

## **The Role of Self-Help Groups (SHGs) in Poverty Alleviation in Rural West Bengal : A Study on Some Selected Districts**

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**Abstract :** In today's age of LPG, riches are given opportunities to be richer and the poor are sidelined labeling them as unfit. 'Trickle down effect' as believed to solve their problems being failed, the question of 'inclusive growth' has gradually surfaced. A good number of Micro-Finance Programs have been launched therefor and SHGs are one of the instruments in this respect. West Bengal was late in initiating the SHG program, no doubt, but now it has surpassed even the southern states in terms of growth rate of SHGs. In this context, it is highly pertinent to see how they are working towards their basic objective, i.e., alleviating the poverty, particularly in rural area of West Bengal. The present study is an attempt in that direction.

**Key-words :** SHG, poverty alleviation, inclusive growth, financial inclusion, economic inequality.

### **1. Self-Help Groups (SHGs)**

Self-help is the best help. God helps them who help themselves. These sentences are no longer the morals of some fables only. Rather, they have been the main mission of rural masses today to reduce, if not to remove fully, the pains of poverty in their life. The poor masses have come together voluntarily to save small amounts regularly, to contribute to a common fund and to meet their emergency needs thereby on mutual help basis. The groups so formed are called Self-Help Groups (SHGs) that use collective wisdom and peer pressure to ensure proper use of credit and timely repayment thereof. Thus, they have been able to provide primitive banking service to them who were so long unbanked by the so-called formal financial sector.

Stray examples of such SGHs were almost in all countries since the time immemorial, though they were in different names at different places and times. In India they started gaining recognition far since the 1980s when, for many a reason, micro-financing movement took the form of a revolution and the SHGs were considered to be an effective delivery channel of micro-finance throughout the country.

Now in West Bengal there are as many as nearly 7,00,000 SHGs of which—

- a. 2,00,000 have been formed under Swarnajoyanti Gramin Swarojgar Yojana of the government,
- b. 3,00,000 (approx.) have been formed by the NABARD (National Bank for Agriculture and Rural Development),
- c. around 1,50,000 have been formed by the PACS (Primary Agricultural Co-operative Society),
- d. another 50,000 have been formed by the SIDBI (Small Industries Development Bank of India).

Over and above the aforesaid SHGs, non-banking financial corporations like Bandhan have also the notable contributions today towards the formation and nurture of SHGs in West Bengal. Along with them, at present, around 25 lakh micro finance institution (MFI) clients are there in West Bengal. In view of the growth of this huge number of SHGs in rural Bengal, its economy has no doubt got a new dimension. So, it has been pertinent to assess the impact of such SHG related activities on poverty alleviation of rural West Bengal.

## 2. Socio-Economic Profile of West Bengal

West Bengal is situated in the eastern part of India and so it belongs to the Eastern Region of the country. The Eastern Region being the second poorest region (after the North-eastern region) of the country, West Bengal can be considered as one of the poorest states. The state has been, again, the home of the largest proportion of the Scheduled Caste population (9.7% of the total SCs in India) and Muslims (14.8% of the total Muslims in India). 61% of its population reside in rural areas and the rural economy of West Bengal still depends largely on agriculture. In terms of population, it ranks fourth, whereas area-wise its position is 12th. So the population density is the highest here. All India population density is 324, whereas in West Bengal that is as much as 1028. The migrants from the neighbouring states and Bangladesh have again made this state further overcrowded. In spite of all these, West Bengal is always fighting neck to neck to reach or beat the national average in terms of all the socio-economic parameters. Minimum wage rate here is as much as Rs. 98 (lower than only Nagaland and Meghalaya). Rural inequality index here is 0.273 though the Indian average in this respect is 0.297. All India rural poverty in 2004-05 was 28.7% under Head Count Rate and in West Bengal that was 28.5%. As per the Tendulkar Committee Report, 42% of the people in India are under poverty line, whereas that in West Bengal is 38%. The Human Development Index (HDI) of 2007-08 for India was 0.467 and for West Bengal was 0.492. Growth rate of Net Domestic Product for West Bengal is 17%, though that for India, as a whole, is 16%. Rural labour participation rate as per the 66th Round of NSS (usual status) is 40% in West Bengal and 41% in India. Rural unemployment under the P+S Status is 19 in West Bengal and 16 in India. The literacy rate in West Bengal is 77% as compared to 74% national literacy rate (2011 Census). Per 1000 males there are 947 females in West Bengal against the national sex ratio of 940. Despite all these success stories of West Bengal, where it is mainly handicapped is its financial inclusion scenario. Be it in terms of client outreach and loan outstanding or in terms of micro-finance penetration index, the whole of eastern region including West Bengal is always lagging far behind mainly the southern region, particularly Andhra Pradesh. As per Crisil Inclusix 2013, the financial inclusiveness in India is 40.1 and that for the southern region is 62.2 whereas that for the eastern region is only 28.6 and for West Bengal is 28.8. The rank of West Bengal is as low as 29 among the 35 states in India in respect of financial inclusiveness. In terms of branch penetration or deposit penetration, the performance of West Bengal is below average, the index being between 25 and 40. But, in case of credit penetration, its performance is abysmally low (score is less than 25), which actually is considered to be the significant reason of higher rural poverty in West Bengal though its urban poverty always is lower than the national average. As per the West Bengal State Level Bankers

