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## The Socio-Economic Development of the Rural Poor through Self Help Groups and Micro Finance - A Case Study of Dhenkanal District, Odisha

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### Abstract

The need of microfinance arises more in India as Indian economy is basically an agrarian economy where two third of population lives in rural areas (68.2%) (Census 2011) and agriculture provides employment to around 70 % people directly or indirectly. Moreover rural India requires sources of finance for their various needs like procurement of agricultural and farm inputs, for their microenterprise, for their non-farm activities like domestic consumption, children education, Medicare, marriages etc. Though in India microfinance through Self Help Groups (SHGs) is making its headway in increasing income and self employment among rural people, thereby making them socially and economically empowered, but still it has to go a long way by adding many more dimensions and value added services to it to make it a more effective tool of poverty alleviation, women empowerment and rural development. The present Paper is a modest attempt to analyze the role of micro finance and Self – Help – Groups (SHGs) for the socio-economic development of the poor people in Dhenkanal District of Odisha . Besides this, another attempt has been made in this paper to find the weaknesses of microfinance sector and to provide recommendations to overcome them so that this sector may become more vibrant tool of poverty alleviation and rural development.

Micro Finance, Self Help Groups (SHGs), Socio - economic –Development, poverty alleviation

### Introduction

Microfinance sector has traversed a long journey from micro saving to micro credit and then to micro enterprises and now entered the field of micro insurance, micro remittance and micro pension. This gradual and evolutionary growth process has given a great opportunity to the rural poor in India to attain reasonable economic, social and cultural empowerment leading to better living standard and quality of life for participating households. Even after 65 years of planning and implementation of various anti – Poverty programmes, official estimates shows that 21.9 percent of total

population still live below the poverty line in India. Though the incidence of poverty has declined, the poverty is still a challenge and has been a controversial issue because process of growth is accompanied with increasing intensity of poverty. Credit is one of the basic needs of the rural poor people of the society for their socio-economic upliftment. The banking sector in India has been expanded to provide credit to rural population, yet large number of rural population continued to remain outside the fold of their formal rural banking system due to their inability to deposit collateral security and also due to their ignorance

regarding the banking terms, conditions and formalities. Under such circumstances, micro finance has been developed as best alternative and one of the new development paradigms for alleviating poverty through socio-economic development of the poor. Micro Finance through Self Help groups (SHGs) may be considered as a vital tool for meeting the financial requirement of those poorer sections of the society living in the rural areas. The NABARD is the main initiator of the SHG movement since 1986-87 in India. NABARD has been playing the role of propagator and facilitator providing a conducive policy environment, training and capacity building besides extending financial support for the healthy growth of the SHG – bank linkage programme and MFI in India.

### **Concept of Micro Finance**

In simple terms micro finance means providing very small loans (microcredit) to very small families in order to help them to take productive activities and grow their tiny business. Overtime, Micro Finance now includes a broader range of services like credit, savings, insurance etc. According to task force of NABARD [2] constituted on Micro Finance, it is “Provision of thrift, credit and other financial services and products of very small amounts to the poor to enable them to raise their income and improve their living standard.” Micro Finance Industry in India emerged in the 1970s to provide poor and illiterate people access to credit to save them from high interest rates fixed by the informal money lenders. Micro finance is a programme for the poor and by the poor to mobilize the

savings and use them to meet their financial needs (Rao, 2010).

The basic ideas of micro finance is simple. If rural poor are provided with easy access to financial services including credit, they may be able to start or expand a micro-enterprise or small business such as weaving, handlooms, handicrafts, embroidery, tailoring etc. and sell their products in the market for generating income that will allow them to break out their poverty.

### **Two models of microfinance involving credit linkage with banks :**

1. SHG – Bank Linkage Model : This model involves the SHGs financed directly by the banks viz, Commercial Bank's (Public Sector & Private Sector), RRB'S and Co-operative Banks.
2. MFI – Bank Linkage Model : This model covers financing of Micro finance Institution (MFI's) by banking agencies for on-lending to SHG's and other small borrowers.

