Role of Microfinance Institutions or Self-Help Groups in Poverty Reduction in Uttarakhand: A Study in Bhilanagana Valley of District-Tehri Garhwal

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Abstract: In India, the concept of Self-Help Groups (SHGs) has emerged as model to alleviate poverty and improve overall conditions of rural poor. The increasing number of SHGs and Mircofinacing Institutions every year has shown its potential; however, sustainability of it has always been questioned. The present study basically assessed the role of Self Help Groups in poverty reduction, its successiveness in generating income, improving quality of lifeof its members and empowering the poor in mountains of Uttarakhand. The study is primarily based on the primary data, collected in the village of Bhilangana valley of district Tehri Garhwal. This study takes into account the members and office bearers of the Self-Help Groups and other stakeholders like government officials, NGO representatives and representatives of Pachayati Raj Institutions for better understanding the process through which the members of Self-Help Groups build up their income generating sources and improve their quality of life. To figure out the impact of Self-help Groups on its members' life Participatory Rural Appraisal (PRA) methods, interview schedule, observation guide have been used. The results show that the Self-Help Groups have increased awareness among the members and have provided sufficient opportunities to combat with poverty

Keywords: Income generating activities, Panchayati raj institutions, PRA, Quality of life, Self-Help Groups.

I. Introduction

Persistent poverty is one of the basic problems affecting India's economy, women being the most vulnerable group affected by it. This is more pronounced in poorer families; in which household income is largely depend on family women for survival. Interestingly, nearly half of the human population is women and rural women in India constitute about 77% of the total female population, which is a leading working force. The economic development of any nation largely depend on the growth of this community in terms of entrepreneurship, employment activities in agriculture and allied sectors, mobilization, utilization and generation of funds or capital. Against this backdrop, The National Bank for Agricultural and Rural Development (NABARD) has introduced SHS Bank Linkage Programme (SBLP) in India to empower rural population, particularly rural women. SHGs are small, informal and homogeneous groups of not more than 20 members each. The goal of forming SHGs is to promote savings and credit activities and also to promote empowerment of women into production units (Choudhary et al., 2009). As the credit, security and other conventional instruments for small scale financing are seldom available for the poor due to prohibitive transaction costs, the members of SHGs have their corpus funds and operate inter-lending and take entrepreneurial activities and capital formation. SHGs have been successful in empowering rural women through entrepreneurial activities which influence increase in income, expenditure and saving habits of rural women (Sharma et al., 2009). This study has been conducted in the selected districts of Uttarakhand and to understand the functioning pattern and suitability of the SHGs based on credit system, income generating activities and also support of the government etc.

Poverty reduction strategies vary depending upon country's macroeconomic, structural and social policies and program to promote growth and reduce poverty. Nevertheless, all strategies should reflect the country's characteristics and should be participatory with proper diagnostic with appropriate targets, indicators and systems for monitoring and evaluating progress. The widely acclaimed strategy of promoting self-help groups for poor has proved to be ideal in many counties in alleviating poverty and fostering rural development. By the early 1970s, welfare and charitable organizations concentrated on working with neighborhood and village groups on self-help initiatives and grass root economic projects (Korten, 1987). Now self-help groups worldwide foster a process of on-going change in favour of the rural poor in a way in which this process can be sustained by them through building and managing appropriate and innovative local level institutions rooted with values of justice, equity and mutual support.

The SHG model is a home grown Indian model. It is based on the principle of self-help, self-management, self-responsibility, and self-reliance; the groups were mobilized by promoting institutions (often NGOs). The self-help promoting institutions found that savings and loans could be binding factor for groups to remain active and pursue their own agenda. In the year 1980s, there were a few pilot experiments, mostly in Uttarakhand and other southern states. In the early years, it was mostly saving-based groups. Groups circulated their own savings as small loans among their members. The experiment with infusion of credit began when NABARD provided one million rupees as a grant to an NGO called MYRADA to lend to its groups. Similar experiments were initiated by other prominent NGOs like PRADAN, CARE and others with assistance from national and international donors. In 1992, the Government of India established the Rashtriya Mahila Kosha (RMK), dedicated organization to lend to SHGs through NGOs.

II. Reviews of Literature

Bhatia and Bhatia (2000) through a few case studies highlights that recovery of SHGs is higher than other credit extended to borrowers. Moreover, the involvement of SHGs has helped the bank branches in recovery of old dues. They observed that there has been a perceptible change in the living standards of the SHG members, in terms of ownership of assets, increase in savings and borrowing capacity, income generating activities and income levels as well.

