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Self Help Groups as Modalities for Poverty Alleviation for Women in India

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Abstract: *Poverty alleviation is one of the important goals of development planning in post-colonial India and is designed through community development programme. The Self Help Groups (SGHs) are one of such initiatives by National Bank for Agriculture and Rural Development (NABARD). The SHGs are an effective strategy to provide financial services to poor women, and offer micro credit for their income generating activities and other non-economic activities targeting improvements in their standard of living. Income is an important variable to study aspects of poverty. Based on a survey conducted in the city of Chennai, this paper tests the effect of SHGs in reducing poverty levels by comparing the level of incomes of the respondents before and after three years of programme intervention. The findings revealed significant improvements in the level of poverty among the respondents.*

Keywords: Poverty, Self Help Groups, NABARD, India.
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1. Introduction

India has recorded a consecutive period of record growth for the past four fiscal years. Its real GDP has increased to over 8.5 per cent per year, and it is expected to achieve a nine per cent growth towards the completion of the Eleventh Five Year Plan Period (2007–2012), which places India in the club of the world's fastest growing economies (Topalova, 2008). However, this achievement is marred by the fact that India still accounts as one of the nations having the largest concentration of hard-core poor globally. It is imperative that we take into account the length at which the very needy of India have been able to keep up with the available opportunities that are the by-products of the ever-growing economy. When the overall welfare of the country's large population is assessed, India faces great political pressure to solve this problem and to ensure continued growth. India's population passed the one billion mark in 2000.

The eradication of poverty is dependent on a strong and committed

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government. It is a challenge for the economic policymakers and the politicians to organise programmes and policies that directly affect poverty. Eradication of poverty is one of the toughest challenges that the government currently faces and it is one of the important goals of development planning in India since achieving independence. The alleviation of poverty is designed through community development programme. Self Help Groups is one such initiative by NABARD for alleviation of poverty. SHGs is an effective strategy to provide financial services to poor women, and offer micro credit for their income generating activities and other non-economic activities targeting improvements in the standard of living. The studies of micro credit SHGs such as Khandher (2005), Schuler, Hashemi, Riley & Akhter (1996) Khandher (2005) Hashemi (1997); Mosley (2001); B. E. Coleman (2006); Datta (2004) and T. Islam (2007) , Puhazhendi & Satyasai, (2001), Swain & Varghese (2009); Nagayya (2000); Rajeshwari (2002); and Vijayanthi, (2002) supported that the programme intervention has improved the living standards, the income generating activities of the respondents have helped in the reduction of poverty level of the members.

Income is an important proxy to study the aspects of poverty. This paper attempts to test the significance of the effect of Self Help Groups (SHGs) in reducing poverty levels by comparing the level of income of the respondents before and after three years of programme intervention and is based on a survey conducted among SHGs beneficiaries (women recipients) under the Mahallir Thittam programme in Chennai city. Mahallir Thittam, one of the programmes implemented by Tamil Nadu Corporation for Development of Women (TNCDW) was implemented in partnership with NGOs to help disseminate the information of SHGs, and to provide training and monitor them. The SHGs have to register with the NGOs, and, in turn, the NGOs register under the Mahallir Thittam of TNCDW. Since the SHGs play a role in the uplifting the status of women by showing them how to get microcredit, mobilise the savings into capital and improve the skills and knowledge through various training programmes. However, the literature review shows a big gap in the study of microcredit with respect to the urban poor, especially in a megacity such as the studied area of Chennai. It is important to study the performance of the SHGs and their contributions to the development of urban women from the lower strata and whether it helps the women to overcome the poverty trap after joining SHGs. In the second part of the paper an overview of poverty in India is provided, the third part explains the literature review and the fourth part explains in detail about the methodology used in sampling of data, place and the measuring impact of poverty reduction in the study. The fifth part discuses about the findings and the sixth part conclusions and policy implications are provided.

2. Overview of Poverty in India

According to the poverty estimates for the year 2009–10 released by the planning commission, it was estimated that 355 million people were living below the poverty line, of which 278.2 million were in the rural areas and 76.4 million were in the urban areas. Despite the government's effort to reduce the poverty at the national and state levels, the problem still exists. At the last count, the gross national per capita income of India was US$3900 in 2012, which means that India as a nation harbours a larger number and concentration of the destitute compared to any other nation. Another estimate given for India signifies a steady but sure decline in abject poverty. The poverty rate is decreasing at rates of less than a per cent annually. In order to actually reduce, or even eradicate poverty in India, the government will need to curtail or mitigate the unequal access to opportunities, which prevents the nation's poor and destitute from participating in the nation's growth (Ravallion & Chen, 2011). The next section discusses the definition of poverty, causes of poverty, and urban poverty.

2.1 Defining and Measuring Poverty in India

Lacking the means to fulfil even the very basic necessities of life defines poverty in most cases. The Planning Commission of India defines the poverty line as gauged by food intake i.e. at 2,400 calories in rural areas, and 2,100 calories in urban areas. The Planning Commission stated that if a group of people are incapable of meeting this caloric intake, then they are considered to be surviving below the poverty line. In 1993, the Commission drew similarities between poverty and tangible dimensions of deprivation, which posits the lack of food, nutrition, clothing, shelter, water and basic education to distinguish the poor and non-poor, with food intake being particularly poignant in this regard.

Poverty is generally described as a lack of income and assets to meet the basic needs of life, which leads to deprivation in human beings. Poverty deprives one through the lack of food, nutrition, shelter, education and health, and various other material needs. Apart from material deprivation, poverty leads to failure to participate in the various social and economic activities. The poor lack the strength to mitigate against the vulnerability imposed on them. Income is one of the indicators to measure poverty. It is relatively easy to measure the quantifying extent of poverty by what is called the head count ratio, which simply measures the percentage of families with income above the poverty line. The percentage of population living below the poverty line is estimated by using the Consumer Expenditure Survey (CES) of the National Sample Survey Organisation (NSSO). Based on this survey, the poverty head count ratio differs from state to state. However, the inflation rate plays a vital role in the process of estimation as it differs from commodity to commodity and from state to state (Luthra, 2005).