Committee Report also, it is seen that in providing credit to rural people, the rural branches of the banks are always lagging behind the target though, in terms of opening branches or deposit accounts, they all very successfully have reached the target. Economic Survey 2013 reveals that the credit-deposit ratio of the banks was just 59% in West Bengal though in Tamil Nadu this was 125%. Against this background, the drowning rural poor of West Bengal are trying to survive by catching hold the straw of SHGs which are practically the commanding force now in the context of micro-finance or financial inclusion in West Bengal. Here comes the rationale of the present study.

### 3. Literature Review

A number of studies have been done so far in India and abroad on the issues under consideration. But the studies on West Bengal are still few and far between. Some stray studies on some districts of West Bengal are being done very recently, but those are not sufficient to have an overall picture of poverty alleviation in West Bengal, particularly with the help of the SHG related activities of the State. The present study humbly attempts to fill in that gap. The works that have been studied to have guidelines for the study are mentioned below.

- Mosley (2001) showed in his study how in Bolivia the assets and income were increased commensurate with the micro-finance activities.
- Mallick (2002) explained in his study on Bangladesh the social impact of micro-credit that already started to surface there.
- Rajiven's study (2008) on India examined the scope of micro-finance and how it could boost resources for rural poor.
- The work of Dhar (2009) is a notable work on SHGs in India that highlighted the prerequisites for enhancing effectiveness of SHGs.

Some other contemporary works like those of Biswas (2009), Bagchi & Dandapat (2010), Das (2011), Majumdar (2014), Chakraborty (2014), etc, have also been surveyed to work out the scope and the methodology of the present study .

### 4. Scope and Objective of the Study

The poorest parts of West Bengal are the northern, south-eastern and western regions. For the present study one district from each of these three regions have been chosen on convenience sampling basis. Then, eighty SHG-participant households and twenty non-SHG participant households from each of those districts have been selected to compare their poverty-related situations. The SHG-participants were visited twice to know their change in income, if any, after joining the SHG activities. These three hundred respondents in total have also been chosen based on convenience. The districts, thus, selected were Paschim Medinipur, South 24 Parganas and Jalpaiguri. The opinion of 100 respondents from each of these districts have been analysed with the help of relevant statistical tools to identify—

- the income level of the SHG participants before and after joining SHGs, and
- the income level of the SHG participants and non-SHG participants

### 5. Income Level of the SHG Participants before and after Joining the SHG

#### *Jalpaiguri*

Of the 80 respondents questioned in the Jalpaiguri District, 17, 43 and 20 were in the income brackets of Rs. 0-500, Rs. 501-1000 and Rs. 1001-1999 respectively before they joined the SHG named Ashiana Swanirbhar Gosthi of village New Mal under the Mal Block. After two years, 15 in the income bracket of Rs. 1001-1999 reported no change in their income. But as is evident from Table 1, in all other cases, the income has increased. Six in the income bracket of Rs. 0-500 have been promoted to the income bracket of Rs. 1001-1999, and 11 of the same have been elevated to the income bracket of Rs. 2001-2999. From the income group of Rs 501-1000, 31 respondents could enter the income group of Rs. 2001-2999, 11 entered to the income group of Rs. 3001-3999 and 01 could even enter the income group of Rs. 4001-4999. Of the 20 respondents in the income group of Rs. 1001-1999, 5 could enter the income group of Rs. 2001-2999.