Satish (2001) in his paper has raised certain issues related to the functioning of SHGs. Adequate care should be taken to ensure homogeneity of socio-economic status of the members, while forming SHGs. The process of SHG formation has to be systematic whether a Bank or an NGO forms it. He emphasized that SHGs experiment has to be spread throughout rural India rather than being concentrated in a few pockets of the country. NGO's are more suited for forming and nurturing of the SHGs, and therefore, it is essential to strengthen them and their resources so that they should increasingly undertake this work.

Chowdhury, Mosley and Simanowitz (2004) argue that if microfinance is to fulfil its social objectives of bringing financial services to the poor it is important to know the extent to which its wider impacts contribute to poverty reduction. In the following sections the examination of the findings from wider assessments of microfinance interventions at a household and community level is shown to project what learning can be gained when impact assessments have a broad scope of analysis. Bangoura Lansana (2012), in his study tried to understand the role of micro-finance in the developing countries. The authors found that no developing country can develop, by ignoring the rural mass so the importance of the micro-finance is also being felt by the policy makers and now it is an integral part of development policies in the developing and poor countries.

III. Objectives of the Study

The broad objectives of this study are to understand the role Self-Help Groups in poverty reduction and economic empowerment. The specific objectives of the study are as follows:

- To study the role of Self-Help Groups in the process of poverty reduction.
- To examine the institutional benefits to the members associated with self help groups.

IV. Methodoligy and Sampling Design

A. Universe of the Study

169 SHGs of poor initiated and promoted by Mount Valley Development Association, a voluntary organization, under the different development programmes run by government and non-government agencies like Himmothan Pariyaojana, Ajjevika Pariyojana and under NABARD guidelines in Bhilangana block of districts is taken. Tehri Garhwal of Uttarakhand constitutes the universe of the present research work. Profile of study area is elaborated in the following section.

B. The Area of Study

Uttarakhand is a place with great diversity of the region where snow-clad mountains, green hills, fertile valley, flowing rivers and thriving lakes add to the natural beauty. Garhwal and Kumaon are the two regions with total 13 districts, 7 in Garhwal and 6 in Kumaon region. The districts that fall under the jurisdiction of Kumaon and Garhwal division are as follows:

Table I: Region Wise Distribution of Districts in Uttarakhand

Sl. No.	Districts under Garhwal Division	Districts under Kumaon Division
1	Dehradun	Almora
2	Haridwar	Bageshwar
3	Chamoli	Champawat
4	PauriGarhwal	Nainital
5	TihriGarhwal	Pithoragarh
6	Rudraprayag	Udham Singh Nagar
7	Uttarkashi	

As far as the present study is concerned, only Bhillangana valley of district Tehri Garhwal has been taken for the study.

a. *District Tehri Garhwal:* Tehri Garhwal is one of the mountainous district in hill state of Uttarakhand. Total land area under Tehri Garhwal district is about 4,085 sq. kms. It is surrounded by Rudraprayag district in the east, Dehradun district in the west, Uttarkashi district in the north, and Pauri Garhwal district in the south. Its administrative Headquarter is at New Tehri. According to the 2011 census Tehri Garhwal district has a population of 616, 409, roughly equal to the nation of Solomon Islands or the US state of Vermont. This gives it a ranking of 520th in India (out of a total of 688). The district has a population density of 169 inhabitants per square kilometre (440/sq mi). Its population growth rate over the decade 2001–2011 was 1.93%. Tehri Garhwal has a sex ratio of 1078 females for every 1000 males, and a literacy rate of 75.1%. Hindus number 596,769; Muslims 6,390 (1.05%); and Sikhs 561.

b. *Sub Divisions in Tehri Garhwal District:* In Tehri Garhwal District there are two sub divisions. Name of these sub-divisions are as follows:

1. Kirti Nagar
2. Tehri-Pratap Nagar

c. *Tehsils in Tehri Garhwal District:* In Tehri Garhwal district there are 7 Tehsils. Name of these Tehsils are as follows:

1. Deoprayag
2. Ghansali
3. Narendra Nagar
4. Pratap Nagar
5. Tehri
6. Jakhanidhar
7. Dhanolti

d. Blocks in Tehri Garhwal District: In Tehri Garhwal district there are 9 blocks. These blocks are as follows:

1. Bhilangana
2. Chamba
3. Deoprayag
4. Jakhandidhar
5. Jaunpur
6. Pratapnagar
7. Thauldhar
8. Narendranagar
9. Kirtinagar

e. Bhilangala Valley: Area wise Bhulangana is the largest block in district Tehri Garhwal. This block is named after the river Bhilangana flowing in that area. Study area of this study is situated in the Valley of Bhilangana River. In this block most of the people earn their livelihood through animal husbandry, agriculture, wage labour, etc.

f. *Village / Hamlet Wise Distribution of Self Help Groups Selected for the Study:* Presently in Bhilangana Valley there are total 169 SHGs spread over 57 Villages / Hamlets. Out of which 25 SHGs are selected randomly for the study. The Village / Hamlet wise distribution of selected SHGs (25 in numbers) is presented here in the following table.

