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Research Article

Comparative impact of self help groups on socio-economic conditions of rural people: A Case study

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Keywords

Self Help Groups (SHGs), Swarana Jayanti Gram Swarojgar Yojana (SGSY), Non Government Organization, Umeed Foundation

Abstract

Microfinance is effective way to economically and socially empowering the poor in developing countries like India. This study conducted to determine the impact of microfinance on socio-economic condition of beneficiaries, which was organized by Self Help Groups (SHGs) under government sponsored scheme Swarana Jayanti Gram Swarojgar Yojana (SGSY) and Non Government Organization, Umeed Foundation in district Sangrur. The fourteen villages were randomly selected from two blocks of Bhawanigarh and Sangrur (Punjab), data was collected from 200 beneficiaries of 18 Self Help Groups under Umeed Foundation. Similarly for SGSY, two blocks i.e. Dhuri and Sherpur were randomly selected and purposively 14 villages of these two blocks were selected where SHGs had been working from minimum one year and covered 16 SHGs comprising 200 beneficiaries. We used closed ended questionnaire and personally met the beneficiaries and discussed the questions in details. All the beneficiaries interviewed, were women under both schemes. Mostly these beneficiaries were illiterate and belonged to schedule cast and all the beneficiaries borrowed to invest in productivities but only 80 and 76.5% did so under SGSY and Umeed foundation, respectively. Independent T- Test and Chi-square was applied to statistically analyse the data. Results of this study revealed that the repayment rate was very high and also showed the positive impact on economic condition of beneficiary household under both the schemes. It was found that beneficiaries of SGSY and Umeed Foundation showed significant mean differences regarding income and expenditure and non significant differences in respect of savings and change in consumption on food items.

Introduction

Developing countries have been facing a number of problems and among them poverty is a major one that hinders the growth of a county. If it is not controlled and eradicated, it results in further poverty thus making a vicious circle and also becomes the cause of many other social evils. Poverty is a situation where a section of a society, having no fault of their own, is denied of even basic necessities of life. In a country where a big chunk of population is deprived of even minimum amenities of life for a very long period, the country will then suffer from a vicious circle of poverty (Dhar 2007). About one billion population worldwide is living less than US $ 1.25 a day (World Bank Annual Report 2013). In India, about 269.3 million (21.9%) (Govt. of India: Planning Commission July 2013) population is still living below poverty line. In order to get the poor out of poverty many policies have been made, many schemes have been implemented and many tools have been adopted time to time. But one of the effective tools among all, applied is microfinance. Microfinance is not a new topic. Its history can be traced to early 1700s. But the actual credit goes to Dr. Mohammad Yunus who gave a new shape to microfinance in Bangladesh in 1972. He was also awarded with Nobel Prize in 2006 for this pioneer work. So, microfinance is a scheme implemented through Self Help Groups to provide the poor financial assistance while taking their difficulties into account. Moreover, this credit program has become a model for most of the low income countries, which are actively engaged in the process of eradicating poverty from their soil. Microfinance is a financial service of small quantity provided by financial institutions such as banks, NGOs, MFI's etc to the poor. These financial services may include savings, credit, insurance, leasing, money transfer, equity transfer etc, that is, any type of financial service provided to customers to meet their normal financial needs. The Canadian International Development Agency (CIDA) defines microfinance as, "the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions" (CIDA and Microfinance: October 2002).

