POVERTY AND MICRO FINANCE: INTERROGATING SELF HELP GROUPS EXPERIENCE FROM CHANDIPUR AND BURDWAN OF EASTERN INDIA

Dr. Manjari Sarkar (Basu)
Head & Assistant Professor of Geography, Department of Geography
Kandra R.K.K. Mahavidyalay, Under the University of Burdwan, West Bengal,

Abstract

In India, since the 1990’s group-based micro finance strategies have come up under both Government and private agencies in rural areas with the multiple objectives of poverty alleviation, developing awareness towards health, education and livelihood generation. Conventional financial systems around the world typically exclude the poor. But in developing countries, microfinance through SHG(Self Help Group) has demonstrated its potential for delivering a full range of commercial financial services to micro-entrepreneurs and poor families that are conventionally considered “unbankable” due to high transaction costs, perceived risks and low margins. Therefore, different Government schemes (through microfinance) designed for poverty alleviation among poor’s have become successful somewhere, but do not take into account the diversities of situation at the grass-root level (Drawing from research in interior rural areas of some parts of Chandipur in Orissa and Burdwan of West Bengal). This study looks at the viability of micro-finance and group approach as poverty alleviating strategies. Here, this paper examines why some ‘self-help groups’ fail and what are the real situation of that groups for their developmental strategies through the nature of livelihood generation, training, and development of skills empowerment and marketing of finished products also.

Key words: Poverty, Micro finance, development, SHG,
POVERTY AND MICRO FINANCE: INTERROGATING SELF HELP GROUPS EXPERIENCE FROM CHANDIPUR AND BURDWAN OF EASTERN INDIA

Introduction

Chandipur familiar as Chandipur-on-sea, is a small sea resort in Baleswar District of Orissa, India. The resort is on the beach of Bay of Bengal and is approximately 16 kilometers from the Baleswar Railway Station. The beach is unique in that the water recedes from 1 to 4 kilometers during the ebb tide. But, it is a food insecure area, where 57% populations suffer from Chronic Energy Deficiency (CED) 48% women suffer from nutritional deficiency 72.3% of children have some degrees of anaemia. According to HDI (0.416), this area is a least developed zone of India. Viability of Poverty exists in Chandipur, with 29% of households are living below the poverty line. On the other hand Burdwan is the only district in the state of West Bengal which is fortunate to have Industry and Agriculture respectively. On an average about 58% of the total population are engaged in agricultural practices, while the non agricultural sector accounts for the remaining 42.5%. But inequality, disparity, imbalance and backwardness spread in most of the C.D. blocks invites poverty. The Gross Domestic Product (GDP) of the State is 7.8% whereas the district GDP is 5%. Per capita rural and urban income in the district are pegged at Rs.18369/- and Rs.55791/- respectively. The District CD ratio is 36% as on 31.03.2010 as against the State average of 64% and all India average of 62%. The overall HDI Rank of the district is 5th. Here 26.27% of households are living below the poverty line. The Indian microfinance scene is dominated by SHGs and their linkage to bank with self-reliance, self-sufficiency and self-help gained momentum. It has the potentialities to enhance the viable economic activities. Moreover, the arrangement of Micro-credit through SHG’s is an effective instrument to empower the weaker section of the Society specially the women.

Over the years, Microfinance is being perceived as a vehicle to rural development and improving the quality of life of the economically and socially deprived sections of the Society. With this background, this study intense to enquire some relevant research questions from this study region: what are the nature of Self-help group (SHG) operations and the extent of Micro-credit transactions in India as well as West Bengal and Orissa? What is the impact of Micro-credit intuitions on the reduction of income inequality and poverty vis-à-vis state-led credit-based poverty alleviation programmes? What is the role of Micro-credit in improving the quality of life of poor masses of the rural Burdwan and Chandipur? On the basis of these research questions the specific objectives of the study are as follows: To examine the nature of operation of self-help groups (SHGs) in Burdwan and Chandipur; To examine the impact of Micro-credit in the generation of income and employment; To examine the role of Micro-credit in reducing the extent of rural poverty; To explore the impact of Micro-credit in augmenting the quality of life of the rural households in Burdwan and Chandipur and to examine why some ‘self-help groups’ fail and what are the real situation of that groups for their developmental strategies through the nature of livelihood generation, training, and development of skills empowerment and marketing of finished products.