Table II: Village / Hamlet Wise Distribution of the Selected SHGs for the Study

S.No.	Name of Village / Hamlet	Number of SHGs	Number of Members
1	Aali	2	18
2	DoniPallilet	2	18
3	DhungDhargaon	1	9
4	Kot	2	18
5	Dubri	1	9
6	PariyalGaon	1	9
7	Akhori	1	9
8	Pakh	1	9
9	Bhimlet	1	9
10	Changora	1	9
11	Ragdi	1	9
12	Myar	1	9
13	Tungana	2	18
14	Wad Anua	2	18
15	Falenda	3	27
16	Dakhwan	1	9
17	Sarunda	1	9
18	Munderi	1	9
	Total	25	225

g. Sampling Procedure and Units of Study: Stratified random sampling (lottery) method is used for selecting the SHGs and the respondents. To select the respondents all the 169 SHGs are divided in five stratas. At the next stage, five SHGs are selected randomly from each group. Thus total 25 SHGs are selected for the study. At the last stage 9 members have been selected randomly for interview. In this way a sample of 225 members representing all the 25 SHGs is selected for the study.

Leaders of SHGs and members are selected by purposive sampling method for focused group discussion, so that the authentic information pertaining to the objectives of the study in particular may be achieved to draw the scientific conclusions out of the study.

h. *Tools and Techniques of Data Collection:* A scientific research needs reliable, factual, authentic and objectives facts and information in order to make the scientific description and analysis of the problem under study possible. The accurate and factual conclusions of a scientific research basically depend on the data gathered through various sources viz. the observation, interview schedule; questionnaire, case study and the written document may be public or personal.

i. *Tabulation and Analysis of Data:* The scientific analysis of data is a process which passes through the different measurable stages to acquire the generalization conclusions pertaining to the study problem (Bisht, 1998). Those are as follows:

   i. Classification of data
   ii. Coding
   iii. Tabulation of data
   iv. Statistical analysis of data

j. *Sample Profile:* It comprises the bio-social profile of sampled units which are 225 in numbers and are selected from the 169 SHGs. The bio-social profile consists of the dimensions like sex and age wise distribution of the respondents, their educational, marital and economic status etc.

   i. Age and Sex Wise Distribution of the Respondents: Sex dichotomy and the age difference are the determinant factors of social stratification. The status and role of the persons largely ascertained by the age and sex consideration.

Table III: Age and Sex Wise Distribution of the Respondents

Age (Years)	21-30	31-40	41-50	51-60	>60
No. of Respondents (%)	29.78	22.22	40.44	7.11	.44

(Source: Interview of SHG members)

   ii. *Educational Status of the Respondents:* Progress in education is critical for human development in its own right and because of the links to health, equity and empowerment (Human Development Report, 2010). Education improves capacity of an individual. In the universe of this study educational status of the respondent's is as follows:

Table IV: Educational Status of the Respondents

Educational Profile	Functional Literate	Primary	Middle	High School	Inter
No. of Respondents (%)	31.11	23.56	38.67	6.22	.44

(Source: Interview of SHG members)

   iii. *Marital Status of the Respondents:* According to the Rules & Regulation of the SHGs, age of the member of SHG must be more than 18 years. It is found by analysis and informed by the group leaders that all the members in SHG are married.

   iv. *Caste Profile of the Respondents:* Caste occupies a pivotal position in the societal framework. Caste in rural survival is largely linked to the factors like occupation and income. Not only caste and class structure around an individual pave a way for information of his views about various aspects of survival like environment, economy and society.

