

## **Role of Self-Help Groups in Poverty Alleviation: A Study in Western Odisha**

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### **Abstract**

Microfinance is emerging as a powerful tool for poverty alleviation in India. Despite substantial contributions of women to both household and national economy, their contributions are not recognised in the society. Rapid progress in SHGs and Bank linkage model has now turned into an empowerment movement among women in the country. From various empirical studies, it is found that micro finance through SHGs and Bank linkage model has enabled the members of SHGs to improve their socio-economic status. It also improves family savings, decision making process, self confidence among women section of our society. Microfinance is also necessary to overcome social exploitation and create confidence for self-reliance among rural women and poor section of our society. Apart from the informal financial institutions, the formal and semi-formal sectors also are taking much interest in providing micro finance to rural women in Odisha. The main objective of the present study is to study the effectiveness of Microfinance through Self-Help Groups (SHGs) for socio-economic development of the rural people particularly in the Boudh district of Odisha. Primary data are collected using questionnaire and collected data are analysed and presented through non-parametric test i.e. Chi square test, ANOVA test. Findings of this study is that there is a positive relation between microfinance institution and overall economic development of poor people in rural area. It plays an important role for income and savings of people in rural area.

### **Key words**

Micro finance, SHGs, Women empowerment, NABARD, Micro credit, SHGs and Bank linkage model.

## **I. Introduction**

Microfinance is defined as any activity that includes the provision of financial services such as credit, savings, and insurance to low income individuals which fall just above the nationally defined poverty line, and poor individuals which fall below that poverty line, with the goal of creating social value. The creation of social value includes poverty alleviation and the broader impact of improving livelihood opportunities through the provision of capital for micro enterprise, and insurance and savings for risk mitigation and consumption smoothing.

A large variety of actors provide microfinance in India, using a range of microfinance delivery method. Since the founding of the Grameen Bank in Bangladesh, various actors have endeavoured to provide access to financial services to the poor in creative ways. Governments have piloted national programs.

The main objective of the present study was to study the role of Microfinance through Self-Help Groups (SHGs) for socio-economic development of the rural people particularly in the Boudh district of Odisha. In order to achieve the main objective the present study was also carried out with the following specific objectives-To study the socio-economic background of respondents. To examine the Pre-SHG and Post-SHG status of SHG members. To study the various economic problems faced by the SHG members in the study area.

## **II. Literature Review**

The literature on Self Help Group and micro finance is relatively one of the youngest. Its origin may be traced back to approximately thirty years but the literature available is very large. This chapter reviews the various empirical studies available on Self Help Groups and micro finance and its impact on the lives of rural people.

Though the literature available is fairly large, the review is limited to the core issues to identify the major trends. NABARD has defined micro finance as follows: "Micro finance is all about provision of thrift, credit and other financial services and products of very small amount to the poor in rural, semi urban and urban areas for enabling them to raise their standard of living".

Soundarapandian (2006) in his paper, analyzed growth of SHGs and the role of microfinance in developing the rural entrepreneurship and he further suggested that though there is a positive growth rate of SHGs in

states but in terms of SHGs, there is a wide variation among states. Linkages of banks with SHGs is found impossible for this variations.

Swain and Wallentin (2007) studied Self Help Groups in 5 states (Orissa, Tamil Nadu, Andhra Pradesh, Uttar Pradesh and Maharashtra) and concluded that there is significant increase in the level of women empowerment over a period of time (2000-2003). However, it does not mean that every woman has been empowered to the same degree, but on the average, the Self Help Group members were empowered over this period.

Rajagopalan (2009) studied microfinance in Africa. His study revealed that micro finance in Africa lags behind when compared to other parts of the world, though the sector is growing in Africa. Microfinance in Asia is the largest both in terms of MFIs and outreach. He concluded that Africa is known for chronic poverty which needs poverty alleviation programme and microfinance is one such programme.

IIPO Economic Intelligence Unit (2010) in its studied "self-help groups (SHG): means of women empowerment", conclude that growth of SHGs are essential for the member as they ensure better standards of living and their by the individual; family and social empowerment. Hence the social empowerment by the SHG members is moderate family empowerment achieved by the members in the family are moderate. Empowering women is pre-requisite for creating a good nation- whom are empowered, society with stability assumed.

V.J.R. Emerlson Moses (2011) in his research paper of economics reported that Jawaharlal Nehru said "you can tell the condition of the nation by looking at the status of women", empowerment of women has emerged as an important issues in our country. In India the further reported that nearly half of the population consists of women. In India their work participation rate is less than half that of men. The role of women in the development of nation is very important nowadays. SHG helps the women in uplifting their living conditions and also encompass the social, economic, educational level to improve their empowerment level.

