POVERTY ALLEVIATION THROUGH SELF-HELP GROUPS WITH MICROFINANCE IN ALLAHABAD DISTRICT

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ABSTRACT

Present study focuses attention on the performance of the self-help groups in microfinance delivery system and its impact on empowerment of the poor in Allahabad District. In developing countries, poverty is the main problem and this approach helps to remove poverty. According to the poverty assessment in the 1997 poverty in India is declining, but slowly and remains widespread 26.1 % (National Statistical Sample Organization, 2000) of the population live the below poverty line. Union minister of Rural Development Jairam Ramesh and deputy chairman of the Planning Commission Montek Singh Ahluwalia jointly set the cap suggested by the Tendulkar Committee and set up a new committee to work out a new methodology for identifying the BPL households. As per the Household Consumer Expenditure Survey, 66th Round in 2009-10, 29.8 per cent of the population were living under the Below Poverty Line (BPL). Rural poverty has been estimated by 33.8 per cent in comparison with urban poverty by 20.9 per cent in this survey. At the national level, anyone earning Rs.672.8 monthly, or Rs.22.42 per day in the rural area and Rs.859.6 monthly or Rs.28.35 per day in the urban area is above the poverty line. The total number of people below the poverty line in the country is 35.46 crore as against 40.72 crore in 2004-05. In rural areas, the number has come down from 32.58 crore five years ago to 27.82 crore and the urban BPL number stands at 7.64 crore as against 8.14 crore. Thus, the main issues raised in this study are related to the analysis of influence of group approach on poor people. India is a nation of villages and development of the nation is dependent on the mainly rural poor. We know that social security is a fundamental human right. Access to credit provides financial security. Financial security provides social security. Social security ensures a path for economic development.

KEYWORDS: Self-Help Groups, Microfinance, Below Poverty Line (BPL), Social Security.

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Introduction

Since independence in 1947, the governments of India and Reserve Bank of India have made efforts to provide access to credit for the poor. In spite of the increase in the physical outreach of formal credit institutions in the past several decades, the rural poor continue to depend on informal sources of credit. Institutions have also faced difficulties in dealing effectively with a large number of small borrowers, whose credit needs are small and frequent and their ability to offer collaterals is limited. Besides, cumbersome procedures and risk perceptions of the bank left a gap in serving the credit needs of the rural poor. The incredible success story of *Grameen Bank of Bangladesh* and *Bank Rakyat Indonesia's Micro banking system* is led to search for alternative policies, systems, and procedures, saving and loan products, other complementary services and new delivery mechanisms that would fulfill the credit requirements of the poor. It is in this context that micro credit has emerged as the most suitable and practical alternative and conventional banking for unreached poor population. The programme envisages organization of the rural poor into groups. The programme is building their capacities to manage their own finances and then convert for bank credit on commercial terms. We know that the financial requirement is one of the basic needs of the rural poor and their socio-economic improvement.

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Microfinance through groups may be considered as a vital tool for meeting the financial requirement of those poorer sections of the society living in rural areas. In India, the economic empowerment of the poor, especially women through groups has been given proper emphasis by the planning commission in ninth and tenth five year plans. The NABARD is the main initiator of the self-help groups movement since 1986-87. Now a days both central and state governments, nationalized commercial banks, regional rural banks, cooperative banks, NGOs, non-banking financial corporation (NBFC) etc. have joined the SHG movement as promoters. Poverty mitigation is one of the prime objectives of any country's planning. The poverty abolition programmes can be implemented effectively with the participation of people. There is a realization that the best way to tackle up poverty is through social mobilization of the poor all over the world. The origin of SHG is the brain child of Grameen Bank of Bangladesh originated by Prof. Muhammad Yunus in 1975. In India, linking commercial banks with SHGs was started by National Bank for Agriculture and Rural Development (NABARD) in 1992 with a modest pilot project of linking around 500 Self-help groups. It has made rapid increase in India in the form of group dynamism. The SHG-Bank Linkage Programme was launched in 1992 as a flagship programme by National Bank for Agriculture and Rural Development (NABARD). This Programme is a landmark in the field of micro financing in India. In Allahabad, majority of the self-help groups are working through Swarnajayanti gram swarozgar yojana (SGSY Scheme).

