Chapter -1
Why this topic?

1.1 Introduction

The present study is to found out the impact of microfinance schemes in economic development of Self-help groups (SHG) in Pune metropolitan area.

As Mahatma Gandhi used to say; “India lives in villages” The development of villages and slum area in cities is a precondition for balanced economic development of the country. The basic requirements of economic growth are savings, investments and expanding markets for industrial products, ultimately depending development of rural and slum area of cities India. Microfinance is a tool for reducing poverty depending on local circumstances. Poverty is often the result of low economic growth and high population growth.

Microfinance extends hapless people access to financial services such as savings, loans, micro-insurance and money transfer services. People living in poverty, need a different range of financial services to run their businesses, build assets, manage risks and smooth consumption.

Hapless people usually address their need for financial services through a variety of financial relationships, by and large informal. Credit is available from informal moneylenders, but normally at a high cost to borrowers. Savings services are available through a diversity of informal relationships like rotating savings, savings clubs and credit associations, and other mutual savings societies. But these tend to be wandering and somewhat insecure. Conventionally, banks or financial institutions have not considered hapless people to be a feasible market because they consider risk factor are more to recover the money.

1.2. **Self- Help Group**

Self- Help Group (SHG) is now a familiar idea. It is now almost two decade old. It is reported that the SHGs have a role in hastening country’s economic growth. SHGs have now evolved as a drive.

Members of the SHGs are mainly women. Consequently, involvement of women in the country’s economic growth is increasing. They also bring a significant
role in lifting the financial status of their families. This has led to boost the process of women’s empowerment.

The SHG-led approach differs from traditional microfinance in a number of ways. First, it does not exclusively focus on credit or savings but also includes emphasis on social empowerment, outreach, and capacity building. Recognizing that households’ lack of human and social capital may prevent them from making good use of financial resources even if they have access to them, program organizers put a strong focus on encouraging the groups to establish regular meetings among group members and group savings.

There is also an emphasis on outreach whereby existing groups are encouraged to help the “leftover poor” in their village to form SHGs. Second, the goal is not to establish a separate microfinance institution but to use the group to intermediate in dealings with the formal sector and help households to create a “credit history” that will eventually allow them to access regular sources of finance. Finally, federation of SHGs is a central element not only with respect to peer monitoring and diversification of risks on the financial side but federations at village and higher levels are also used to assist in implementation of government programs, help SHGs provide other services -from technical assistance to marketing- and allow members’ participation in local government.

1.3. **Conclusion:** Researcher want to know impact of microfinance schemes in economic development of Self-help groups (SHG) in Pune metropolitan area and what are the obstacles in microfinance in economic development of SHG and how these obstacles can be removed in microfinance for economic development of SHG. If we know the obstacles in microfinance in economic development and how to remove these obstacles, it will help the SHG development in faster way, which will reduce the poverty and of course which will also effect for the economic growth of Nation.