### **Concept of Self-Help Groups (SHGS)**

Self Help Groups is a concept emerged in the direction of helping rural poor forming groups so that they may improve their living condition through voluntary participation in thrift and credit. A Self Help Group is a registered or unregistered voluntary association of poor people of 10 to 20, from the same socio-economic backgrounds and it involves primarily in saving and credit activities. A SHG is formed independently without any political influences. It can be all-women group, all men-group or even a mixed group. Women Self Help Group is very common and popular in India they pool their resources to become financially stable,

taking loans from the money collected by those groups and by making everybody in that group self-employed. SHG phenomenon definitely brings group consciousness among women, sense of belongingness, adequate self confidence. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. In fact, what she cannot achieve as an individual can accomplish as a member of group with sufficient understanding about her own rights roles, privileges and responsibilities as a dignified member of society in par with man. When she becomes a member of SHG her sense of public participation, enlarged horizon of social activities high self-esteem.

#### **Objectives of the Study :**

1. To find out the differential effectiveness of the SHG's promoted under the guidelines of SGSY.
2. To find out the socio-economic impact of SHGs.
3. To examine the differential effectiveness of SHGs on different blocks.
4. To examine the sufficiency and efficacy of bank linkage provided to SHG's.

#### **Research Methodology**

The present study is based on both primary and secondary data. The primary data were collected from field survey through filled in questionnaire and direct interview method. The primary data were also supplemented by the data collected from secondary sources like District Rural Development Agency (DRDA), Department of Economics and Statistics, District Information Centre, Office of the Block Development Officers

etc. The secondary data were collected from different journals, books, news papers and magazines, records of (NGOs) etc. For analyzing the data, tools, like percentages simple average etc. have been used.

#### **Profile of SHGS in Dhenkanal District of Odisha.**

Dhenkanal is an economically backward district and zero large scale industry of Odisha. Dhenkanal district is one of the centrally located districts of Odisha. Total geographical area of the District is 4452 sq km. The majority land mass of the district comprise of forest, groves, grazing pastures and barren that accounts for nearly 69 percent of the geographical area. The total population of the district is 1192948 as per census 2011 out of which total male population is 612, 597 & female 5801351, population density in the district is 268 and the literacy rate is 78.86 percent out of which male literary is 86.18% and female literacy rates 71.00 %. Population of the district is mainly rural. 90.15 percent of the total population of the district lives in villages. The percentage of SC and ST population of the district is 19.62 and 13.59 respectively. Out of the total population in the district, 62.63 percent are below poverty line as determined by the Government of India.

The district has 8 blocks and 8 Tehsils (Bhuban, Dhenkanal Sadar, Gondia, Hindol, Kamakshyanagar, Kankadahad, Odapada, Parajanga). According to geographical area of the block, Hindol block is the biggest block and Odapada is the smallest block in the district.

Since the district is an economically backward, forest district where more than 90

percent of the population is rural, backward and 62.63 percent population belongs to BPL households, there is imperative need of providing financial assistance to the rural masses for their livelihood.

The table 1 & figure- 1 below shows the block wise progress of SHGs under DRDA of Dhenkanal District.

