



## MICROFINANCE AND SHG'S - A WAY TO REACH UNREACHED POOR:AN IMPACT STUDY OF KADUR TALUK OF CHICKMAGALUR DISTRICT IN KARNATAKA

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### Introduction

Nowadays poverty is a human condition that is more than mere material inadequacy. It is considered to be inadequacy of 'capability' and a condition of 'disadvantage'. As an inadequacy of capability it is a condition of deprivation that results in making people incapable to fend and obtain their material as well as social entitlements needed for both subsistence and progress. The approach to poverty as a condition of 'disadvantage', identifies five types of disadvantages namely: 'lack of assets' covering material possessions (including resources), 'physical weakness' resulting from malnutrition and inadequate health care, 'isolation' resulting from information asymmetry – inability to access knowledge, 'vulnerability' due to social *de facto* absence of rights orchestrated structurally by centers of wealth and power and ultimately, 'powerlessness'. In sum these modern approaches to the concept of poverty surely appear comprehensive consisting of "entitlements, empowerment, minority rights, protection of plural cultures and human development." Anti poverty policy prescriptions must visualize the condition of poverty and the poor in all dimensions and the process chosen and eventually implemented must accommodate all the sets of challenges.

Lack of access to income opportunities or skill-based training opportunities keep many people shackled to poverty. Until and unless rural people are not brought into the mainstream for economic and social change, we will fail to bring change in rural development. They need to be organized for the decision of their choices and voices. Prevalence of poverty is quite high among rural population. They need to be the main focus of any poverty alleviation program as they comprise a major section of the poor population. Among the poor, women are considered the most disadvantaged due to their limited access to economic opportunities and basic social services and the excessive burden of household chores on them. Self-help group approach is the key element in social mobilization. The micro finance project intervention in terms of formation and stabilization of SHGs for extending credit support and promotion of thrift to promote viable economic activities. Against this background the present study has been carried out in Kadur Taluk of Chickmagalur district in Karnataka state to assess the impact of SHGs a saving and income of the rural poor.

### Anti-Poverty Intervention: Shgs And Microfinance

Poverty alleviation with micro credit is now well recognized all over the world. The United Nations' Millennium Declaration (2000), which spelt out the Millennium Development Goals (MDGs), poverty reduction– has assumed prominence in the international sphere. This has been supplemented by multilateral development agencies specially the World Bank where in its World Development Report (WDR) it has evolved workable strategies for the time bound objectives enunciated in the Millennium Declaration. Such a wide and inclusive approach, of the international community, to understand poverty and poverty reduction that clearly sees the link between 'poverty and mainstream processes i.e. between growth and economic transition' and seeks for a simultaneous expansion of 'opportunity, empowerment and security' enjoins upon the power structures and civil society of the national economies where poverty is an explicit bane to evolve and implement anti-poverty intervention programmes that would enable the poor to liberate themselves from their disadvantage and incapability.

Self help groups and Microfinance is such an initiative. Self-help groups and Micro fiancé are very closely linked, in that the former is used as a medium to generate and distribute financial capability so as to help deprived people to move up the income ladder. In fact self help groups is one of the models of microfinance that is very popular in India, with the other being the Grameen Bank model popular in Bangladesh initiated by an outstanding economist Mohammed Yunus. *Microfinance* is an organized way of creating income-generating capabilities with the poor without being inhibited by institutional rigidities and high cost of credit as well as the slim asset base of the poor. It consist of three basic activities namely, micro savings, micro credit and insurance. The challenges the poor face with respect to institutional and informal sources of finance, is overcome when the poor's' micro savings is itself used as a collateral to micro credit.

