

Income generating Activities through SHGs: Initiative for Poverty Eradication

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Abstract

The majority of the population in India lives in villages and depends on agriculture and allied activities. The Indian rural population consists of farm sector and non-farm sector. The non-farm sector consists of the poorest of the poor, considered as landless people. They are either marginal farmers or labour class, who have no land and they mainly depend upon physical labour for livelihood in the form land. If they have access to financial resources for income generating activities, they will come out of their economic problems. Despite of wide network of banks in the country and implementation of the credit linked Poverty Alleviation Programme, a large number of poor continue to remain outside the formal banking system as well as the main stream of economic development. Various studies suggest that the existing policies, systems and procedures do not meet the needs of hardcore and asset less poor. This study made an attempt to examine the income generating initiatives of SHGs for poverty eradication.

Keywords: Credit, Eradication, Poverty, Programme Mainstream,

Introduction

The majority of the population in India lives in villages. The Indian rural population consists of farm sector and non-farm sector. The non-farm sector consists of the poorest of the poor, considered as landless. They are either marginal farmers or labour class, who have no land and they mainly depend upon physical labour for livelihood. If they have access to financial resources for income generating activities, they will come out of their slim economic base. Despite of wide network of rural banks in the country and implementation of the credit linked Poverty Alleviation Programme, a large number of

poor continue to remain outside the formal banking system as well as the main stream of economic development. Various studies suggest that the existing policies, systems and procedures do not meet the needs of hardcore and asset less poor.

Rural development is based on sustainable development with available resources. The main aim of rural development schemes is to generate employment opportunities, alleviate poverty by harnessing the available resources. The Government of India has implemented many schemes for the self-employment of the rural poor. With the increasing criticism of the state led formal credit system and its utilization for poverty alleviation, in recent years, developing countries have moved towards new mechanism of lending micro credit/micro finance. Micro credit is the extension of small loans to the entrepreneurs too poor to qualify for traditional bank loans. It has proved to be an effective and popular measure for in the ongoing struggle against the poverty, enabling those without access to lending institutions to borrow at bank rates and to start small business.

Self-Help Groups (SHGs) are self-managed groups of poor, which primarily came into existence to mobilize financial resources through their own savings and lend the same against themselves to meet the credit needs of their members. It is the alternative to achieve the objective of rural development and initiate community participation in all rural development programmes. The SHGs are being linked with the banks for external credit under the project of rural development. The appraisal team consists of bank managers, rural development officers and NGOs. The project implementation teams visit the SHGs and select the beneficiaries proposed by the groups for providing financial assistance to the respective entrepreneurial activities such as petty shops, tailoring units, dairying, agriculture, wormy compost, vegetable shops etc., SHG activities are initially confined to internal savings and internal lending, borrowing for consumption purpose. Later on emphasis shifted from consumption credit to investment. At present SHGs are considered as an effective participatory process in development endeavors. SHGs are slowly entering into IGAs, as a measure of poverty alleviation or enhancing income

levels as well as quality of life of the rural mass. Initially NGOs have encouraged the members of SHGs to take up individual enterprises and were induced to avail various Government schemes. Most of the SHG members who have a very low economic profile are confronted with a number of hurdles. As the SHG concept has imbibed and developed group consciousness, it was realized that group enterprise is a possible measure to encourage income-generating activities among the members, of the SHGs.

The concept of group enterprise has emerged to overcome the pitfalls and limitations of individual entrepreneurship. Individual enterprises are guided by profit, which largely depends on the competencies of individuals. Group enterprise depends to a large extent on the effective support of link organizations like Government or NGOs.

