

# Micro Finance a Key Ingredient in Promoting Micro Entrepreneurship in Uttarakhand: A Case Study

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**Abstract:** *India is a country that is inhabited by different peoples reflecting lost of diversity in religion, customs and tradition. This variation is also shown in its physical existence, in the north we see Great Himalayas, in the south the coastal plains, in the west the Thar Desert and in the east the lush green forest. Regional disparities have become one of the most important glaring and growing problems not only in developing countries but also in the most advanced countries of world. If we turn the pages of the history than we will come to the conclusion that after 5 decades of independence India is facing the challenge of maintaining its economic growth and the problem regional disparities is increasing at an alarming rate in the form of movements, regionalism, social unrest which is dangers for the unity and progress of country. The regional imbalances and disparities prevailing in different parts of India have immensely affected the Indian federalism and as a result of this there have been several demands and movements for the creation of smaller states. In this regime, Uttarakhand state which was carved out of the state of Uttar Pradesh on 9 November 2000. It is divided into two broad regions Garhwal and Kumaon. The state comprised of 13 districts namely, Chamoli, Pauri, Tehri, Uttarkashi, Dehradun, Haridwar, Rudraprayag, Nainital, Almora, Pithoragarh, Udham Singh Nagar, Champawat, and Bageshwar. Nainital, Haridwar, Dehradun & Udham Singh Nagar have large area in the plains, whereas the other nine districts comprise of the hill region of the state. Uttarakhand in spite of being a small state, has certain key features that makes it distinct from other states of country and highlights its potential for development. Micro Credit is defined as provision of loan disbursement from financial instructional of very small amount to the poor in rural, semi-urban, and urban areas for enabling them to raise their income level and improve living standards. There are two core models for microfinance India. In the first model, the self help group model in which a group of about a dozen of women in a village pool their savings and practice in-group lending. After several months of managing and disbursing their money, they are eligible for a bank loan of up to four times of that amount. The second model is bank loan money through multi-finance institutions, usually non-government organizations (NGO) with a track record of rural development work. Just after separation from Uttarpradesh in year 2000, many Ngo's started their operations in Uttarakhand. In this paper, we are only concentrating on second model of micro finance because this is viable and feasible and have deep penetrating power to reach to its end clients. For the study we have taken Pahal Institute of Community Empowerment & Micro finance, Kathgodam, Naninital, Uttarakhand so that useful results can be drawn and these results are equally applicable in whole of Uttrarakhand.*

**Keywords:** MFI, Monetary Financial Institution, SIDBI, Small Industries Development Bank of India, NAMBARD, National Bank for Agriculture and Rural Development, NGO, Non Governmental Organization, SGHs, Self Help Group

## 1. Introduction

Poverty is one of the persistent problem prevalent in the developing and underdeveloped countries of the world. According to the world Bank report (2008) about 1.4 billion population in developing countries is living on less than \$ 1.25 a day in 2005 (<https://www.dspace.thapar.edu:8080/dspace/bitstream/1143/3/1143.pdf>). This clearly highlights that poverty is widespread across developing world. Micro Finance may be defined as “provision” of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas, for enabling them to raise their income levels and improving standards”, Nasir (2013). The term micro finance is much broader concept and its components are deposits, loans, payment services, money transfer, insurance to poor and low-income households and their micro enterprises.

Microfinance in India through its major channels serves over 33 million Indian in the financial year 2007-08. Up to by 9 million over the last financial year, out of which around 80% clients were women. As on 31<sup>st</sup> March 2008, outstanding microcredit portfolio of India Microfinance was around ` 22,000 crore, out of which 75% are accounted for by SHG-Bank linkage program (Self Help group), 20% by Large MFI's and 5% by medium and small MFI's (The Bharat Microfinance Report 2008). The state of micro finance in North region of Indian is still under developing stage.

Difficult topography, underdevelopment, poor infrastructure and governance, force of illegitimate interest, and lack of strong community-based development intuitions has made it hard to reach the poor and unprivileged in North India.

