Role of Self Help Groups in Poverty alleviation- An appraisal

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Introduction

Poverty and unemployment are the twin problems faced by the developing countries. According to the Planning Commission more than one third of India‟s total population i.e. 320 million live below the poverty line. Policy makers in India have realized the need for generating employment opportunities at a large scale to bring the teeming millions of its population above the poverty line. While the labour force in India is increasing in number every year, the number of unemployed is swelling and takes the form of huge backlog. As majority of the population (about 70 percent) live in rural area and many of them suffer owing to seasonal unemployment, underemployment and disguised unemployment, the Government brought out a number of schemes which aimed at generating employment. They were the Integrated Rural Development Programme (IRDP), the Training of Rural Youth for Self-employment (TRYSEM) and Development of Women and Children in Rural Areas (DWCRA), the Supply of Improved Tool Kits to Rural Artisans (SITRA), the Jawahar Rozgar Yojana (JRY) and so on. These programmes in general were aimed at providing supplementary employment opportunities, imparting skills needed for self-employment and employment through social asset creation. In 1999, the Government of India launched a single self-employment programme known as "Swarnajayanthi Gram Swarozgar Yojana" (SGSY) that replaced the earlier self-employment and allied programmes. This scheme is definitely an improvement over the earlier programmes in its emphasis on decentralization and people's participation. It seeks to decentralize powers to the elected representatives of Panchayats and Gramsabha in identifying the beneficiaries and short-listing the micro enterprise activities. It encourages group approach and plans to involve the NGOs, the Banks and the other developmental sectors.

Looking at the poverty alleviation programmes over the years a clear shift is visible in the thinking of the development planners in the nature of employment to be generated. They realize the need for transition from income generation to self-employment and from self- employment to entrepreneurship development. A large number of employments can be generated only through making many people as entrepreneurs who would in turn generate employment opportunities not only for themselves but also for others. Credit is a crucial input process of development. Apart from these cooperative institutions, nationalization of commercial banks and introduction of regional rural banks also helped in increasing credit supply to farmers. As mentioned before, by now the Indian credit cooperatives have a century long history. During this period these institutional financing agencies failed to a large extend, to meet the requirements (consumption and production) of the farmers. Some of the factors responsible for their failure are inadequate supply of credit, poor recovery, demand-supply gaps, interference by politicians, and lack of monitoring, mis-utilisation of credit, problems in identification of target groups, high transaction costs, and lags in time, natural calamities and competition from informal credit agencies. A number of committees such as the Rural Banking Inquiry Committee (1949), the All India Rural Credit Survey Committee (1954), the Committee on Co-operative Credit (1960), the All India Rural Debt and Investment Survey (1962), the All India Rural Credit Review Committee (1969), the Working Group on Rural Banks (1975), the Committee to Review Arrangement for Institutional Credit for Agriculture and Rural Development

(1981), the Agricultural Review Committee (1989) and the Narasimhan Committee (1991 and 1998) were constituted by the Government of India to look into their working and made several recommendations to improve their health and functioning. Of the total credit provided by these institutions 44 per cent was met by the co- operative banks and 48 per cent by the commercial banks leaving a paltry amount by the regional rural banks. Further, a review of the genesis and development of the SHGs in India reveals that the existing formal financial institutions have failed to provide finances to landless marginalized and disadvantaged groups. The origin of the SHGs could be traced to mutual aid in Indian village community. The Co–operatives are formal bodies whereas the SHGs are informal. The SHGs encourage savings and promote income-generating activities through small loans. The SHGs have reliability, stimulate savings and in the process help borrowers to come out of vicious circle of poverty.

In India, the financial institutions have not been able to reach the poor households particularly women in the unorganized sector. Structural rigidities and overheads led to high cost in advancing small loans. Experience in implementing different anti-poverty and other welfare programmes has shown that the key to success lies in starting appropriate community-based organizations with participation at the grass-root level. Moreover, the group approach may be one of the effective ways to reduce the difficulties of small businessmen and agriculturists. Motivating individual farmers, artisans and entrepreneurs to form small groups to pool their resources to handle selected operations may lead to a great success.

Participation of people in credit delivery and recovery and linking of the formal credit institutions to borrowers through the SHGs have been recognised as a supplementary mechanism for providing credit support to the rural poor. The SHGs are informal groups formed on a voluntary basis, for providing the necessary support to their members for their social and economic emancipation. The distinguishing feature of the SHGs is creating social and economic awareness among the members. The social awareness enables the members to lead their lives in a sound hygienic environment and pursue a better living. The woman members involve themselves more in taking decisions regarding the education of their children, the investment of the family, managing the economic assets of the family and bringing up cohesion among the members of the family and others for a better living. From the economic point of view both men and women work shoulder to shoulder to increase the income of the family. Every member of the SHGs has felt the need for more involvement in economic activities. The spirit for social and economic upliftment of members is the significant contribution of each and every SHG.