With this line of thought, poverty is typically gauged by the levels of income. The World Bank estimated that any person who earns less than US$1 daily is considered to be below the standard international poverty line. However, the World Bank recently adjusted the daily income to US$2 as the income below the poverty line. This translates to about Rs.49 and Rs.57 for the rural population and the urban population, respectively (Gopalan, 2006; Sharma, 2006).

Ravallion, Chen & Sangraula (2009) put forward two arguments for measuring the poverty line. In the first argument, they regarded the poverty line as the money metrics of utility, and mentioned that people evaluate their income relative to the mean of their country of residence. Since this argument assumes that the relative income is a source of utility, it fits into the mould of so-called "welfares". The idea that utility limits poverty lines is uncommon, which agrees with the literature regarding economic welfare measurements. The second argument put forward is that poverty lines should accommodate the differences of the cost brought forth by social inclusion. This invariably implies that expenditure is required to be expansive enough that it covers commodities regarded to have an active role in the context of dignity of social customs, economic activities, or those described as being "non-welfarist".

According to Swaminathan (2001), the majority of the people who are subsisting below the poverty line(s) are informally employed. For the vast majority of the Indian poor, the income level fluctuates from day to day. It is very difficult to identify the poor in India by using the official poverty line, because poverty is unrealistically defined, and mostly corresponds to the cost of purchasing the minimum amount of required daily intake of calories. Fixing an indicator of purchasing power that has the capability to provide the bare minimum of necessities proves to be a monumental task. The same level of complexity was found in Malaysia after the country's Independence in 1957 which led to the idea of the *Sarong* Index by Ungku Aziz (Aziz, 1964). The proposal was to use the ownership of *sarong* (basic men and women's wear) as an indicator of poverty.

2.2 Poverty Estimates in India

The poverty estimate trends in India can be divided into three periods based on poverty income level. The first period is from 1950 to the mid-1970s, the second period from the mid-1970s to 1990, and the third period from 1991 to the present time. During the first period (1950 to the mid-1970s), nearly half of India's population lived under extremely dire conditions. For example, back in 1951, almost 47 per cent of the population living in the rural areas were classified as living below the poverty line. This increased to 64 per cent between 1954 and1955, decreased to 45 per cent from 1960 to1961 and increased to 50? per cent in 1978. During the second period (mid-1970s to 1990) the poverty level declined significantly. The rural income poverty fell from 51 per cent to 39 per cent, and further descended to 34 per cent, in the period of 1989–90 (Planning Commission, 2012).

During the third period (from 1991 until present), the National Sample Survey (NSS) data showed that the level of poverty in India had significantly changed. The rural income poverty rose from a mere 34 per cent (1989–1990) to almost 43 per cent (1992), and decreased again to 37 per cent (1993–94). This is because the contribution from the agriculture sector has lagged compared to the other sectors. The contribution of the agricultural sector was less than half of the rural GDP. Meanwhile, the urban income percentage increased from 33.4 per cent (1989–90) to 33.7 per cent (1992), and fell again to 32 per cent (1993–94). From 1994 to 1998 the level of poverty declined drastically. The period 2009–2010 showed the poverty level in rural areas at 33.8 per cent, while the urban area level was at 20.9 per cent. This is because of the process of rural transformation out of agriculture towards the non-farm sectors, which resulted in the generation of non-farm employment opportunities in rural areas. The urban growth and development in infrastructure increased the opportunities in urban areas.

As the government agency responsible for estimating poverty in India, the Planning Commission has been active in engaging both the absolute number and the percentages of the poor at the national and state levels. In order to effectively complete this task, they have employed the Expert Group Committee under the chairmanship of D.T. Lakdawala (Expert Group on the Estimation of Proportion and Number of Poor) on March 1993 (until present) This method places emphasis on gauging poverty from data gathered from large sample surveys on the household consumer expenditure that was carried out by the National Sample Survey Organisation (NSSO) of the Ministry of Statistics, along with its implementation. The utilisation of this method allows the Planning Commission to release the poverty estimates for different time periods in India. The population that lives below the poverty line, in terms of the percentages for the time period 2012–13 is given in Appendix 1 while Table 1 below shows the poverty rates of India between 1983 and 2010.

Table 1: Poverty Rates of India between 1983 and 2010

	Poverty Rates (in percentages)		
Years	**All India**	**Rural**	**Urban**
1983 *	44.5	45.7	40.8
1987-88 *	38.9	39.1	38.2
1993-94 *	36.0	37.3	32.4
2004-05 *	27.5	28.3	25.7
2009-10 **	29.8	33.8	20.9

Poverty rate is defined as the share of the population below the poverty line.
* shows the poverty estimate by the Lakdawala committee.
** shows the poverty estimate by the Tendulkar committee.
Source: National Sample Survey Organization Fund staff estimates.

There is a serious contention that the actual poverty estimates of the country, particularly of rural areas, might be higher than what is estimated. The Planning Commission set up an expert committee under the chairmanship of

Suresh Tendulkar to work out the methodology for the estimation of poverty. The Tendulkar Committee excluded the calorie norms and introduced a new methodology using implicit prices for estimating the poverty lines and distribution of monthly per capita consumption expenditure, based on a mixed reference period (MRP) for the years 2004–2005. This committee used the Fisher Price Index to fix the state rural-urban price differentials (Planning Commission, 2009). According to the Tendulkar Committee, the all India head count ratio using the new poverty line basket of rural poverty had declined from 41.8 per cent in 2004–2005 to 28.3 per cent in 2009–2010 and urban poverty had declined from 25.7 per cent to 20.9 per cent. This resulted in an overall poverty ratio of 37.2 per cent instead of 27.5 per cent as mentioned earlier. Thus, an additional 120 million poor had been added (Ramakumar, 2010). Where was 27.5% mentioned earlier?

