

# A Study on Impact of Microfinance Through Self-Help Groups on Economic Empowerment of the Beneficiaries in Uttarakhand.

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**ABSTRACT** --Microfinance has enabled the active poor to have access to all financial products which has never been utilized in the traditional financial system. Self- help Groups (SHGs) are meant to empower women both socially and economically. They encourage women to participate in decision making in the household and on social issues and prepare rural women to take up leadership positions. *This paper sheds a light on the economic empowerment of the beneficiaries in Uttarakhand. The study has been undertaken by collecting the primary data from 507 SHGs members from three districts of Uttarakhand. The study helps in explaining the impact of microfinance in economic empowerment of the members in State of Uttarakhand.*

**Keywords**-- *A Study on Impact of Microfinance Through Self-Help Groups on Economic Empowerment of the Beneficiaries in Uttarakhand*

## I. INTRODUCTION

Poverty is the foremost cause of distress in improving the financial situation of developing countries. It is more severe in rural sector. The major recognized limitation that is suffered by the poor rural people is scarcity of formal source for funds to facilitate them to take benefit of financial prospect to enhance their production and revenue. This can help them to unlock the doors of poverty. The extensive elongated poverty along with severe other evils, is the biggest obstacle of today's time. Conventional assistance was not successful in solving this major issue. The formal credit system of banks is away from the reach of the poor due to bureaucratic bottleneck and Governmental policy obligation. Particularly women's access to credit is inundated with numeral problems which hinder the growth of women. So, in the context of poverty alleviation, credit comes as the bridge which enables the poor to cross poverty syndrome. For uplifting the condition of women self-recognition and confidence are considered as the mainly influential tools. This has now given the birth to the genesis of self-help groups.

Advancement of credit through SHGs has been found to be one of the most appropriate mechanisms to trigger development impulses of the poor. This has enabled a numerous government and non-governmental associations to create a way for associating the deprived group into cluster for their common aid and prudence. One such way that enables the poor people to get monetary help and to develop them is micro finance Lindvert (2006). Morduch and Haley (2001), is of the view that microfinance has demonstrated to be an effectual and commanding instrument for poverty eradication. In 2003, Khandker states that the microfinance revolt has altered approach towards serving

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the deprived community in numerous countries and in few places, it has offered extensive flood of funds, to people with small earnings who were until now been barred by the conventional financial institutions.

Microfinance evolved in the 1970s has led to integrating the practice of the societal and overall development concepts of an economy, as well as main beliefs that lie beneath the monetary and profitable markets. There has been increasing number of sustainable microfinance institutions throughout the world Otero (1999). Shastri (2009) analyzed that microfinance is the finest way to struggle against scarcity. The issue of idleness can be settled by making independent work openings and this will help in battling against neediness. As stated in the paper that 24 crores people in India are underneath the poverty line. The author concluded that the proposal of Microcredit has been established as an effectual weapon for elevating the weaker section above the intensity of paucity by helping them in creating opportunities for self-employment. The research carried by Shirazi and Khan (2009) also reflected that there is an elementary association between micro financial activities and suppression of paucity, in that aspect microcredit helps the poor fast right to use to, and have power over, reasonably productive resources, that includes financial resources.

Rena, Ravinder and Tesfy (2006) stated that micro finance has been the base for lessening of poverty. The research reflected that there is an elementary association between microfinance and suppression of scarcity, poverty diminution is dependent on the deprived citizens gaining admittance to, and managing efficiently productive resources, which includes financial resources. Earlier employed plans have not successful in generating outstanding outcome due to the less involvement of the poor people. The authors have concluded that the schemes of poverty suppression of government should be reorganized. If it cannot be reorganized than it ought to concentrate on the critical need method. Micro finance is the means of creation of revenue and the technique for everlasting decline of scarcity with the help of the facilities of healthiness, edification, shelter, hygiene water supply and sufficient nourishment.

## **II. LITERATURE REVIEW:**

The literature review is an integral part and plays a significant role in research work. It gives right perspective by screening the volume of work that has been carried out in the related areas of the study. A detailed assessment of literature is of supreme significance to any research attempt. An assessment of research studies previously carried out in the area will be valuable in providing path to additional study. Microfinance Institutions (MFIs), an stressed on rural households, facilitates them by providing savings and credit products, a great focal point on reliability and more over the sector is in the possession and drove by Ethiopian (Ebisa, Getachew and Fikadu, 2013). Microfinance institutions can widen their facilities by channelizing their savings, admittance loan funds, capital markets and effectual institutional development sustainability. Microfinance institutions can provide savings facilities from the funds generated through amount deposited or make provision with other financial institutions to offer savings services to tap the small savings of poor people in a supple mode (Barry 1995). One way of growing the booming business of the microfinance in the informal sector is by the way of strengthening it with formal sector. A commonly valuable joint venture should support on relative power of each sector. Informal sector microfinance institutions have relative benefit over the formal group in relation to low transaction costs attained due to suppleness of procedures. They are superior to look after the credit estimation of the poor urban

people and hence to suck up the operational costs connected with credit dispensation. As regard to talking about the formal sector institutions, they have power to use to wider source and elevated influence through the deposit mobilization (Christen et.al.1994)