Literature review

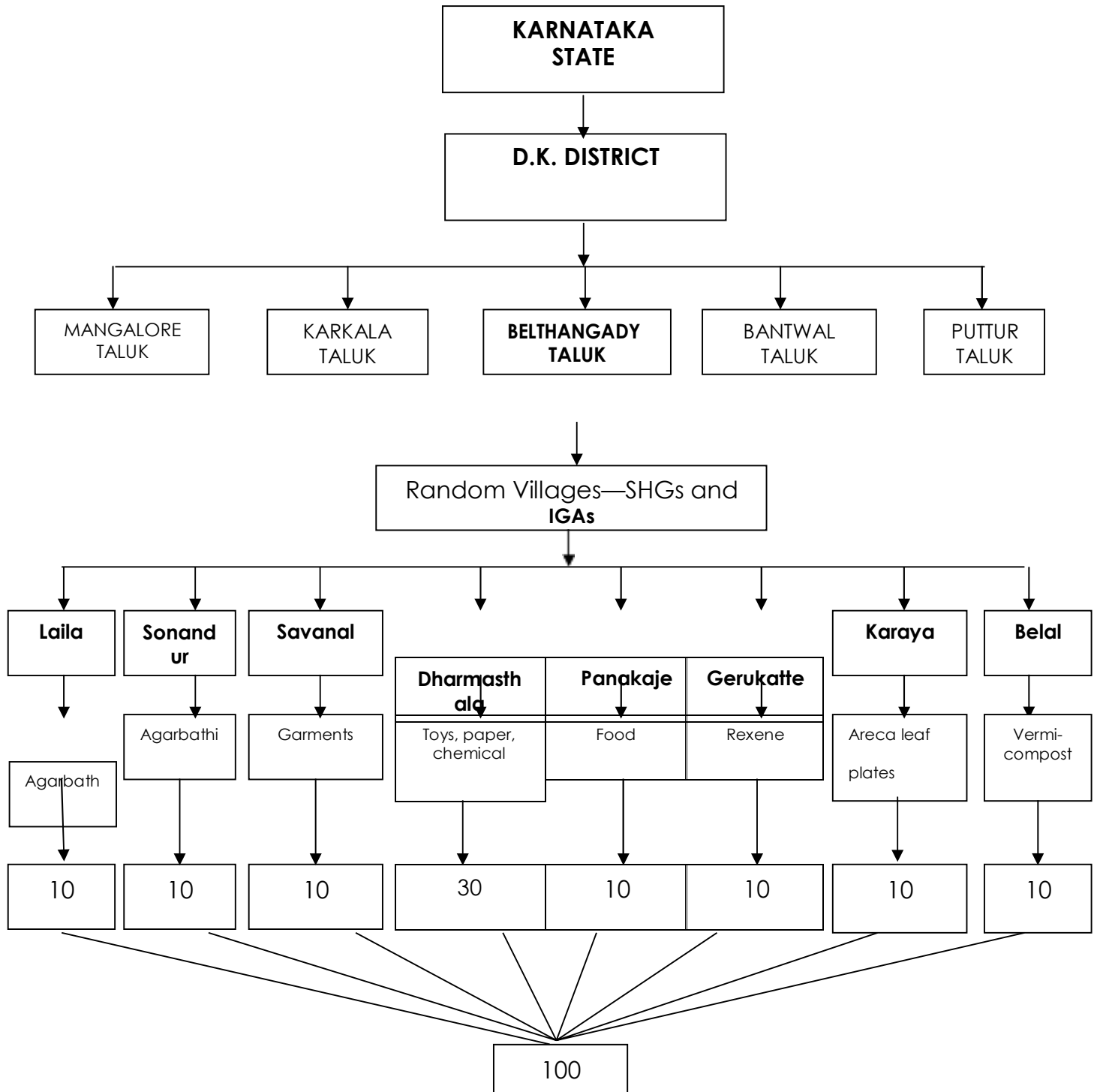
Rajashekhar (2004) 'Micro finance and poverty alleviation and empowerment of women – a case study of two NGOs from Andrapradesh and Karnataka. The study conclusions show micro finance programmes do provide access to the credit for the poor; enable to undertake income generation in the higher recovery rates. However Government must undertake responsibility of such development of economic infrastructure and providing finance to micro finance group for poverty alleviation through Pushazhandhi and sathyasai (2000) 'Economic and social empowerment of rural poor through Self-Help Groups'. The study reveals SHGs, as an institutional arrangement could positively contribute to economic and social empowerment of rural poor and impact on the later was more pronounced than the former. The problem of rural poverty cannot be solved by mere micro credit, but for increasing productive capacity of the poor and their participation in the development process (Bogaert MV Das SP, 1989) various programmes have been evolved and implemented by the Government as well as NGOs to enhance the productive capacity of the poor and bring them into the main stream of economic development.

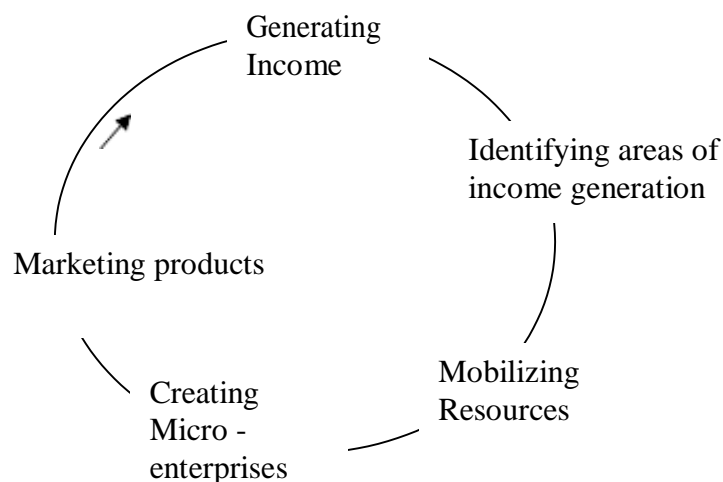
Field study

Field study was conducted to assess the impact of NGO in promoting SHGs for IGA and