Table V: Caste-Wise Distribution of the Respondents

Caste	General / OBC	Schedule Caste
No. of Respondents (%)	74.67	25.33

(Source: Interview of SHG members)

After analyzing the sample of present study it is found that 74.67% respondent belongs to general caste, i.e., Brahmin and Rajput and 25.33% respondents are belong to schedule caste.

   v. *Economic Status of the Respondents:* In rural areas many factors like income, living conditions, land holding and ownership of cattle and assets etc. determine the economic status of an individual or households. Hence it is necessary to understand the economic profile of the respondents. Economic status of the respondents are as follows:

Table VI: Economic Status of the Respondents

Economic Status	Above Poverty Line	Below Poverty Line
No. of Respondents (%)	65.78	34.22

(Source: Interview of SHG members)

V. Major Findings and Conclusion

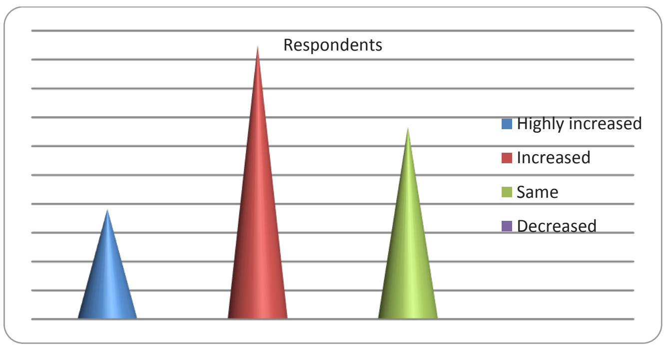
This chapter summarizes the major findings of the study. It also indicates the recommendations made by the members of the SHGs and policy issues that need to be considered at appropriate levels for formulating the future action plan.

A. Major Findings:

a. SHGs Role in Poverty Reduction: Despite some inadequacies, the SHGs have made a positive impact towards poverty reduction. As mentioned earlier that poverty is a multidimensional phenomenon. According to Chamber (1994), the multidimensional nature of poverty should suggest the sustainable livelihood should be the focus of development. A sustainable livelihood focused any poverty strategy would stress upon natural resource management, redistribution of livelihood resources, prices and payments, and health.

TABLE VII: CHANGE IN INCOME

Income	Highly increased	Increased	Same	De-creased
Respondents	19.11	47.56	33.33	



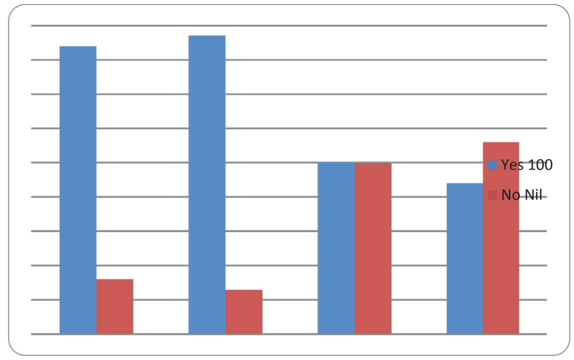
Intrepretation: It is clear from the analysis that a significant number of family member's income has increased because of SHGs activities. However, choices are limited bts ut economic security has increased. The study also concludes that capability of generating assets has also increased.

b. SHGs Role in Improving Quality of Life of its Members

TABLE VIII: ECONOMIC SECURITY AFTER JOINING SHG

Indicators	Yes	No
Group provided Economic security	100	Nil
Taken loan from SHG	84	16
Repayment of loans in time	87.11	12.89
SHG caters all financial needs	50.22	49.78
Contingency provisions in the SHG	44	56

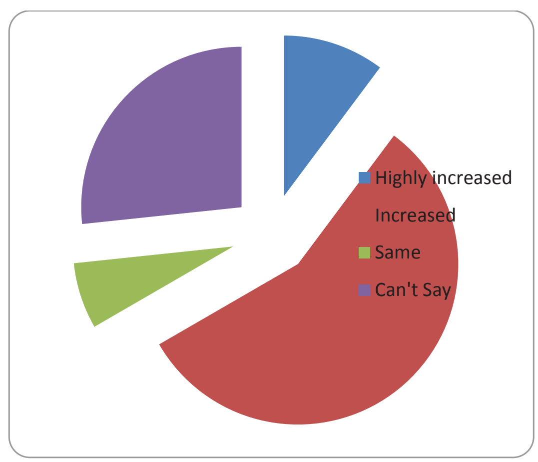
Intrepretation: The above graph shows that more than 80% members said that they took loans from their group at the time of need. Repayment of loans found good. However groups are not fully capable to cater all financial needs of members but they most of the requirements like purchase of agriculture inputs, animals for dairy and medicine etc. of the member's family. Contingency provisions were found weak.



c. *Dependency on Meney Lenders after Joining SHGs:* Borrowing money from others is a common phenomenon in rural India. However, source of credit is different for different households. It was come out from the group discussion that members earlier took loans from the money lenders and local baniyas. They said that it maintains the dignity of their families in the society and reduces stress as well.

