

Poverty Eradication through Self Help Groups or Private Microfinance Institutions: A comparative Study

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Abstract

Poverty eradication is a main challenge in front of whole world. There are different ways are adopted by the underdeveloped and developing countries. In India, SHG and Private Microfinance are the most popular and prominent ways in removing poverty. Present study and research paper focuses on the role of SHG and Private MFIs in poverty eradication in the slum areas of the Kolhapur city in Maharashtra. The study is based on the primary data and collected from the four slums. The primary data has been collected from the 100 SHG members and 100 clients of the private MFS. Paper concludes that both SHG and private MFIs are working effectively in the way of poverty eradication. The MFIs looks more effective than the SHG.

Key Words- Poverty, SHG, Private MFIs, Poverty Eradication

1.1 Introduction:

Poverty is a common obstacle in all kind of development. Poverty in urban India is due to various reasons which include migration from rural to urban, lack of employment opportunities, lack of credit to access and so on. The Government is taking serious efforts to eradicate the poverty by implementing various schemes and programmes for rural as well as urban poor. Families living below poverty line are facing various problems like poor education, malnutrition, poor health etc. One of the reasons behind the poverty is lack of access to credit and other financial services. The vicious cycle of the poverty can be broken by providing credit to urban poor. Financial inclusion and access to the credit are important aspect in the process of poverty eradication.

Government is focusing on poverty eradication by promoting self-help groups in rural as well as urban area. SHG bank linkage model has made significant contribution in the poverty eradication in India. SHG model is emerged as key model in rural as well as urban livelihood promotion of The Self-help groups are promoted by different agencies of the government as well as civil societies. Mahila Arthik Vikas Mahamandal (MAVIM), National Urban Livelihood Mission (NULM) are forming and promoting the self-help group with an objective of poverty eradication and entrepreneurship development.

Along with these government initiatives in the promotion of livelihood of urban poor there are several private microfinance institutions are providing financial services to the urban poor. The origin of microfinance is from the Grameen Bank Model of Bangladesh where Mohammad Yunus experimented with poor families and succeeded in livelihood promotion. Private Microfinance institutions are providing credit to poor for entrepreneurship development. Now days MFIs having a strong network in the country and they are operating through the various models. The need of the microcredit and micro insurance is get fulfilled by these MFIs.

So Self Help Group and private microfinance institutions are working with common objective of poverty eradication and livelihood promotion but the concept of both is different. Operating system of SHG and private MFIs is also different from each other.

1.2 Significance of the study:

Study of contribution and role of Microfinance by private institution and SHG is rarely studied. There are several studies made with the subject of microfinance through SHG bank linkage programme. The rationale behind choosing the subject is that researcher wants to study the contribution of microfinance through private MFI's as well as SHGs. SHGs and Micro finance institutions are expected to play a significant role in poverty alleviation and development. The need, therefore, is to share experiences and materials which will help not only in understanding successes and failures but also provide knowledge and guidelines to strengthen and expand micro finance programmes.

Now a days due to boom of microfinance in the rural and urban India, microfinance institutions are claiming that they are contributing in poverty eradication by providing the credit to the poor. Hence the efforts are made to study their contribution with special reference to private MFIs. Study will discover the role of SHGs and microfinance in self-employment and in urban entrepreneurship. It will also help to understand the role of microfinance in promoting livelihood. The need of microfinance arises because the rural India requires sources of finance for poverty alleviation.

1.3 Objective:

Objective of this research paper is to know the role of SHG and Private Microfinance Institutions (MFIs) in poverty eradication.

1.4 Methodology:

a) *Data Collection*

The research work relies on both primary as well as secondary data. Research study needs review of literature to understand the work and experience of the researcher in this field. For this purpose secondary data also collected. The secondary data collected from both published and unpublished references.

The primary data from the SHG member and clients of microfinance institutions collected by using structured interview schedule.

b) Sampling Design

The study covers Slums areas of Kolhapur City to analyze the role of SHGs and Microfinance institutions in poverty eradication.

There are following major slum areas in Kolhapur city.

1. Rajendra Nagar
2. Takala Slum
3. Daulat Nagar
4. Sadar Bazar
5. Lonar Vasahat
6. Lakshirth Vasahat
7. Sambhaji nagar

To collect the primary data, four slum areas of the Kolhapur city are selected. The primary data collected from the selected four slum area. Purposive sampling used for the selection of slum areas based on where SHGs and private microfinance institutions are working. As a result, Rajendra Nagar, Daulat Nagar, Sadar Bazar and Lakshirth Vasahat selected.

For collecting the primary data random sampling will be used.

Name of Slum Area	No. of SHG Member	No. of Clients form Private Microfinance Institutions
Rajendra Nagar	25	25
Daullat Nagar	25	25
Sadar Bazar	25	25
Lakshirth Vasahat	25	25
Total	100	100

The total number of sample respondents (200) is presented as in the above table.