Microfinance and Poverty

Sometimes referred to as banking for the poor, Microfinance is not a magic wand that is going to change the world by itself but inside it, lies a solution to combat poverty. Microfinance centres on providing a stable income and the principal of which may be repaid in six months and then opting for another small loan which might turn into the social uplift. The development signifies the improvement of housing conditions like moving from a house made of mud to one made of wood or advancement in nutrition and children education. Rubana (2008) portrays microfinance thus: Microfinance has surfaced out as an efficient development strategy and has significant policy implications in terms of eradicating poverty and accomplishing MDGs. Relished beneficiaries approve that microfinance helps the poor to upsurge income, builds viable businesses, and reduce their vulnerability to external shocks. It is also a powerful instrument for self-empowerment enabling the poor, especially women, to grow as economic agents of change. Surely, one cannot deny the role of microfinance in poverty reduction as it raises income and consumption of poor households.

Self-help groups, Poverty alleviation and Women Empowerment

Self-help groups emerge as an important strategy for empowering women and alleviating poverty. SHG is a 'people's scheme' and its organization is a significant step towards empowering women. A Self – help Group is a voluntary group, formed to attain some common goals, most of its members have similar social identity, heritage, caste or traditional occupations and come together for a common cause and manage resources for the benefit of the group members. The process of organizing women into SHGs started during the Ninth Plan to provide them permanent for articulating their needs and contributing their perspectives to development, has made tremendous progress as it brought into action more than a million SHGs all over the country. Participation of people in credit delivery and recovery and linking of the formal credit institutions to borrowers through the SHGs have been recognised as a supplementary mechanism for providing credit support to the rural poor. The SHGs are informal groups formed on a voluntary basis, for providing the necessary support to their members for their social and economic emancipation. These groups are distinct from the co-operative societies, mainly in terms of their size, homogeneity and functions. The Non-Governmental Organizations play an important role in preparing the members by changing their attitude to participate in-group activities. The NABARD is a pioneer in conceptualising and implementing the concept of the SHGs through the pilot project of linking the SHGs with the banks. Efforts were also made by the NABARD to popularise the project among bankers and the NGOs by organising a series of workshops and seminars at different levels. The response from banks and the NGOs was encouraging and positive. Women SHGs play a vital role in enhancing the knowledge, skill and good attitude of their members. The distinguishing feature of the SHGs is creating social and economic awareness among the members. The social awareness enables the members to lead their lives in a sound hygienic environment and pursue a better living. The woman members involve themselves more in taking decisions regarding the education of their children, the investment of the family, managing the economic assets of the family and bringing up cohesion among the members of the family and others for a better living. Every member of the SHGs has felt the need for more involvement in economic activities. The spirit for social and economic upliftment of members is the significant contribution of each and every SHG.

Evolution of Self Help Groups In India

In India soon after independence, there has been an aggressive effort on the part of the Government, which was concerned with improving the access of the rural poor to formal credit system. The main emphasis is the spread of the banking network and introduction of new instruments and credit packages and programmes were to make the financial system responsive to the needs of the weaker sections in the society comprising small and marginal farmers, rural artisans, landless agricultural and non-agricultural labourers and other small borrowers falling below the poverty line. With the implementation of the above policies, further the Government of India in its developmental planning emphasized the promotion of agriculture and other allied economic activities through credit intervention for ensuring integrated rural development and securing the prosperity of the rural areas. In pursuance of this, formal credit institutions have been guided by the principle of growth with equity and a large share of the credit disbursed for various activities was channelized towards the weaker sections of the society. Consequently, by the implementation of several poverty alleviation programmes, the number of people below the poverty line has declined from 272.7 million in 1984-85 to 210.8 million in 1989 – 90. In 2011 – 2012 which constitutes over 17 per cent of the population. The number of operational holdings is expected to have crossed the 100 million mark with more than 80 per cent being small and marginal holdings. This institutional credit system needs to meet the challenge of delivering credit to an ever-increasing number of rural people who need greater access to formal credit. It may have to reinforce its own structure at the grass root levels and also have to devise new ways of reaching out to the rural poor.As a result, the experience of the implementation of the above discussed Poverty Alleviation Programmes led to the introduction of the Integrated Rural Development Programme (IRDP) on 2 October, 1980 with the specific objective of raising the poor rural families above the poverty line. Such families considered credit support from banks as an important input in taking up economic and gainful activities. In spite of these impressive achievements in the expansion of the credit delivery system and the special programmes, nearly half the indebted rural households are still outside the ambit of the institutional credit system. They approach the moneylenders for meeting their consumption and production in the absence of institutional support. Some of the poor who have not been reached even by the vast network of the institutional credit delivery system, have organized themselves into self help groups (SHGs) and many such groups have come into existence either spontaneously or with the active involvement of the Voluntary Agencies which motivated the rural poor to pool their meager financial resources for meeting their small and frequent consumption and production credit needs.

