

**FINAL REPORT OF**  
**MINOR RESEARCH PROJECT (MRP)**  
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TITLE OF THE MRP:

**POVERTY ALLEVIATION THROUGH SELF HELP GROUPS:  
A STUDY OF BALASORE DISTRICT**

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Submitted by the Principal Investigator:

**SUBRAT KUMAR RANA**

ASSISTANT PROFESSOR OF ECONOMICS

FAKIR MOHAN (AUTONOMOUS) COLLEGE, BALASORE, ODISHA

## **EXECUTIVE SUMMARY**

This paper seeks to examine of the impact of Self Help Groups formed under Swarnjayanti Gram Swarozgar Yojana (SGSY) on poverty alleviation of Balasore District of Odisha. Data pertaining to pre and post SHG periods were collected from the SHG members on various economic parameters like, employment, income, saving, landholding size, value of household assets, consumption expenditure etc and various statistical tools have been used for analysis of data. On the basis of data analysis, major findings and conclusion have been underlined and policy implications have also been suggested.

### **OBJECTIVES OF THE STUDY:**

The prime objectives of the study are:

1. To examine sources of credit and interest rate paid by the SHG members during pre and post SHG periods.
2. To examine the types of economic activities undertaken by the SHGs after credit linkage.
3. To examine the change in the employment status, income level, saving level, landholding size, value of the household assets and consumption expenditure of the sample SHG households after joining SHGs.
4. To examine the impact of SHGs on poverty alleviation of the SHG households of Balasore District of Odisha
5. To examine socio-political awareness created among the SHG members after joining the group.
6. To make a comparative analysis of the effectiveness of SHGs in the two sample Blocks of Balasore District i.e. Nilgiri and Remuna.

### **METHODOLOGY:**

Both primary and secondary data have been used in the present study. Primary data have been collected by Survey Method. A Field Survey was conducted and primary data have been collected from 344 sample respondents of Balasore District. Data pertaining to pre and post SHG periods were collected from the SHG members on various economic

parameters like, employment, income, saving, landholding size, value of household assets, consumption expenditure etc to assess the impact of Self Help Groups on the study area. In this study, multi-stage sampling method has been used, the sample units at different stages being the Blocks, Panchayats, villages, and sample SHGs members. Out of 12 C.D. Blocks of the District, Nilagiri and Remuna Blocks have been selected with proper justification. The study area has purposively been confined to the two Blocks only for an in-depth and comprehensive study of the issues. According to the Official record of D.R.D.A., Balasore, total SHGs formed by different agencies under Nilagiri Block and Remuna Block till March, 2012 are 1059 and 1647 respectively. Through Field Survey, primary data have been collected from 164 sample SHGs of Nilgiri Block and 180 SHGs of Remuna Block.

After processing of the raw data through MS Excel and SPSS, simple statistical tools like percentage, arithmetic mean, logest function, paired sample t-test, independent sample t-test and binary logit regression model have been used for the analysis of data.

To compare the average employment level, income level, saving level, landholding size, value of the household assets and consumption expenditure of the sample respondents of Balasore District between the pre and post SHG periods, 'Paired Sample t-test' is applied to test the statistical significance of the hypotheses by using primary data collected through Field Survey by using SPSS.

Further to compare the average employment level, income level, income generated through SHG activities, saving level, landholding size, value of the household assets and consumption expenditure between the two Blocks i.e. Nilgiri and Remuna, in the post SHG period, 'Independent Samples t-test' is applied to test the statistical significance of the hypotheses by using primary data collected through Field Survey by using SPSS. To compute the Compound Annual Growth Rate of the progress of the SHG-Bank linkage over the years, logest function has been used.

In the present study an attempt has also been made to find out the probability of various independent variables influencing poverty. This has been done through a 'Binary Logit Regression Model'. The maximum likely hood method is used to run the regression model. The independent variables taken are age of the respondents, credit, education, landholding size, saving and income generated from SHG. The data collected from Field Survey have been processed and analysed by using 'E-View' software.

## **MAJOR FINDINGS OF THE STUDY:**

Research is the search for new knowledge. In any research work, there are some findings which enrich the horizons of knowledge.

The analysis of data pertaining to the progress of the SHG-Bank linkage in India reveals that the compound annual growth rate of number of SHGs linked to the banks is 22.54 per cent during the period from 2000-2001 to 2016-17 while the compound annual growth rate of number of SHGs disbursed bank loans is 15.61 per cent during the same period. Similarly, the compound annual growth rate of loans disbursed to SHGs during the period is 32.58 per cent. Thus there has been a remarkable progress of SHG-Bank linkage in India during the period from 2000-01 to 2016-17.

The progress of saving of the SHGs with banks in India indicates that compound annual growth rate of number of SHGs linked to banks during the period from 2006-07 to 2016-17 is 5.84 per cent and the compound annual growth rate of amount of saving of SHGs with banks is 15.57 per cent. Hence, it can be inferred that there has been tremendous growth of SHG saving with the banks during the period.