Karlan and Valdivia (2011) found positive but small increase in revenue but programme does not lead to higher profits for the preexisting clients showed improvement in business processes and knowledge and increase in sales. The improved client retention rate generates significantly more increased net revenue than the marginal cost of providing the training. Study by Kundu (2008) on SHGs under Swarna Jayanti Grameen Swarojgar Yojana (SGSY) shows that SGSY is helping the rural poor to reduce their poverty but still fails to reduce their vulnerability. The study by Mawa (2008) shows the positive impact of microfinance on poverty reduction. Impact assessment results by Sarangi (2007) show a positive and significant effect of programme participation on increase in the income of the household. However, the impact is negligible for the households at the lower end of income. Kondo (2007) in his study found that availing of programme loans positively impacts per capita household income. Per capita expenditures are also positively affected by a family's access to program loans. There is no significant impact of loan on saving. Karnani (2007) found that although microcredit yields some noneconomic benefits, it does not significantly alleviate poverty. Tefera (2007) found positive impact on raising living standards and Improving housing condition of women farmers. He also found improved nutritional status of children of beneficiaries and reduced their susceptibility to disease. Sahu and Das (2006) in their study found that the members are not skilled enough to run various units. They also found that credit demanded for investment purpose was very low. A study conducted by NABARD (2002) in 11 States of India shows the positive result in enhancing the standard of living of SHG members in case of asset ownership, savings and borrowing capacity, income generating activities. Study by Jayaraman (2005) comes out with positive results on income and savings of poor households. Many studies have been conducted in this field by number of scholars. But this type of study was not conducted in Sangrur, is one of the backward districts of Punjab. Keeping in view the above, this study was undertaken to compare the impact of public and private microfinance providing organization.

Methodology

Study was conducted in Sangrur, one of the four districts in Patiala Division and a backward district of Punjab (India). District Sangrur selected purposively because both the Swarana Jayanti Gram Swarojgar Yojana (SGSY) and Umeed Foundation have implemented microfinance scheme in order to make the underprivileged economically and socially strong to fulfill their basic needs. SGSY has been implemented by ministry of finance: Rural Development of India since 1999 in all states of India except Delhi and Chandigarh to alleviate poverty and now it has remolded into National Rural Livelyhood Mission (NRLM). It was a holistic scheme covering all aspects of self-employment such as organization of the poor, living below the poverty line, into Self Help Groups (SHG). The main components of the scheme include: *(i)* formation of SHGs *(ii)* capacity building training *(iii)* strengthening thrift and credit *(iv)* credit linkage with banks/other financial institutions *(v)* back ended subsidy *(vi)* support for marketing and infrastructure and (vii) technology inputs for micro enterprises.

Umeed Foundation is one of the largest NGO working in most backward district Sangrur. It was founded by Mr. Arvind Khanna in 1997 and registered in March under Indian Trust Act 1882. Main aim of the foundation is to provide healthcare facilities and improving the lives of under privileged through social and economic empowerment. Rural poor women were organised into a Self Help Group (SHG). These poor women were financed through banks in order to start income generating activity. Both, SGSY in all over India and Umeed foundation in Sangrur were aiming at eradicating poverty and empowering women. For survey two blocks Dhuri and Sherpur under SGSY, two blocks Bhawanigarh and Sangrur for Umeed Foundation were randomly selected. Then 14 villages under SGSY and 14 villages under Umeed Foundation from these respective blocks were purposively selected where SHGs had been working from minimum one year.

Data was collected from rural area of district Sangrur. A detailed questionnaire was developed for the collection of data from the respondents. In this questionnaire, used closed ended questions. First segment of the questionnaire was on demographic profile of beneficiaries. Second segment was related to the question of borrowing and third section was on income and expenditure. The sample size was 400 beneficiaries out of which 200 beneficiaries of 18 SHGs and 200 beneficiaries of 16 SHGs were consulted under Umeed Foundation and SGSY, respectively. I personally approached the beneficiaries and get their interview. Response rate was 100%. Time period of survey was July 2012-October 2012 and February 2013-April 2013 for Umeed Foundation and SGSY, respectively.

In order to screen the data for meaningful purpose and to test the hypothesis, the data was further analyzed with Statistical package for social science (SPSS version 17) Various statistical techniques like chi-square test, independent t-test, pair t-test were employed for calculation of result.

Chi-square test was used to see the association between SGSY and Umeed for qualitative responses among the respondents.
Mathematical formula for calculating Chi-square test is given by

$$\chi^2 = \sum_{i=1}^{n} \frac{(O_i - E_i)^2}{E_i}$$

Where

χ^2 = Pearson's cumulative test statistic, which asymptotically approaches a χ^2 distribution.
O_i = an observed frequency;
E_i = an expected (theoretical) frequency, asserted by the null hypothesis;
n = the number of cells in the table.