Gangaiah et.al. (2006) considered the role of microfinance through Self Help Groups on employment and income in Andhra Pradesh. The district taken was Chitoor district. 202 households were randomly selected from 17 Self-help groups for the purpose of the research. The results came out were explaining that on the borrowings created on an average employment of 184 per house hold and Rs. 19,578 average earning per family that was adequate in order to fetch the rural people to move above the line of poverty. The observation of the sample members exposed to effective and effectively utilization of the earnings they produced from the borrowings taken. 39.11% of the sample members reused the earnings into the agriculture, 20.34% of sample members projected that they have used some portion of their income for the purpose of the education their children and 15.84% of sample members have utilized it on the health. Members have productively utilized the income that has been earned by them.

Vetrivel, S. C. et al. (2010) get an insight of the role of microfinance on women employment through Self Help Groups (SHGs) Bank Linkage Programs which has been successful not only in meeting financial needs of the rural poor women but also in strengthening collective self-help capacities of the poor leading to their empowerment. The research presents some findings the microfinance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programs. Khandker (2005) in his paper examines the effects of microfinance on poverty reduction in case of both the participant non-participants and the aggregate levels using panel data from Bangladesh. He observed that microfinance raises per capita household consumption for both participants and non-participants. The results suggest that access to microfinance contributes to poverty reduction, especially for female participants, and to overall poverty reduction at the village level. Microfinance thus helps not only poor participants but also the local economy. Microfinance reduces the average village poverty level by 1 percentage point each year in program areas, some 40 percent of the observed village-level poverty reduction. Microfinance has a slightly higher impact on extreme poverty than on moderate poverty for everybody.

Ramji and Tripathi (2009) in the paper concluded that approximately 68% of members have taken borrowings from the self-help groups though they did not have any access to financial institution during the year 2005-06; percentage of loaners to members demonstrates that there has been growth in authorization to funds by members. It is also relevant that there is enhancement in the percentage of credits as compared to enhancement in the percentage of the members. Out of total loans given, the cooperative societies have also disbursed funds of 72.9%. The extent of external loans has swollen in quantitative terms but in terms of percentage it has shown a downward trend. The rate of development can only be possible when rate of growth of deposits and rate of growth in loans are at the same pace. In the same manner, the quantity of deposit mobilization has turned down; the total supply of funds for lending has also wilted. There is an indication that amount of money deposited in the self-help cooperatives will decide the amount of funds that will flow in these self-help co-operatives. The Credit Deposit Ratio (CDR) has been higher than 100% point out at complete consumption of deposits mobilized. The percentage of the refund was about 85% of the total loans disbursed. The members have the facility of taking up the demand loans; elevated incident of right to use credit by strong persons may not basically be habituated by saving of members in Credit Deposit.

Sudalaimuthu and Kumar (2008) analyzed the SHGs formation, functions and socio-economic status of households previous to and subsequent to becoming the member of the group. The research was based on secondary and primary data of 150 samples with limited study area of Coimbatore district. The average income of members of SHG has increased by 56.4 percent as compared to the average expenditure that has increased by 41 per cent. In reaction to explanation for creation of self-help group by people, the main reason given was little rate of interest and besides that was to earn and to move out of the poverty. NGOs were performing a chief function in achieving the aims of the members whereas Government officials were at the last. The chief benefits members of SHGs expected are credit facility, participation in public affair while better socio-economic status and leadership quality holds minor. Therefore, the authors have suggested government intervention in providing training, involvement of educated members, marketing facility and fixation of prices for their products.

Pathak and Pant (2008) conducted one study in the Juanpur district of Uttar Pradesh by comparing clients with non-clients and also using the before-after methodology. They reported that micro financing through SGSY has not contributed significantly in the change in the level of income of the beneficiaries. But positive results were found on the non-income indicators like improvement in access to safe drinking water, sanitation facility, electricity usage and housing conditions.