As we all know, the Uttarakhand came into existence on 9 November 2000, with total population of 8.489 million. Being as a new state, the poverty level varies from district to district, being low as 17.6% in Haridwar district and as high as 68.5% in Uttarkashi district. The formal banking structure in Uttarakhnad is made up of a mix of nationalized bank (1097 branches), regional rural bank (176 branches), 9 private banks (38 branches), 10 district cooperative banks (184 branches), and cooperative agriculture and rural development banks (20 branches). Of the total networks of branches, 56 % are located in rural areas, 25% in semi urban areas and 19 percent are in urban areas. After the formation of Uttarakhand, vigorous efforts have been made to promote self-help groups with a view to tackle the problem of poverty and to bring the unprivileged people under main stream. NABARD estimated that about 26,000 SGH's have been formed in the state in the year 2005 and about 5,550 SGH's have been credit linked with banks. Seventy nine percent of these SGH's were formed under the Swarna Jayanti Gram Swarogjar Yojna (Village self employment Plan) by District Rural Development Agency. Externally aided project such as Uttaranchal Diversified Agriculture Project (6.67%), Swashakti (5%), and SAWJAL four percent ([http:// www.ifmr.ac.in/cmfm/20070105/microfinnace-](http://www.ifmr.ac.in/cmfm/20070105/microfinnace-)

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chaning-rural-india). Further the discussion on micro finance and community integrated programs can-not be concluded without highlighting the work done by Pahal Institute of Community Empowerment & Micro finance, Kathgodam, Naninital, Uttarakhand.

Pahal is a voluntary Non Government Organization working in the field of social welfare, rural & slum area, sustainable development, environment protection with the tool of self reliance, micro saving, micro financing, capacity building of needy people, especially women, awareness programs cooperation and coordination, since 1988 under the guidance and supervision of Mr. Islam Hussain, executive director of Pahal.

### 1.1 Objective of the Study

In this paper simple effort is made to review the recommendable work done by Pahal Institute of Community Empowerment & Micro finance under the aegis of Mr. Islam Hussain. Further this paper will become a source of inspiration for young masses of same field.

### 1.2 Research Methodology

All the data are taken from secondary source. We have taken past two years data from year 2007 to 2008 directly from Pahal Institute of Community Empowerment & Micro finance, Kathgodam, Naninital, Uttarakhand annual report 2006-2008 available at (<http://www.scribd.com/doc/6315594/pahalNngo-from-Uttarakhand-Microfinance>). On the basis of analysis of data useful results can be drawn and these results are equally applicable in whole of Uttarakhand.

### 1.3 Limitation of the Study

One major limitation of the study is that data are not available for a decade i.e ten years, as a result of this brief analysis of programmes implemented by Pahal can be conducted. Another one is that Pahal organization is also working in Uttar Pradesh, but our study is only confined up to Uttarakhand.

## 2. Literature Review

Lost of studies in the past relevant with current studies are carried out by researchers and academicians all over the world. Few of them are highlighted as under. Barry (1996) mentioned that MFI's to become financially viable, self sustaining and interregional to the communities in which they operate, must have the potential to attract more resources and services to clients. Despite the focus of MFI's, only about 2 percent of the suffering world and 500 million small entrepreneurs are estimated to have access to financial sector. Singh (2001) has undertaken a study of Uttarpradesh comparing the pre and post situations of women SHG's. He found that the average value of assets increased 46% and the annual income per household increased by 20% between pre and post SHG periods. The borrowings for the consumption purpose was also done during pre SHG, but it was completely absent in the post SHG situation. The important benefit of SHG's is compulsory savings, even cutting the