**Table. 1 - The block wise Progress of SHGs for the year 2012-2013**

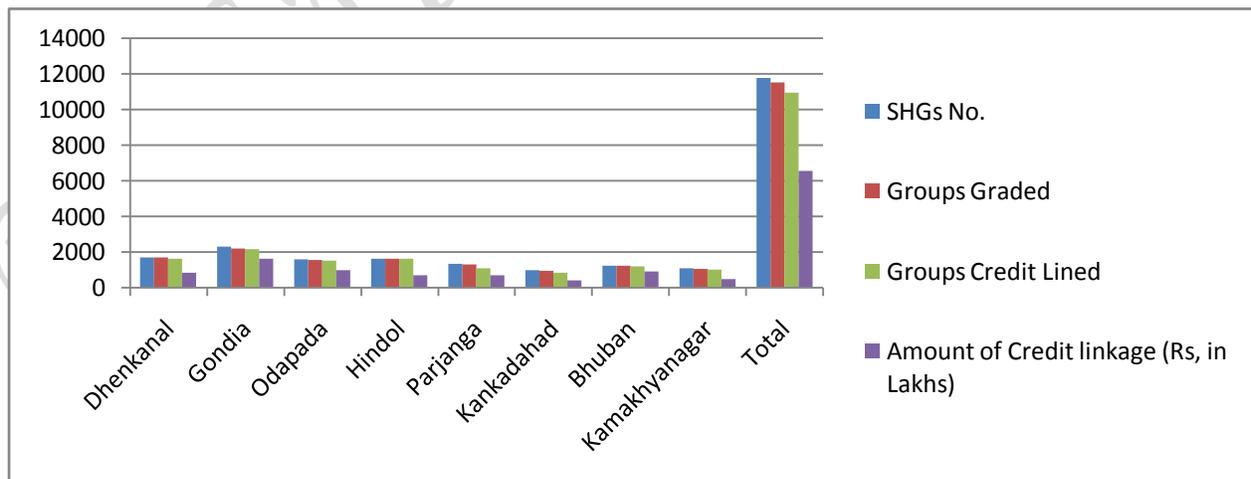
| Name of Block | SHGs No. | Groups Graded | Groups Credit Lined | Amount of Credit linkage (Rs, in Lakhs) |
|---------------|----------|---------------|---------------------|---|
| Dhenkanal     | 1685     | 1685          | 1593                | 827.28                                  |
| Gondia        | 2303     | 2195          | 2138                | 1595.39                                 |
| Odapada       | 1574     | 1548          | 1492                | 961.77                                  |
| Hindol        | 1619     | 1612          | 1609                | 693.99                                  |
| Parjanga      | 1330     | 1283          | 1082                | 695.34                                  |
| Kankadahad    | 974      | 934           | 832                 | 401.70                                  |
| Bhuban        | 1208     | 1208          | 1193                | 905.34                                  |
| Kamakhyanager | 1056     | 1051          | 983                 | 472.13                                  |
| Total         | 11749    | 11516         | 10922               | 6552.94                                 |

**Source :** DRDA Dhenkanal.

The table shows the block wise physical progress of SHGs under DRDA of Dhenkanal district. Among the eight development blocks Gondia block is with

the highest number of SHGs (2303) and Kankadahad block is the lowest number of SHGs (974).

