

Impact Assessment of Self Help Groups towards Socio-Economic Development: A Case Study of Jharkhand, India

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ABSTRACT

This article is based on primary and secondary information and talks about the premise that poverty has developed social system and subsystems of its own for exploitation poor and especially women in Jharkhand. The context for this paper also derives from the current overriding emphasis on microfinance in rural finance discourse and its celebration as the new 'magic wand' in the fight against poverty. The methodology of the present study relied on primary data, books, the web-based research, review of print literature and visit to the selected sites to witness SHGs and microfinance status in India. The paper concludes that SHGs plays very important role in development livelihood and community.

Keywords: Microfinance, Self Help Group, Livelihood, Poverty Alleviation, Microfinance Institutions, Rural Finance

INTRODUCTION

Indian Villages are faced with problems related to poverty illiteracy, lack of skills health care etc. These are problems that cannot be tackled individually but can be better solved through group efforts. Today these groups known as Self-help groups have become the vehicle of change for the poor and marginalized. Self-help group is a method of organising the poor people and the marginalized to come together to solve their individual problem. The SHG method is used by the government, NGOs and others worldwide. The poor collect their savings and save it in banks. In return they receive easy access to loans with a small rate of interest to start their micro unit enterprise. Thousands of the poor and the marginalized population in India are building their lives, their families and their society through Self-help groups. The 9th five year plan of the government of India had given due recognition on the importance and the relevance of the Self-help group method to implement developmental schemes at the grassroots level.

In India, Self Help Groups or SHGs represent a unique approach to financial intermediation. The approach combines access to low-cost financial

services with a process of self-management and development for the women who are SHG members. SHGs are formed and supported usually by NGOs or (increasingly) by Government agencies. Linked not only to banks but also to wider development programmes, SHGs are seen to confer many benefits, both economic and social. SHGs enable women to grow their savings and to access the credit which banks are increasingly willing to lend. SHGs can also be community platforms from which women become active in village affairs, stand for local election or take action to address social issues such as abuse of women, alcohol, the dowry system, schools, water supply etc. The Government of India and state authorities alike have increasingly realized the importance of devoting attention to the economic betterment and development of rural women in India. Women undertake the more onerous tasks involved in the day-to-day running of households, including the collection of fuel wood for cooking and the fetching of drinking water, and their nutritional status and literacy rates are lower than those of men. They also command lower wages as labour: as rural non-agricultural labourers. Women's voice in

key institutions concerned with decision making is also limited. In 2012, only 10.9 percent of all seats in the national parliament were occupied by women. Key instruments for supporting women's empowerment are self-help groups, whereby 10-20 rural women from the same village, mostly poor women, come together to contribute two-weekly or monthly dues as savings and provide group loans to their members. The self-help group approach was not created by institutional supported operations, but they has contributed to the mainstreaming of this approach in India and to financing programmes for promoting self-help groups in states such as Andhra Pradesh, Tamil Nadu and Maharashtra supported by the Women's Development Corporation, an arm of the State Government involved in supporting women's development.

The impact study on the Jharkhand reveals that access to banking and finance through group savings and lending to members had allowed women to become increasingly involved in economic activities such as the collection and sale on local markets of non-timber forest products. However, the study also noted that greater effectiveness would have been achieved if the project had stressed value-addition and promoted market linkages.

2.0 Objectives of the study

The specific objectives are to:

- (i) Examine and to assess the role of SHGs in rural development in Jharkhand.
- (ii) To make some suggestion for effective and efficient implementation of financial inclusion programme through SHGs for socio-economic development.

3.0 Research Questions

In order to achieve the above stated objectives, the following research questions are advanced and developed to be explored:

- (i) How SHGs contribute to poverty reduction and improved standard of living of people in Jharkhand?

- (ii) What are the prospects of microfinance in the reduction of poverty in Jharkhand?

4.0 Research Methodology

The method employed in this study is the evaluative and descriptive survey method. The study is based on Primary data as well as secondary data and information. The descriptive method is suitable because the research work involved data collection from rural communities members of microfinance institutions (MFIs) with a view to determine whether or not microfinance contribute to poverty reduction by increasing their income and welfare. Primary data and information was collected through survey method by using structured questionnaire and in total 225 samples were taken mainly looking in to time and financial constraint and in total 189 workable samples were found through survey process in Mihijam Nagar panchayat, Mihijam, Jamtara and Karnpura Block of Deoghar District. In Mihijam we visited areas like Kurmipara, Kangoi, and Khushbediya then in Karnpura block we went to village called Jitwa bahiyar.