#### *Paschim Medinipur*

In case of the Paschim Medinipur District, the impact of joining SHG on income of the participants is more prominent (Table 1).

**Table-1 : Household Income before and after joining SHG**

| District          | Income level after Participation (Rs.) |       | Income level before Participation (Rs.) |          |           |
|-------------------|--|-------|---|----------|-----------|
|                   |  |       | 0-500                                   | 501-1000 | 1001-1999 |
| Jalpaiguri        | 1001-1999                              | Count | 6                                       | 0        | 15        |
|                   | 2000-2999                              | Count | 11                                      | 31       | 5         |
|                   | 3000-3999                              | Count | 0                                       | 11       | 0         |
|                   | 4000-4999                              | Count | 0                                       | 1        | 0         |
| Paschim Medinipur | 1001-1999                              | Count | 0                                       | 3        | 13        |
|                   | 2000-2999                              | Count | 0                                       | 0        | 14        |
|                   | 3000-3999                              | Count | 32                                      | 12       | 6         |
| South 24 Parganas | 1001-1999                              | Count | 7                                       | 0        | 18        |
|                   | 2000-2999                              | Count | 4                                       | 0        | 3         |
|                   | 3000-3999                              | Count | 3                                       | 45       | 0         |

Out of total 80 respondents, the income of 32 was between Rs. 0-500 and what is truly notable is that the income of all of them reached the bracket of Rs. 3001-3999 after joining the SHG named Chandkuri Netaji Sahayak Dal of Chandkuri village under the Sabang Block. Of 15 respondents with income group of Rs. 501-1000, 3 could enter income group of Rs. 1001-1999 and as many as 12 could enter the income group of Rs. 3001-3999. Among the respondents who were originally in the

income group of Rs. 1001-1999, 14 could enter the income group of Rs. 2001-2999 and 6 could enter the income group of Rs. 3001-3999. 13 of them, however, reported no change in their income.

#### *South 24 Parganas*

In the district of South 24 parganas, most of the respondents, 45 out of 80, were in the income bracket of Rs. 501-1000 and the income of all was upgraded to the income bracket of Rs. 3001-3999. It is, no doubt, very much inspiring. Among 14 respondents belonging to the lowest income group (Rs. 501-1000), 7, 4 and 3 respondents could enter the income level of Rs. 1001-1999, Rs. 2000-2999 and Rs. 3000-3999 respectively. Out of the 21 SHG participants falling originally in the income group of Rs. 1001-1999, however, 18 could not increase their income and only 3 could reach the immediately next income group.

#### *Summary of the Findings*

- In all the sample districts, there have been notable increases in the income level of the SHG participants.
- Poorer people, i.e. the people who fall in the income group of Rs. 0-500, are more aggressive in enhancing their income with the help of the SHG-related activities and, in terms of redressal of income inequality among the rural people, it is undoubtedly a good sign.
- Since the p-values, using the Pearson Chi-square Test, are always less than 0.05 (Table 2), it can also be statistically concluded that there is significant association between increase in the income level and participating in the SHG-related programmes.

Table-2 : Chi-Square Tests of Table-1

| District          |                    | Value  | df | Side (2 sided) |
|-------------------|--------------------|--------|----|----------------|
| Jalpaiguri        | Pearson Chi Square | 45.533 | 6  | .000           |
|                   | Likelihood Ratio   | 56.217 | 6  | .000           |
|                   | Linear-by-Linear   | 4.605  | 1  | .032           |
|                   | N of valid Classes | 80     |    |                |
| Paschim Medinipur | Pearson Chi Square | 50.851 | 4  | .000           |
|                   | Likelihood Ratio   | 63.607 | 4  | .000           |
|                   | Linear-by-Linear   | 36.653 | 1  | .000           |
|                   | N of valid Classes | 80     |    |                |
| South 24 Parganas | Pearson Chi Square | 74.602 | 4  | .000           |
|                   | Likelihood Ratio   | 95.109 | 4  | .000           |
|                   | Linear-by-Linear   | 8.8873 | 1  | .003           |
|                   | N of valid Classes | 80     |    |                |

### 6. Income Level of the SHG Participants and the Non-SHG Participants

Table 1 reveals that the income of all the SHG participants were less than Rs. 1999 before joining SHG. Table 3, on the other hand, reveals that among the non-SHG participants, only 10% in case of Jalpaiguri, 20% in case of South 24 Parganas and 75% of Paschim Medinipur belonged to the same category. That the poorer people more in number are joining the SHG-related activities and are being benefited economically is evident from this.