necessary expenditures. But the commercial banks are prompt in linking SHG's with loan. Puhazhendhi and Badatya (2002) showed in their study, micro credit programmes extends small loans to poor people for self-employment projects that generates income, allowing them to care for themselves and their families. Micro credit has come to be recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with focus on empowering women. Mohanan (2002) highlighted in his study, the role and participation of non-governmental organizations in micro credit programme in India needs special focus. Year after year the number of non-governmental organization participating in the programme shows increasing trends. The non-governmental organizations have been playing vital in the country over the last quarter of the century in the sphere of social development. Bansal (2003) concluded with the help of Self-help linkage programme the Reserve Bank of India and National Bank for Agriculture and Rural Development bank aimed to improve relations existing between the poor and bankers with the social intermediation of NGO's. Selvi & Krishnan (2004) assessed the "Role and Performance of Self Help Group leaders in Tamil Nadu" and find out the primary objective of the study is to assess the role performed by SHG's leaders. The study was taken up among SHG's leaders in Omalur Taluk of Salem District. Sample of 120 SHG's leaders were selected for the study and they are distributed throughout the three blocks of Omalur Taluk and Salem Districts. The study revealed that socio-economic development of members and dissemination of information to members about government development programmes and welfare schemes were performed by less number of leaders. The leaders were to be motivated further to perform better. Raj (2004) in his study on "Self Help Groups and Women's Empowerment" pointed out that empowerment can serve as a powerful instruments for women to achieve power and status in society. Self Help Groups are potential source to empower and institutionalize participatory leadership among the marginalized and to identify plan and initiate development activities. Sundar and Asokan (2004) in their study "Regional Variations in the performance of Self Help Groups". The study analyze the regional variation in the implementation of women development programme under self-help approach. The study based on a two-way analysis. The first part of the analysis related to overall performance based on percentage analysis. The first part of the analysis related to overall performance based on percentage analysis of actual data. The second aspect of this analysis relates to construction of index of performance on chosen indicators i.e number of Self Help Groups per 10000 female population, per capita bank credit, per capita credit linkage. It has been concluded that there is a widespread regional variations in the implementation of women development programme in some parts of the country. The implementation of SGH's is quite encouraging in the southern region, particularly in Andhra Pradesh, Tamil Nadu, Karnataka and Pondicherry. The remaining regions have shown a very low level of implementation of women development programme.

**Different Programmes of Pahal Institute of Community Empowerment & Micro finance at a glance**

The role of NGO's is more significant and pronounced in the sphere of micro credit. The rich experience of NGO's in the sphere of credit union and their grass roots level involvement with the poor and their problems in a potential factor that affirms their elevated role in the sphere of micro credit. In this regime, Pahal is a role model that is working in rural, semi urban and slums to make the inhabitants self dependent.

Pahal is a voluntary Non Government Organization working in the field of social welfare, rural and slum area, sustainable, development, environment protection with tools of self reliance, micro saving, micro financing, capacity building of needy people, especially women, awareness programs cooperation and coordination. Pahal is working in 125 villages and slum areas out of which four districts are from Uttarakhand and one from Uttar Pradesh reaching more than 12000 families. Pahal is working for the unprivileged masses, those house- holds, which are completely ignored by the society, or those who are not unaware of government 100 days rural and urban employment schemes and can-not granted loans from bank and financial institutions as result of strict rules applied in loan disbursement and repayments under the aegis of naiphal. Since from the formation of Pahal in the year 1988 till date recommendable work is done with dedication in Bhimtal, Jeolikote, Rural & semi urban, Kotabagh rural, Jaspur semi urban, Purala and Naogaon Block (Uttarkashi) and Rampur (Slum area). In order to enhance and strengthen the capacity building program the organization has been restructured and all the community services will be executed and offered under name PAHAL-Institute for Community Empowerment & Micro Finance. About 400 lakhs has been mobilized as saving, internal landing, and bank credit, Pahal annual report 2008-2009 ([http://www.guidestarindia.org/Uploads/dfodd2b7-9716-4d2da6b43doc5ab359a9/anr0809\\_491.PDF](http://www.guidestarindia.org/Uploads/dfodd2b7-9716-4d2da6b43doc5ab359a9/anr0809_491.PDF)). The under mentioned are the areas under which Pahal is working to achieve sustainable development and reconstruction of the rural, slum and semi urban community.

- 1) Micro Insurance.
- 2) Livelihood Support Services.
- 3) Sustainable Agriculture.
- 4) Technology Transfer Programme.
- 5) Women Empowerment.
- 6) Community Micro Finance Services.
- 7) Community Capacity Building.