**Figure. 1 - The block wise Progress of SHGs for the year 2012-2013**



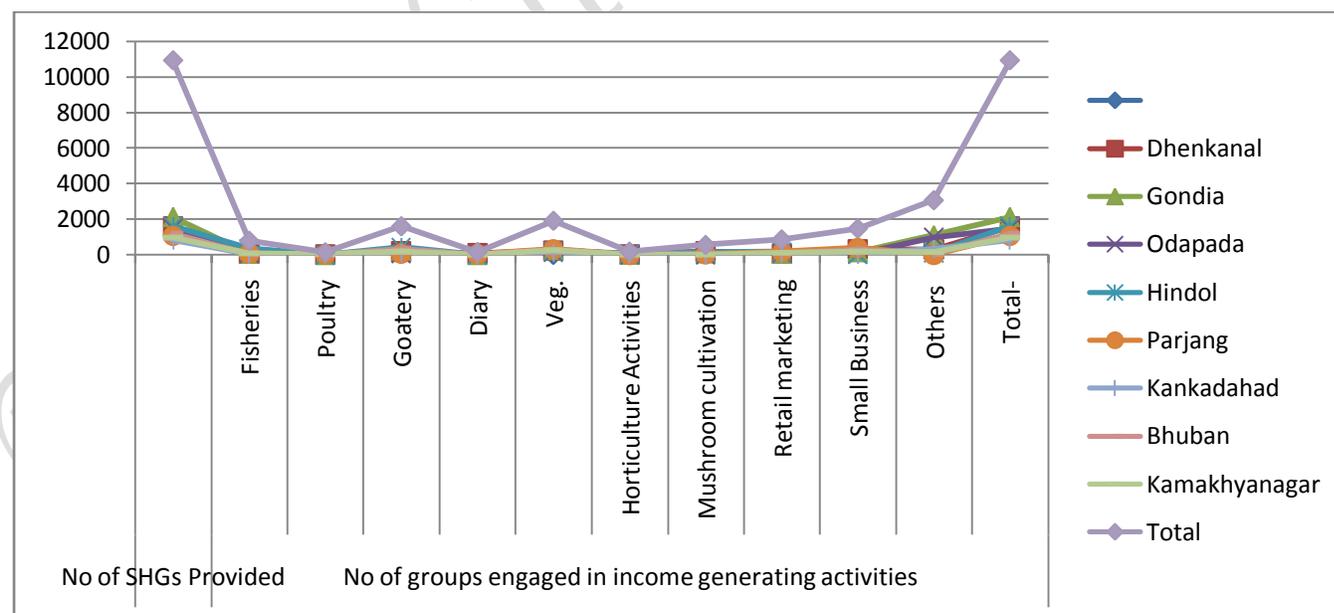
The block wise distribution of SHGs according to activity under DRDA of Dhenkanal district during 2013-2014 is given in table – 2 & figure.- 2.

**Table- 2. Block wise distribution of SHG according to Income generating Activities (2012-13)**

| Sl No. | Name of the Block | No of SHGs Provided | No of groups engaged in income generating activities |          |          |        |                   |                           |                       |                   |                 |         | Total |
|--------|-------------------|---------------------|--|----------|----------|--------|-------------------|---------------------------|-----------------------|-------------------|-----------------|---------|-------|
|        |                   |                     | Fisher ies   | Poultr y | Goater y | Diar y | Veg. Cultiva tion | Horticult ure Activitie s | Mushro m cultivati on | Retail market ing | Small Busine ss | Other s |       |
| 1      | Dhenkanal         | 1593                | 90   | 40       | 190      | 85     | 253               | 41                        | 199                   | 69                | 317             | 309     | 1593  |
| 2      | Gondia            | 2138                | 85   | 10       | 242      | 10     | 290               | 27                        | 104                   | 86                | 169             | 1115    | 2138  |
| 3      | Odapada           | 1492                | 65   | 0        | 68       | 32     | 154               | 15                        | 11                    | 116               | 34              | 997     | 1492  |
| 4      | Hindol            | 1609                | 366  | 12       | 423      | 6      | 225               | 83                        | 137                   | 187               | 43              | 127     | 1609  |
| 5      | Parjang           | 1082                | 65   | 30       | 63       | 26     | 309               | 2                         | 33                    | 164               | 388             | 2       | 1082  |
| 6      | Kankadaha d       | 832                 | 30   | 23       | 121      | 1      | 128               | 21                        | 18                    | 90                | 56              | 344     | 832   |
| 7      | Bhuban            | 1193                | 38   | 22       | 336      | 16     | 304               | 6                         | 55                    | 78                | 309             | 29      | 1193  |
| 8      | Kamakhya nagar    | 983                 | 71   | 24       | 177      | 1      | 264               | 7                         | 16                    | 93                | 174             | 156     | 983   |
|        | Total             | 10922               | 810  | 161      | 1620     | 177    | 1927              | 202                       | 573                   | 883               | 1490            | 3079    | 10922 |