The Planning Commission (2009) significantly raised the poverty income level by nearly 50 per cent. The urban poverty line was increased from Rs.578.80 to Rs.859.60 per capita monthly consumption, and, in the rural areas, it was increased from Rs.446.70 to Rs.672.80, which means an urban poor person in India who earns less than Rs.29 per day is termed as very poor and living way below the poverty line. At this level of earning Rs.29 per day in an urban area, survival is obviously very difficult. How is it possible for these people to consume the estimated food equivalent of 2100 calories and provide their family of a minimum of four members with basic food, water, shelter, health care and normal education?

According to Chen & Ravallion (2008), India's poverty line is considered low by developing country standards based on the five international official lines. The Expert Group appointed by India's Planning Commission has recently proposed a new official line for India, which was about US$1.17 a day at 2005 PPP. This is closer to the international line of US$1.25 a day (Deaton, 2010). Due to all the factors mentioned above, the research study uses World Bank estimates of US$1.25 per day as the poverty line. In order to analyse the impact of the SHG on the poverty level, the net monthly income levels of the SHG members before and after the programme intervention were compared to the value of US$1.25 per day or Rs.65.50 per day (exchange rate as of December 2011). This value is considered as the Poverty Income (at Rs.65.50 per day or Rs.1965 per month - rounded to Rs.2000). The Net Income is the household income of the respondents. This study assumes that an increase in net income is a parameter to estimate poverty. If the Net Income of the SHG members was less than the Poverty Income, they were termed as respondents living below the poverty line and if the Net Income is greater than the Poverty Income, the respondents are assumed to be above the poverty line. The Net Income after joining the SHG includes the value of the utilization of resources owned by the households along with the income of the respondents, earned from the income generating activities through the help of the SHGs. The result of the analysis shows the Poverty Head Count Ratio before and after joining the SHGs and the impact of the SHG in reducing the poverty level.

2.3 Poverty and Inequality

The Head Count Ratio (HCR) indicates whether their income is above or below the poverty line. The HCR of poverty does not reflect the depth of poverty of those who are living below the poverty line (BPL). In reality, the income of the SHG families will differ widely in that some members have incomes just above the poverty line, some are just below the poverty line and others are considered destitute, having hardly any income. Therefore, there are inequalities within the SHG families. It is necessary to know the depth of the poverty of all the SHG family members to estimate the poverty gap. The narrowing of the poverty gap indicates that income has increased to different levels measured against the poverty line. For example, if the income of none of the members cross the poverty line but comes closer to the poverty line, and the HCR remains the same, the poverty gap will also be narrowed implying a lowering depth on an average. Thus, if both the HCR and poverty gap narrow it can be concluded that there is an overall improvement.

This poverty gap does not measure the overall income inequality in the society and the income level of the SHG members before and after joining the programme. This is measured by the Gini Coefficient. The Gini Coefficient is a measure of inequality of any distribution and may be measured for many other socio-economic parameters. The Gini Coefficient is the Gini Index expressed as a number ranging from 0 to 1. The coefficient result is zero when the income level of all the members is the same before and after joining the SHG. This indicates that there is no inequality. If the value indicates 1 it reflects that there is high inequality. This implies that the higher the Gini Coefficient, the higher the inequality in the income level before and after joining the programme. Graphically, the Gini coefficient can be easily represented by the area between the Lorenz curve and the line of equality. If the income is distributed equally, then the Lorenz curve and the line of total equality merge and the Gini coefficient becomes zero. The lesser the area between the curve and the line of perfect income equity, the lesser is the inequality. The greater the area between the curve and the line, the greater is the inequality.

2.4 Poverty Alleviation Programmes Targeting Women in India

Every major policy and plan since independence emphasised the concerns and perspective on the role of women. The *First Five Year Plan (1951–1956)* stated that the federal objective of planning in India was to increase the people's living standard, and offer them opportunities to improve their respective lives. This plan emphasised social services, such as health, education, sanitation, housing and rehabilitation to build up human capital. The *Second Five Year Plan (1956–1961)* persisted in a welfare approach. The participation of the female work force stood at 27.96 per cent as against 57.12 per cent for males. (Prasant, 2003). The *Third Five Year Plan (1961–1966)* focused upon enhancing female education as part of the strategy to improve and develop the status of women. The efforts to provide condensed courses for adult women on health, nutrition and family planning continued throughout this period, and were subsequently continued into the next plan period (1966 to 1969). This subsequent period was declared as a planned holiday by the federal government, due to severe drought and other related economic issues. Instead of a Five Year Plan, three different Annual Plans were formed to meet the needs of the nation. There were no positive results from these programmes as the government had other major issues to focus upon.

The *Fourth Five Year Plan (1969–1974)* and the *Fifth Five Year Plan (1974–1979)* continued the emphasis on poverty, education, and the attainment of economic equality with social justice as the key objective and female literacy as the secondary objective. During this time, concrete measures were taken to shape the policies and programmes for women. In 1974 a 'Status Committee Report' was published by Dr Veena Muzumdar entitled "Towards Equality: Report of the committee on the status of women in India". It highlighted the fact that women did not enjoy any rights or privileges in the constitution of India. This resulted in a holistic and comprehensive examination of all the rights and status of the women, and provided the guidelines for the formulation of social policies for women's development in India. During the same period in Malaysia, Ungku Aziz proposed the cooperative movement as a form of women empowerment (Aziz, 1966).Women leadership in the cooperative movement was perceived as necessary to promote the welfare of female members in the cooperatives.

It was only the *Sixth Five Year Plan (1980–1985)* that left its mark in the history of women's development. The focus of this plan was to improve the working conditions of women, along with simultaneously raising both their economic and social status. Programmes, such as the Integrated Rural Development Programme (IRDP), Training of Rural Youth of Self Employment (TRYSEM), and programmes specifically targeting women, such as the Development of Women and Children in Rural Areas (DWCRA), were established (Sundram, 2001). The main aim of the IRDP and TRYSEM programme was to assist the poor rural families and provide them with sufficient resources and employment in order to upgrade their standard of living and reduce their poverty level (Jayaraman, 2005). This continued into the *Seventh Five Year Plan (1985–1990)*, where, for the first time, the federal government created a separate department called the Ministry of Human Resource Development for the development of women and children at the national level. The Women's Development Corporation had been setup by a few state governments, including Tamil Nadu, for training, along with providing employment for women hailing from the more desperate sector of society. The overall approach of this perspective plan was to deal with women in a holistic manner. During the period 1990–92, the government did not have a plan.