The data sources for secondary data has been annual reports of NABARD, Ministry of Human Resource Development, Ministry of Education, Economic survey, Articles and research papers of reputed authors published in national and international journals with repute.

5.0 Limitations for the Study

The major limitations for the study are as follows

- The study is based on the limited samples coverage of Jharkhand state.
- The facts presented are based on the information provided and discussion held with the stakeholders and secondary data.
- Poor availability of secondary sources of data.

6.0 Self Help Group in Jharkhand

As the figures in annual report (2012) of NABARD says that Jharkhand has 89.603 thousand SHG's by

march 2012 and its number should have been increased by now to many fold mainly due to financial inclusion policy of Government and initiative taken by NGO's. Reports also says that total amount Rs. 6721.75 lakh has been the saving of SHGs by March 2012 and there is steady rise in that but still very small share of total number of SHG's (7960349) and total amount (Rs. 655141.45 lakh) respectively as compare to all India figures, as savings in financial institution to the SHG's nationwide so it suggest that Jharkhand as a state need to do more to improve upon it.

Figures in reports also reveal that Jharkhand has 12.040 thousand of SHG's by March 2012. Same time commercial banks have been more active and they constitute huge share in microfinance sector. And total amount Rs. 12741.07 lakh has been loan amount by March 2012. Jharkhand contribution is very small in compare to total number of SHG's of India in microfinance sector (1147878 lakh) and total amount (Rs. 1653476.87 lakh) respectively disbursed by financial institution to the SHG's nationwide.

As reports suggest that Jharkhand has 63.336 thousand SHG's by march 2012 and its number should have been increasing well and same time in terms of outstanding amount remain to financial institutions which has been Rs. 35955.95 /- lakh to the commercial, Regional and Cooperative banks. It is very small amount compare to the grand total amount (Rs. 3634000.18 /- lakh) to total numbers (4354442) of SHGs outstanding to other states and nationwide. As data suggest that cooperative banks are not active as much they should be Jharkhand in microfinance sector.

As NABARD report 2011-12 throws some light on microfinance and status of SHGs, says that savings of SHGs and SGSY Scheme in different public sector banks and how public sector banks have been helpful in implementing financial inclusion policy of Government. It is not surprising to see State bank of India is prime lending and saving institution for SHGs but interestingly Bank of India is also doing well microfinance sector in Jharkhand. Banks such as IDBI bank and Punjab & Sind Bank has negligible presence in Jharkhand in Microfinance sector. There

are 69.7419 lakh members in 58856 SHGs and Rs. 5133.13 /- lakh has been the total saving in public sector banks in Jharkhand which is miniscule in to compare with other states like Andhra Pradesh or Maharashtra. It also constitutes very small part of total saving nationwide in all public sector banks. Numbers does explore that only Jharkhand Gramin bank and Vananchal Gramin Bank as regional rural bank active in Jharkhand which shows that lack of participation of other sister regional banks of public sector banks in Jharkhand in context of microfinance and savings in Jharkhand.

According to NABARD report (2012) public sector banks are working in Jharkhand but not much of financial assistance has been extended by banks. It has been revealed by the report that same time exception such as State bank of India and Bank of India are the major banks that are working in microfinance sector in context of loan disbursement and other banking activities which is working towards financial inclusion and rural development. Total numbers of 6245 SHGs are there who has taken loan from the public sector banks in Jharkhand and loan amount is up to Rs. 6404 lakh has been disbursed through banks and it is improving day by day. As figures shows that how public sector banks are working in Jharkhand and loan has been outstanding by banks with in Jharkhand. It is also can be seen by report that being the major banks State bank of India, Bank of India and Allahabad bank in the state are working in microfinance sector and maximum amount has been outstanding to them. There are numbers of NGOs are working in Jharkhand in Microfinance sector which include SHGs empowerment and rural development. And to be specific by March 2012 there are 135 NGOs are working in Jharkhand towards SHGs empowerment and rural development.

7.0 Empirical Data Analysis through Statistical tools

A preliminary investigation was carried out on the SHGs in the state. Data were collected from a sample member of these SHGs to determine the relationship between poverty (dependent variable) and

microfinance (independent variable). For effective coverage and lower cost, purposeful sampling technique was used to select a sample of 225 members that constituted our sample size.

The major tool of this study was a questionnaire titled “Impact of Microfinance on Rural development in Jharkhand”. The terms and statements embodied in the questionnaire were related to the objectives and hypothesis of the study. The questionnaire had two sections: Section A contained background information of the respondents while Section B was to measure perception of respondent on effectiveness of microfinance on poverty reduction in Jharkhand, rating Strongly Agree 4; Agree 3; Disagree 2; Strongly Disagree 1.

