structural relationships within a conceptual framework. This involves testing the reliability and validity of the latent constructs to ensure that they accurately measure the intended variables. In this study, constructs such as micro savings, microcredit and social empowerment were evaluated for their construct reliability, convergent validity, and discriminant validity using confirmatory factor analysis (CFA).

8.4.1. RELIABILITY AND VALIDITY ANALYSIS

The reliability and validity of the constructs used in the study were assessed using Cronbach's Alpha, Composite Reliability (CR), and Average Variance Extracted (AVE), in accordance with the guidelines proposed by Nunnally (1978), Hatcher (1994), and Fornell and Larcker (1981). Nunnally (1978) suggests that a Cronbach's Alpha value above 0.70 is acceptable for research purposes, indicating satisfactory internal consistency. Hatcher (1994) states that a higher level of reliability is indicated when the value of Composite Reliability surpasses 0.6, although Fornell and Larcker (1981) recommend a minimum threshold of 0.7 to ensure stronger construct reliability. Fornell and Larcker (1981) also provide the widely accepted criteria for assessing convergent validity, which include ensuring CR values are greater than 0.70 and AVE values exceed 0.50. Moreover, for constructs to demonstrate good convergent validity, the CR should be higher than the AVE.

Table 4 Reliability and Validity Statistics of Constructs

Construct	Cronbach's Alpha	Composite Reliability (CR)	AVE	√AVE
Social Empowerment	0.859	0.931	**0.730**	0.854
Micro Savings	0.821	**0.911**	0.674	0.821
Micro Credit	0.854	0.875	0.636	0.797

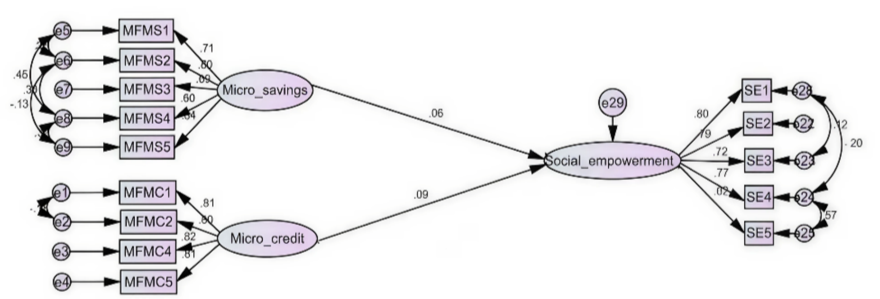
Source Primary Data

Table 4 presents the reliability and validity statistics of constructs in study. It shows that all three constructs - social empowerment, micro savings, and micro credit satisfy above recommended conditions. The Cronbach's Alpha values for these constructs range from 0.821 to 0.859, indicating strong internal reliability. Similarly, the CR values range from 0.875 to 0.931, exceeding both the 0.6 benchmark set by Hatcher (1994) and the more stringent 0.7 threshold recommended by Fornell and Larcker (1981). Regarding AVE, all three constructs shows values above the acceptable 0.50 threshold, Social Empowerment with 0.730, Micro Savings with 0.674, and Micro Credit with 0.636. These figures suggest that each construct captures a substantial proportion of variance relative to measurement error, confirming the presence of convergent validity.

The square root values of AVE for each construct are also sufficiently high, which supports the distinctiveness of each construct. Discriminant validity was assessed using the Fornell and Larcker criterion. According to this criterion, the square root of the AVE for a construct must be greater than its correlations with other constructs. This condition was satisfied for all constructs in the study, indicating that each construct is conceptually distinct and does not overlap significantly with others. Overall, the reliability and validity analysis affirms that the constructs used in the study are both consistent and valid. The measurement model is robust, with strong support for the internal reliability and validity of the constructs, thus ensuring the credibility of the structural model and the subsequent hypothesis testing.

9. ASSESSMENT OF STRUCTURAL MODEL

The second stage consists of an evaluation of the structural model. This step evaluates the degree to which the theoretical framework fits the actual data and measures the magnitude of the relationship between micro-savings, microcredit and social empowerment.



Source AMOS Output

The structural equation model (SEM) investigates the hypothesized relationship between micro savings, micro credit and the social empowerment of marginalized individuals. The latent construct MFMS, MFMC representing the independent variable. Similarly, the dependent construct - Social Empowerment is represented by five indicators: SE1 to SE5.

Table 5 Fit Indices of the Measurement Model

Variable	Value	Threshold value	Reference	Remarks
CMIN/DF	2.31	< 5	Marsh and Hocevar (1985)	**Acceptable**
GFI	0.936	> 0.90	Jöreskog, K.G.,& Sörbom, D. (1989)	**Acceptable**
RFI	0.911	> 0.90	Bollen, K.A. (1986)	**Acceptable**
NFI	0.927	> 0.90	Bentler, P. M., & Bonett, D.G. (1980)	**Acceptable**
IFI	0.964	> 0.90	Bollen, K.A. (1989)	**Acceptable**
CFI	0.963	> 0.90	Wheaton et al. (1977)	**Acceptable**
RMR	0.043	< 0.05	Hair et al., (2006)	**Acceptable**
RMSEA	0.047	< 0.08	Cangur and Ercan (2015)	**Acceptable**