The *Eighth Five Year Plan (1992–97)* emphasised human development as the ultimate goal. Most of its programmes were geared towards the elimination of poverty and redacting unemployment. The integrated rural development strategy and approach were introduced, with the explicit objective of economic growth and poverty alleviation. This plan, which covered the era of economic liberalisation and a market-friendly economy, enabled women to function, to a certain extent, as participants and equals in the development process of the nation. It intended to create employment, contain population growth, eliminate illiteracy, make elementary education compulsory and widespread, improve healthcare facilities, and provide potable drinking water (Krishnaraj, 1988). In addition, in the context of women's development, the Eighth Plan marks a shift in the approach from participation to empowerment (Gulati, 1995).

The 73rd and 74th Amendment Act of 1993 to the Constitution of India reserved a third of seats in the local bodies –Panchayats and Municipalities – specifically for women, thereby laying a strong foundation for their active partaking in the decision-making process at the local level. As mentioned earlier, the Fourth World Conference on Women, which was held under the auspices of the United Nations in Beijing in 1995, strengthened the social support network system for women and provided many employment opportunities for women.

All these positive results laid a strong foundation for SHGs in India under the SGSY programme to work during this period. This programme, which aimed at providing women with proper training and arranging credit for them to start their own businesses, also helped them by providing the necessary infrastructure and exposed them to a wider market. The success of this process and programme also encouraged the banks and agencies to participate.

During the *Ninth Five Year Plan (1997–2002),* women, for the first time in the history of planned development, were given a sub plan, which was pragmatically different from the earlier plans and focused on their growth, equality and participation. In preparation for the Ninth Plan, an approach plan had also been developed by the Planning Commission, which was accepted by the National Development Council. The strategy laid out in the component of the women's plan in the Ninth Plan contained a provision for ensuring that 30 per cent of benefits or funds from all ministries and departments were allocated to women. The plan coordinated and organised the existing services, resources, infrastructure and manpower that were currently available for both women-specific and women-related sectors. It also recommended that special attention be paid to ensure that funds or benefits were directed to programmes that had a holistic approach towards empowering women (Srivastva, 2008). The plan further proposed that the empowerment of women, both social and economic, envisaged the promotion of self-sufficiency for women and aimed at gender equality.

The *Tenth Five Year Plan (2000–2007)* emphasised the development of women utilising a group approach to eliminate gender discrimination and regional imbalances in socio-economic development. As a case in point, the presence of women in the parliament rose from 4 per cent (1952) to 8.9 per cent (2001), which is however rather insignificant compared to developed countries. However, the greater efforts of the government and initiatives from the NGOs and other welfare organisations have improved the status of women, and brought about the empowerment of women at different levels of approach and practice in the different states.

At the grass root level, women's participation and development often takes place through interventions in the form of development programmes or projects. The participation of women in such community development programmes enhances their personal development, and makes them more sustainable. The Government of India has introduced many community development programmes to uplift the status of women in terms of their socio-economic conditions in order to reduce their vulnerability to poverty. One such programme was the creation of the Microcredit Self Help Groups (SHGs) in the 1990s by the National Bank for Agriculture and Rural Development (NABARD), supported by non-governmental agencies. Since its inception, it has been under the patronage of the Central Government of India under a programme called Swarna Jayanthi Gram Swarozgar Yojana (SGSY). It is an important poverty alleviation scheme for urban slum dwellers in India. SGSY utilizes SHGs, acting as an organizational conduit that delivers subsidised assistance to households earning income that are below the stipulated poverty line, encourages these households to take part in self-employment activities to supplement their meagre income.

2.5 Micro Credit and Self Help Groups in India

This part will discuss the development of literature in the areas of microcredit and SHGs in India with reference to poverty alleviation. Self Help Groups (SHGs) are informal associations consisting of 10-20 members created for the purpose of enabling members to reap economic benefit through mutual help, solidarity and joint responsibility. The group-based approach enables poor women to accumulate capital by way of small savings and facilitates their access to formal credit facilities (Shylendra, 1998). The concept of joint lending liability embedded in the SHGs enables the members to overcome the problem of collateral security, a major barrier to obtaining credit from formal institutions. It also leads to peer monitoring, which improves the rate of loan recoveries (Stiglitz, 1993). Finally, some of the basic characteristics of SHGs, like small size memberships and homogeneity of composition, bring about cohesiveness and effective participation of members in the functioning of group (Fernandez, 2006).

The practitioners of development are always on the lookout for possibilities to reduce poverty via microfinance operations and support the less fortunate. The studies of Pitt & Khandher (1998), Morduch (1998) and Khandher (2005) are highly supportive of microcredit. Their work concluded that, generally, microcredit is effective in slashing poverty levels; its effectiveness is multiplied if the borrowers are women, and the policy benefits the hard-core poor the most. Schuler, Hashemi, Riley & Akhter (1996) reported that microcredit has accomplished improvements through increasing the level of self-employment of women and improving the socioeconomic status of rural women.

King and Mason (2001) made the observation that, over time, the involvement of women in microcredit programmes reduces their economic dependence on men, strengthens their positions within their families, draws them into the public sphere and exposes them to new ideas. The engagement of women in income-generating activities would reduce their desire to have children, which causes the demand related to family planning services to skyrocket, while simultaneously cutting down the social cost of fertility regulations. Microcredit has been hailed as a significant antidote against poverty in the twenty-first century (A. Rahman, 1999a). The movement has been keen to engage women who are categorised as poor, not only with the intention to get them out of poverty, but also to allow them access to resources that are vital in increasing their decision-making power (Sundram, 2001; K. S. Mohindra & Haddad, 2005).