1.5 Result and Discussion:

Table No. 1 Name of Livelihood Activity Started

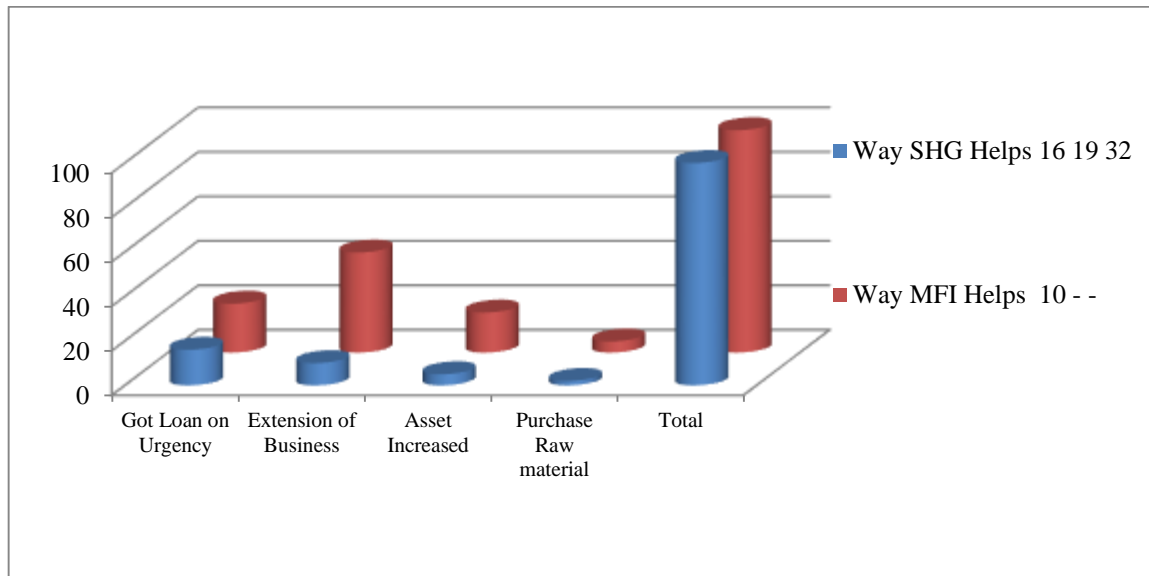
Name of Livelihood Activity	SHG		MFIs	
	Frequency	Percent	Frequency	Percent
Grocery	7	7	9	9
Cloth Shop	12	12	7	7
Vegetable Trading	2	2	4	4
Tailoring	18	18	5	5
Artisan	1	1	23	23
Stationary Shop	5	5	1	1
Imitation Jewellery	3	3	1	1
Grinding Mill	4	4	1	1
Tea Stall	2	2	6	6
Mess	5	5	1	1
Net Cafe	-	-	2	2
Auto	-	-	3	3
Centring Business	-	-	1	1
Bangle Shop	-	-	9	9
Other	2	2	1	1
Not Started any Activity	41	41	35	35
Total	100	100	100	100

Table No. 1 is about the name of livelihood activities started by the SHG members and clients of the MFIs. It has been categorised into fifteen groups and these groups are Grocery shop, Cloth shop, Vegetable Trading, Tailoring, Artisan, Stationary Shop, Imitation Jewellery, Grinding Mil, Tea Stall, Mess, Net Café, Auto, Centring Business, Bangle shop, and other.

Majority of the SHG members (18%) started tailoring and (23%) clients of MFIs started artisan as new livelihood activity. A good number of respondents from SHG (12%) started cloth shop and respondents from private MFIs (9%) started Bangle and Grocery shop. Remaining all the respondents from SHGs and MFIs are started different activities as shown in the table.

It can be concluded that from the table that the respondents from SHG and MFIs are started new livelihood activities which may help their families to improve their family income. It has also been seen that the credit taken from the SHG and MFIs are get used for the productive purpose instead of consumption purpose.