*Self-Help Groups (SHG's)* are a voluntary association of poor people who come together to be enabled to solve or mitigate their problems through self-help and mutual help. The most important characteristics of these groups are: they are made of poor people, members background is relatively homogenous, the size of the group on an average between 15 - 20 members, they have been initiated by the government or commercial banks or the NGOs providing the microfinance services and their policies as well as operations are very democratically conducted. Its democratic character is very prominently observable with respect to election of group leaders, in both ownership and control of financial services being in the hands of members, profit distribution and the inclusion of training as well as education that go beyond financial activities to create competencies. Ultimately the single most important quality of the self-help groups that help to sustain it as well as its activities and help its members to obtain capabilities is its voluntary nature.

The role of self help groups in microfinance operations as well as its socio-economic status in the community was given a big boost in India when NABARD took the initiative of encouraging the formation of these groups, supporting their growth and linking them to the commercial banks through the SHG-Bank Linkage Programme. In 1990 the RBI introduced policy outlines to use this model as a means of poverty reduction and the NABARD subsequently put into an operational framework consisting of institutional as well as training or



capacity building components, in 1991 for the same. A review of the progress of this programme under the aegis of NABARD indicates that by March 2001, the bank had trained 1,35,226 SHG members, 16,900 bank officers, provided awareness training to 4,158 NGO functionaries, trained 179 bank staff to be SHG promoters, exposed 4,500 government officials to micro finance and trained 205 NABARD officers. In the same period 1,030 NGOs as well as other agencies and 15,000 bank branches were involved in this programme. By the year 2005 – 06, on a cumulative basis, 22,38,565 SHGs were linked to banks with total loans of Rs. 11,397.55 crores out of which NABARD has refinanced to the tune of Rs. 4153.63 crores. These experiences indicate that microfinance especially through self help groups in the case of India is a way of “transforming poverty alleviation exercises into business opportunities.”

### 3.Methodology

The overall objective of the study is to assess the role of micro-finance – SHGs as an alternative means for alleviation of rural poverty. This study is undertaken with *specific objectives* like: to study the impact of SHGs on the household’s economic condition as a means of supplementary income and to study the role of SHGs on women empowerment. The *primary data* related to the study are collected with a semi-structured interview schedule. Besides this Focus Group Discussion was held to know the people’s perception regarding the SHG’s functioning. The *secondary* information was collected from District Statistical Office, Kadur and Taluk Panchayat Office, Kadur.

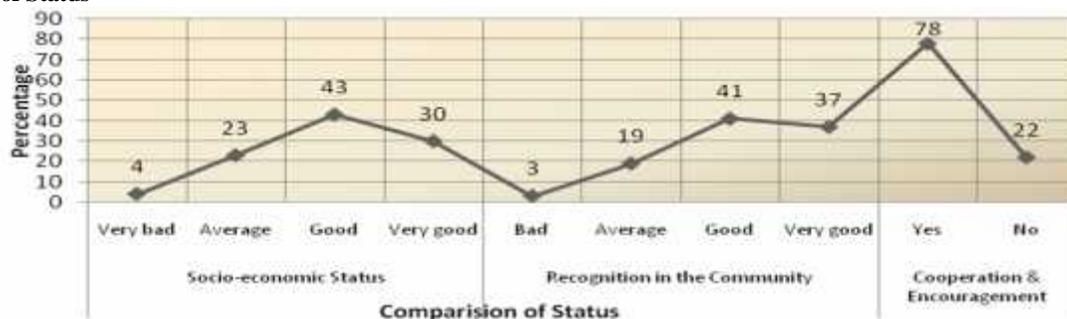
The study is based on *stratified random sampling*. In *first* strata the study covers two towns namely Kadur and Birur and four villages – Malleswara, Sakrepatna, Thangli and Yagati; *second* strata total of 24 SHGs have been covered (4 each from six areas), on random sample basis. In the *third* strata 5 members from each SHG have been selected on simple random sampling method for the final field survey. The total sample size of the study is 120. The study has taken in to consideration two indicators namely: *Saving* -The Groups Register, Individual member’s passbook and bank account of group and *Income*: Productive expenditure, Creation of business asset, consumption expenditure, costly family functions and debt repayment.