**Table-3 : Household Income of Participants & Non-Participants**

| District          | Income level (Rs.) |       | SHG Participants | Non Participants | Total |
|-------------------|--------------------|-------|------------------|------------------|-------|
| Jalpaiguri        | 1001-1999          | Count | 21               | 06               | 27    |
|                   | 2000-2999          | Count | 47               | 02               | 49    |
|                   | 3000-3999          | Count | 11               | 12               | 23    |
|                   | 4000-4999          | Count | 01               | 00               | 01    |
|                   | Total              | Count | 80               | 20               | 100   |
| Paschim Medinipur | 1001-1999          | Count | 16               | 15               | 31    |
|                   | 2000-2999          | Count | 14               | 04               | 18    |
|                   | 3000-3999          | Count | 50               | 00               | 50    |
|                   | 4000-4999          | Count | 00               | 01               | 01    |
|                   | Total              | Count | 80               | 20               | 100   |
| South 24 Parganas | 1001-1999          | Count | 25               | 04               | 29    |
|                   | 2000-2999          | Count | 07               | 16               | 23    |
|                   | 3000-3999          | Count | 48               | 00               | 48    |
|                   | 4000-4999          | Count | 00               | 00               | 00    |
|                   | Total              | Count | 80               | 20               | 100   |

After joining the SHG-related activities, all the participants have either reached the income level of non-SHG participants or been able to beat them in terms of the monthly income. Thus, the SHG-related activities in rural Bengal are not only alleviating the abject poverty of rural poor but also they are helping, inter alia, in reducing the income inequality among the rural masses. The Pearson Chi-square test value being less than 0.05 in case of each of the sample districts (Table 4), it can be concluded once again that there is significant association between household income and participation in the SHG-related activities.

Table-4 : Chi-Square Tests of Table 3

| District          |                    | Value  | df | Side (2 sided) |
|-------------------|--------------------|--------|----|----------------|
| Jalpaiguri        | Pearson Chi Square | 22.974 | 3  | .000           |
|                   | Likelihood Ratio   | 22.923 | 3  | .000           |
|                   | Linear-by-Linear   | 4.697  | 1  | .030           |
|                   | N of valid Classes | 100    |    |                |
| Paschim Medinipur | Pearson Chi Square | 32.168 | 3  | .000           |
|                   | Likelihood Ratio   | 38.068 | 3  | .000           |
|                   | Linear-by-Linear   | 22.714 | 1  | .000           |
|                   | N of valid Classes | 100    |    |                |
| South 24 Parganas | Pearson Chi Square | 48.013 | 2  | .000           |
|                   | Likelihood Ratio   | 48.544 | 2  | .000           |
|                   | Linear-by-Linear   | 5.129  | 1  | .024           |
|                   | N of valid Classes | 100    |    |                |

## 7. Conclusion

Micro-finance is considered to be an important weapon to fight against financial exclusion or exclusive growth. But, in practice, most of the micro-finance activities are working now far away from the desired objective. Instead of helping the poor, to use them for profit-making has become the covert objective of most of the MFIs. Somewhere the interest rate is too high, in some cases, the MFIs themselves are reluctant. Formalities somewhere are cumbersome, collateral in other cases is charged in disguise. The poorest of the poor are, therefore, getting very rarely the benefit justifying the slogan that "micro-finance is dead, long live micro-finance". But amongst all these, the SHG-based micro-finance is, perhaps, the exception. What is clear from the study is: the SHG participants are poorer than the non SHG participants, i.e, the lower layer of the rural poor is the main beneficiary of this programme. Moreover, it has been seen that most of the SHG-participants have been able to increase their monthly income after joining SHG. Thus, it is empirically established that the SHGs are playing a significant role in poverty alleviation of West Bengal. Some contemporary studies on some other districts of West Bengal (Das, 2011; Majumdar, 2014; Chakraborty; 2014) have deduced more or less the same conclusion. Desired goal of the SHG-related activities is still a long way to go. Required training must be given to the participants so that they can go for profitable economic activities. Loan amount is too meagre to take off. Marketing of the products is truly a challenge. Cluster development may be a solution to all these problems. Above all, the attitudinal change is necessary on the part of both the policy-makers and the bankers without which never the micro-finance programme can be a comprehensive success. Still, what has been achieved in the mean time is truly praiseworthy.

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