



## Role of Micro Finance in Empowering Self-help Groups – An Opportunistic Approach Special Reference to Pune District

Dr. Balkrushna Sakharam Ingle<sup>1</sup> & Ram B. Palkar<sup>2</sup>

<sup>1</sup>SPM Tatyasaheb Mahajan Arts & Commerce College Chikhali, Dist. Buldhana

<sup>2</sup>Research Scholar

Corresponding Author – Dr. Balkrushna Sakharam Ingle

DOI - 10.5281/zenodo.15543551

### Abstract:

*The Prime Minister of India aims to create a new destiny with the promise of "Sabke Saath, Sabka Vikas" and new hopes and ambitions. The government has implemented initiatives like Digital India, Jan-dhan Yojana, Swachh Barath, and Skill India to improve the country's economic development. The Prime Minister's choice to "Make in India" holds great promise for modifying the Indian economy. Micro Finance and Self-Help Groups (SHGs) are also being used to support economic development in rural India. SHGs have been instrumental in helping poor people and empowering women, with many women in India trusting these developments in improving their livelihoods.*

*Micro finance is a strategy that distributes growth among society, creating opportunities for self-help groups and rural women. This powerful tool empowers women, especially those who are more dependent on others. The government has introduced various schemes for rural women to improve their situation and access micro credit. This paper explores the role and impact of microfinance in self-help groups, highlighting its role in promoting women's growth in families and society. The government's efforts to ensure access to credit for these women are crucial for their betterment.*

*This paper mainly studies the role of Micro Finance and Self Help Groups (SHGs) for the socio-economic development of poor people and women empowerment in the selected rural areas of the Pune district. The primary data was collected for the present study by using a structured questionnaire, in addition to the secondary data.*

**Keywords:** *Microfinance, self-help groups, NGO, Financial inclusion, Poverty Alleviation*

### Introduction:

Micro finance is a crucial tool for the unreached poor in India, initiated by the National Bank for Agricultural and Rural Development (NABARD) in 1986-87. Non-governmental organizations (NGOs) also play a significant role in improving the lives of the rural poor, focusing on poverty eradication, women empowerment, and community growth. They ensure that all groups are aware of government and NGOs' activities and provide income-generating services to Shas's are initiated by the government for the development of rural

women, typically consisting of ten to twenty people. They have become a prominent tool in alleviating poverty and targeting group development. Financial inclusion is crucial for the marginalized poor, as they need access to savings, affordable credit, and insurance facilities. Self-help group bank linkage programs have significantly improved among group members, leading to increased income, savings, and investment. Micro finance helps shape marginalized sections of society and empowers women, providing a forum for savings, insurance, and employment. SHGs have significantly

improved the financial activities of their members, helping them meet their needs, manage illness, and support children's education. These organizations have transformed the lives of poor people not only as individuals but also in families and society, fostering a better quality of life for all beneficiaries.

#### **Review of Literature:**

Jamie Bedson (2009) edited the report titled "Microfinance in Asia: trends, challenges & opportunities". The report compiled the wide ranging & voluminous Literature Review A study on Non-Performing Assets of Microfinance Institutions in Gujarat Page 29 content presented at the Asia Microfinance Forum 2008 convened in Hanoi, Vietnam in 2008. The main purpose to publish the report was to equip microfinance practitioners with ideas on how to successfully grow & strengthen their businesses & better serve the unbanked & the poor.

#### **Objectives of Research:**

1. To study the conceptual framework of micro finance and Self help group.
2. To study Micro-finance contributes to social & economic development of the Pune district
3. To study Impact of Micro Fiancé in Self Help Group on Pune district.
4. To study socio- economics conditions of the Pune district.

#### **Research Methodology:**

The universe of the study is the selected rural areas of Pune district. The sampling size of the respondents is 100. The respondents were randomly selected from many Self-Help Groups of rural areas. The study has been conducted using the primary data. To get broad knowledge about the study the survey method has been adopted. Information has been gathered by interview schedule specially designed for the purpose.

The Secondary data is used to highlight the conceptual analysis & review of literature. The sources of secondary data for the study are the reports of the Role of Microfinance In India. In addition to those books articles, journals.

#### **Conceptual Frameworks of Micro finance and Self-Help Group:**

**Micro Finance** Micro finance includes deposits, loans, and insurance and payment services to the poor people of the society. It is a participative model that can address the needs of the poor especially the women. Micro finance is not a new development and its origin can be traced back to 1976. It has gained lot of significance and now India occupies a significant place in global micro finance through promotion of self help groups (SHGs). Micro finance through self-help groups is the vital tool for reducing the poverty level. The NABARD has taken the initiative of SHG movement since 1986-87. Today both central and state governments, nationalized commercial banks, cooperative banks, regional rural banks, etc has become the promoters of Self Help Groups.

**Self Help Groups (SHGs)** The self-help group is an informal organization of persons from the poor section of the society and it is managed and controlled by members itself. Usually it is an association of 15 to 20 persons who are financially weak and from the same socio economic environment. These groups are start with savings and these savings are used to give loans to members to meet their urgent financial needs. The members decide on savings per members, maximum amount of loans, and guarantee mechanism in sanction of loan.

#### **Role of Micro Finance:**

Microfinance is financial service provided to the low income group people including consumers, self-employed who lacks access to banking and services. It covers the services like credit, insurance,

savings etc. Financial inclusion provides timely financial services to low income groups people at an affordable cost. This small finance which makes them to take care of themselves and their family members. It helps them to become self-sufficient and financially independent through their businesses. A large number of people who live in the rural area find very hard to get finance from established lending institutions. The provision of micro credit is certainly a powerful tool that will bring financial inclusion which provides services through the private micro finance.