Methodology:

Economic and social status of people is discussed in order to evaluate the role of Micro-finance and SHG in Burdwan and Chandipur. The paper is based on data and information collected from an extensive field survey undertaken in different blocks of Burdwan District, West Bengal and Chandipur of Orissa covering 150 SHG groups with 500 individuals in 2012-14. The direct face-to-face interview is the most commonly used approach and has been employed in this study. The data were collected through interview from the selected sample of Burdwan and Chandipur. In this study sampling design was followed by ‘Purposeful Stratified Random Sampling’ method. The selection of groups was done from the list of (block wise) SHG groups with the help of the Burdwan Central Co-Operative Bank Ltd (Burdwan, West Bengal) and Kalingo Gramin Bank Ltd. (Chandipur, Orissa). The field survey combined quantitative and qualitative methods; while quantitative information was gathered through a structured questionnaire survey (near about 110 questions), qualitative data were obtained through participatory research methods such as in-depth informal interviews and focused
group discussions. A series of interviews were also conducted with different officials directly engaged with the process of forming and functioning of SHG groups at panchayat, Block development and district levels.

Research body:

**Evaluation and growth of Micro-credit in Eastern India:** India since independence has made a significant progress in rural development by ensuring equity and effective people’s participation. After 1952, GOI (Government of India) lunched 55 Community Development Projects, Micro-credit through SGSY – SHG linkage is one of them. It has been reported that only 18% budget reaches the target families, while the rest was wasted due to inefficient delivery systems or washed out. In West Bengal the scheme was first introduced in the year 1983-1984. In the last count, Burdwan had about 317 groups in the district out of which ninety nine have become already defunct (DRD Cell, 2000). SGSY was introduced to lay more emphasis on Self-Help Groups (SHG) identified as ‘a collection of rural poor’s who have volunteered to organize themselves into a group for improving the standard of living of the members’ (GOI, 1999). On the other hand, The State Government of Orissa has decided to extend the targeted rural initiative for poverty termination and infrastructure (TRIPTI) scheme in all the 314 blocks. TRIPTI is being implemented under the Mission Shakti through the self-help groups (SHGs). Now in Chandipur near about 30 SHGs are in active condition.

**Profile, Nature and the impact of Micro-credit in the generation of income and employment in Burdwan and Chandipur (SHG members):** Here investigator discusses the profile of the SHGs and members mainly based on interviews. Whenever necessary, substantiate the quantitative information with insights drawn from personal interviews. In this study area Hindu people are more than the Muslim in both cases (92.15% Hindu in Burdwan, and 97% in Chandipur) and most of SHG members belong to female in both the areas 98%, 100% respectively). Social categories of SHG members are SC, ST, and General drawn from my study. In Burdwan, 48% members are SC, while in Chandipur 89.20% are belong to SC category. The members’ literacy and education levels (Fig.1) reveal that 57.69% are totally illiterate while 19.71% can barely sign their names. 16.82% education level is lower primary.

This is a clear indication that unless there is significant handholding from the promoter agencies in writing the books of accounts, the groups themselves will not be able to independently manage their financial record keeping and also will not be able to know what to be written in the record. The Investigator analyzed the poverty status of the members (Fig.2) that there are variations across the blocks. In Burdwan- 61.21% SHG members are BPL and in Chandipur 78.17% members are BPL. During study, investigator has tried to capture the status of the group activities in the sample groups, some of the activities reveal that they were meeting regularly and conducting business of the groups. To map the status, the investigator divided all the sample groups in three sub categories as active, dormant and disbands (Fig.3). Some groups were found active in the sense that the members were regularly meeting at the time of survey the selection of economic activity is a key factor of successful livelihood generation for poverty alleviation (Bagal 2002). SHGs consider that the choice of activity must be governed by possibilities that exist in the resources of the area, available skill and demand of product in the local market. The block-level SHGs committees should ensure that a participative process is involved in identifying the key activities to be taken up to generate local self-employment. However, in this study, it has been observed that the selection of activity is not always done by the members themselves. In 8% of the cases, members decide their activities together. The group leader takes the decision in 12% of the cases. In the remaining 80% the selection of activity is done either by non-government organization (NGO) staff or by Panchayat members. The types of livelihood activity taken up by the SHGs in Burdwan and Chandipur are more or less women-friendly. Women have to face difficulties to work outside the home as they are usually not allowed by their family to spend much time outside. However, to strike a balance between domestic responsibilities imposed upon them and working for a living, women often choose home-based activities. Here, main activities of SHGs groups are agro-processing, fishing and petty business. The highest percentage of group’s member (35.54% in Burdwan, 39.33% in Chandipur) are engaged in petty agro-processing and fishing. In most of the cases, Livelihood generation activity has not been started (70.73%, 89.2%) till now.