**Source :** DRDA Dhenkanal

**Figure- 2. Block wise distribution of SHG according to Income generating Activities (2012-13)**

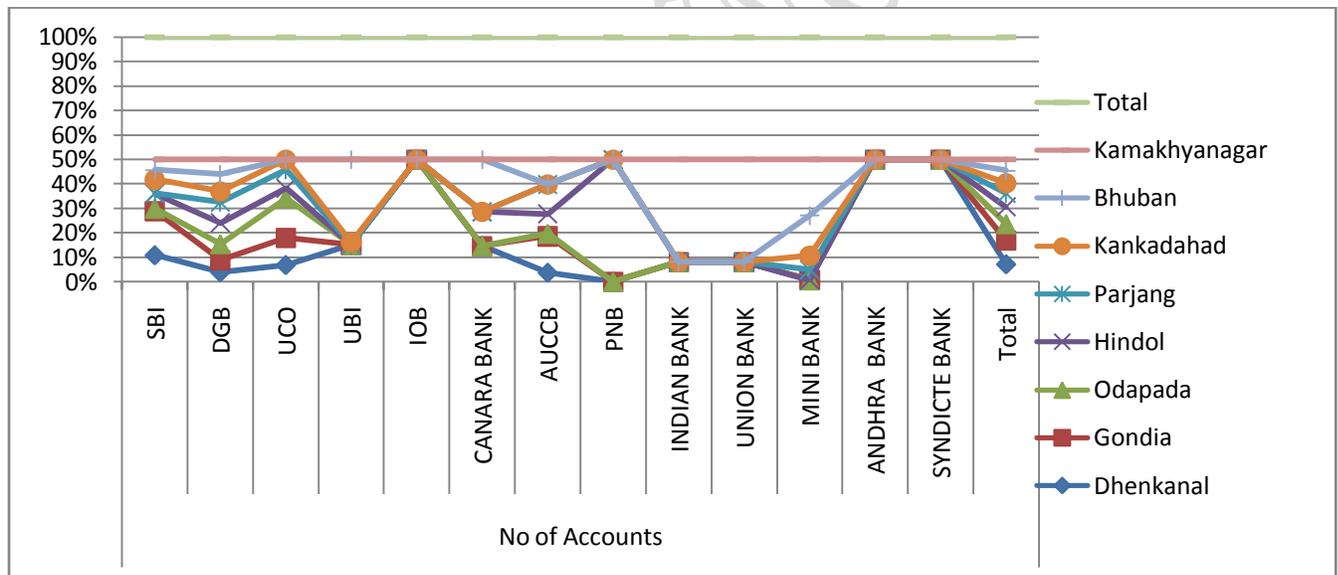


The above table reveals that the highest no of SHGs (1927) are engaged in Vegetable Cultivation and the lowest no SHGs (161) on poultry.

**Table. 3. Bank wise information on WSHG Accounts and Credit linkage (2012-13)**

| Sl No. | Name of the Block | No of Accounts |      |      |     |     |             |       |     |             |            |           |             |               |       |
|--------|-------------------|----------------|------|------|-----|-----|-------------|-------|-----|-------------|------------|-----------|-------------|---------------|-------|
|        |                   | SBI            | DGB  | UCO  | UBI | IOB | CANARA BANK | AUCCB | PNB | INDIAN BANK | UNION BANK | MINI BANK | ANDHRA BANK | SYNDICTE BANK | Total |
| 1      | Dhenkanal         | 620            | 316  | 409  | 49  | 57  | 140         | 48    | 0   | 10          | 10         | 4         | 8           | 4             | 1685  |
| 2      | Gondia            | 1035           | 409  | 666  | 0   | 0   | 0           | 193   | 0   | 0           | 0          | 0         | 0           | 0             | 2303  |
| 3      | Odapada           | 56             | 536  | 968  | 0   | 0   | 0           | 14    | 0   | 0           | 0          | 0         | 0           | 0             | 1574  |
| 4      | Hindol            | 348            | 705  | 236  | 0   | 0   | 134         | 104   | 92  | 0           | 0          | 0         | 0           | 0             | 1619  |
| 5      | Parjang           | 7              | 683  | 456  | 0   | 0   | 0           | 157   | 0   | 0           | 0          | 27        | 0           | 0             | 1330  |
| 6      | Kankadahad        | 321            | 367  | 249  | 3   | 0   | 0           | 0     | 0   | 0           | 0          | 34        | 0           | 0             | 974   |
| 7      | Bhuban            | 227            | 565  | 0    | 110 | 0   | 205         | 0     | 0   | 0           | 0          | 101       | 0           | 0             | 1208  |
| 8      | Kamakhyana gar    | 241            | 492  | 0    | 0   | 0   | 0           | 131   | 0   | 52          | 52         | 140       | 0           | 0             | 1056  |
|        | Total             | 2855           | 4073 | 2984 | 162 | 57  | 479         | 647   | 92  | 62          | 62         | 306       | 8           | 4             | 11749 |