### Profile of the Study Area

*Chickmagalur District* is located in middle Karnataka and borders Chitradurga, Hassan, Shimoga, and Udapi Districts. The *Chickmagalur* district consists of Seven Taluks–Kadur, N.R, Pura, Mudigere, Shringeri, Koppa, Tarikere and Chickmagalur.

*Kadur Taluk* is a town in the *Chickmagalur* district. It is the taluk headquarters of kadur Taluk. It is at distance of 40 kilometer from district headquarters *Chickmagalur*. Kadur is a commercial hub of the taluk and a centre for various commercial activities. The taluk is endowed with good natural resources, healthy climate and irrigational facilities as well as infrastructural facilities.

### Comparison of Status



To summarize, there is positive relation between the date of inception of SHGs and the membership. Majority of the members motivated to join SHGs by friends. Members have fair enough idea about the working of the SHGs and they are also participating in the process. Members got training in activities like self business and book keeping, which has helped them for skill development. The SHGs has not made the positive impact on the child care and education, the members found that their socio-economic status is improving, recognition in the community also improved. There is high level of cooperation among the SHG members. Thus, *SHGs has created a positive impact on rural poor women and helped them in getting recognition in community*. This proves that “*Self- Help Groups has made a positive impact on women empowerment*”.

### Part – VII

#### Findings

In the study area 63 per cent of the respondents are belonging to OBC, remaining members are from SC/ST communities. Most of them belong to nuclear family (52 per cent). The age profile reveals that the SHGs are dominated by middle age group of 26 to 45 followed by below 25 age group. The sample SHGs consists of married women’s (71 per cent) and widow (11 percent). The education indicates that only 18 per cent of them are illiterate and about 16 percent of the members are studied up to graduation and above. Access to basic amenities by the member households reveals that majority of them are in worse-off condition. 25 per cent of the members are housewives. But at the same time about 43 per cent of the members work as daily wage earners and self employed (25), about 22 per cent of the respondents has income above Rs. 24,000. The inception of SHGs has a vital bearing on saving and credit creation. Older the SHG higher is the saving and higher is the performance. Majority of the members are motivated by friends, which includes neighbors. The awareness level about rules and regulation is very good; NGO worker has created the awareness among the members.



The comparative analysis of SHGs and bank loan indicates that SHG's are providing microfinance and recovery is also good. The members received training in different areas like – self-business, book keeping, tailoring and cookery. 50 percent of the member got training in self business, followed by book keeping and tailoring. Childcare is concerned, 39 percent of them have good response. Child education is concerned around 38 percent of the members opined that decision is taken by husband, 35 percent of them opines that the other family members are taking the decisions and only 9 percent women members are taking the decisions. Both husband and wife equally contribute for medical expenses. 73 percent of the members opined that their socio-economic status has improved. This clearly indicates that the SHGs membership has improved the status of women and helped for empowerment. 78 percent of the members have indicated that they got good recognition in the community because of the SHGs membership. Almost 78 percent of the members are happy with the cooperation given by the other members in the group. SHGs membership has helped the members to improve upon the socio-economic status, recognition in community, which is the clear indication empowerment of women through SHGs. SHGs has created a positive impact on rural poor women and helped them in getting recognition in community.

### Recommendations

Before providing credit, professional skill and training should be given, if the borrowers are unskilled or semi-skilled. A consultation services should be provided to the borrowers to select the appropriate profitable enterprises. Sufficient amount of loan should be given to start up the selected enterprises at a lower interest rate. A strong monitoring and follow-up support and services should be given in executing the enterprises especially in the first few months. Micro-credit should be given in kind not in cash. So that borrowers will be benefited by getting goods and services in fair prices. Monitor the enterprises taken by the borrowers at least once a week and prepare a progress report, provide suggestions regarding further improvement. Special care should be given to the ultra-hard core poor and destitute group of people. Poverty alleviation should be the sole target, not high profit.

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