Source Primary Data

The fit indices presented in the table indicate that the measurement model demonstrates a good fit with the observed data. The CMIN/DF value is 2.31, which falls well below the acceptable threshold of 5, suggesting a reasonable fit between the hypothesized model and the data (Marsh and Hocevar, 1985). The Goodness-of-Fit Index (GFI) is 0.936, exceeding the minimum acceptable value of 0.90 (Jöreskog and Sörbom, 1989), which indicates that the model explains a substantial portion of the variance-covariance matrix. Similarly, the Relative Fit Index (RFI) and Normed Fit Index (NFI) are 0.911 and 0.927 respectively, both of which surpass the recommended threshold of 0.90, confirming the adequacy of the model (Bollen, 1986; Bentler and Bonett, 1980). Further, the Incremental Fit Index (IFI) and Comparative Fit Index (CFI) are 0.964 and 0.963 respectively. These values exceed the 0.90 benchmark, indicating an excellent fit of the model to the data (Bollen, 1989; Wheaton et al., 1977). In terms of error indices, the Root Mean Square Residual (RMR) is 0.043, which is less than 0.05 and denotes a low residual error (Hair et al., 2006). The Root Mean Square Error of Approximation (RMSEA) value is 0.047, which is well below the recommended maximum of 0.08, reflecting a close fit of the model (Cangur and Ercan, 2015). Overall, all fit indices meet the recommended cut-off values, supporting the conclusion that the measurement model fits the data well.

Structural Path		Standardized Estimates	P
Social Empowerment ←	Micro Savings	0.06	0.007
Social Empowerment ←	Micro Credit	0.09	0.012

Source Primary data

The Structural Equation Model (SEM) evaluates the influence of two key dimensions of microfinance such as micro savings and micro credit on the social empowerment of marginalized groups. Each latent construct in the model is measured through multiple observed indicators, and the model visually and statistically explains how these financial services contribute to the development of social empowerment. The SEM results reveal that both micro savings and micro credit have a positive and statistically significant impact on social empowerment. The standardized path coefficient from micro savings to social empowerment is 0.06, with a p-value of 0.007. Although the effect size is small, this indicates a meaningful relationship. It suggests that regular participation in savings programs and access to user-friendly savings services can slightly enhance an individual's sense of social empowerment. However, the low coefficient value also implies that the isolated impact of micro savings on broader aspects of empowerment remains limited. While it may improve financial discipline and promote future-oriented financial behavior, its overall influence on empowerment is modest. Similarly, the path from micro credit to social empowerment shows a standardized coefficient of 0.09, with a p-value of 0.012, confirming statistically significant relationship. This suggests that access to credit services can contribute to social empowerment by promoting financial autonomy, decision-making ability, and increased participation in community-level activities. Although micro credit may not be the strongest predictor of empowerment on its own, it plays a critical role in enabling economic opportunities for disadvantaged and excluded groups.

Based on the results of the Structural Equation Modeling (SEM), both hypotheses of the study were supported. Therefore, Hypothesis 1 (H1), which proposed that participation in micro savings positively affects the social empowerment of marginalized groups, is accepted. Similarly, Hypothesis 2 (H2), which proposed that access to microcredit positively affects the social empowerment of marginalized groups, is also accepted. Although the effect sizes are modest, the significance of these relationships confirms the role of microfinance services in contributing to social empowerment outcomes. These findings support the broader view that microfinance services contribute positively to the empowerment of marginalized populations. Microfinance, when implemented effectively, can help lay the foundation for long-term socio-economic inclusion and development.

10. STUDY IMPLICATIONS

The findings of the Structural Equation Modeling (SEM) reveal that both micro-savings and micro-credit have a statistically significant but modest impact on the social empowerment of marginalized groups. This suggests that while microfinance initiatives are indeed helpful, their standalone effects on empowerment are limited. Therefore, it is essential for policymakers and microfinance institutions to recognize that access to financial services alone may not be sufficient to bring about substantial social transformation.

The relatively small effect of micro-savings implies that simply encouraging saving behavior is not enough to ensure meaningful empowerment. Efforts should be made to strengthen micro-savings schemes by making them more accessible and user-friendly. In addition, financial literacy programs that promote saving discipline, future planning, and money management can enhance the impact of these schemes. Similarly, the positive but limited influence of micro-credit on social empowerment indicates that access to loans may help individuals improve their financial autonomy and participate more actively in community life. However, to realize its full potential, micro-credit must be supported by complementary services such as entrepreneurship training, business support, and mentoring. These additional interventions can help beneficiaries make better use of credit facilities for income-generating and empowerment-oriented purposes.

Overall, the findings highlight the need for an integrated approach to microfinance. Combining financial services with non-financial support mechanisms such as leadership training, group capacity building, and community development initiatives can lead to stronger outcomes in terms of empowerment. Furthermore, policies should also address deep-rooted social barriers such as gender inequality, low levels of education, and restricted mobility, which may prevent marginalized individuals from benefiting fully from microfinance programs. In conclusion, while microfinance plays a valuable role in empowering marginalized communities, its impact is significantly enhanced when it is delivered as part of a broader development strategy that includes social, educational, and psychological support.

11. CONCLUSION

This study concludes that microfinance services, particularly micro savings and micro credit play a vital role in enhancing the social empowerment of marginalized groups. The findings highlight the need for an integrated approach that combines financial access with capacity-building initiatives to achieve meaningful and sustainable social empowerment. A multidimensional strategy is essential for addressing the complex realities faced by marginalized communities.

CONFLICT OF INTERESTS

None.

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