TABLE IX: DEPENDENCY ON MENEY LENDERS AFTER JOINING SHGS

Indicators (%)	Highly Decreased	De-creased	Same	Can't Say
Dependency on Money lenders after joining SHG	10.22	56.44	6.67	26.67

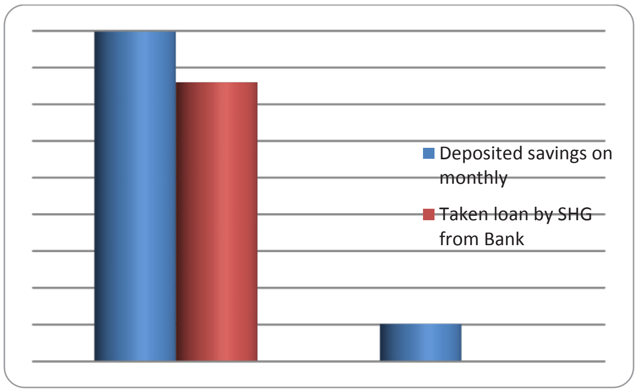


Intrepretation: Above analysis shows that dependency on money lenders for small loans has reduced. At the time of emergency the group provide strong support system to its members. Members take loans from their group in need. They have the confidence that in need group will support them. This trust provides mental well being to its members.

d. *Savings and Credit Management:* Savings is an important economy in any self-help group. After a certain period of time group open their banks and start inter-loaning.

TABLE X: SAVINGS AND CREDIT MANAGEMENT

Indicators (%)	Yes	No
Linkage with Banks	100	Nil
Deposited savings on monthly	89.78	10.22
Taken loan by SHG from Bank	76	

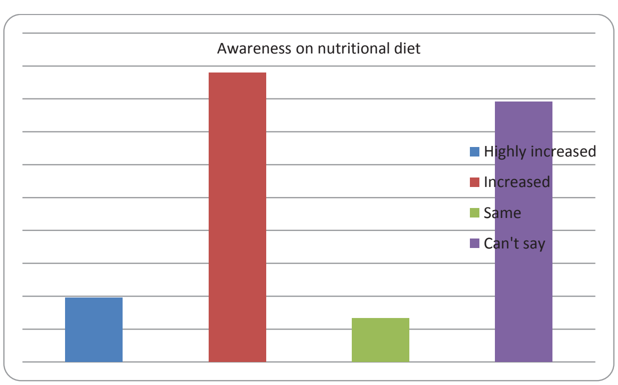


Intrepretation: Above analysis show that all the SHGs were found linked with the bank. RBI has given clear guidelines that bank should distribute the loans to the SHGs. Chart above shows that good number of SHGs has taken loan from the banks without any collateral. Savings and credit management was found satisfactory in the group. Most of the groups are maintaining their records by themselves. Other groups are in process to learn it.

e. *Physical Wellbeing:* Physical wellbeing is another important subjective indicator for quality of life.

TABLE XI: PHYSICAL WELLBEING

Indicators (%)	Highly increased	Increased	Same	Can't say
Awareness on nutritional Diet	9.78	44.0	6.67	39.55



Intrepretation: Analysis of this part is that awareness of nutritional diet was also discussed with the members. It was found that Anganwadi centres are working with SHGs on this issue. A total of 53.78% respondents said that their awareness on nutritional diet is increased.

VI. CONCLUSION

As mentioned earlier in this study that poverty is generally perceived as lack of income and assets for meeting the minimum needs for a decent living. But this study elaborates understanding on this issue. Now at the conclusion of this study it can be said that along with the lack of income it deprives one from adequate food and nutrition, shelter, education, treatment during illness and similar essential material needs. The poor have limited options and they feel excluded and all those drive them to a state of despair. In this study all above indicarors are taken into in consideration. The findings from the analysis provide evidential support to conclude that the SHGs rae playing a great role in poverty reduction and upliftment of quality of life in Bhillingana valley of destrict Tehri Garhwal in Uttarakhand. The entire observation and anlysis indicate that SHGs are functioning well to organize a self-serviced forum.

Study says that in Bhilangana valley SHGs have made a positive impact towards poverty reduction. Data summarized clearly refelect the success achieved by the group in improving their member's income level and quality of life. As mentioned earlier that poverty is a multidimensional phenemenon. While earlier practitioner have emphasized upon the income poverty, recently there has been a growing realization that income poverty alone does not accurately reflect the poverty sataus of an individual, household or a community (Chamber, 1994).

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