mitigating poverty. The NGO selected for the study was Shri Kshetra Dharmasthala Rural Development Project (SKDRDP). It is a pioneering NGO in Dakshina Kannada district of Karnataka State is actively associated with the implementation of SGSY in the district. Under the SGSY, higher degrees of incentives are offered for group enterprises. The main beneficiaries of SGSY are the people below the poverty line and members of SHGs. After a careful analysis of the project and the identification of beneficiaries, the Agency - Government / NGO - imparts necessary training to empower the people below the poverty line to take up IGAs either individually or ingroup.

Sample design



The role of SHGs in IGAs**Cycle of income generation**

The process begins with identification, mobilization of resources, creating enterprises, marketing products and generating income. The very fact that increased preference for income generating activities suggest the increase in the income level as well as the element of savings and investments in group activities which contribute for further income generating activities.

Results and analysis

Mitigation of poverty is assessed in terms of employment generation, earnings, shift in the expenditure pattern of members before and after joining SHGs.

Table No. 1: Number of working days in a month

Activity	Employment generated prior joiningIGAs	Employment generated after joiningIGAs
Food products	15-20 (17.5)	26
Chemical items	18-20 (19)	26
Agarbati rolling	18-20 (19)	26
Garments	18-20 (19)	26
Rexene	16-19 (17.5)	26
Areca leaf plates unit	15-20 (17.5)	26
Paper products unit	17-21 (19)	26
Toys and fancy unit	13-20 (16.5)	26
Vermi composting	15-20 (17.5)	26

(Source: primary data)

The above table reveals the number of working days of SHG members before joining SHG and after joining SHG.

The number of working days in a month varied between 13 to 21 before joining and it is 26 after joining SHG. The number of working days were less because of seasonal nature of work, lack of demand and problem of marketing of products and daily wage earning work, beedi rolling etc.

After organizing themselves into SHGs and with the capacity building program of SKDRDP and SIRI, now the members are able to produce quality products, and market the goods through SIRI. All the members in all the groups get more work hence the number of working days has increased. Members engaged in the IGAs are fully employed, enjoy weekly holiday and has work for 26 days in a month. Thus, by forming SHGs and taking up IGAs, rural poor has overcome the problem of unemployment as well as seasonal unemployment. They have moved from wage employment to self-employment. Indeed this is a qualitative improvement in the nature of employment

Table No. 2: Income earned by members per month before and after joining SHG for IGA

Activity	Employment generated prior	%	After	%
Food products	350-580	32	1250-1700	68
Chemical items	360-600	43	1000-1250	57
Agarbati rolling	350-560	36	1200-1400	64
Garments	420-630	50	920-1200	50
Rexene	420-630	48	920-1250	52
Areca leaf plates unit	350-500	45	850-1000	55
Paper products unit	420-670	40	1250-1420	60
Toys and fancy unit	375-590	43	1000-1250	57
Vermi composting	330-590	48	920-1000	52

(Source: primary data)

The above table depicts the increase in monthly income of SHG members after joining IGA. Before joining the SHG, the income level of members was very low. It varied from the minimum of Rs. 330 per month and maximum of Rs. 420 to Rs. 670 per month. However, after joining SHG and income generating activities income per month varied from Rs. 920 to Rs. 1700 per month. There is an increase of 50% to 68% of the income after taking income-generating activity.

Table No. 3: Shift in expenditure pattern of SHG members

Analyzing the changes in quality of life, one can assess the impact of SHGs/IGAs. This can be assessed by using the data pertaining to the income level before and after joining to the SHGs. Changes in the expenditure pattern too reveals changes in the quality of life. If the proportion of expenditure declines in the case of food products and expenditure on social ceremonies, it reveals a clear departure for better. The table 3 reveals a positive pro-development change in the expenditure pattern.