Khandker (2005) used the household panel data from Bangladesh to assess the long-term impact of microfinance on poverty. The results showed that microfinance was very important to both the borrower, who is classified as hard-core poor, and the economy of the locality. The positive impact is apparent in the context of households, in which the per capita consumption was increased, mostly with regards to non-food and non-land assets. The SHG study done by Mitra (2007) posits that the poor are already in possession of survival skills and entrepreneurial spirit, and her study illustrated that the ready access to credit is capable of developing the poor, while also putting an end to cyclic poverty. Fisher, Sriram, & Harper (2002) are firm believers that by providing appropriate financial services, along with the suitable mechanism, the microcredit programme will be reachable to the poor. The provision of microcredit to the poor will help them leave the state of poverty. Tripathi (2006) observed that although there may be some benefits in providing microfinance, we should not expect it to help the very poor, because microfinance has more to do with social politics than economics. Banerjee, Duflo, Glennerster, & Kinnan (2009) clearly stated in their study that if microcredit is used for income- generating activity, it will enable greater investment, and, will exponentially increase the level of consumption in the near future.

Nagayya (2000) strongly advocated that the unspoken agreement of supplying credit to the poor via SHGs is fast becoming a vital tool in the promotion of enterprises that have the potential to generate income. In his study, Douglas (2009) stated that microcredit has given the poor women a possibility to increase the schooling of their children as it reduces the constraints of informal credit markets and decreases the constraints within the poor households. It provides them an opportunity to invest in their children's future by reducing the dependence on moneylenders. Thus, as Banerjee et al. (2009) indicated, if these loans are used to fund household enterprises, microcredit may have a significant effect on human capital investment. If these loans are invested in providing education for children, it helps them escape the cyclic poverty trap, and promote the long-term development of the country. Puhazhendhi & Satyasai (2000) discovered the significant effect of the SHG Bank Linkage programme on both the social and economic spheres of the members' household. Among the major findings in this study is the fact that the average net income per household duly increased by almost 33 per cent, employment levels increased by 17 percent; the composite index of different socio-economic parameters rose to 65 per cent; and the index of economic indicators increased to 52 per cent after the intervention of the programme. Sinha (2006), states the main objective of the formation of SHGs in India was to provide low-cost financial services for the development of poor women. SHGs benefit women in both economic and social aspects. As part of the economic impact, it creates income-generating activities, which will reduce the level of poverty in the long run. Fouillet & Augsburg (2007) states the benefits are inclusive of increased savings and borrowing capacity, the advent of income generating activities, increased income levels and average value of assets including livestock, and consumer durability. The housing conditions had also improved overall.

All of the studies above on the microcredit outreach programmes towards poverty reduction and enhancement of socio-economic standing of women concluded that income-generating activities through microcredit results in poverty reduction. Furthermore, some of the studies stated that poverty reduction and women's development were possible through high nutritional intake, as healthier women can play a better role in income generation. However, some researchers state that sustainability and longer participation in microcredit will result in socio-economic improvement in the short run, and the alleviation of poverty reduction in the long run. Hence, it can be concluded that an increased income through microcredit will help women to perform better in their life. This, in turn, will increase income, savings and consumption patterns because when the level of income of the poor families increases issues like nutritional intake of food, group solidarity and sustainability will naturally follow in due course.

3. Methodology

This part gives an insight into the sources of data, sampling, collection techniques and techniques employed in the data analysis. Quantitative methodology is adopted using self-reporting method. It involves data collection in the numerical form in order to explain or to predict the phenomenon of interest. As the survey is undertaken after the programme introduction, the before information is based on recall. A comparison is made to study the level of income before joining the SHG and their conditions after three years of joining the group in order to see the extent of improvement that had taken place as a result of the programme intervention. The main criteria for selecting the SHGs were based on the SHGs having members who had completed three years of programme intervention. Accordingly, members who joined SHG recently (those who became SHG members since January 2007) were not included in the assessment. Any member who had not completed the membership of three years was excluded from this study. The studies by (Amin, Hill, & Li, 1995; Joseph, 2005; Puhazhendhi, 2000; Schuler & Hashemi, 1994) has used before and after information to study the impact of micro credit in poverty reduction and empowerment. Thus this is used to investigate whether there was significant difference in women's level of income using micro credit in income generating activities in the urban women before and after the interventions of SHGs in Chennai city.

The case for the present study is defined as women SHG members in Chennai city. In August 2010 Chennai city had 29 registered NGOs registered under Mahallir Thittam with 25,359 SHGs. Of the 29 registered NGO's under Mahallir Thittam, 14 NGOs are located in North Chennai, 8 NGO's in Central Chennai and 7 NGO's in South Chennai. The predominance of NGOs (14 NGOs) are in North Chennai as most of the people residing here are living below the poverty line as compared to other areas. From the 14 NGOs located in North Chennai, 2 NGOs were selected, from 8 NGOs located in Central Chennai and the 7 NGOs located in South Chennai one NGO each was selected. Four NGO's were selected in the ratio of 2:1:1. The details of NGOs selected for sampling are Marialyam and Sorannampal Education Trust from North Chennai, Reedha from Central Chennai and Niveditha from South Chennai.

Out of the total number of SHGs which had completed 3 years from each NGO, 10% of the groups were selected for the sample and 10 individual members were selected from each group for the semi-structured interviews (the average size of the SHGs are 10-15 members and to make it more consistent 10 members are selected from each group under the sampling framework). Individual interviewees were selected within a diverse range of age, occupation, economic and marital status. The following table shows the sampling strategy of the SHGs.

Table 2: Sampling framework of SHGs.

Names of the NGO	**Total no. of groups**	**Total no. of groups completed 3 years**	**Sample Size of the SHGs (10% of total groups completed 3 years)**	**Total members (10 members from each SHG)**
Marialyam	921	212	21 Groups	210
Sorannampal Education Trust (SET)	1898	272	27 Groups	270
Reedha	454	185	18 Groups	180
Total			**77 Groups**	**770**

According to Krejcie and Mogran (1970), the representative sample size for the population of 25,359 SHG members is 383 respondents. In order to make it more representative 770 members were chosen as mentioned above in the table. Out of the total sample size of 770 SHG members, only 758 responded for the quantitative survey, 12 members did not respond. These 12 respondents were not from a particular group of community, age, religion or area or education. Thus the study concluded that they did not represent a selective sample loss.