Appah Ebimobowei, John M. Sophia and Soreh Wisdom (2012): conducted a study on "Microfinance and Poverty Reduction in Bayelsa State of Nigeria" This study investigates the relationship between microfinance and poverty reduction in Bayelsa State of Nigeria. The study therefore recommends among others that the governments in

developing economies like Nigeria should as a matter of national priority provide the basic infrastructural facilities to enable small business owners grow; the National Poverty Alleviation Programme (NAPEP) should be well strengthened to reduce the level of political manipulation by political leaders in the country.

Uma H.R., Rupa K.N. (2013): conducted a study on “The Role of SHGs in Financial Inclusion.” To highlight the role of Self-Help Groups in financial inclusion. The area selected for the study is Hunsurtaluk of Mysore district of Karnataka State. An empirical study was conducted with 300 members, to test the hypotheses of the study. The relative gender gap in formal account ownership is highest in South Asia. 41% of men and 25% of women have an account. SHGs are mainly women groups help them to enter formal financial system and thereby become socially and economically empowered.

Gour Krishna Saha (July 2014): Conducted a study on “Microfinance and Women Empowerment in Rural Assam.” To study the extent of rural women empowerment through various income generating activities. To know the efforts required for group formation that could survive in desired manners. To know the present vision of SHG's members and determine the future direction of integrated SHG system respectively to and desired improvement. To assess role of rural women in SHG and search appropriate alternatives for their capacity building.

Mrs. Eli Kumari Das, Ms. Dharitri Baishya (2015): conducted a study on “Role of Self-Help Groups in Empowering Rural Women: A case study on selected SHGs in Rani Block of Kamrup District of Assam. The main objectives of the study are: To study the performance of Self-Help Groups in Rani Block of Kamrup District, Assam. To know the social and economic condition of the women members of the self-help groups in the area. To know the savings habit of the members of self-help groups. An effort is also made to suggest the ways to increase women empowerment through self-help groups in the study area.

### **III. Data Source and Methodology**

Sources of Data: The study is exploratory in nature and is based on both primary and secondary data. Secondary data was collected from various journals, articles, working papers, NGO reports etc. Primary data was enumerated from a field survey in the study region (Boudh).

Area of Sampling: The study was conducted in the district of Boudh through a field survey to get an insight of the benefits and challenges faced by women in SHGs. Sample Size: 50 samples from 3 SHGs from the area of study have been considered to conduct the present study.

Method for data collection: A structured interview schedule was prepared and used for collecting data from the women SHG member. Both open ended and close ended questions were included in the schedule. Statistical tools: Anova, Chi-Square, cross tabulation and percentage analysis are used for the analysis of the data.

#### **IV. Data Analysis and Interpretations**

The poor people cannot utilize the money properly which they have taken loan from various MFI, because of their non-productive use of the loan amount. Once they have taken loan then they enjoy the loan amount with miss-utilize such as purchase of luxurious product that is mobile, motorcycle, dish TV, any other electronic gadgets etc. Up to finish the loan amount. On the other hand they use that amount in house hold consumption in this way they cannot gain their income. So their standard of living is not increasing. In this case the mission and objective of MFI is not fulfilling.

On the other hand, various stake holders such as RBI, NABARD etc. are regularly supply the demand of beneficiary through the MFI. And government has been taking various programmes for poor people for their increase in standard of living. NABARD is an apex institution, accredited with all matters concerning policy, planning and operation in the field of credit for agriculture and other economic activities in rural areas in India. NABARD's vision is to facilitate sustained access to financial services for the unreached poor in rural areas through various microfinance innovations in a cost effective and sustainable manner.

The questionnaire is meant for the people of rural area of Boudh. The sample size is of 50 people. For interviewing each SHG group 30 minutes were taken. In between that period detail information were collected relating to their group and personal information. All the related information is presented in tabular form and is analysed for the better understanding of the topic. Along with this, the analysis helps us to determine to which extent rural area people are affected through MFI. The questionnaire and answer were analysed and presented through **ANOVA test (Table 2), Chi square test (Table 3).**

<b>Stratum of location(Rural)</b>	<b>Sample beneficiaries</b>
Butupali, Boudh district	25
Nuasahi, Boudh District	10
Babusahi, Boudh District	15
<b>Total</b>	<b>50</b>

