

Role of Self Help Groups and Micro financing in the Social and Economic Development of Rural People in Uttarakhand (A Comprehensive Literature Review)

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ABSTRACT

In many developing nations, particularly India, the SHG program is gaining recognition as an innovation in the field of rural lending to assist the rural poor in alleviating poverty and empowering women. It is seen as a route for reaching the underprivileged and neglected segments of society, who would not normally be able to obtain loans from banks. The primary purpose of SHG beneficiaries is to remove poverty from their roots, and it assists them in combating poverty since there is a need for adequate money to be available for rural people. Women's empowerment in India is still a work in progress. Currently, self-help groups are playing a significant role in this direction. Women's participation in these groups has a significant impact on increasing their quality of life as well as their social upliftment in society. The current study is descriptive in nature and critically evaluates numerous empirical studies conducted in the Uttarakhand state of India on SHGs and microfinance. According to the findings of this study, studies conducted in Uttarakhand show that microfinance and self-help groups, in general, contributed to the development of the core poor in terms of economic well-being, poverty alleviation, and empowerment, resulting in the overall development of the rural poor.

Keywords: Microfinance, Self-Help Groups (SHGs), Socio-economic development, Women Empowerment.

I. INTRODUCTION

There is a very large population in India that lives in rural areas. According to the 2011 census, roughly 70% of India's total population lives in villages. According to the World Bank's collection of development indicators derived from officially recognized sources, India's rural population was 65.07 percent in 2020. Agriculture, self-employment, services, construction, and other rural activities contribute significantly to India's GDP. In spite of rapid industrialization in the country, the overall picture of the country is still the same, that is, the majority of the rural population in India lives in villages. The economic deprivation of a modern society's rural sector is the greatest problem it faces, and, building human capital among the poor is the most effective method for combating human deprivation. Microfinance via self-help groups has become a stepping stone for the underprivileged, allowing them to rise not just financially, but also socially, psychologically, and emotionally.

Microfinance: Microfinance is the provision of financial services to low-income individuals or organizations that have traditionally been excluded from traditional banking. Most microfinance institutions provide micro working capital loans, often known as microloans or microcredit. A micro working capital loan is a kind of loan or credit that is used to fund a business's day-to-day operations.

These loans are used to provide working capital to fulfill a company's short-term operating demands rather than to purchase long-term assets or investments. They are given for a short period of time, generally 1-3 years. Microfinance is provided for concerns such as the alleviation of poverty, financial support to micro-families and communities, entrepreneurs, gender development, and so on. It strives to increase access to financial services for underserved populations, particularly women and the rural poor, in order to foster self-sufficiency. However, there are many microfinance companies that also offer insurance and money transfers, and regulated microfinance banks offer savings accounts.

Self-Help Groups (SHGs): A self-help group, commonly called an SHG, is a financial intermediary committee made up of 12–25 local women, ranging from 18 to 50 years of age. A SHG is a loosely organized group of people who work for a daily wage. Money is gathered from individuals who can donate and distributed to members who are in need. Members can also make small monthly contributions until the group has enough money to begin lending. The funds can then be re-loaned to members or others in the community for any purpose. They get together to solve their common problems. They are encouraged to practice voluntary donations on a regular basis. They pool their resources and use them to make small, interest-bearing loans to their members. The process teaches them the fundamentals of financial intermediation, such as setting priorities for needs, setting terms and conditions, and accounting. As a result of this, all of them gradually develop budgeting skills. There are many SHGs in India that have partnered with banks to provide microcredit. Members are mainly women from similar socio-economic backgrounds who come together on a regular basis to save small amounts of money. They pool their resources to become economically stable. The main aim of pooling the funds is to become economically stable. The members of the SHG can borrow from their combined savings in times of emergency and financial scarcity. SHGs have served as a platform for women to participate in economic activities and public discourse, as well as to improve social development and reduce poverty and other social issues. The SHGs have offered social opportunities to educate them about their rights, entitlements, and development programs/schemes, as well as income-generating activities for considerable incomes and self-employment. They have also enabled members to have an active role in development programs and decision-making

processes on both the domestic and market fronts. Microcredit initiatives in SHGs play a significant part in rural women's overall development.