Source : DRDA Dhenkanal.

**Figure- 3. Bank wise information on WSHG Accounts and Credit linkage (2012-13)**

The above table states that DGB is formed the highest no of SHGs (4073) and Syndicate Bank is formed the lowest no of SHGs (04).

### Sampling

100 SHGs are randomly selected out of 10922 SHGs formed in 2013-2014 in all

eight block for the study covering the entire Dhenkanal district of Odisha. Again, from the sample SHGs two members were randomly selected from each group (100x2 =200 respondents) for collecting the necessary information for the purpose of the study. One member from office bearer

(secretary or president) and another from  
**Socio-Economic Background of the respondents.**

Social class, family size, marital status, education, age and rate of interest etc. are

group member.

some of the variable that effects the socio-economic development. Table 4 shows socio-economic profile of the respondents.

**Table- 4. Socio-Economic background of the Respondent.**

| Sl No. | Background                  | No. of Respondents | %    |
|--------|-----------------------------|--------------------|------|
|        | Community :                 |                    |      |
| 1      | I. General                  | 55                 | 27.5 |
|        | II. Schedule Caste          | 45                 | 22.5 |
|        | III. Schedule Tribe         | 20                 | 10   |
|        | IV. Backward caste          | 70                 | 35   |
|        | V. Others                   | 10                 | 05   |
|        | Total                       | 200                | 100  |
| 2      | Family Size :               |                    |      |
|        | i. Small Size (2-4)         | 65                 | 32.5 |
|        | ii. Medium Size (4-6)       | 105                | 52.5 |
|        | iii. Big Size (6 & Above)   | 30                 | 15   |
|        | Total                       | 200                | 100  |
| 3      | Marital Status :            |                    |      |
|        | i. Married                  | 133                | 66.5 |
|        | ii. Unmarried               | 32                 | 16   |
|        | iii. Widow/divorced         | 35                 | 17.5 |
|        | Total                       | 200                | 100  |
| 4      | Educational Qualification : |                    |      |
|        | i. Illiterate               | 47                 | 23.5 |
|        | ii. Primary                 | 82                 | 41   |
|        | iii. Secondary              | 51                 | 25.5 |
|        | iv. Graduate and above      | 20                 | 10   |
|        | Total                       | 200                | 100  |
| 5      | Age Group :                 |                    |      |
|        | 18-25                       | 20                 | 10   |
|        | 26-35                       | 70                 | 35   |
|        | 36-55                       | 95                 | 47.5 |

|   |                                 |     |      |
|---|---------------------------------|-----|------|
|   | 56-65                           | 15  | 7.5  |
|   | Total                           | 200 | 100  |
| 6 | Rate of Interest :              |     |      |
|   | i. 12 & above                   | 30  | 15   |
|   | ii. 11                          | 65  | 32.5 |
|   | iii. 10                         | 55  | 27.5 |
|   | iv. 09                          | 50  | 25   |
|   | Total                           | 200 | 100  |
| 7 | Opinion on the Interest Rates : |     |      |
|   | i. Very high                    | 65  | 32.5 |
|   | ii. High                        | 85  | 42.5 |
|   | iii. Moderate                   | 40  | 20   |
|   | iv. Low                         | 10  | 5    |
|   | Total                           | 200 | 100  |