Objectives

Income level is a main indicator for measuring the living of standard or poverty level of the beneficiaries. Improvement of saving habits is a key indicator for measuring the performance of self-help groups. However following objectives have been taken:

- To measure the impact of income level of the respondents.
- To measure the saving level of the respondents.

Methodology

This paper is based on primary as well as secondary data. 382 members have been drawn for total number of self help groups in Allahabad district. 382 members are selected through formula of sample size determination.

Impact on Income Level of the Respondent

Self-help groups s have helped in increasing income level of the participants, now we will examine that the role of self-help groups through on income level of the respondents. We know that level of Income a very important direct indicator for poverty alleviation. The majority of the world's poorest people live in rural areas. Lack of income is a central feature of poverty. The aid programme is to focus on reducing rural poverty by increasing opportunities for the poor to generate income. Increased income can provide the poor with the freedom to make choices about how to improve their lives. An Anti-poverty programme is presumed to enhance the income of the participants significantly. An attempt has been made to study the impact of SGSY on this variable. SGSY aims to enable the participants cross the poverty line in three years from joining a SHG. Accepting Subbarao's (1985) logic, we are not using this crossing of the poverty line criterion to test the impact of the SGSY. Subbarao (1985) mentions the following reason for not using this criterion as a test of significance for a scheme though he was talking about the programme IRDP:

"Whether or not a particular household crossed the poverty line income level depends on (i) the initial income level of the household; (ii) investment made on the household; (iii) incremental income realized by the household; and (iv) sustained flow of income over a number of years, which in turn is a function of the level of investment and the choice of the asset, capabilities of the household, infrastructural support and demand (marketing) for final output generated." We tried to test whether there is a significant difference between the Treatment groups (SHGs formed under SGSY) and the Comparison group (those who didn't get the loan from the SGSY) for the change in income level.

Let us take Hypothesis

H_0:   There is no significant difference in the change of incomes between treatment

(Credit-Linked SHGs) and Comparison Groups (Non-Credit Linked SHGs).

H_1:   There is some significant difference in the change of incomes between treatment

(Credit-Linked SHGs) and Comparison Groups (Non-Credit Linked SHGs).

Mann-Whitney Test Ranks

Status of the Respondents	N	Mean Rank	Sum of Ranks
Credit Linked Groups	260	185.34	48,189.00
Non-Credit Linked Groups	122	204.62	24,964.00
Total	382		

Source: Primary Survey

N Par Test Statistics (a)

What is the Change in Income Level For the households?	
Mann-Whitney U	14259
Wilcoxon W	48189
Z	-1.674
Asymptotic. Sig.(2-tailed)	0.094

Grouping Variable: Status of the Respondent SHG or Non-SHG

At the 5% level of significance, no statistically significant impact of the programme (SGSY) on income level of the respondents. The Mann-Whitney test comes to be insignificant for the variables 'Status of the respondents for Credit-linked SHG or Non-Credit linked SHG'. In order to understand better what was happening with our treatment and comparison groups, we have calculated the average incomes for the credit-linked SHG (treatment-group) and the Non- credit linked SHG (comparison-group) Surprisingly the average income for the SHG group came out to be higher than the Non-SHG group. It was Rs.48,189.00 for the SHG group and Rs.24,964.00 for the Non-SHG group but it was insignificant after the comparison of its calculated value.