Independent t-test was used to see the mean difference between SGSY and Umeed for different scores or variables among the respondent based on their monthly income, expenditure, saving etc.

This test, also known as Welch's *t*-test, is used only when the two population variances are not assumed to be equal (the two sample sizes may or may not be equal) and hence must be estimated separately. The *t* statistic to test whether the population means are different is calculated as:

$$t = \frac{\overline{X}_1 - \overline{X}_2}{s_{\overline{X}_1 - \overline{X}_2}}$$

where

$$s_{\overline{X}_1 - \overline{X}_2} = \sqrt{\frac{s_1^2}{n_1} + \frac{s_2^2}{n_2}}.$$

Here s^2 is the unbiased estimator of the variance of the two samples, n_i = number of participants in group i, i=1 or 2.

To compare the impact of microfinance on economic condition of poor households who are benefiting from the scheme of uplifting the poor implemented by government and NGO Umeed Foundation. So, the variables taken into account are:

1. average monthly income of household,
2. average monthly expenditure of household
3. change in average monthly consumption expenditure on food items
4. average monthly savings of the beneficiary households
5. average monthly income generated from small activities started under scheme

Results and Discussions

Data was collected from 400 beneficiaries and all these beneficiaries were women because women are the main target of schemes because women are said more concern for the wellbeing's of their family. Under SGSY all the clients were taken from Below Poverty Line (BPL) families and under Umeed Foundation 60% clients were from BPL families and remaining 40% were from APL families. 96.5% beneficiaries under SGSY and 86% beneficiaries of Umeed Foundation were belonged to scheduled cast and remaining were belonged to general category. 63.5% beneficiaries of SGSY and 62.5% beneficiaries of Umeed Foundation were illiterate. Repayment rate is 100% for both.

Table1: Comparison of borrowings by beneficiaries

Purpose of loan	SGSY (%)	UmeedFoundation (%)
Dairy	47	79.5
Shop	1.5	12.5
Stitching/knitting/weaving	51.5	4
Farming	0	4
Use of loan for that purpose for which it was taken	80	76.5
Borrowed from any other sources	17.5	23

Source: Field Survey

Under Umeed foundation 79.5% beneficiaries took loan for dairy and only 12.5% for investing in shops, 4% for stitching, 4% borrowed for investing in agriculture where as for SGSY 47% borrowed for dairy, 1.5% for shop, 51.5% for Stitching/knitting/weaving and not any member borrowed to invest in agriculture. The beneficiaries concerned in our study borrowed for the purpose of investing in income generating projects but in actual 80% and 76.5% members of SHGs of SGSYand Umeed foundation respectively invested productive activity and rest used for non productive purpose. If we analyze the members who took loan from landlord or relatives rather than Umeed and SGSY than this no. stood at 21% under SGSY and 23% under Umeed. These members borrowed from other sources after becoming the members of SHGs.Mainly these members were those who did not invest in any type of productive activity.

Table 2: Mean, SD and t ratios between beneficiaries of SGSY and Umeed for Income from micro project

Measuring Group	SGSY		Umeed		t value	Df	p value
	Mean	SD	Mean	SD			
Income from micro project	1109.50	641.6	1364.5	778.85	-3.57	199	0.00**

Source: Field Survey, Note: ** denote significant at 0.01% level

Analysis reveals that 80% borrowers under both SGSY and Umeed Foundation invested loan in income generated activity such as dairy, stitching/knitting/weaving, agriculture, small grocery store and other 40% used for non productive purpose. From table 1.1 it was seen that the results showed significant mean difference ($t=-3.57, p<0.01$) on income from micro project between the members of SHGs of SGSY and Umeed at 0.01 level of significance. From mean value, it was clear that beneficiaries of Umeed (Mean=1364.5) showed more income generated from micro project than the SGSY's beneficiaries (Mean=1109.5).