**Micro-finance contributes to social & economic development of the Pune district in the following ways:**

1. Poor people cannot access banking services due to their meagre income & inability to handle banking procedures & documentation. It is through micro-finance that a wide range of financial services such as deposits, loans, payment services, money transfers & insurance can be provided to the poor & low-income households & their micro-enterprises.
2. Micro-finance institutions, through their NGOs, develop saving habits among poor people. The financial resources generated through savings & micro credit obtained from banks are utilized to provide loans & advances to the members of the Self Help Groups (SHGs). Thus, microfinance institutions help in mobilization of savings & using the same for the welfare of its members.
3. Loans from the normal banking system require collateral or counter guarantee which poor people cannot offer & therefore, cannot get loan. Again, high interest rates & procedural & documentation formalities act as a deterrent to poor people accessing banks for loans.

Microfinance does away with all these obstacles & provides finance to rural & poor population on easy terms.

4. Micro-finance allows the poorer sections of the society to get loans at cheaper rates which helps them to start their businesses on a small scale, grow their business & get out of poverty & be independent & self-sufficient. It helps in creating long-term financial independence among the poorer sections of the society & therefore, promotes self-sufficiency among them.
5. Micro-finance is provided through the intermediation of Self Help Groups (SHGs). More than 50% of the Self Help Groups (SHGs) are formed by women. Now, they have greater access to financial & economical resources. It is a step towards greater security for women. Thus, micro-finance empowers poor women economically & socially.

**Impact of Micro Finance in Self Help Group:**

Microfinance is a small loan given to an individual to help them become self-employed and provide real opportunities for rural women to challenge the barriers that women face. There are various types of loans which is given to the group members for their development. Micro finance distributes loans to Self-help group members without any security and support them to meet their financial crisis. The following are the impact of micro finance for SHGs beneficiaries.

**Entrepreneurship:** As a SHG group or an individual they need capital to start a business. Micro finance plays a vital role in empowerment of women. They borrow finance and create new jobs for themselves. It is identified as a ladder for their self-development, self-confidence and decision making power in the society.

**Leadership Skill:** As a leader understanding the group members behavior and acting according to situation and she has many responsibilities compare to other members in the group. She has to take care of the banking activities, maintain accounts, savings, division of work and group meetings etc. these behavior results in improving the rural women leadership skills.

**Social Status:** Microfinance improves not only economic status but also social status of the SHG members. It also paves the way to move more independently, expressing their opinions, participating in more social welfare activities and when these are taking place they achieve new status in the society. Women are engaged in small business programs with the help of SHGs and to become economically empowered and achieve status in their community which lead them to an improvement in self and social awareness.

#### Findings:

- The study shows that majority of the respondents are female.
- The study reveals that majority of the respondents are in the age group of 30-40 years.
- The majority of the respondents are SSLC & below.
- The majority of the respondent's monthly income is less than Rs.2000 before joining SHGs.
- The majority of the respondent's monthly income is to Rs.3000 to Rs.4000.
- The majority of the respondents say's that there is absolute control over income.
- The majority of the respondents say's that the performance & functions of self-help group is good.
- The majority of the respondents are getting as much loan facility at the time of their needs.

- The majority of the respondents are not fulfilling their member's needs.
- The majority of the respondent have benefited from self-help group.
- The majority of the respondents joined SHGs for the purposes of women empowerment.
- The majority of the respondents are improved their communication skill after joining SHGs.

#### Suggestions:

- For better functioning of the groups women should be properly educated and periodically training programs at regular intervals may be made and also a study on the respective field may be conducted.
- Special training programs should be provided regarding the proper account keeping and accounting experts should be invited as resource person so that members can enhance their accounting knowledge and maintain their cash book and other necessary books of accounts accurately.
- The study was conducted only in the selected rural areas of Pune district , it is necessary to have studies in other areas also in order to generalize the findings.
- The central and state governments should give more supports to SHGs.

#### Conclusion:

Finance is one of the most important elements which everyone needs. This can play an important role for development of socio-economic conditions of the people particularly rural areas. Micro finance is expected to play a significant role in poverty reduction and rural development particularly rural women. From the analysis of data it can be concluded that number of members have started savings only after joining the groups while most of the members have no savings in pre SHGs. After joining Self Help

Groups most of the members solved their problems alone.

**References:**

1. "Microfinance: A Reader" by Chijioke Nwankwo (2012)
2. "Self-Help Groups and Micro Credit" by K. R. Gopalan (2009)
3. "Impact of Microfinance on Poverty Alleviation: A Case Study of Pune District" – *Journal of Rural Development* (2010)
4. "Microfinance and Women's Empowerment in India" – *International Journal of Social Science and Humanities Research* (2019)
5. "Microfinance, Self-Help Groups, and Empowerment: Evidence from India" – *Journal of Development Studies* (2009)
6. "The Role of Self-Help Groups in Rural India" – *Ministry of Rural Development* (2018)
7. "Microfinance in India: A State-wise Analysis of SHGs" – *NABARD Annual Report* (2019)
8. "Annual Report on the Status of Microfinance in India" – *Sa-Dhan* (2019)
9. "The Impact of Microfinance on the Empowerment of Rural Women in Pune District" – *PhD Dissertation, University of Pune* (2016)
10. "Microfinance and Its Role in Rural Development: A Case Study of Pune District" – *Master's Thesis, Pune University* (2015)
11. NABARD: [www.nabard.org](http://www.nabard.org)
12. Sa-Dhan: [www.sa-dhan.net](http://www.sa-dhan.net)
13. UN Women – India: [www.unwomen.org/en/where-we-are/asia-and-the-pacific/india](http://www.unwomen.org/en/where-we-are/asia-and-the-pacific/india)