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Impact Of Microfinance On Poverty Reduction And Women Empowerment In Uttarakhand

(A Comprehensive Literature Review)

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Abstract

Microfinance is widely acknowledged as a potent instrument for eradicating poverty and empowering women. This study investigates the effects of microfinance on women's empowerment and poverty reduction in Uttarakhand, a state in northern India. Several sources, including academic publications, internet databases, reports, and governmental websites, were used to gather secondary data. The current study is descriptive in form and offers a critical assessment of several empirical investigations carried out in the Indian state of Uttarakhand. The results imply that microfinance benefits women's empowerment and poverty reduction in Uttarakhand. The microfinance consumers reported higher incomes, better living conditions, and easier access to healthcare and education. Microfinance has also significantly contributed to the empowerment of women by granting them financial independence, enhancing their ability to make decisions, and decreasing gender inequities. The report emphasizes the necessity of maintaining assistance for microfinance organizations to increase their influence on eradicating poverty and empowering women in Uttarakhand.

Keywords: microfinance, eradicating poverty, empowering women, and Uttarakhand.

Introduction

Microfinance is a category of financial services that are especially tailored to meet the requirements of economically underprivileged and vulnerable people. It is a novel method to giving those who are traditionally excluded from the official banking industry the opportunity to utilize financial services. Microfinance emerged in the 1970s and has since achieved international appeal as a tool of poverty reduction and economic growth. Microfinance institutions make modest loans to small- and medium-sized company owners, allowing them to engage in their companies, create revenue, and improve their living conditions.

Microfinance is the word used to describe the provision of financial services to low-income people or families who ordinarily do not have access to standard banking services, such as credit, savings, and insurance. These financial services are offered by microfinance institutions (MFIs) to those who are generally turned away by traditional financial institutions owing to a lack of collateral or a bad credit history. As a powerful instrument for reducing poverty and fostering economic growth, microfinance has grown in popularity, especially in emerging nations where the poor frequently lack access to official financial institutions. The idea of microfinance has expanded to include a variety of financial services, such as savings, insurance, and remittance services in addition to lending. In addition, microfinance now serves a wider spectrum of low-income people and households, including women, small business owners, and urban dwellers, in addition to the rural poor.

The employment of unconventional types of collateral and loan assessment is one of the main characteristics of microfinance. Collateral, such as real estate or other assets, is frequently required by traditional banks and financial institutions before granting loans. The impoverished, however, frequently lack official collateral, making it challenging for them to acquire loans. As a result, microfinance organizations have created alternate techniques for determining creditworthiness, such as looking at income and spending patterns, social media, and character references.

The emphasis microfinance places on financial inclusion and empowerment is one of its most recognized characteristics. Microfinance organizations work to assist people and households establish financial resilience, invest in their children's education and health, and launch small enterprises by giving them access to loans, savings, and other financial services. This is why microfinance is seen as a potent instrument for reducing poverty and promoting economic growth, especially in developing nations where access to official financial institutions is constrained.

Microfinance has numerous advantages, but it also has drawbacks. The risk of over-indebtedness is one of the biggest issues that microfinance organizations must deal with. Borrowers who take on excessive debt or are unable to pay back their loans may find themselves quickly caught in a debt cycle that worsens poverty and financial instability. Microfinance organizations have created a variety of ways to assist borrowers manage

their debt and increase their financial stability in order to address this risk. These initiatives include credit counseling, financial education, and loan restructuring.

The requirement for consumer protection and regulatory control is another difficulty facing microfinance. Since they are subject to fewer rules than conventional banks and financial institutions, microfinance organizations are more susceptible to fraud and other forms of financial abuse. Borrowers could also lack the information and abilities necessary to make wise financial decisions, which can leave them open to abuse by dishonest lenders. Microfinance institutions must abide by strict consumer protection and regulatory frameworks in order to handle these issues, which can help guarantee the security and stability of the microfinance industry.