Source :Field Survey

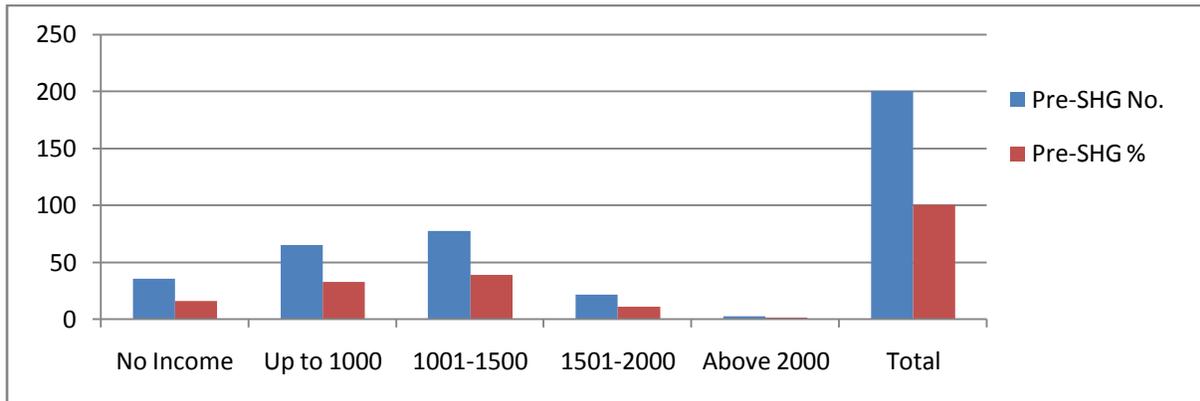
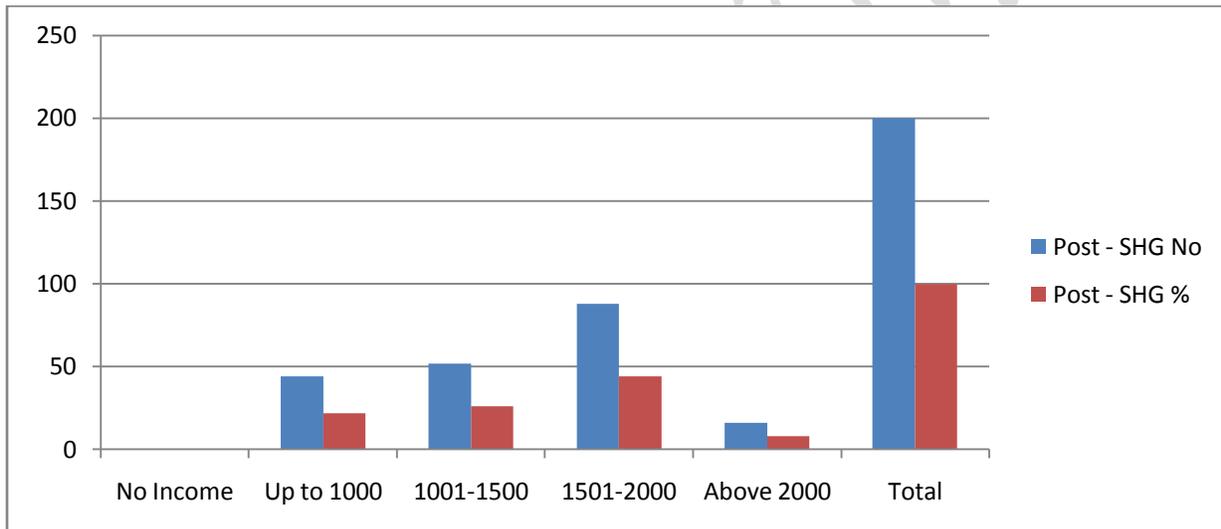
#### **Income Status of the Respondents in pre – SHG and post SHG stage:**

The income status of the respondents in pre SHG and post SHG period are analyzed in table 5 & figure - 4 & 5