Table 3: Mean, SD and t ratios between households of SHGs under SGSY and Umeed for average monthly income and average monthly expenditure

Measuring group	SGSY		Umeed		t value	Df	p value
	Mean	SD	Mean	SD			
Average monthly income before (pre)joining SHG	4359.0	1938.8	5324.0	3124.9	-3.71	398	0.00**
Average monthly income after (post) joining SHG	5468.0	1976.8	6699.0	3144.5	-4.69	398	0.00**
Average monthly expenditure before (pre)joining SHG	4495.0	1818.1	5526.0	3049.1	-4.11	398	0.00**
Average monthly expenditure after (post) joining SHG	5500.3	1878.6	6767.7	3056.5	-5.00	398	0.00**

source: Field Survey, Note: ** denote significant at 0.01% level

Table represents the details of mean difference on average monthly income from all sources and overall expenditure between beneficiaries of SGSY and Umeed Foundation, before joining SHG. Here overall expenditure includes grocery items (vegetables, cereals, edible oil, flour, spices, milk, soaps, fuel, gas, fruits, milk products), mobile bills, clothes, footwear, cosmetics, intoxicants, electricity bill, medical, education, petrol/diesel expenditure on ceremonies, loan installments and misleneous etc. Beneficiaries showed significant mean difference ($t=-3.71, p<0.01$) on average monthly income between the beneficiaries of SGSY and Umeed foundation before joining SHG at 0.01 level of significance. From mean value, it was clear that before (pre) joining the group beneficiaries of Umeed foundation showed more average monthly income (Mean=5324) than the SGSY beneficiaries (Mean=4359)

Table shows significant mean difference ($t=-4.69, p<0.01$) on average monthly income between beneficiaries of SGSY and Umeed after (post) joining SHG at 0.01 level of significance. From mean value, it was cleared that beneficiaries of Umeed foundation showed more average monthly income (Mean=6699) than the SGSY beneficiaries (Mean=5468) after joining SHG. In terms of average monthly expenditure beneficiaries showed significant mean difference ($t=-4.11, p<0.01$) between beneficiaries of SHGs of SGSY and Umeed before joining SHG at 0.01 level of significance. From mean value, it was clear that beneficiaries of Umeed showed more average monthly expenditure (Mean=5526) than the beneficiaries of SGSY (Mean=4495).

Analysis of data showed significant mean difference (t=-5.00,p<0.01) on average monthly expenditure between the beneficiaries of SHGs of SGSY and Umeed Foundation after joining SHG at 0.01 level of significance. From mean value, it was cleared that beneficiaries of Umeed showed more average monthly expenditure (Mean=6767.7) than the SGSY beneficiaries (Mean=5500.3). Analysis reveals that condition of beneficiaries of Umeed Foundation regarding income and expenditure was better than beneficiaries of SGSY in both situation before (pre) and after (post) joining the group. One more thing was that Umeed foundation had not reached yet to core poor.

Table 4: Mean, SD and t ratios between beneficiaries of SGSY and Umeed for saving of household before(pre) & after(post) joining SHG

Saving of household	SGSY		Umeed		t value	Df	p value
	Mean	SD	Mean	SD			
Savings of household before (pre) SHG	-135	389.8	-195	330.32	1.82	398	0.07
Savings of household after (post) SHG	-31.25	263.9	-61.8	283.79	1.08	398	0.28

Source: Field Survey,

Table 4 depicts the mean difference of average monthly saving between beneficiaries of SGSY and Umeed before joining the group and after joining the group. Beneficiaries showed non significant mean difference (t=1.82,p>0.05) on average monthly saving of member households of SGSY and Umeed before(pre) joining SHG at 0.05 level of significance. This mean both the respondent of SGSY and Umeed showed same opinion on saving of beneficiaries before joining the SHG

Table also shows the non significant mean difference (t=1.08,p>0.05) on average monthly saving of beneficiaries of SGSY and Umeed after (post)joining SHG at 0.05 level of significance. This means beneficiaries of SGSY and Umeed showed same opinion on saving of household after joining the SHG. If we consider those beneficiaries who invested in productive activity then the analysis showed that under SGSY after joining the group 24.36% beneficiaries were saving from average Rs. 50-100/month and 40% showed decrease in income expenditure gap and out of this income expenditure gap of 32.5% beneficiaries had reduced to zero. After joining the group under Umeed Foundation 33.75% were saving on an average upto Rs. 100/month, income expenditure gap of 61.25% beneficiaries had reduced and income expenditure gap of 48.75% had reduced to zero. Here we have considered those who had invested loan in productive assets.