Mode of Bank Savings

Savings is the key factor of each self-help group. Savings in the bank is safe and secure. Therefore, bank is the best mode of savings. Due to limited income the members of the group found it difficult to save. But SHGs insist on savings as the main objectives of SHGs are to inculcate the habit of thrift and saving among its members. We have seen that Participants have fixed the saving of Rs.50 or Rs.100 per month. Non-Participants do not save the money in groups but they save a few amount of money directly in Bank for precautionary motive. However, we analyze the impact on saving level of the respondents. For analyzing the saving details of the respondents, the table and Figure is prepared:-

Impact on Saving Level of the Respondents

Respondents	Annual saving level of the respondents				
	0-500	500-1,000	1,000-1,500	Above 1,500	Total
Participants	5 (1.90%)	185 (71.20%)	70 (26.90%)	0 (0.00%)	260 (100.00%)
Non- Participants	109 (89.34%)	7 (5.74%)	6 (4.92%)	0 (0.00%)	122 (100.00%)
Total	114 (29.80%)	192 (50.30%)	76 (19.90%)	0 (0.00%)	382 (100.00%)

Source: Primary Survey, (Figures in parentheses shows percentages of the row total)

Annual Savings of the Respondents
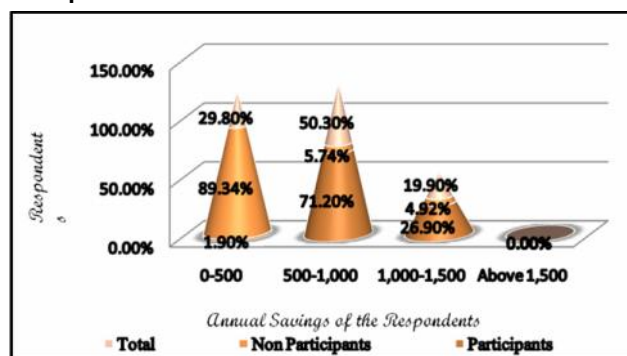
Analysis reveals that, Out of 122, 109 Non- Participants had savings between 0- Rs.500. Participants have started to save money in banks through groups. 185 (71.20%) participants had annual savings from Rs.500 to Rs.1,000 and 70 (26.90%) non-participants had annual savings between Rs.1,000 - Rs.1,500. Only 7 (5.74%) Non-Participants had Annual Savings from Rs.500 to Rs.1,000. Out

of 122 non-participants only 6 (4.92%) had annual savings between Rs.1,000-1,500. None of the members had any annual saving from Above Rs.1,500. A comparison between Participants and Non-Participants, in connection with annual savings, shows that that there is considerable improvement in the annual savings of group member after becoming a member of the groups.

Let us Take the Hypothesis

H_0:   There is no significant difference in the change of savings between treatment (Credit-Linked SHGs) and Comparison Groups (Non-Credit Linked SHGs).

H_1:   There is some significant difference in the change of savings between treatment(Credit-Linked SHGs) and Comparison Groups (Non-Credit Linked SHGs).

Mann-Whitney Test Ranks

Saving Level of the Respondents	N	Mean Rank	Sum of Ranks
Credit Linked Groups	260	181.82	47,273.00
Non-Credit Linked Groups	122	212.13	25,880.00
Total	382		

Source: Primary Survey

N Par Test Statistics (a)

What is the Change in Income Level For the households?	
Mann-Whitney U	13343.00
Wilcoxon W	47273
Z	-2.732
Asymptotic. Sig.(2-tailed)	0.006

Grouping Variable: Saving Level of the Respondents SHG or Non-SHG

Result shows, statistically significant impact of the programme (SGSY) on savings of the respondents at the 5% level of significance. The Mann-Whitney test comes to be significant for the variables 'Saving level of the respondents for credit-linked SHG or Non-Credit linked SHG'.

The results of the test were in the expected direction and significant, $z = -2.732$, $p < .05$. Average savings of the participants was Rs.47,273.00, while Non-Participants had average saving Rs.25,880. Hence, it can conclude that there is a significant difference in saving habits. Hence, it is concluded that there is a significant difference in saving habits. Hence, we can say that groups are playing positive role on saving level of the respondents.

Conclusion

After analyzing, we have reached a conclusion that there is increased in number of groups and credit disbursement, but its role on beneficiaries was mixed. When we talk about the performance of self-help groups on of the members there is no doubt this programme is playing positive role in income level and saving level of the members. Some of the members are able to increase their income and savings and contributed to the well-being of the family. Some members who have no saving they have improved their saving habits after becoming a members of the group. If, we improve this type of programme in supervised manner it would provide a sustainable path for betterment of poor people.

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