A reliability test was carried out on respondents in other microfinance institutions not part of the study using test-retest methods. The scores obtained from the administration of the questionnaire were corrected, using Pearson product moment correlation coefficient was 0.78. Out of the 225 copies the questionnaire administered, 189 were returned and used for analysis.

Data and information collected from structured questionnaire were analyzed, summarized, and interpreted with aid of statistical tools. Chi square was used to measure the discrepancies existing between the observed and expected frequency and to proof the level of significance in testing stated hypotheses. Regression analysis and Analysis of variance (ANOVA) were computed with the help of statistical package for social science (SPSS). The trend, and pattern and relationship among data were identifies and interpreted.

Interpretation of Results

Table 1: X2 Summary

Variables	N	1	X2	P-Value
Participation in microfinance	157	1	32.171	<0.05
Non-adoption of microfinance institutions	32			

Source: Field survey, 2012

Chi-square test allows statistical significance of

differences in a classification system or the relationship between two classification systems. A frequency table shows the number of that belong to two or more distinct categories as presented under “N” column. In this study adoption and non-adoption of microfinance institutions classification of participants revealed a significant difference among the those that used microfinance and those who do not use microfinance at $X^2 = 32.171$ with 1 degree of freedom and 0.05 significant level. It says that most people participated in microfinance institutions as a SHG member (189) 84 percent and non-adoption of microfinance institutions (36) 16 percent.

Table 2: Simple Regression for Poverty Alleviation measurement

Model	R	R Square	Adjusted R Square	Std error of the estimate
1	.833	.71	.59	157.8331

I) Prediction: (Constant microfinance institution)

For poverty alleviation measurement regression analysis was used to regress the independent variable against dependent variable used to determine dependent variable. Table 2 above indicates the model summary of the simple regression equation that predicted poverty alleviation. The explanation of the values presented is given in the table below.

Table 3: Analysis of Variance for Poverty Alleviation

Model	Variations	Sum of Square	Df	Mean square	F	Significance
	Regression	762	1	762	26.34	0.05
	Residual	1946	56	38		
	Total	2708	57			

I) Prediction: (Constant microfinance institution activities)

Source: Field Survey, 2012

The model summary in the table provides information about regression analysis. First, the ‘simple R’ column is the correlation between the actually observed independent variable and the predicted dependent variable (i.e. predicted by the regression equation). ‘R square’ is the square of R and is also known as the ‘coefficient of determination’. It

states the proportion of the variable in the dependent variable that can be attributed to the independent variable(s). In this research study 71% of the variations in poverty alleviation among members could be accounted for by the Self Help Groups. The adjusted R square refers to the best estimate of R square for the population from which the sample was drawn. Finally, the 'standard error of estimate' indicates that, on average, observed entrepreneurial productivity deviate from the predicted regression line by a score of 177.4436. The hypothesis which stated that "there is no significant effect of microfinance institutions poverty alleviation was rejected at $R=.819$, $R^2=.71$, $F(1,48)=26.34$; $p<.05$. This implies that there is a significant effect of microfinance institutions on poverty alleviation

Table 4: Model Summary of this Simple Regression for Sustainable Development

Model	R	R Square	Adjusted R square	Std. Error of the Estimate
1	.551	.431	.377	4.1837

I) Prediction: (Constant microfinance institution activities)

Source: Field Survey, 2012

To test the third hypothesis, simple regression analysis was used to regress the independent variable against dependent variable used in determining dependent variable. Table 4 above indicates the model summary of the simple regression equation that predicted sustainable development. The explanation of the value presented is given in table 5 below.

The model summary table provides useful information about the regression analysis. First, the 'simple R' column is the correlation between the actually observed independent variables and the predicted dependent variable (i.e., predicted by the regression equation). 'R square' is the square of R and is also known as the 'coefficient of determination'.

Table 5: Summary of Analysis of Variance for Sustainable Development

Model	Variation	Sum of Square	Df.	Mean	F	Significance
1	Regression	1728.18	01	1728.18	20.13	0.02
	Residual	2842	57	46		
	Total	4570.18	68			

Source: Field Survey, 2012

It states the proportion (percentage) of the (sample) variation in the dependent variable that can be attributed to the independent variable(s). In this study, 20 % of the variations in, sustainable development could be accounted for by the microfinance institutions. The 'adjusted R square' refers to the best estimate of R square for the population from which the sample was drawn. Finally, the 'standard error of estimate' indicates that, on average, observed sustainable development deviate from the predicted regression line by a score of 4.1837. The hypothesis three which stated that "there is no significant effect of microfinance institutions activities in predicting sustainable development was rejected at $R=.551$, $R^2=.431$, $F(1,66)=20.13$; $p<.05$. This implies that there is a significant effect of microfinance institutions on sustainable development.