It was found that most of the members of SHGs were economically weak. The overall findings of the study are that SHG bank linkage programme has considerable positive impact somewhere on the social condition. Fig. 5 portrays the response of the members into two categories on the basis of owning *kuchcha* house (Mud house), *pucca* house (cemented house) or houseless. It can be seen that 61% of the members are having kuchcha house in Chandipur and 32% in Burdwan in post-SHG period. Remaining part of both the areas are having *pucca* house in post-SHG period. In pre-SHG period, 18% of the members of Burdwan and 29% of Chandipur have no permanent houses, but after formation of SHG, the members were trying to form

©Unique Conferences Canada publication
their own houses. From field experience, it is prominent that the changes occurred in case of the mode of communication of the members in the meetings during pre- and post- SHG period (Fig.6). It is found that there has been 55 % increase in number of SHG members in Burdwan and 51 % in Chandipur. They can now freely talk in the meetings while some of the members still hesitate to talk (Fig.4). Thus it can be concluded that microfinance movement is having a good impact on members, in their ability to express their feelings and has made people more confident to express themselves in some areas. There is another kind of social change that occurred in the frequency of interaction with outsiders or officials during pre and post SHG period. The interaction has helped them to articulate their problems and improved their self confidence. Since SHG programme has economical as well social implications, it is necessary to evaluate the various dimensions of the programme. Lack of infrastructural facilities, inaccessibility of some members to amenities (Fig.7) like health, sanitation, education, market and water supply, affect the economic and overall development of the members. It can also be seen that there has been an increase of 76.59 % in Burdwan and 71.26 % in Chandipur in terms of their status of access to amenities factors. Therefore, it can be concluded that after joining SHG the members have been benefitted in getting access to amenities. Empowerment can be viewed as a means of creating a social environment in which one can take decisions and make choice either individually or collectively for social transformation. Empowerment is a multi-dimensional social process that helps people to gain control over their own lives communities and their society. It could be seen that 73.26% women of Burdwan and 59.14% of Chandipur think that after joining the SHG, they feel empowered (Fig.8). Members of of Burdwan (11.56%) and Chandipur (10.25%) think that after joining the SHG they have been empowered to some extent. When investigator justified the income condition of the members (Pre- and Post-situation), more than 60% members (whose monthly income Rs. 3000/-) can enrich themselves (Fig.9).

**Training, Skill and Continuous professional development:** Members’ learning is an ongoing process throughout the entire relationship between the employee and the microfinance institution. An important element of government schemes for microcredit-based livelihood-generating activity is training for running activity. It is not enough for women to merely attend meetings they should be trained to have self-confidence to participate effectively through active speaking and listening also. In the case of SHGs, training is not attended by all members of the group. On an average, near about 15-20% members attended training in most cases. Skill development and capacity building for sustainable livelihood generating activities for women should start with an assessment of what women already possess (Garba, 1999). However, in this case, no such assessment was done to identify the existing skills of women before arranging training programmes for them. There are cases where elderly women, already adapted to making puffed rice try hard to develop the skill of making phnail, dhup-kathi (incense stick) or jute bags. In such cases, they rarely develop the new skill and cannot be work-time efficient. Therefore, skill development and capacity building have received a serious setback due to implementation of training programmes without proper assessment of the existing skills. The distance of the market is a major concern for successful lively-hood generation by women SHGs. The urban market, in most cases, is not accessible to these needy people, which sometimes exceed 10-20 km. However, women have access to rural markets in villages located within 1 km in most cases. These markets are often very small and do not have specialized products except for food items. In contrast, 82% and 79 % of women do not even have any rural market within 10-20 km. of their homes.

**Credit, Savings and Repayment:** Repayment of credit is usually done by women in weekly installments. The overall repayment rate amongst SHGs groups is fairly good. The women pay their installments regularly if they earn by utilizing the credit. In cases where their husbands are using the credit money, they take money from them and repay. However, it becomes difficult when women use the credit for household consumption purposes. In such cases, if women have any other source of earning, they repay from that source but men can not do this. They always waste money. There were several groups where livestock, perishable resources or lease a pond for fishing purchased by credit were totally damaged by disease; in such cases, women do not have any other source of income. Repayment becomes difficult for them. At that moment, different agencies give loan (Fig.10) at door step to the needy people who can not avoid them for their illiteracy. The repayment habit of the SHGs which received credit from banks was very good till 2-3 yrs. back. But as per information received from annual report, their repayment habit has been deteriorated abruptly. Different MFIs driven by NGOs have already been playing in these field namely-Bandhan, Asmia, Arohi and so many. In fact, there are many dormant or defunct groups in the district that took credit once for individual members and could not repay. Such groups do not run their group savings (Fig.10). Monthly savings in a group account is a necessary condition of microcredit schemes under SHGs. This savings account is very significant for the SHGs, as this is the only money from where they can take loans after the credit is repaid. The monthly installment of these savings varies between Rs.10 and Rs.50 among groups. This amount depends on the saving capacity of
individual women in the group. The installment is usually higher in groups where women have other sources of income. These sources may be domestic labor, bidi-making or livestock rearing. In contrast, groups with women members who have no other sources of income save smaller amounts per month. More or less Capacity building for financial management (Fig.11) can not up to the mark. But in some cases Increase of assets is also reflects the increase of income among the members.