The progress of SHG-Bank linkage in Odisha shows that the compound annual growth rate of number of SHGs disbursed bank Loans during the period from 2000-01 to 2016-17 is 10.73 per cent while the compound annual growth rate of loans disbursed by the banks to the SHGs is 30.9 per cent during the same period. Hence it can be concluded that although there has been a substantial progress of Self Help Groups-Bank linkage in Odisha during the period from 2000-2001 to 2016-17 yet, its progress is below the national level.

Similarly, the progress of saving of the SHGs with banks in Odisha indicates that compound annual growth rate of number of SHGs linked to banks in Odisha during the period from 2007-2008 to 2016-17 is only 0.58 per cent whereas the compound annual growth rate of amount of saving of SHGs with banks is 9.20 per cent during the same period. Thus the progress of the number of the SHGs linked to the banks and the amount of saving deposited by the SHGs with the Banks in Odisha has been lower as compared to the progress at the national level.

The analysis of the socio-economic profile of the respondents reveals the following results. As regards, the educational status, it is found that 82.27 per cent of the respondents

are literate, 17.73 per cent of the respondents are illiterate while only 2.33 per cent respondents have educational qualification of graduation and above. The age composition shows that, the largest respondents belong to the age-group of 30-40. In terms of percentage, 45.35 per cent of the total respondents are in the age group of 30-40 followed by 29.36 per cent respondents in the age group of 40-50. As regards the caste structure, 22.38 per cent of the respondents belong to Scheduled Caste, 19.77 per cent Scheduled Tribe, 55.23 per cent SEBC/OBC and only 2.62 per cent respondents belong to general caste. However, in case of Nilgiri Block 32.93 per cent respondents belong to Scheduled Tribe.

The occupational distribution of the sample respondents shows that 27.04 per cent of the respondents are engaged in agriculture, 13.95 per cent in business, 12.79 per cent in daily labour and 46.22 in other activities. The marital status of the sample respondents indicates that 94.48 per cent of the respondents are married, 0.58 per cent is unmarried, 4.94 per cent is widows and there are no divorcees.

The family type of the sample respondents reveals that 76.74 per cent respondents have nuclear families while 23.26 per cent respondents have joint families. The family category of the sample respondents shows that all the sample SHG members of both the Blocks belonged to Below Poverty Line (BPL) category before joining the Self Help Groups.

As regards the housing pattern, 54.94 per cent respondents has thatched house followed by 25.87 per cent having Pucca house. Further, 88.95 per cent respondents' have electricity connections while only 11.05 per cent respondents have no electricity connection. With regard to drinking water facility, 82.56 per cent respondents have hand pump/tube well water facility and only 15.70 per cent respondents' have the facility of piped water. All the sample SHG members of both the Blocks belong to Hindu religion and there are none from other religion like Muslim, Christian etc.

As regards the annual income, none of the sample SHG households has annual income below `10,000. 33.43 per cent SHG households have annual income between `40001 and `60000 followed by 22.09 per cent households having annual income between `60001 and `80000 while only 14.54 per cent respondents have annual income above `100000. The annual saving status shows that 33.72 per cent households have annual saving between

`1001 and `2000, 21.22 per cent households have annual saving between `2001 and `3000 and only 3.78 per cent households have annual saving above `10000.

The landholding status shows that, 38.96 per cent households are landless, 20.06 per cent households have land between 51 dec. and 1 acre and only 1.74 per cent households have land above 3 acres. Thus it is clear from the table that the largest percentage of the sample SHG households belongs to landless category.

Analysis of data pertaining to the impact of SHGs reveals that in the pre-SHG period, the major source of credit of the SHG households of Balasore District was the non-institutional agencies like village money-lenders, neighbours, friends and relatives etc. However, in the post-SHG period, the dependence of SHG members on informal/non-institutional credit agencies has been substantially reduced because after joining the SHGs and the members have an easy access to the institutional credit agencies and Group Fund. Further, during the pre SHG period, the respondents of the District borrowed from the non-institutional sources at a very exorbitant rate of interest ranging from 36 per cent to 84 per cent per annum. But after joining SHGs the respondents are mostly borrowing from the institutional credit agencies and Group Fund at a very reasonable rate of interest varying between 10 per cent and 18 per cent per annum. Thus self help groups have not only reduced the dependence of its members on the non-institutional credit agencies to a substantial extent but also reduced the cost of debt. It has helped its members to have an easy access to the institutional credit agencies wherefrom they get loans at a very reasonable rate of interest.

Therefore, to free the rural poor from the clutches of the sagacious and rapacious money-lenders and to overcome the existing constraints grappling the formal credit institutions, Self Help Groups have emerged as one of the important milestones in the rural credit scenario in the study area. These groups by way of joint liability have enabled the poor to overcome the problem of collateral security whereby they can have an easy access to institutional credit facilities which are available at a reasonable rate.