4. Findings

The quantitative results are presented in three parts i) profile of the sample SHGs: this part includes information related to the SHGs ii) the social background of women in SHGs: this part includes the demographic details of the women in SHGs and iii) Impact on SHG in income and thus the poverty reduction.

4.1 Profile of the Sample SHGs

Table 3 gives the frequency distribution of SHG information. Regarding the group size, 42.74 percent of the women were in groups of 16-20 members, 31.8 percent in groups of above 20 members while 25.5 percent were in groups of 10-15 members. The average group number was 15. In order to study the performance of the SHGs, it is important to look at the homogeneity of the group. Homogeneity here means each group member was living in the same area or location. For duration of membership, 51.2 percent had been members for 3 years, 31.3 percent for 4 years and 17.5 percent had been members for

5 years. The study found the size of groups to be relatively larger in the older groups with more than four years membership than younger groups with less than three years.

Table 3: Frequency distribution of SHG information of the SHG members

SHG Information	Frequency	Percentage
Group Size		
10 - 15 members	193	25.5
16 - 20 members	324	42.7
Above 20 members	241	31.8
Membership Duration		
3 years	388	51.2
4 years	237	31.3
5 years	133	17.5

4.2 Social Background of Women in SHGs

In this section the social background of the women in SHGs are presented. Table 4 below provides information on the frequency distribution on demographics.

Table 4: Frequency distribution of demographic values of SHG members

Demographic Variables	Frequency	Percentage
Age in years		
Below 30	195	25.7
31 - 40	288	38.0
41 - 50	169	22.3
Above 50	106	14
Community		
Forward Communities	31	4.1
Backward Communities	340	44.8
Most Backward Communities	164	21.6
Scheduled Caste	171	22.6
Scheduled Tribes	52	6.9
Religion		
Hindu	604	79.7
Christian	81	10.7
Muslim	73	9.6

Table 4 : (Continued)

Demographic Variables	**Frequency**	**Percentage**
Marital Status		
Single	69	9.1
Married	614	81.0
Separated	40	5.3
Widowed	35	4.6
Educational Qualifications		
Illiterate	65	8.6
Primary	123	16.2
Elementary School	183	24.1
High School	262	34.6
Higher Secondary School	69	9.1
Graduates	56	7.4
Occupation		
Home Maker	242	31.9
Self Employed	322	42.5
Tailor	49	6.5
Vendor/Petty Traders	49	6.5
Government Employee	20	2.6
Private Employee	21	2.8
Others	55	7.2
Total	**758**	**100.0**

Table 4 shows that the majority or 38 percent of the participants were between 31 to 40 years followed by 25.7 percent below 30 years, 22.3 percent between 41 to 50 years and 14 percent above 50 years. The average age of the respondents in the SHGs was 38 years. The studies done by Joseph (2005), Lalitha (1996), Srinivasan (1993), Ramamurthy (1990) showed that the best age to enter SHGs, becoming an innovative group and performing effectively in microcredit is between the age ranges of 20 to 40 years. Age is a determining factor to measure human development, mental maturity and capacity to make decisions in life**.** The community of the SHG members was uneven as it can be seen in Table 3 nearly comprised the backward communities, who formed 44.8 percent of the samples and the Most Backward communities comprised 21.6 percent. The Scheduled Caste comprised 22.6 percent and the Scheduled Tribe formed 6.9 percent which was a breakthrough in Indian society. Only 4.1 percent of the participants were from the Forward community as they were the dominant group in the Indian social structure. These findings showed the positive approach of the programme. The members from the Forward Community who were economically well off also showed interest in joining the SHGs which indicated that they were influenced by the programme as well.

Table 4 also highlights that the majority of the participants were Hindus at 79.7 percent. Hinduism is the main religion in India especially in the study area. 10.7 percent Christian women and 9.6 percent Muslim women were also represented in the analysis. This showed that the functions of SHG were widespread and benefitted women from all religions. With regard to marital status a significant percentage or 81 percent of the participants were married, 9.1 percent were single, 5.3 percent separated and 4.6 percent widowed. Generally the married women from the lower strata faced many problems. They needed to supplement their income to support their family and children. The rising cost of living forced the women to earn more to face the price increases. They needed to engage in economic activities to increase their income level. Married women had to shoulder many responsibilities, like looking after house, children and family. These microcredit income-generating activities seemed best suited to satisfy all their needs. The SHGs played a vital role in generating economic activities for the married women.

Regarding the educational level of the respondents, Table 4 indicates that more than one third that is 34.6 percent of the participants received high school education, while 24.1 percent received elementary education and 16.2 percent received primary education. 9.1 percent of the participants completed above high school education while only 7.4 percent were graduates. The illiterate women participants comprised 8.6 percent. The majority of the participants were literate with high school education. This could be due to the education facilities available nearby. The educated members were considered to be assets to the groups as they took care of the maintenance of all records and documents and supported the groups in bank-related activities. The positive attitude of the educated women made the others to become self-motivated to acquire knowledge and use the microcredit loans to start businesses. The findings showed that education, whether formal or informal, helped the members to get involved in economic activities. The groups with educated members performed much better in their income-generating activities.

4.3 Income Patterns of the SHG Members

A comparison is done to study the level of income, of the members before and after the program intervention. The following table 5 shows the monthly incomes of the respondents before and after joining the SHG.