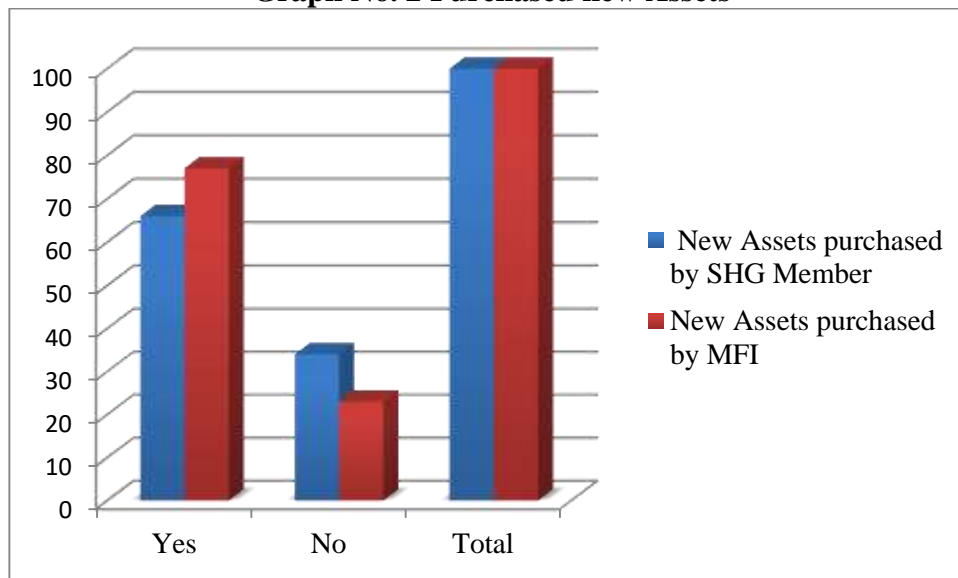
Graph No. 1 Way SHG and MFIs Helps



Graph No. 1 speak about the way SHG and MFIs are helping to the SHG member and clients of MFIs respectively. It has been classified into seven groups. These groups are save money, Loan through internal lending, got subsidy, got loan on urgency, extension of business, asset increased and purchased raw material.

Majority of the SHG member (32%) reported that after joining the SHG they are benefited through subsidy while majority of the MFIs clients (45%) reported that the an helped them to extend their business. A good number of respondents (19%) and (16%) reported that they got the loan through the internal lending and saves money respectively after joining the SHG. A good number of the respondents (22%) and (18%) said that they got the loan on urgency and their assets has been increased respectively after taking loan from the MFIs. Few respondents from the SHG (16%) and (10%) reported that they got the loan n urgency and they extended their business respectively after joining SHGs. A small number of respondents from SHG (2%) and (5%) from MFIs clients are purchased raw material form the amount of loan taken from SHG and private MFIs.

It is clear from the graph that significant number of the respondents from SHG and MFIs are invested the money in expansion of their activities. It has been also seen that SHG increasing the saving habits among their respondents but not private MFIs because private MFIs are not providing the saving facility.

Graph No. 2 Purchased new Assets

Graph No. 2 is about the new asset purchased by the SHG members and MFI clients. It has been asked to the respondents that they had purchased new assets after taking loan from the SHG or MFIs.

Majority of the SHG members (66%) and more than three fourth (77%) of the clients of the private MFIs reported that they have purchased assets from the loan amount they received from the SHG and MFIs respectively. More than one third (34%) of the SHG member and about one fourth of the MFI's client said that they have not purchased any assets from the loan amount.

It reveals from the table that most of the respondents are purchased assets to increase their income level from their activity. It is one of the sign of contribution of SHG and private MFIs in poverty eradication. Increase in assets will definitely contribute to the increase in their income.

Table No. 2 Impact of MFI/SHG Loan on Income Activity

Impact of Loan on income activity	SHG		MFI	
	Frequency	Percent	Frequency	Percent
Extension in Livelihood Activity	13	13	10	10
Improved Income from Livelihood Activity	37	37	11	11
Started New Entrepreneurship	24	24	36	36
Got Alternate Source of Income	12	12	22	22
No any Impact	14	14	21	21
Total	100	100	100	100

Table No. 2 speak about the impact of the loan provided by the SHG and MFIs on the income generating activities of the members of SHG and clients of the private MFIs. The impact of loan is categorised into five groups. The categorised groups are extension of livelihood activity, improved income from livelihood activity, started new entrepreneurship, alternate income source and no any impact.

Majority (37%) of the SHG members reported that the loan received from SHG helped them to improve income from their livelihood activity and majority (36%) of the MFIs clients reported that they have started new enterprises after taking loan from the MFIs. Around one fourth (24%) SHG members reported that they have started new enterprises after taking loan while (22%) MFIs clients said that they got alternate income source after receiving loan. A good number of the SHG members 13% and 10% MFIs said they have extended their livelihood activity and 12% SHG members reported that they got alternate income source after receiving loan. Some of the SHG members (14%) and (21%) MFIs clients said that they are not impacted by the loan taken.

It is clear from the table that the most of the respondents are benefited by the various ways to improve their livelihood activity and increase their income.

1.6 Conclusion:

In concern with the poverty eradication no doubt both Self Help Group and Private MFIs are contributing in their own way. Though the operating styles of the both are different but the ultimate goal is the same to eradicate the poverty. Study comes to conclusion that SHG and Private MFIs are contributing effectively in removing poverty. But if we compare both with each other than MFIs role looks more prominent than the SHG that might be due to MFIs gives result compare to the SHG.

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