Sl. No.	Particulars	Preference prior to joining SHGs		Preference after joining SHGs	
		Content Score	%	Content Score	%
1	Food products	1000	18.18	760	13.82
2	Consumer durables	440	8.00	540	9.82
3	Education	700	12.73	840	15.27
4	Health	610	11.09	080	12.36
5	Housing development	500	9.09	540	9.82
6	IGAs	510	9.27	800	14.55
7	Insurance	280	5.09	400	7.27
8	Skill development	110	2.00	240	4.36
9	Social and religious ceremonies	870	15.82	100	1.82
10	Quality of life	480	8.73	600	10.91
	Total	5500	100.00	5500	100.00

(Source: primary data)

Summary of Observations

This study has taken up 10 group enterprises covering 100 sample members promoted by SKDRDP and engaged in different IGAs in Belthangady Taluk of Dakshina Kannada District. The following are the summary of observations,

- In 1999 GOI merged all the anti-poverty credit system to borrow and start small business, programmes into SGSY to promote self-employment among men and women by training groups among them and enabling them to cross the poverty line.
- Micro credit concept has emerged as a new and viable mechanism to overcome the defects of stated formal credit system. Micro credit has proven effective and popular measure in the ongoing struggle against poverty, and inability of those without access to formal bankcredit.
- In recent year in India Government has widely promoted SHG approach in the development and improvement.
- It has been observed that avowed objectives of mitigating poverty can be realized by imparting necessary training and motivation to the poor to take off IGA.
- The concept of group enterprises has emerged to overcome the pitfalls of and limitations of individual entrepreneurship. Individual enterprises largely depend on the individual competencies while the Group enterprises depend on the effective support of link organizations like NGO and Government.
- Majority of the SHG members are of the age group 25 to 30 years.
- Majority of the members taking IGA are women, only 10% are men. IGAs have helped rural women folk to enhance their standard.
- Most of the members of SHG are having primary education (54%) and illiterates (30%). This reflects that IGAs of SHGs has helped people with the very low educational and economic profile.
- The sources of income before joining SHG are daily wages, beedi rolling etc. The IGAs of SHGs has provided regular employment this helped the poor people to improve their nature of employment.
- The annual incomes of the members were very low before joining SHGs. After joining SHG the income of the members increased by 50 to 68%.
- Expenditure pattern of the SHG members indicates a progressive change from food and social rituals to developmental expenditures like, health, housing, IGAs,

Skill development etc.

- SHGs involved in IGAs are confronted with marketing difficulties. Some SHGs are directly selling their products in the local market in their own brand name. Most of the units concentrate on production and marketing is taken care by SIRI, a unit of SKDRDP.
- SIRI takes care of advertising, market network etc. and is able to expand market for the product of SHGs other NGOs organizing SHGs and IGAs can adopt the model of SIRI to help the SHG to come out of troubles in marketing. Once the SHG are able to market their own products through their own network, they may not require the support from NGOs. Hence NGOs should help the SHGs in establishing the units, carrying out production and marketing the products for the sustainability of IGAs of SHGs.

Suggestions and Recommendations

On the basis of the primary data and secondary data following recommendations are made.

- Separate small industrial estate may be setup for SHG to create special environment.
- Formulate and implement policies and programmes that enhance the skills, of members.
- Create social environment through training institute in which members are encouraged to take challenging jobs to achieve their full potential.
- Increasing access to credit either through micro credit or FI catering to members and strengthening the existing arrangements.
- Tie up with media equation to give circle publication about entrepreneurs and entrepreneurial success.
- Members should realize the importance of savings habit, bonus and IG activity and its impact.
- Working in remote villages far away from market centers limits the scope for

identifying and initiating viable income generating activities. Any SHG operating in remote areas and intends to embark on IGA development should realize that it may be severely constrained in that regard.

- IGA do not bring overall economic development but they need markets where people with disposable income will buy goods and services, hence the programme should more focus on promoting IGAs near markets in semi-urban areas, market centers and large villages.

Conclusion

Today self-help groups play a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings and credit as well as other activities (Income generation, natural resource management, literacy, child care and nutrition etc). The savings and credit focus of SHGs are the most prominent elements and offer a chance to create some control over capital.

NGOs and government support SHGs in India in one way or the other and many success stories are available, describing how membership in SHG changed the life of a particular individual or group for better. Many NGOs in India are promoting the SHG mechanism and linking it to various developmental interventions. SHG approach is an effective, efficient and relevant tool for organizing and empowering the poor and introduction of programmes to promote income-generating activities, which will generate sufficient sustainable and regular income

SHGs are developed as a tool for poverty alleviation in different countries of the world. Basically SHGs are developed as a micro finance unit and they gradually move on to more complex income and employment generation activity. In India, a number of SHGs are developed and supported by different NGOs. NGOs play a crucial role as a facilitator from inception to the development and the success of SHGs by providing technical guidance, training, financial support, and marketing of goods and services.

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