Table 5: Distribution of monthly incomes of respondents before and after joining the SHGs

Level of Income (in Rs.)	Before SHG	Percentage	After SHG	Percentage
Less than 2000	256	33.8	86	11.4
2001 – 4000	175	23.1	92	12.1
4001 – 6000	132	17.4	115	15.2
6001 – 8000	95	12.5	153	20.2
8001 – 10000	45	5.9	107	14.1
10001 -12000	31	4.1	92	12.1
12001 – 14000	17	2.2	65	8.6
Greater than 14000	7	1.0	48	6.3
Total	**758**	**100.0**	**758**	**100.0**

A look at the lower income group shows that 256 respondents earned less than Rs. 2000 before joining the SHGs. This amount was insufficient to meet their financial needs. There was an improvement after they joined the program where only 86 members earned less than Rs. 2000. The results were similar for the higher income group where respondents earning more than Rs. 14,000 increased from 7 to 48 members after they joined the SHGs. For all ranges of income there was a change as the income increased after the members joined the programme. The following table shows the average total monthly income and net income of the members before and after joining the SHG

Table 6: Average income of members before and after joining the SHGs

Category	Before SHG	After SHG	Incremental Income	Percentage as increase
Total Income (in Rs)	6287	8956	2669	17.51
Net Income (in Rs)	5187	7364	2177	17.35

The average income in the pre and post SHG situation worked out to Rs. 6287 and Rs 8956 respectively. The increase in net income was Rs. 5187 before the programme intervention and this increased to Rs. 7364 after the members joined the SHGs. There was an income increment of about 17.51 percent and 17.35 percent respectively in their net (income after payment of loans and other dues) and total income. On average, a 17 percent increase in the income showed that there was a positive impact of the programme on the members.

The findings of the survey indicate clearly that there is a positive change in the level of income in the pre and post SHG situations. However, in order to see the degree of significance, a *t test* was performed to verify the level of significance. Paired sample *t test* was applied to find out the significant difference between the average gross monthly income and the average net income of women members before and after joining the SHGs.

Table 7: Paired *t* test for significant difference between income of women members before and after joining the SHGs

Income	**SHG members**	**Mean**	**Stand Deviation**	***t* value**	***P* value**
Average Gross	Before Joining SHG	6287.1	6046.6	11.8	0.000**
Monthly Income	After Joining SHG	8956.4	6629.3		
Average Net	Before Joining SHG	5186.8	5422.7	10.3	0.000**
Monthly Income	After Joining SHG	7364.0	5944.9		

Note: ** denotes significance at 1 % level

since the *p* value is less than 0.01, there is a significant difference at the 1 % level in both the monthly income and the net income of the respondents before and after joining the SHGs. The mean monthly income was higher after joining the group than before the programme intervention. This shows the effectiveness of the programme.

The years of membership plays an important role in the income of the SHG members. The following table shows the level of income against the membership in the SHGs. From the Table 8 below, it is clear that the level of income was less in the younger groups. As their membership duration increased, their capacity to generate income also increased. As mentioned earlier, this study focused on the groups that had completed 3 years of membership. However, it took time to accumulate their funds and complete the credit rating to avail themselves of external linkage funds. Only then could the members get involved in economic activities. The groups that completed 3 years of membership were capable of earning income but the level of income was less compared to the more matured groups.

From the data and information given in Table 8, the majority of the respondents with 3 years of membership earned an average monthly income of Rs 6,000 to Rs 8,000. Similarly, the matured groups had better income earning capacity as they could earn an average income of Rs. 10,000 to Rs. 12,000. The number of members earning less income was very small in the matured groups. This showed that longer duration of SHG membership had a positive effect on increasing the income-earning capacity of the SHG members.

Table 8: Income level against the years of membership

Level of Income (in Rs)	Years of membership						
	3 years	**%**	**4 years**	**%**	**5 years**	**%**	**Total**
Less than 2000	49	12.6	32	13.5	5	3.8	86
2001- 4000	62	16.0	22	9.3	8	6.0	92
4001 - 6000	72	18.6	31	13.1	12	9.0	115
6001 - 8000	82	21.1	47	19.8	24	18.1	153
8001 - 10000	54	13.9	27	11.4	26	19.6	107
10001 -12000	42	10.8	22	9.3	28	21.1	92
12001 - 14000	12	3.1	34	14.4	19	14.3	65
Greater than 14000	15	3.9	22	9.2	11	8.1	48
Total	**388**	**100.0**	**237**	**100.0**	**133**	**100.0**	**758**

An attempt was made to find out the increase in the income of the respondents over a period of 12 months. Nearly four hundred and sixty nine respondents (61.9%) reported that their level of income increased over the past 12 months and two hundred and forty nine (32.8%) reported that there was no change in their level of income. Forty (5%) participants reported that their level of income had decreased. A few members reported that they found it difficult to market their home-made products like prickles, masala powder, homemade phenol and liquid soap. They were forced to sell their products very cheaply to the nearby retail shops which resulted in a loss and reduced income. If the SHG members were involved in the same type of income-generating activities it reduced their income. Most of the household members 39.8 percent had the support of their family members in the form of money, 3.6 percent had support in the form of goods and 48.4 percent had both goods and money given by family members while 8.2 percent of the participants reported that they had no support from their family members.

In order to study the effectiveness of the total income, expenditure and savings of the respondents, an inferential analysis was performed using ANOVA followed by the Duncan Multiple Range Test which was used to find the significance of the SHG members with respect to their community and level of literacy.

Table 9: ANOVA for significant difference between the communities of the SHG Members on the basis of their total income, expenditure and savings

Particulars	Community	Mean	SD	*F value*	*P value*
Total Income of the SHG Members	Forward Caste	10702.03	8215.42	0.485	0.693
	Backward Caste	10205.46	18542.35		
	Most Backward Caste	10532.50	27680.69		
	Scheduled Caste/ Scheduled Tribe	8309.96	9736.45		

From the information given above, it can be seen that the income level of the members had increased after joining the SHGs. The real positive change in economic status is seen not only through the income but also through the reduction in the inequality of income among the members. Measuring changes in income inequality also helped to determine the effectiveness of the program in bringing about changes in the distribution of income of the respondents after the program intervention. An attempt was made to look into income inequality and this has been explained under in the following section on the Impact of SHG in Poverty Reduction.

4.4 Impact on Poverty Reduction

The poverty level income for the participants was computed at US$ 1.25 per day. The value of US$ 1 was Rs.52.5 as of December 2011. Therefore US$ 1.25 amounted to Rs 65.50 per day and Rs. 1965 for 30 days, rounded to Rs.2000 per month. If respondents' Net income was less than Rs.2000 they were considered to be living below the poverty line and if it was above Rs. 2000 they were considered to be living above the poverty line.