SHGs in Tamil Nadu

Multifold activities of SHGs have paved the way for improving village economy. Creating avenues for skill development, including leadership qualities and enabling economic independence are major functions of the „Mahalir Thittam‟, a project of Tamil Nadu Corporation for Development of Women Ltd., (TNCDW) which aimed at empowerment of women. Tamil Nadu doing well on the SHG front has resulted in the boasting of more than 3.78 lakhs of SHGs with a membership of 60.63 lakhs women as on 30.11.2013. This includes 2.61 lakhs of SHGs directly covered by the Tamil Nadu Corporation for Development of Women Ltd., through the successful fostering of savings habit and promptness in loan repayment. Three years ago, women were reluctant even to attend Gram Sabha Meetings. Of late the attendance of women at the meetings went up by 65 percent. The message of the importance of social audit was disseminated through the training for the SHGs. The women began attending the meetings and learnt representing their grievances. They are able to give priorities for their needs and to reorganize themselves into networks at the Panchayat level to decide their agenda. The SHGs have become the tool for institutionalizing convergence between various welfare departments.

Objectives

- To examine the effectiveness of self-help groups on its members socio economic condition
- To study the empowerment level of members

Methodology

The study is empirical in nature and is based on both primary and secondary data. The primary data had been collected from 100 respondents through a well-structured interview schedule. Secondary data related to the savings, loans, revolving fund received from banks and repayment rate were elicited from the relevant records of the SHGs and from the animators/leaders concerned.

Results and discussion

All the Respondents are female about 18 percent of the SHG members said their annual household income was 50k or above per annum, and 47.4 percent reported an annual household income between 50k to 1 lakh. Most Sampled SHG members (58%) were between the ages of 31 and 50. Most (90.3%) indicated a willingness to participate to enhance the empowerment. Only 10.2 percent of the SHG members reported that there was no innovative plan rather than routine procedure. Most respondents (89.8%) said that there was strong influence of peer group support to engage in activities. In more detail, 48.7 percent of the incentives and intensive training had more influence. The consumption expenditure per year for a member was Rs.8722 before becoming a member of an SHG whereas it was Rs.10829 after becoming a member of an SHG. It also shows that the expenditure on food accounted for Rs.4105 (47.06per cent) before becoming the members of the SHGs, while it was Rs.4080 (37.67per cent) after becoming the members of the SHGs. on an average a member saved annually before joining the SHG was Rs. 2409. After joining the SHG, the average level of savings increased i.e. up to Rs. 3098. The major agency with which savings were deposited was banks (both co- operatives and commercial banks) before joining the SHG. After joining the SHG the savings were deposited mostly in the SHGs. Around 48.9 per cent members borrowed less than Rs.10000 before becoming members of the SHGs whereas zero percent of members in the same category after becoming members of the SHGs. Further, 78.9 per cent of the members borrowed more than Rs.20000 after becoming members of the SHGs whereas none of the members had borrowed more than Rs.20000 before becoming members of the SHGs. Nearly 42.3 per cent members of the households have assets worth over Rs.40000 before becoming members of the SHGs whereas 72.3 per cent members had assets to the value over Rs.40,000 after becoming members. Interestingly, proportion of households having assets to the value of less than Rs.10000 decreased after they became members of the SHGs than before becoming members of the SHGs. The value of assets of 94% sample members increased after becoming members of the SHGs whereas the value of assets of 1.9% members decreased after becoming members of the SHGs. The reason for such decrease is due to meet the loss in their income generating activities. And the loss is due to their lack of knowledge in business. Further, the value of assets of 4% members recorded no change before and after becoming members of the SHGs.

In this study, the researcher has applied simultaneous equation model to determine the impact of borrowing on house hold outcome such on income and assets using Two-stage least square (2SLS) estimation the system of equation are as follows:

X_{ij} – Vector Exogenous household characteristics

V_{ij} – Vector the village infrastructure characteristics

Z_{ij}-Vector set of the household or Village characteristics that affect C_{ij}

– Unknown parameters

– Random Errors

Equation 1 shows that amount of borrowing depends on some demographic, village specific and some other variables. On the other hand, equation 2 shows that the dependent variable depends on the same village specific, demographic and also amount of barrowings. The variable amount of barrowing is called endogenous variable as it appears dependent variable in equation 1 and independent variable in equation 2.