**Women Empowerment**

There is well saying "behind every success man there is a woman". This phrase has gained immense importance in rural Indian scenario, where mother is the primary school of learning for a child. A child learn first less of citizenship from kiss of her mother. Women play a vital role in the mountainous region of Uttarakhand state. In this, region, as men is the most of the families work outside due to lack of industries or other avenues of employment in this region. Women of this hilly state are very hard workers, they toil through the day, starting with the family works, nurturing children and livestock, going out for fodder, fuel and drinking water. Unfortunately, these women are not aware of their rights and as a result of this, they became victim of ill practices and exploitations. Pahal NGO is working to strengthen the marginalized section of the society. The

organization is actively involved in sorting out various legal rights based issues relating to women and support them to over-come their socio economic problems. In order to make women self reliant, with the support of National Minorities Development & Finance Corporation, Delhi Pahal conducted two skills up gradation training programs for patchwork embroidery crafts persons. Herein forty women artisans go the relevant training and also got marketing support. NMDFC provided opportunities to exhibits their embroidery product in India International Trade fare New Delhi. Pahal is also actively involved in developing micro enterprise development programme for their SHG members. These programmes are generally sponsored by NABARD Dehradun, regional office where fifty beneficiaries of different self help groups were provided stone crafts training. Pahal regularly makes efforts for linking marketing channels to off load their products.

**Pahal Community Micro Finance Services**

Pahal Community Micro Finance Services, actively involved in providing micro finance to SHG's & JLG's. Since from its formation till date total of 100 lakhs micro credit have been disbursed to the 1200 livelihood initiatives in these areas. Pahal also indentified the key areas of livelihood avenues. Some of them are shopping bags, envelop making, candle making, embroidery work, crochet work, sweater weaving, vegetable dehydration, dairy & poultry, stone craft, wooden craft, kids garments. Pahal also focused on environment, in this regime the shopping bags are develops with the help of newspaper which are eco friendly and do not create any environment hazards like plastic carry bags, besides providing the micro credit to the end users, Pahal also make continuous effort to provide a marketing base to these producers. As a result of assistance from NABARD, a rural mart for marketing of SGH's, farmers, and micro entrepreneurs is started in Saras Marketing centre Haldwani. This mart is managed by Pahal's Kota Doon Self Help Group Federation. Besides this efforts are made to participate in various shows and melas organized by different agencies for marketing of SHG's products. Some of these are IITF, SARAS Mela in Mumbai & Dehradun.

**Table 1.1: Pahal Microfinance At A Glance**

PERFORMANCE	UPTO 2007	UPTO 2008
Total SGHs (No)	306	387
Members of SGHs (No)	3672	4292
Women members	3576	4136
Bank Financed SGHs	224	332
Bank Financed to SGHs (₹)	125 lakhs	134lakhs
Savings of SGHs (₹)	112 lakhs	117 lakhs
Internal Loaning to SGHs (₹)	135 lakhs	153 lakhs
Direct Loaning to SGHs Members from Pahal (₹)	27.5 lakhs	61 lakhs
Total Outstanding Loan Portfolio of (₹)	24.42 lakhs	39 lakhs
Number of Branches	4	7
Total Number of Districts covers	3, Naninital, US Nagar, Rampur	5, Naninital, US Nagar, Uttarkashi, Rampur, Moradabad
Total Number of Staff	16	25
Bank/FI Loan Sanctioned to Pahal for landing (₹)	55 lakhs	75 lakhs
Total Number of MFI/Bank Partners	2, NMDFC, ICICI Bank	4, NMDFC, ICICI Bank, Nainital Bank & SIDBI

Source: <http://www.scribd.com/doc/6315594/pahalNgo-from-Uttarakhand-Microfinance>

Table 1.1 is framed from the data taken from (<http://www.scribd.com/doc/6315594/pahalNgo-from-Uttarakhand-Microfinance>). This table portrays Pahal Micro Finance picture for two consecutive period's year 2007 to 2008. On going through the table 1.1, it is clear that Pahal Micro Finance is executing its programme with dedication and sincerity in order to irrigate poverty from the society. The total number of SGHs formed in 2007 was 306 which increased and reached 387 in the year 2008. Total registered branches also increased from 4 to 7 in the year 2008. The total savings of SGHs increased from ` 112 lacs to ` 117 lakhs as depicted by table 1.1. Also this table reflects direct loaning to SHGs members from Pahal increased by ` 33.49 lakhs in comparison to year 2007. The number of women members was 3576, which increased and reached upto 4136 in the year 2008. Last but not least the total number of MFI/Bank Partners increased from two to four in the year 2008, which is a healthy indicator in implementation of organizational plans with due diligence, also Bank/FI Loan sanctioned to Pahal increased treemendanosuly by ` 45 lakhs in comparison to year 2007 as shown in above table.