**Table – 5. Income Status of the Respondents in pre – SHG and post SHG stage**

| Monthly Income | Pre-SHG |      | Post - SHG |      |
|----------------|---------|------|------------|------|
|                | No.     | %    | No         | %    |
| No Income      | 35      | 15.5 | Nil        | 0    |
| Up to 1000     | 65      | 32.5 | 44         | 22.0 |
| 1001-1500      | 77      | 38.5 | 52         | 26.0 |
| 1501-2000      | 21      | 10.5 | 88         | 44.0 |
| Above 2000     | 02      | 1.0  | 16         | 8.0  |
| Total          | 200     | 100  | 200        | 100  |

Source : Field Survey

**Figure –4. Income Status of the Respondents in pre – SHG****Figure –5. Income Status of the Respondents in post – SHG**

The above table shows that before joining SHG 15.5% of the respondents were no income and only 1% of the respondents had income more than Rs 2000/-. But after joining SHG there is no respondent without any income and 8% of the respondents crossed their income level above 2000/-, 88 respondents out of 200 sample beneficiaries representing 44 percent have monthly income of Rs 1501 -2000 after joining the group, by undertaking income generating activities.

#### Interpretations

- Any person who is unemployed can become member of the SHGs as there is no age Criterion for SHG membership.
- SHG membership is for unemployed and it is not for a specific age group, education level and even for a caste.
- Micro finance is directly oriented to the rural poor as around 80 percent of the respondents are below poverty line.

- After joining SHG the income levels of the respondents have increased and with the help of increased income they could improve their living Standard, thereby overcome the poverty.
- Loan facility is available for all the members without any restriction. Thus SHGs are formed with the idea of mobilizing small savings from the members.
- SHGs are not treated as financial system but they are formed with a view to social and economic change of the rural people especially for the rural women.

### Conclusion

Micro-finance intervention through SHGs programmes are well – recognized world over as an effective tool for poverty alleviation and improving socio-economic status of rural poor in India. Micro-finance to the rural SHG is a way to raise the income level and improve the living standards of the rural people. Thus it can be concluded that the self help groups contribute substantially in raising the socio-economic condition of the rural poor and through that chip in poverty eradication as well.

### The Major findings of the study are –

1. In block wise distribution of SHGs according to income generating activities, 1927 SHGs are working on Vegetable cultivation, 202 SHGs on horticulture activities, 573 SHGs in mushroom cultivation, 810 SHGs working on fisheries, 161 SHGs on poultry, 1620 SHGs on goatery, 177 SHGs on dairy, 883 SHGs in retail marketing , 1490 SHGs in small

business and 3079 SHGs in other working activities.

2. According to SHG Bank linkage programme in reference period total no of SHG formed is 10848, total amount of credit linkage provided is 6552.94 Lakhs.
3. Among all Banks, Regional Rural Bank is formed the highest number of SHGs (4073), SBI (2855), UCO Bank (2984). Syndicate Bank is formed the lowest number of SHGs (04).
4. Among the eight development blocks, Gondia block is with the highest number of SHGS (2303) and Kankadahad Block is the lowest number of SHGs (974)

### Suggestions

- Proper emphasis should be given to group lending and SHGs formulation for alleviate poverty.
- In avoiding of any misuse of money, there should be a need of proper regulating authority at each level such as saving depositing, and money lending.
- Periodical training programme at regular intervals to group members may be organized by the NGOs and other Government officials to aware about bank loan, proper accounts keeping, self management, decision making etc.
- Government and NGOs have to facilitate participation in regional fairs, exhibition for SHG. So that they will get greater exposure at regional and national level.
- There should be close monitoring of the lending operations of MFIs and

there should be a cap on interest rates charged. Otherwise the MFIs will continue exploiting the poor farmers and women in the country.

- Attendance at meeting and workshops should be made mandatory so that the

members can enhance their group cohesiveness.

- The NGOs and the State government must also monitor at a regular interval the overall performance of SHGs and the members included in it.

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