8.0 Case Study of Kamla Devi

She belongs from Kurmipara area of Mihijam, and she is 55 year old woman. She belong to kurmipara SHG, where she holds the post of secretary. There are 13 members in her family, she has six kids and four of them are boys and two girls.

Before joining Kurmipara SHG her socio-economic status was in bad condition but after becoming part of SHG she started to deposit money in her SHG to save money then she started to take loan through interloaning of her SHG and from federation to invest in her business.

She started from the business of selling eatable processed form wheat Sattu and by saving money, interloaning and by taking loan many times from federation she has helped her husband establish his tailoring business and helped his son to open up garment shop in Mihijam.

Before joining Kurmipara SHG, she use to sale Sattu and use to earn less than Rs.2000/month but now she earns more than Rs.13000/month through her sheer hard work and determination. Her life is fully dedicated and devoted to survival of her family and she did all that to be independent and enhancing socio-economic status of her family.

9.0 Other Significant findings of study

The findings of empirical studies and the survey based on the results of questionnaire canvassed among the group members and on the interviews and discussions held with the SHGs members, Samarthan officials, field workers and local non-government organizations are as follows:

It says that formal education does have much impact on earnings or business sense of SHGs members. Savings in SHG and easy loan through Federation has helped SHGs members to raise their socio-economic status. Being part of a group, regular interaction, socialization, exposure etc. has raised confidence and courage among the SHGs members. SHGs have among themselves inculcated social consciousness among the SHGs members. Now SHGs members are more outgoing. Women in karnpura became part of SHGs due to exploitation and high interest rate on loan charged by moneylenders. Most of SHGs does not possess much of knowledge about group business and trade. Migration for employment outside the village, and 'financial difficulties' especially in making regular savings deposits is the main reason for very poor and poor drop-outs; for the non-poor, group dynamics from SHGs is an issue. Efficiency and profitability is another concern for the sustainability of SHGs. However to achieve that, economic feasibility, discipline, the regular meetings and attendance to these meetings needs to be improved. The economic status of households has enhanced due to improvement in access in a across to formal credit institutions, since SHGs are also linked with banks and other non banking institutions. Additional family incomes of members raised and it range between Rs.1000/- to Rs.3000/- per annum depending on the income generating activities. Increase in income has been mainly spent on better nutrition of children and on the health care for the family. Access to credit has enabled women to undertake income generating activates and it has helped in there socio economic development and family also has been beneficial.

10.0 The way forward

Various studies all round the world have indicated the positive impact of SHG on the community's lives. In the development of the individual client/member, the individual is involved in the development process, the SHG movement needs continued support. There is an urgent need to enhance the capacities of the SHGs through increased investment by the SHPIs, Government, Banks and Donors in order to make the SHG movement strong and sustainable. The interventions in the name of building and strengthening the SHG movement should not be limited to credit deployment and should focus on group promotion, savings, livelihood promotion, enterprise development and pooling and marketing the local produce with value addition. This would help generating self-employment to the people and also help build the local economies. Though this process is slow and requires

investment in capacity building over a period of time, it will help build the social capital and helps bring economic prosperity to the communities in the long run through creation of strong and sustainable groups. Banks should consider allocating some funds for the capacity building of SHGs. They can also invest in recruiting special manpower for SHGs and maintain the SHG data base and monitoring their progress periodically. Alternatively they can "outsource" these services to local NGOs. The option of converting Regional Rural Banks into Self-Help Development Banks working completely with the SHG model should be explored. Well defined operational processes should be designed such as group formation, meetings, loan approval, disbursement, repayment etc. There is a need for a state level and national level organisation to coordinate the financial resources to the SHGs and capacity building resources to the promoting organisations. Though NABARD is performing this function presently, a separate independent organisation, focussed exclusively on SHGs, will be more effective and efficient in building a strong, vibrant, sustainable and self-reliant SHG movement. Village/block/district level SHGs can be federated and registered as primary and secondary cooperatives. Cooperative is the best suited institutional form for the SHG federations since both SHGs and Cooperatives function essentially on the same principles and practices. The SHG loan recovery rates which use to high but there is declining trend and there are concerns for standards process, overlapping loans, adjustment of a new loan against an older outstanding loan, cost reduction and technology intervention. Real default is probably a much bigger problem than is acknowledged.

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