Microfinance is seen as a potent instrument for eradicating poverty and empowering women. Women are frequently left out of official financial institutions, and it is commonly known that women are more severely affected by poverty than males. By granting access to financial services and enabling women to take an active role in the economy, microfinance may play a critical part in resolving these problems. Also, it has been demonstrated that microfinance benefits women's health and education. By allowing them to cover healthcare costs and receive medical treatment, women who have access to financial services may invest in their own health as well as the health of their families. Women who take part in microfinance programs are also more inclined to spend money on their own and their kids' education.

The development of a variety of goods and services by microfinance organizations with a focus on women. For instance, a lot of microfinance organizations provide loans and savings products geared at serving the requirements of female entrepreneurs, such as loans for the acquisition of raw materials or equipment for businesses. Moreover, microfinance organizations frequently provide financial education and training programs that can assist women in gaining the abilities and information necessary to be successful business owners.

Review of Literature

Manisha et al. (2022) in their study, the authors demonstrate how microfinance may help small farmers in the aforementioned region enjoy better lives and advance sustainable and environmentally friendly growth while preserving the area's delicate ecosystem. This study is based on primary information gathered from microfinance recipients who are small farmers in the Pauri Garhwal district of Uttarakhand's "Kotdwar Bhabhar" area.

The purpose of **Richa and Ashok's** study from **2022** is to examine how microfinance affects the development of entrepreneurship. 350 business owners in the industrial and service sectors participated in their survey. According to the study's findings, a cooperative strategy is urgently needed to boost the impact of governmental initiatives on the development of entrepreneurship. This would encourage entrepreneurship's sustainable growth and help entrepreneurs build up their business entities.

Gurpreet and Rakesh (2021) examined how a certain set of young people felt empowered by their involvement in a microloan program. The microloans taken out by young people in two districts of Uttarakhand's Kumauni area were the subject of this study. For young people to become financially independent, this study also discovered a variety of financial services offered by NGOs, government programs, and self-help groups that are both bank- and non-bank-linked. The study's authors come to the conclusion that respondents need to work on increasing their earning potential, saving skills, and desire to raise their standard of life.

Kiral et al. (2020) attempted to analyze women's empowerment in Uttarakhand by identifying women's capacity for household decision-making, evaluating their capacity for economic decision-making, and assessing their freedom of movement in order to provide recommendations and suggestions to promote women's empowerment and poverty alleviation in Uttarakhand. They examined how SHGs functioned in terms of mobilizing savings, providing credit to those in need, repaying loans, and forming opinions among SHG members on an increase in decision-making authority. Data were gathered from primary and secondary sources.

Neelo and Anil (2019) demonstrate that in the Indian states of Uttar Pradesh and Uttarakhand, SHGs have fostered the growth and development of microenterprises while satisfying the credit needs of their members. In this study, researchers examined the impact of internal and external factors on the efficient operation of SHGs, microfinance, livelihood promotion, and marketing of rural women's goods. The SHGs have given people chances to learn about their rights, government benefits, development programs/schemes, as well as options for income-generating activities.

Preeti and Neeraj (2019) found no significant differences in district-wise perceptions of beneficiary satisfaction after conducting research in the Uttarakhand districts of Dehradun, Nainital, and Pauri Garhwal to understand the economic situation of those receiving microfinance from commercial banks and SHGs that were assisting in the fulfillment of job opportunities. The recipients who were questioned expressed satisfaction with the services made available to them and felt that they were also benefiting from economic and social development due to the training and development programs offered by the government and NGOs.

Deepali Tomar (2018) In Uttarakhand, women make up the majority of the workforce. In Uttarakhand, however, women do not own the land they are laboring on. However, it does not provide them the authority to decide on significant economic issues including investments, sales, and real estate. The land also doesn't produce or generate enough money for women to give them the necessary resources and authority to take care of their own needs and the needs of their offspring. Even though they are in charge of these houses, women nevertheless struggle to get past the patriarchal barrier. Thus, women's entrepreneurship is necessary to close the gap between employment and financial gain as well as the shortage of cash revenue. Hence, improving women's position and standards in Uttarakhand is necessary.