Table 5: Distribution of change in consumption expenditure after(post) joining SHG of beneficiaries of SGSY and Umeed

Expenditure	SGSY N(%)	Umeed N(%)	Chi-square	p value
No change	75(37.5)	61(30.5)	2.18	0.34
Increased	90(45.0)	100(50.0)		
Decreased	35(17.5)	39(19.5)		
Total	200	200		

Source: Field Survey

Here in consumption expenditure we had included grocery items vegetables, cereals, edible oil, flour, spices, milk, soaps, fuel, gas etc, milk products, fruits, clothes, footwear. Results showed non significant difference (Chi-Square= 2.18,p>0.05) on change in consumption expenditure between SGSY and Umeed at 0.05 level of significance. Beneficiaries of SGSY showed responses as 37.5% for no change, 45.0% for increase and 17.5% for decrease in average monthly expenditure on food items. Whereas responses of change in monthly expenditure on food items alone of beneficiaries of Umeed were as 30.5% for no change, 50.0% for increase and 19.5% for decrease. It means beneficiaries of both SGSY and Umeed had same opinion. Beneficiaries reported that their expenditure on food items has increased from Rs. 50-150. The respondents who reported decrease in expenditure were mainly those who did not invest in productive activities and they have to pay the installments from their wage income. Respondents who showed no change in expenditure, reported the income they are generating from productive activities, covers the cost only.

Conclusion

Collected the data from 400 respondents, out of which 200 respondents were from SGSY and 200 from Umeed Foundation. The respondents were purely comprised of women. 96.5% clients of SGSY and 86% clients of Umeed foundation were belonging to schedule cast and remaining belonged to general category. 63.5% beneficiaries of SGSY and 62.5% beneficiaries of Umeed Foundation were illiterate. It is clear that education level did not mater while becoming a member of SHG. All the members under SHGs borrowed micro loans for investing in income generating activities such as dairy, stitching/knitting/weaving, farming or grocery shop. Where only 80% clients under both SGSY and Umeed foundation invested in that very purpose for which they borrowed and remaining used amount of loan for consumption, paying old debt or meeting the expenditure of social ceremonies. All the beneficiaries who invested in productive activity were earning some money. Analysis for comparison between beneficiaries of SGSY and Umeed foundation regarding income generated after investing loan in productive activity had significant mean difference implies more income generated by beneficiaries of Umeed than beneficiaries of SGSY after joining the group and investing in income generating activity. Further before (pre) joining the group beneficiaries of Umeed had more income and expenditure than the beneficiaries of SGSY and after (post) joining the group beneficiaries of Umeed showed more increase in monthly average income and expenditure than beneficiaries of SGSY. Results showed better condition regarding average monthly income and expenditure of beneficiaries of Umeed foundation than beneficiaries of SGSY. Comparison indicates non-significant differences among savings of beneficiaries of SGSY and Umeed. It means beneficiaries had same opinion on increase in average monthly saving after joining the group. 24.36% clients of SGSY and 33.75% beneficiaries of Umeed Foundation were saving average amount of Rs, 50-200/month. Comparison showed non-significant differences in change of average monthly consumption expenditure of beneficiaries of SGSY and Umeed. It implies that beneficiaries of SGSY and Umeed had same opinion. 40% beneficiaries of SGSY and 50% beneficiaries of Umeed Foundation reported increase in average monthly consumption expenditure Rs. 50-200. Beneficiaries reported increase in quantity consumed by them per month.

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