### **III. PROFILE OF UTTARAKHAND**

Uttarakhand is the 27<sup>th</sup> state of Indian Republic that resides between 28° 44' & 31° 28' N Latitude and 77° 35' & 81° 01' East longitude. It was engraved out of Uttar Pradesh on ninth November 2000 by technique for 13 Districts. The land area of the state is 53483 sq. km and the topography and region of the state is generally steep with colossal regions that are verified with snow and sharp slopes. It is related with North-Eastern point of confinement with Tibet, North-Western utmost with Himachal Pradesh, Eastern with Nepal and Southern with fields of UP while, as far as possible is pantomime and whatever remains of the particular Northern. The Eastern and Western breaking points are verified ordinary with Yamuna and Tons streams in West, Kali in the East and the Indo-Tibetan watershed in the North. As such the state is of extensive centrality not only for various states, downstream in light of soil and clamminess assurance anyway intentionally moreover due to its worldwide periphery with Nepal and Tibet (China).

### **IV. MICROFINANCE IN UTTARAKHAND**

The SHG advancement started in Uttarakhand, since it has cut as another state from Uttar Pradesh in 2000. The eventual outcomes of Uttarakhand's BPL assessment for 1997 and 2012 show a reduction in BPL-based nation poverty. With brought rate of advancement up in GSDP of Uttarakhand in the midst of the progressing years, the dejection would have turn down further in the state. In this manner, in light of BPL assessment, occasion of desperation in Uttarakhand is lower than its parent state and all India typical yet much unrivaled than the neighboring region of Himachal Pradesh. Similarly, as other diverse states, Uttarakhand too has begun unmistakable plans like Swarna Jayanti Gram Swarojgar Yojana (SJGSY), Swashakti Project, Swayamsiddha program, and JFM, which are assessed to make free work provoking viable dejection alleviation and money related reinforcing.

Smaller scale fund foundations and Self-help gatherings (SHGs) are the key inspirations and provider of microfinance to the populace in the rural regions of the slope areas. The presence of small-scale fund establishments in separated regions is very well known however there is less development of the SHG bank linkage program in the district because of the customary strategy of the keeping money segment. Between administrative divisions require coming by and large to produce cognizance among the general population and to make the managing an account and credit part work capably in the retrogressive territories of the slope regions. The casual strategy for financing plays a noteworthy position in getting the rural individuals. The linkages can be made more grounded through the inclusion of the provincial rural banks, nationalized banks and SHGs. The Small Industries Development Bank of India (SIDBI) is vigorously working in this ground. A four-year-old association with 8,500 advance customers is another foundation is MIMO Finance. Out of these customers, 96 percent are females. Apart from the 250 advance customers, the leftover individuals are from Uttarakhand. It doesn't allow credits as it is a just business money association. MIMO thinks about that there can be an enormous commercial center for money related administrations. It present advances averaging Rs.25, 000 to joint risk gatherings, each having 5 individuals. All credits are dispensed to females that are not ready to directly utilize banks, and are at the compassion of private cash moneylenders. MIMO gives credits at the entryway with no confirmation, and makes accumulations through basic week after week and regularly scheduled payments. It is obligatory to cover for all customers and their companions by disaster protection.

Amid the most recent two decades an assortment of network-based gathering was made in Uttarakhand under various non-government and government programs. Starting at 31 November 2010, 15021 women SHGs were made in the state under Swarn Jayanti Gram Swarozgar Yojna), in excess of 4000 network-based associations including 3049 SHG were molded under Ajeevika Pariyozana till 31 January 2009. Most SHGs were made under watershed projects, and NABARD additionally stepped up with regards to the thought process to authorize the women and to diminish the neediness in Uttarakhand.

The Reserve Bank of India (RBI) has prescribed activities to show signs of improvement keeping money offices in Uttarakhand. They support that with the help of nearby agrarian colleges, agro business focuses, and Krishi Vigyan Kendras might be taken to show signs of improvement nature of information and yield. It is prudent to include the banks as a gathering to talk about with the makers to accommodate the issue identified with the credit. This might be taken as a solitary window clearances or tie-ups. Banks may likewise extend such civilities to the business visionaries, in any event in their particular SME branches. So as to make it simple for the borrowers to utilize the advances all the more profitably, credit in addition to approach ought to be incorporated by the banks in their budgetary consideration plans. They would require amplifying advertising, protection, consultancy administrations, and so forth, as they have the right to utilize mechanical improvements taking position in horticultural colleges, IITs, and research foundations. Because of the time, cost and separation for the customers to visit the part of the bank, especially in remote regions, banks can intensely utilize the business facilitator model to grow their effort. Banks may likewise perceive very much regarded nearby people like mailmen, teachers, essential wellbeing specialists or resigned armed force authorities. A few banks have set out the Rural Development and Self Employment Training Institutes (RUDSETI). Such limitations have aggravated the bank demographic and reminded a decent reaction from borrowers. Boss open part banks in the state may consider setting up a like foundation in significant urban areas.