As regards the occupational distribution of the SHG members it is found that the rural women who were previously mere housewives and confined to the four walls of their home, after joining self help groups, they are now engaged in diverse income generating

activities through credit linkages. The respondents of the study area are now engaged in diversified economic activities such as, commercial farming, food processing, pisciculture, livestock, trade and commerce, cottage industries, and some others activities after the credit linkages thereby contributing something to the family income.

Further, there is a significant increase in the average employment level, average real annual income, average real annual saving, average real value of the household assets, and average real annual consumption expenditure of sample SHG households of the study area in the post SHG period. Thus joining SHGs has a positive economic impact on its members. However, analysis of data reveals that the average landholding size of the sample respondents has declined in the post-SHG period which is not statistically significant. The implication of this decline is that the SHG members are gradually dissuading from agriculture to other activities.

With regard to poverty alleviation, the analysis of data reveals that after joining SHGs 70.35 per cent of the sample BPL SHG households of the District have come above the poverty line while only 29.65 per cent households remain below the poverty line. However, if the income generated from SHG activities were excluded from the family income of the respondents, 64.82 per cent households of the District would have come above poverty line while 35.18 per cent households would have remained below the poverty line. Thus, when the income generated through SHG is excluded from family income there has been a marginal increase in the poverty ratio from 29.65 per cent to 35.18 per cent. Thus joining SHGs has a very insignificant impact on poverty alleviation of the SHG households.

Further, the results of Logit Regression Model reveal that although the income generated through SHG activities is positively associated with poverty line yet it is not significant. Since the income generated through SHG is not significant, it can be inferred that, SHG income is not adequate to bring the SHG households above the poverty line. Hence, income generated through self help groups alone cannot free the poor SHG households from the grip of poverty.

It can, therefore, be said that, although the members of self help groups contribute something to the family income, the income generated through Self help groups are not adequate to lift the poor households above the poverty line. However, in the post SHG

period, some of the members of the self help groups in the study area have become economically independent.

Moreover, the participation of the SHG members in SHG weekly meetings, in Palli Sabha, in SHG Federation Meetings, in various training programmes, in banking business, in the drive to create awareness among the villagers regarding ill-effects of liquor and adult literacy, in preparing the mid-day meals for schools and tiffins for the Anganwadi children, in various matters relating to family and society has helped them in widening their outlook and created socio-political awareness among its members. The SHG members who were merely housewives in the pre SHG period are now taking active part in various socio-political matters leading to illumination of socio-political awareness in their minds ultimately resulting in women empowerment.

A comparative analysis of the performance of SHGs in the two Blocks i.e. Nilgiri and Remuna reveals that there are no significant differences in the average employment status, average annual saving and average landholding status, between the two Blocks in the post SHG period. However, there are significant differences in the average annual income, the average annual income generated from SHG activities, the average value of household assets and the average annual consumption expenditure between the two Blocks in the post SHG period. There has been a significant increase in the annual income, annual income generated from SHGs activities, value of household assets and annual consumption expenditure of the sample SHG households of Remuna Block as compared to the same variables of Nilgiri Block. Further, in the post SHG period, 64.63 per cent of the SHG households of Nilgiri Block have come above the poverty line while 75.56 per cent of the SHG households of Remuna Block have crossed the poverty line. Thus the performance of SHGs of Remuna Block in generating income and alleviating poverty has been better than that of Nilgiri Block. Hence, the SHGs activities have become more effective in Remuna Block as compared to Nilgiri Block.

#### **POLICY IMPLICATIONS:**

It is observed that, in some cases the bank loans are being divided among the members to undertake income generating activities at individual capacity. But, some members have used the loan share for consumption purposes leading to generation of no

income. Hence, steps should be taken by the SHGs promoting agencies to monitor the end use of bank loans for productive purposes.

The commodities produced by the SHGs are not properly sold in the market at a reasonable price. Therefore, necessary steps should be taken by the SHG promoting agencies like, the DRDAs, ORMAS, Block officials etc. for marketing of the products produced by the SHGs at a proper price.

At times, the SHGs are not getting loans from the banks in the right time for undertaking productive activities. So steps should be taken by the banks to sanction the loans in time. Some SHG leaders belonging to BPL households stated that although all the members of their group belong to BPL category households, they have not been given SGSY assistance (loan-cum-subsidy component). So steps should be taken in this regard to sanction SGSY assistance to the eligible SHGs fulfilling the norms.

It is observed that some of the SHG members and Group leaders are not fully aware of different aspects of the SHG like rules and regulation of the group, information about group records, total capital of the group, total loans disbursed to the group members, outstanding loan etc. Hence initiatives should be taken by the promoting agencies for creating awareness about rules and regulation relating to the functioning of SHG by imparting training.

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