Microfinance and women empowerment: One of the factors that contribute to women's empowerment is microfinance. Microfinance to women in the form of self-help groups is a global government strategy as well as an Indian government strategy. Microcredit activities in SHGs play an important role in women's development. In addition to lending, the microfinance program provides participants with a variety of services such as savings, insurance, skills development training, and marketing network services. Microfinance has emerged as an essential economic development strategy in India. Microfinance institutions are financial institutions that are not banks, assisting impoverished people with financial services. Microfinance is also considered to be important as it aids in alleviating poverty by providing small loans to start and maintain small businesses as well as promoting women's empowerment through local social and communal action. Women's empowerment is the process of boosting women's self-esteem and promoting their ability to make their own decisions. It is a method of transforming women for their socio-economic development as well as equality and social justice. Microfinance has a significant impact on the economic standing, decision-making power, knowledge, and self-worth of women who participate in self-help organizations in India. Microfinance offers jobless or low-income individuals, often women, with financial and non-financial services such as loans, insurance, and remittances. Microfinance is developing as a significant instrument for economically, socially, and politically empowering women and enabling them to obtain loans from financial institutions.

II. REVIEW OF LITERATURE

Minisha Gupta (2021)¹ revealed that NGOs play a very important or very significant role in women's empowerment. Non-governmental organizations (NGOs) play an important role in teaching and enabling women to earn a living. Venture development and entrepreneurship are two of the main reasons for women's empowerment, which may be achieved with the right training and information. Women acquire confidence as a result of motivation and strong leadership, and they strive to attain their goals. Proper knowledge of government policies, networking with customers, and relationships with self-help groups (SHGs) and

non-governmental organizations (NGOs) all aid in their empowerment.

Gaurav (2019)² carried out his study in the Nainital area of Uttarakhand to examine the participation of women's self-help organizations in India's microfinance program on asset ownership, home characteristics, and other demographic factors of female respondents. The findings reveal that factors such as age, education, family type, and distance from the market all have a substantial influence on women's participation in SHGs. Furthermore, there is a considerable difference in both of these values, indicating that joining SHGs greatly increases the value of the empowerment index.

Neelo and Anil (2019)³ show that SHGs have created a favourable environment for the growth and development of micro-enterprises while meeting the credit requirements of their members in the states of Uttar Pradesh and Uttarakhand in India. Their study analysed how factors such as internal and externalities affect the smooth functioning of SHGs, micro-financing, livelihood promotion, and marketing of rural women's produce and products. The SHGs have provided opportunities to educate them on their rights, government benefits, and development programs/schemes, as well as income-generating activities for significant earnings and self-employment.

Preeti and Neeraj (2019)⁴ conducted research in Dehradun, Nainital, and Pauri Garhwal district of Uttarakhand for understanding the economic situation of the beneficiaries of SHGs and micro-financing from commercial banks, which were assisting in the fulfilment of job opportunities, and determined that there was no substantial difference in district-wise views about beneficiary satisfaction. The beneficiaries surveyed are satisfied from the services available to them and believe that are also receiving economic and social development along with receiving funds because of training and development programs provided to them by the government and the NGOs.

Pratibha, Poonam, and Deepika (2017)⁵ surveyed 400 SHGs across six districts in Uttarakhand, and the results showed that only 24% of them are still active after they were formed. These groups were only involved in individual income-generating activities, and a considerable majority of them were terminated or inactive, i.e., they were just engaged in money collecting and micro-finance. Overall, it became clear that women's SHGs in Uttarakhand were ineffective in improving their economic condition or generating new business.

Santosh (2017)⁶ investigated the level of women's empowerment in Tumkur District, Karnataka. The study's findings demonstrated that after using microcredit, the rural poor's asset position and standard of life increased dramatically. A stratified sampling method was used to collect the data. The study also indicates that the use of microcredit has contributed to the empowerment of self-help group members. These organizations also accelerate the process of economic growth.

Somprabh, Pooja, and Vishal (2017)⁷ conducted their study in the village of Bhilangana valley of district Tehri Garhwal of Uttarakhand to understand the role of SHGs in alleviating poverty, their success in generating income, enhancing the quality of life of its members, and uplifting the poor in Uttarakhand's mountains. According to the findings of their research, self-help groups have increased member awareness and provided adequate opportunities to reduce poverty.

Vishal (2017)⁸ conducted a study to determine the influence of self-help groups on women's socio-economic empowerment in the Almorah region of Uttarakhand. In their study, they concluded that SHGs have generally succeeded in providing women with a voice in their family, government, offices, and society against evils and violence, as well as making them financially independent to some level.