Result and Discussion: To find out what problem the member faces to retain the SHGS:-

SHG is the small group formed mostly by the women members (normally 11-20 members) residing in a particular locality, processing the core skill capability of producing a product individually or in groups and have started business venture of their own with the support of the government agencies. The group members are chosen by the local people who are interested, the members are from families which are in below poverty line, not much educated and unemployed but young and energetic who are interested in becoming entrepreneurs, government wants to help these groups during initial period of the business to overcome the teething problems and provides support and training ultimately to function independently as a successful business venture. That’s why different problems faced by the SHGs are – ►Inability to access market ►Caste is a barrier in the interior rural villages: -mainly food processing products like BORI, PAPANR, ACHAR etc. produced by SC and Minority, that products are not marketable to the upper Caste people► Road connectivity is also a major problem for limited financial strength hence limited borrowing capacity and lack of professionalism. ►Different MFIs are disbursing loans reaching at the door step of these poor people. They are disbursing individual loan to the extent of Rs. 50000/- to Rs.60000/- even more and rate of interest being charged which is as high than 50% even more. These MFIs are collecting installments from those individual borrowers attending at the door step of the borrower every week (Image.1). In most of the cases the borrowers are being forced to repay their loan installments to the MFIs after borrowing from other MFIs. In this way the poor persons are being forced to enter into the debt trap and find no other way to get relief from the clutch of the MFIs. ►During field survey it was also found that from the discussion with some individual members that these MFIs are much harmful than the Mahazans(money lenders). This must be a taken very seriously by all concerns. ►In case of recovery of loans, formal institutions like banks (Nationalized, RBs and Co-operative bank) are to exercise official process. There exist communication gap between the bank officials and the group members. The poor people often are ignorant about the low rate of interest of banks. They are also reluctant to go to banks to avoid papers jargons and other documentary paraphernalia. The investigator has also noticed casual attitude among the bank officials in dealing with those down trodden people. But the MFIs run by the NGOs have captured those people reaching at their doorstep through their agents and can able to convert those ill fated people as their borrower and the exploitation starts in disguise. But in a very few cases SHGs are carrying business where NGOs are running directly for their own interest. It is found in Ausgram – I and Galsi-I blocks of Burdwan District.► The situation is even worse at Chandipur in Odhissa. Here 95% of the SHG members are poverty stricken. In some places of Chandipur some group members informed the investigator in the absence of their group leaders that they became member of the group 2 yrs. back and regularly deposited their contribution with the aspiration of getting loan, but till date they could not get any such opportunity of getting loan as yet. The investigator also noticed that 150 members of 25 different groups did not interact, not even verbally. They only made communication through their group leader. It was understood from their physical appearance that they are not aware about theme of SHG because, they belong to economically, educationally, downtrodden backward community. This situation helps the group leader to exploit them like Mahazan in disguise. ►Government officials and the policy makers frame policies for all-round development of those down trodden people and pass on crores of monies through different agencies for eradication of the distress of the people. But the ultimate beneficiaries do not get the opportunity because most of the benefits are diverted before those reach to those ill-fated people, due to callousness of a few Government officials and a few Bankers. So, the ultimate goal is still unachieved.

According to the investigator, there are some remedial measures which would help the SHGs to overcome their problems: Financial literacy of members is required to solve the problem of proper credit usage, value for savings, cash flow management, capital formation and accounts keeping. Need of proper training and motivation. Majority of the SHGs member are illiterate therefore, adequate training and entrepreneurial inputs be provided to each and every members before setting up any SHGs activity on priority basis. Need based skilled training should be provided to help them to development of a particular product. There should be Creation of proper working environment for more production and a self directed, work-based process leading to increased adaptive potential. Each group creates its own unique culture. They set their core values, mission, vision and code of conduct from the basis of this culture which is also heavily influenced by the group leaders and the individuals.
Acknowledgement:

Investigator acknowledges the ICSSR, New Delhi for financial support of the project. She is also grateful to the team members of ICSSR Project for acquiring data and related information from various sources. Scholarly suggestion and help of Professor Nageshwar Prasad, B.U. is duly recorded here for shaping this paper.
Bibliography

Gaur,P.P .2008.The path of Mahatma,Jojana,71-78
Kumari. A.201.Empowerment unto the last, Kurukshetra,Vol 61,pp.15-17