In their study, **Somprabh, Pooja, and Vishal (2017)** evaluated the effectiveness of self-help groups in Uttarakhand's mountains at reducing poverty, increasing members' quality of life, and empowering the underprivileged. The basic data for the study were gathered in the village of Bhilangana valley in the district of Tehri Garhwal. The findings indicated that the self-help groups had raised members' awareness levels and given them enough opportunity to fight poverty.

Sultana et al. (2017) found that rather than economic empowerment, microfinance promoted knowledge and social empowerment. Microfinance has a notable impact on fostering self-assurance, bravery, skill development, and empowerment in Chennai city of Tamil Nadu.

Renuka and Anil's (2013) study found that measuring empowerment gave the idea more strong and independently verifiable foundations. In fact, there are differences in technique and empowerment indicators in its assessment, just as there are in the meaning of the phrase "empowerment."

In their study, **Anjugam and Ramasamy (2007)** found that marginal agricultural households in Tamil Nadu that are socially disadvantaged, landless, or both, engage more frequently in microfinance programs. Before joining the organization, there were more homes with informal borrowings than there are now, notably those from moneylenders. Age of women and the amount of productive capital other than land have a considerable negative impact on their involvement in microfinance programs, according to examination of the variables that determine this participation. The existence of other microfinance services in the same or surrounding villages as well as social backwardness and debt have a substantial favorable impact on women's involvement in this program.

Objective

To evaluate the studies on how microfinance affects women's empowerment and poverty reduction in Uttarakhand.

Methodology

For the purpose of the literature review, secondary sources of data and information were gathered from a variety of online journals and research papers. This research paper's methodology offers a methodical way to investigate the usage of secondary sources of data in research. The utilization of secondary sources of data in research will be examined in this study using a descriptive research methodology. This design is suitable because it enables the gathering of information that explains the phenomena under study.

Conclusion

According to the literature review, microfinance is one of the most well-known initiatives for disadvantaged women to receive low-cost financial services in order to reduce poverty in Uttarakhand. SHGs have encouraged the establishment and development of microenterprises while meeting the credit needs of their members in the Indian states of Uttar Pradesh and Uttarakhand [Anil and Neelo,2019]. Small farmers in the aforementioned region can benefit from microfinance by leading better lifestyles and advancing ecologically friendly and sustainable growth while protecting the region's sensitive ecosystem [Manisha et al., 2022]. A cooperative strategy is urgently required to increase the influence of governmental measures on the growth of entrepreneurship, according to Richa and Ashok's study from 2022. This would support the long-term expansion of entrepreneurship and assist entrepreneurs in strengthening their corporate structures. Findings from microfinance studies in the literature show that SHG operations in Uttarakhand empower women. SHGs have traditionally been successful in helping women become somewhat economically independent as well as providing them a voice in their families, governments, offices, and society against abuse and violence [Vishal, 2017].

To sum up, microfinance is an effective instrument for reducing poverty and fostering economic growth, especially in developing nations where official banking institutions are frequently inaccessible. In conclusion, microfinance has the potential to have a significant impact on the eradication of poverty and the empowerment of women. Microfinance may contribute to the development of more inclusive and equitable communities by facilitating access to financial services and enabling women to take an active role in the economy. Microfinance institutions must keep innovating and creating goods and services that are targeted to the needs of women and other underrepresented groups, while also providing robust consumer protection and regulatory control, in order to realize these objectives. One of the main purposes of microfinance is to reduce poverty. Microfinance may assist people and households in achieving financial stability and resilience by granting access to loans, savings, and insurance. This can then result in more options for employment, higher living standards, and more social mobility. Microfinance has the potential to be very advantageous for women. According to studies, women are more likely than males to use microloans to launch or grow small enterprises, which can contribute to the creation of employment and revenue. In addition, women who take part in

microfinance initiatives frequently report gaining more influence over home money, decision-making authority, and social standing. Giving women more control over their life is one of the most crucial ways that microfinance can empower them. Women are more likely to be able to make decisions about their own life, such as when to seek educational or professional prospects, if they have access to financial services. As a result, there may be a higher gender equality and more fair resource allocation in homes and communities.

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