K.S. Ramola (2015)⁹ investigated beneficiaries' perceptions of microfinance for self-help groups (SHGs) in his study. He revealed that the beneficiaries are receiving tremendous assistance as a result of their participation in the SHGs. The beneficiaries claimed that they were respected in their families and in society as a result of their membership in SHGs. Beneficiaries' perceptions of microfinance indicate that they are not only receiving funds, but they are also obtaining economic and social growth as a result of training and promotion program offered by NGOs from time to time.

Akhilesh, Vishal and Narendra (2012)¹⁰ studied two NGOs in Uttarakhand's Rudrapur and Chamoli districts to focus on the efficacy of nongovernmental organizations (NGOs) in rural development. According to the findings of the study, non-governmental organizations have predetermined goals for rural development. Non-governmental organizations (NGOs) have undertaken different rural development programs and schemes, as well as taken initiatives to raise public awareness in order to expand the reach and impact of the development programs. Programs were carried out to promote equality among the

various groups, as well as to improve the standard of living in rural regions.

Aruna and Rema (2011)¹¹ conducted their research to explore the role of microfinance as a financial intermediary for boosting women's empowerment through the beneficiaries of the Micro State Branch of Hyderabad, a unique initiative of Indian Bank for microfinance operations aimed at improving the status of females. The study's findings reveal that microfinance has a significant impact on the economic position, decision-making capacity, knowledge, and self-worthiness of women participating in a self-help group linkage programme in Hyderabad.

Ruchi Rani et al. (2011)¹² examined the limits that prevented SHGs from operating efficiently in the years 2008–09 in the Nainital District of Uttarakhand. The data reveals that economic concerns were the primary cause of inefficient functioning, regardless of the paradigm under which the SHG functioned. Failure to repay was listed as the most important factor, followed by insufficiency of loans and carelessness on the part of banks and block authorities for SHGs.

Sahu (2010)¹³ determined that the evaluation of SHGs in northwest India was based on 13 indicators out of 200 SHGs, and 27 % of the groups of self-help groups were found to be economically and financially stable. The majority of the SHGs are women. After using the financial services of the Northwest India banking sector, 62.5% were found to be average/moderately stable, while the remaining 10.5% were found to be unstable.

OBJECTIVE OF THE STUDY

To conduct a review of research on the role of Self-Help Groups (SHGs) and micro financing in the development of Uttarakhand in rural areas.

METHODOLOGY

Secondary sources of data and information were acquired for the purpose of the literature review from numerous internet publications and research papers. The method of study used in this paper is descriptive.

III. CONCLUSION

From the literature study, it is clear that self-help groups and microfinance are highly acclaimed development programs aimed at providing impoverished women with inexpensive financial services in order to alleviate poverty in Uttarakhand. They are receiving suitable and sufficient funding from SHGs and microfinance initiatives, which aids in the maintenance of their

group employment-like activities and aids in the generation of revenue and the growth of their economy. (K.S. Ramola, 2015). According to certain research, characteristics such as age, education, family type, and distance from the market all have a substantial influence on women's engagement in SHGs. Furthermore, there is a considerable difference in both of these values, indicating that joining SHGs greatly increases the value of the empowerment index. (Gaurav Joshi, 2019). Self-help organizations have raised member awareness and offered appropriate opportunities for poverty reduction. (Somprabh, Pooja, and Vishal, 2017).

Accessing the literature on microfinance and social and economic empowerment of rural people, research demonstrates that SHGs activities result in women's empowerment in Uttarakhand. SHGs have typically succeeded in giving women a voice in their family, government, offices, and society against abuses and violence, as well as in making them financially independent to some extent. (Vishal, 2017). SHGs have offered opportunities for women to learn about their rights, government benefits, and development schemes, as well as income-generating activities that can lead to large earnings and self-employment. (Neelo and Anil, 2019).

Commercial banks play a critical role in giving satisfaction to members of self-help groups (SHGs) through their services, as well as sustaining their socioeconomic growth in Uttarakhand. Beneficiaries believe that they are receiving tremendous assistance as a result of their participation in SHGs. Beneficiaries' perceptions of microfinance indicate that they are not only receiving funds from banks, but they are also receiving economic and social development as a result of training and promotion programs provided by NGOs from time to time. (Preeti and Neeraj, 2019).

As a result of the aforementioned literature review, it is clear that there is a greater opportunity for microfinance efforts to contribute to the social and economic development of rural people in Uttarakhand. The study reveals that women are becoming more economically independent through SHGs, bringing stability to their own incomes.

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