## **V. OBJECTIVES OF THE STUDY:**

The objective of the study is to identify the various determinants of economic empowerment and to analyze the role of microfinance through self-help groups on economic empowerment of the beneficiaries in Uttarakhand.

### ***Hypothesis:***

H0: MF has no impact on the economic empowerment.

H1: MF has impact on the economic empowerment.

## **VI. METHODOLOGY OF THE STUDY:**

### ***Scope of the Study:***

This study is based on the primary data collected through questionnaire from the respondents as well as secondary data. The secondary data has been taken from the evaluation of the performance of the prominent institutions like NABARD, Commercial Banks, RRBs and DRDA, which are closely associated with the development of microfinance in India. Similarly, primary data pertaining to the opinions, views and perceptions of the beneficiaries are collected through a questionnaire from the study area. Three districts from Uttarakhand were purposively chosen for the study since the researcher hails from the same state.

### ***Statistical Tools adopted:***

The data collected through the questionnaire has been analyzed with the help regression analysis.

### ***Sampling Technique:***

A multi-stage-sampling technique is used for the finalization of the size of sample beneficiaries for the study.

In first stage three districts Udham Singh Nagar, Dehradun and Nainital are selected from thirteen districts on the basis of largest number of self-help groups. From each district blocks were identified. The number of blocks in Udham Singh Nagar, Dehradun and Nainital were 7, 6 and 8 respectively. As the blocks were less in number so beneficiaries were selected randomly from each block. 161 beneficiaries were selected from Dehradun. 149 beneficiaries are selected from Nainital and 198 from Udham Singh Nagar. The care has been taken to select equal number of beneficiaries from each block in each district.

### ***Parameters used in study:***

To accomplish the objective of the study fifteen variables for economic empowerment were identified through literature review.

- Increase in self-confidence level
- Enhancement in entrepreneurial skills
- Growth in business
- Better access to health care
- Meet Children's education expenses

- Meeting spouse money requirement
- Awareness about rights
- Control over assets
- Financially Stable
- Increased assertiveness
- Improved Status at home
- Autonomy and Mobility
- Growth of family income
- Self-esteem
- Improvement in the decision-making ability

The reasons of involving in MF and joining SHGs were enquired from the respondents. The variables that motivated and induced them to join SHGs are:

- Easy to get credit
- No collateral security
- Low Interest rate charged
- Long installment period
- Socio-economic status
- Emergency purpose
- Savings
- To meet Family expenses

#### ***Limitations of the Study:***

Due to the resource and time constraints, the sample survey was carried out in only three districts of Uttarakhand.

#### ***Analysis and Interpretation***

The mean values of all the variables for each respondent for both reasons of involving in microfinance and variables of economic empowerment were taken. The simple regression analysis has been done to see the impact of microfinance on economic empowerment. The null hypothesis is tested. The model taken is given below:

$$\text{Economic Empowerment} = \alpha + \beta * \text{MF} + e$$

## **VII. REGRESSION ANALYSIS OF IMPACT OF MICROFINANCE ON ECONOMIC EMPOWERMENT**

### **Model Summary**

<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.671 <sup>a</sup>	.450	.449	.50201

<b>ANOVA<sup>b</sup></b>						
<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
	Regression	104.211	1	104.211	413.510	.000 <sup>a</sup>
	Residual	127.268	505	.252		
	Total	231.479	506			
a. Predictors: (Constant), MFI						
b. Dependent Variable: Economic emp						

<b>Coefficients<sup>a</sup></b>						
<b>Model</b>		<b>Un-standardized Coefficients</b>		<b>Standard</b>	<b>t</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>ized Coefficients</b>		
	(Constant)	2.248	.099	Beta		
	MFI	.493	.024	.671	22.802	.000
a. Dependent Variable: Economic empowerment					20.335	.000

*Source: Primary Data*

The regression analysis clearly indicates there is impact of microfinance on the economic empowerment of the beneficiaries. The equation is given below:  $\text{Economic Empowerment} = 2.248 + 0.493 * \text{MFI} + e$

The equation explains that 0.493% impact on economic empowerment is explained by microfinance activities in Uttarakhand. Thus, rejects the null hypothesis “MF has no impact on the economic empowerment. “Microfinance activities have positively impacted the members of the state.

## VIII. CONCLUSION:

The study regarding impact of microfinance through self-help groups reflected that after joining the groups, the members have been involved in microfinance activities. As a result, there has been increase in their income earning capacities. This has led them to increase in spending on children, household expenditure, supporting spouse, repayment of debts, creation of assets and investing in new small ventures. As review of literature done in other states also reflected and supported the same that members have empowered themselves and have improved



their standard of living and social status. There has been impact a positive impact on economic empowerment among members.

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