**Sustainable Agriculture:-** Pahal is working in the field of sustainable agricultural development. Pahal believe that for the development of rural India there is a need to increase agricultural productivity. In this view to increase productivity of rural masses Pahal is providing capacity building, technical training and support to increase capacity to access different agricultural related services, providing micro credit and so on. Apart from it Pahal also arranged awareness and training camp with the support of Pantnagar Agricultural & Technical University for farm and non farm's technology transfer to small and marginalized farmers resource, new sowing technique, new varieties of seeds of different crops etc. Pahal staff also got in house master training at University campus itself. Department of post harvest technology of Pantnagar Agriculture and Technological University has provided technical support to rear Ginny fowl to thirty such women members. These members got in house training on the course how to rear highly income generated Ginny flow.

**Technology transfer programme & Community Capacity Building:-** Pahal is working in liaison with GB Pant Agriculture & Technology Pantnagar and IIT Rorkee for providing technical training to marginal farmers and clients. Department of Irrigation & Drainage Engineering College of Technology Pantanagar has conducted several training camp in Kotabag, Bhimtal and Haldwani blocks for Pahal clients. Pahal believe that community must take their own initiatives rather than seeking intervention from others, for this Pahal is acting as facilitator for providing initial support system, so that community can access to the resources. Under the concept of community capacity building support Pahal has take concrete steps. In this regime Pahal arranged exposures visit, on- site training technology transfer programme. Pahal have also organized awareness regarding livelihood, income generation, government development initiative, schemes, and programme like MGNREGA, SGSY, PMRY etc. Here Pahal

focused on PRI related issues in gram panchats, block level panchayts and district level panchayts, BPL facilities, Indira Awas Yojna, Serve Shikha Abhyan and National Rural Health Mission.

### 3. Conclusion and Suggestions

From the above discussion, it can be sum up that in last decade NGOs have gained increased attention among scholars and practitioners of development. They have become increasingly important agents of development process in the developing countries of the world. In this paper excellent work done by Pahal Institute of Community Empowerment & Micro finance, Kathgodam, Naninital, Uttarakhand, in the area of micro finance is discussed. Some of the findings of the paper are as under:-

- 1) About ` 400 lakhs has been mobilized as savings, internal landing and bank credit since from Pahal's formation in the year 1988.
- 2) Till date 12000 families are benefited from the schemes of Pahal.
- 3) Pahal is working in four districts of Uttarakand with the help of twenty five permanent employees and volunteers.
- 4) The total number of promoted SGHs reached 525 in the year 2009.
- 5) Till date a total of ` 100 lakhs micro credit has been disbursed to 1200 beneficiaries.
- 6) More than 200 SGHs members are registered and now contributing to livelihood and income generations support to their families.
- 7) From the year 1994 till date Pahal has initiated community based micro finance for promoting micro enterprise and livelihood in Uttarakhand in this field more than 700 SGHs are formed than provided ` 10 Crore liquidity to community and supported more than 5000 micro enterprises.
- 8) Regular technical & marketing support to highlander small farmer those who live above 1000 Mt above sea level in Kotabagh & Bhimtal Block of Nainital District for Cultivation & dehydration of Vegetables is initiated by Pahal.

#### 3.1 Suggestions

Few suggestions recommended are as under:-

- 1) More work should be done by Pahal in the area of community based projects like setting up solar electricity plants in remote villages of Uttarakand. This will provide idol pulling of resources by full-filing the power demand and in reducing the unemployment problem among the youth.
- 2) More liaison with Indian Council of Agricultural Research and IIT's in order to transfer technical know-how in the field of agriculture, harnessing non renewable source of energy and promotion herbal cultivation with-in the state.
- 3) Promoting cottage industries like Jam manufacturing, Vegetable dehydration etc.
- 4) Goals should be set to attain Total Quality management so that product can survive in market.
- 5) Regular exposure to members likes site training, field visit and in house training so that skills of members are increased to get better results.

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### List of Abbreviations

MFI	Monetary Financial Institution
SIDBI	Small Industries Development Bank of India
NAMBARD	National Bank for Agriculture And Rural Development
NGO	Non Governmental Organization
SGHs	Self Help Group
FI	Financial Institution
IITF	India International Trade Fare
BPL	Below Poverty Line
PMRY	Prime Ministers Rozgar Yojana
MGNREGA	Mahatma Gandhi National Rural Employment Guarantee Act