**Table 1: Number of Beneficiaries**

<b>S. No.</b>	<b>Variables</b>	<b>Calculated Value</b>	<b>Tabulated Value (from the F table)</b>	<b>Accept/Reject null Hypothesis</b>
1	Category wise loan amount taken	5.47*	4.26	Reject
2	Income wise loan amount taken	1.61	5.14	Accept
3	Occupation wise loan amount taken	7.05*	3.88	Reject
4	Category wise purpose of taking credit	1.87	5.99	Accept
5	Income wise purpose of taking credit	1.89	7.71	Accept
6	Occupation wise purpose of taking credit	5.29	5.32	Accept
7	Category wise best source of borrowing	25.51*	5.99	Reject
8	Income wise best source of borrowing	4.12	7.71	Accept
9	Occupation wise best source of borrowing	16.84*	5.32	Reject
10	Occupation wise expected of total income	30.07*	3.24	Reject

Source: Authors' own calculation. Note: \* indicates significance of the F-Statistics at 5% level of significance.

**Table 2: Data Analysis of SHGs Holder (ANOVA – Test)**

S. No	Variables	Calculated- $\chi^2$	Tabulated- $\chi^2$	Accept/Reject Null hypothesis
1	Impact of mfi to the number of beneficiaries	75.71*	5.991	REJECT
2	Effect on loan amount taken by the number of beneficiaries	66.20*	9.488	REJECT
3	Impact of return on instalment amount	66.20*	11.07	REJECT
4	Impact on purpose of taking credit	15.4*	9.48	REJECT
5	Impact on type of instalment pay	0.08	3.841	ACCEPT
6	Impact on changes in the expected income	41.68*	7.815	REJECT
7	Effect on make regular payment	106.96*	7.815	REJECT
8	Impact on best source of borrowing loan	32*	3.841	REJECT
9	Effect of lender's response from beneficiaries suggestion	32.06*	5.991	REJECT
10	Impact on knowledge with interest rate	32*	3.841	REJECT

Source: Authors' own calculation.

**Table 3: Data Analysis of Loan Amount (CHI SQUARE-TEST)**

Note: \* indicates significance of the Chi-square statistics at 5% level of significance.

## V. Findings

There is a positive relation between microfinance institution and overall economic development of poor people in rural area. It plays an important role for income and savings of people in rural area. It assesses to capacity building support through various social work. Microfinance enhances the quality of life of the person living in rural area and aware about the "Human Rights" It is noticed that all the respondents agreed that micro finance brought courage and self-confidence and improved their skill and

self-worthiness. It is found that microfinance improved the literacy level of rural women improved awareness on children education to high level of respondents. Majority of the respondents expressed that their awareness about environment improved after taking part in micro finance programs actively. Maximum number of respondents accepted that microfinance has brought economic development directly and indirectly happiness and peace in the family. Women are economically and socially empowered after joining SHG and getting micro finance as 92 percent reported that poverty level reduced by participating micro finance program.

## **VI. Suggestion**

Micro finance institution basically give intention to back-ward area people to change their life style. Special incentives should be provided to MFIs employee working particularly at the backward area. The use of new technology must be given training to SHGs member and some meeting should be held regularly. Loan must be given at the right time to the right person so that it can be used properly and interest shouldn't have broaden to people. A proper monitoring of SHG member is required. So that they can't use loan amount improperly.

Based on the present study the following suggestions have been made for future line of work. Special training programme should be provided regarding the proper accounts keeping and accounting experts should be invited as a resource person so that the beneficiaries can enhance their accounting knowledge and maintain their cash book and other necessary books of accounts accurately. For better functioning of the groups women should be properly educated and periodical training at regular intervals may be made and also a study on the respective field may be conducted to outcome the findings.

## **VII. Conclusion**

Finance is an element which everyone needs. Regular and immediate finance can play an important role for development of socio-economic conditions of the people particularly the rural poor. Microfinance is expected to play a significant role in poverty alleviation and rural development particularly the rural women. The potential for growing micro finance institutions in India is very high. Major cross-section



can have been benefited if this sector will grow in its fastest pace. From the analysis of data it can be concluded that numbers of members have started savings only after joining the groups while majority of the members have no savings in the pre-SHG era. After joining the groups most of the members solved their problems alone.

### **VIII. Limitations**

Limitations of the study are Sample size is only 50, Limited to rural area, Only three villages, analysis of data on a yearly basis, Collection of data only from those who engaged in income generating activities, Data only from microfinance holder. Due to time constraint the study was not carried out for the larger part. Further research can be carried out to find the Impact of Microfinance and Self-Help Groups on standard of living of the people.

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