SLS Estimation of Amount of Borrowing on Household Outcome: Ln of Income

Variable	**Log of income**	
	Equation 1	**Equation 2**
Constant	4.35*** (2.58)	3.72*** (2.12)
Ln of Amount of borrowing	0.95*** (3.74)	1.94*** (3.66)
Age	0.50*** (2.07)	-
Age- squared	-0.28*** (-2.58)	-
Education	0.48* (1.92)	-
Gender of the household	0.61*** (4.87)	0.29*** (3.41)
Proportionate of male in the Family Size	(0.001) (-0.73)	-0.001 (-0.71)
Village infrastructure	-0.03 (-0.62)	.008 (0.16)
R2	0.25	0.14
F value Prob > F	23.33 (0.00)	22.14 (0.00)
Sample size	100	100

* Significant at 1 per cent level. ** Significant at 5 per cent level.

Note: The figures given in parentheses indicate t-values

The analysis shows that coefficient of income is significant and positive. This implies that incomes of the household are affected positively by the amount of credit. As the amount of credit increase income of the household also increase. Age of the female is found significant and positive; shows that age of the female increase, income of the household also increase. To see the effect of age, the researcher has further examined the equation using age-squared. In the study, it is found negative and significant coefficient of age- square. It implies that as age increase income of household increases but after certain level it starts dropping. This is realistic findings as in real life people's income increases and they grew older but falls after a certain level when they stop working. It is found in the study that there is positive coefficient for education level of the respondents. This means education has a positive role in providing higher income for the households. The coefficient of education is found significant at 5% level. It is found in the study that most of households are headed by male and the estimation shows that the male headed households have a larger income for the family.

2 SLS Estimation Amount of Borrowing on Household: Ln of Assets

Variable (s)	**Log of Assets**	
	Equation 1	**Equation 2**
Constant	-3.72** (-2.12)	-7.30 (-1.68)
Ln of amount of borrowing	1.41*** (2.72)	1.51*** (2.74)
Age	0.01** (2.05)	-
Education	0.02** (2.28)	-
Gender of Household	0.41 (1.72)	0.48* (1.69)
Proportion of male in family size	0.003 (0.52)	0.003 (0.54)
Village infrastructure	-0.12 (-0.90)	-0.07 (-0.52)
R^2	0.16	0.17
F value Prob > F	25.52 (0.00)	22.29 (0.00)
Sample Size	100	100

* Significant at 1 per cent level. ** Significant at 5 per cent level.

Note: The figures given in parentheses indicate t-values

The result shows 2SLS estimation result of simultaneous equation model using asset one of the dependent variable. In this model, the researcher has used log transformed assets and credit for estimation. It is found in the study that SHGs credit affects household assets significantly. The positive coefficient of assets implies that as credit increases assets of the households also increase. Positive coefficient of age shows that age increases household assets also increase. It can also be concluded that education contributes to better quality of life through enhancing household assets. Gender of household head is positive and significant. The positive and significant coefficient of village infrastructure implies that better infrastructure of the village may facilitate household assets.

Conclusion

It is found that the microfinance programme increases the economic prospects of the members which help them to have an access and control over the household economic resources such as ownership of house, ownership of land, and possession of gold and jewellery. The role of women is changed altogether; they become financially independent and are involved in every financial decision of their families. The Microfinance programme raises the status of women from a mere consumer to producer and from economically dependent to an independent. The study shows that as the women start contributing to the household income, they are involved in the various household financial decisions such as preparing household budget, making small and large purchases, selling property etc. Besides socio-economic empowerment, the microfinance programme has also directed the members towards the political empowerment of the women members. The impact is deliberated comparing the level of the political awareness and the interest to partake in the village political affairs among the program members and the non-members. Set aside the economic, social and political empowerment of the programme members, microfinance programme fosters the overall personality of its members. The group activities take them to the enrichment of the fundamental skills of writing their names or reading numbers or doing basic arithmetic or maintaining records of the financial transactions or filling bank forms or understanding pass-book entries and so on. To put in a nutshell, the microcredit programs have wrought women empowerment. The intensive credit intervention in the rural economy is crafting a demonstration effect among everyone including non-borrowers. There is no doubt that the microcredit demonstrates a continued revolutionary effect on the rural economy of India. The programs have sped up a continual growth and development of the people living in rural areas. The sustained sensation of the microfinance in India has created an exemplary template for the rest of the world to adopt.

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