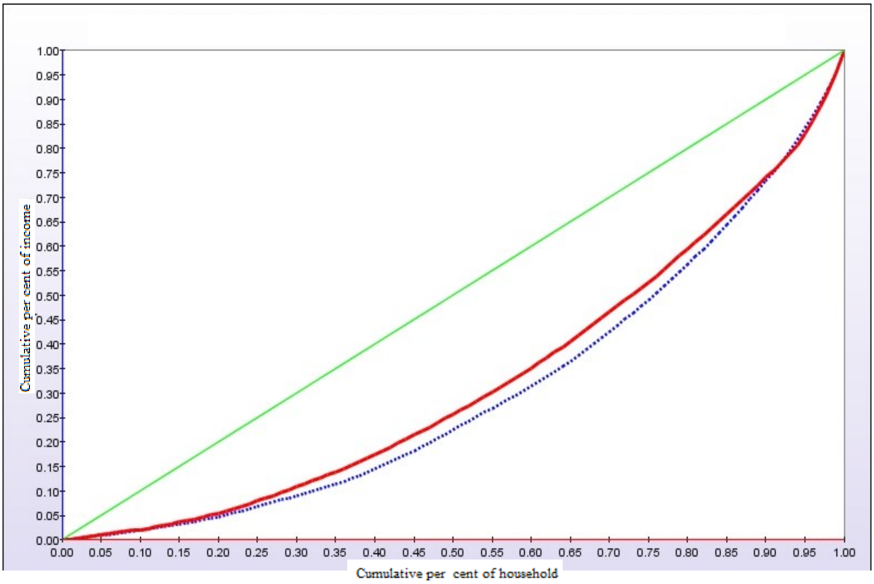
In Table 10, a total of 256 participants of the sample population (33.7 %) had a net income below the estimated poverty income and thus were deemed to be living below the poverty line before joining the SHG. After joining the SHG, this was reduced to 86 participants (11.3 %). A total of 170 respondents crossed the poverty line after joining the SHG. The increment percentage of the participants above the poverty line accounted for 22.4 percent. This showed that there was a positive impact of SHG towards reducing the poverty level.

Table 10: Classification of participants according to net income over poverty income

Particulars	NI < PI	NI > PI	Percentage	Percentage
	Before SHG	**After SHG**	**Before SHG**	**After SHG**
No. of Participants	256	86	33.7	11.3
Increment of NI over PI	170		22.4	

In order to study the inequality in income the Gini coefficient and the Lorenz curve were used. The results are given below.

Figure 1: Lorenz Curve showing the income of the respondents before and after joining the SHGs



From the above mentioned diagram it is evident that the inequality in the income distribution had decreased after the women joined the SHG. In the diagram above, the areas A and B refer to the income level of the respondents before and after joining the SHG. The computed values of the Gini coefficients for the income distribution before and after the members joined the SHGs were 0.256 and 0.224 respectively. The inequality in income had fallen by 0.032 units. Thus, membership in SHGs helped the members to join income generating activities and earn additional income which, in turn, reduced the inequality in the distribution of income among the members.

5. Conclusions and Implications

Elimination of poverty requires both macro as well as micro strategies. At the macro level a conscious choice has to be made to achieve pro-poor growth. This would mean the overall development of agriculture and encouraging labour intensive industries particularly small and medium scale industries to generate employment for the poor. At a micro level divergence programmes, resources and services are needed. This can be achieved only when the poor have to be organized to participate in the development process. In concrete terms it means involving the poor in income generating activities will result in a concerted approach to tackle the multiple dimensions of poverty and their ratchet effect on the poor. The role of women in the development process becomes inevitable to reduce their vulnerability.

The findings from this study showed that SHGs played a major role in the development of women. The women belonging to the lowest strata had been given a chance to interact with many groups like banks, NGOs and officials from the government and they were exposed to public institutions. In well-established SHGs, members contributed substantially to their family development in the form of getting credit for the education of children, health needs and even for weddings and the construction of houses. It showed the way for the poor women to be involved in income-generating activities and helped them to increase their savings and mobilisation of capital in the future.

Women have been known to spend most of their income on their household. Therefore, wherever women are helped to increase their incomes, the welfare of the whole family improves. Women's success benefits more than one person. Therefore, assisting women generates a multiplier effect that increases the positive impact of micro finance. The income earned by the women SHG members was one of the important factors for determining their standard of living. The income of the SHG members has increased after joining the SHG. Hence, women members of the group are now more independent to meet their personal expenditure and contribute more to their household income. The majority of the SHG women members have become independently involved in economic activities, both as an individual as well as group basis after joining the SHG. The presence of large number of active groups and the drive created by the movement can facilitate in fostering the process of poverty alleviation provided the movement is sustained in the long run. In order to achieve the desired role of SHG in poverty alleviation the state authorities should directly govern the various bodies involved with the SHGs.

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Appendix 1: Percentage of population below poverty line for the period of 2012 - 2013

State / Union Territory	% of Rural Population Below Poverty Line	% of Urban Population Below Poverty Line	Total
Andhra Pradesh	10.96	5.81	9.2
Arunachal Pradesh	38.93	20.33	34.67
Assam	33.89	20.49	31.98
Bihar	34.06	31.23	33.74
Chhattisgarh	44.61	24.75	39.93
Goa	6.81	4.09	5.09
Gujarat	21.5	10.14	16.63
Haryana	11.64	10.28	11.16
Himachal Pradesh	8.48	4.33	8.06
Jammu & Kashmir	11.54	7.2	10.35
Jharkhand	40.84	24.83	36.96
Karnataka	24.53	15.25	20.91
Kerala	9.14	4.97	7.05
Madhya Pradesh	35.74	21	31.65
Maharashtra	24.22	9.12	17.35
Manipur	38.8	32.59	36.89
Meghalaya	12.53	9.26	11.87
Mizoram	35.43	6.36	20.4
Nagaland	19.93	16.48	18.88
Odisha	35.69	17.29	32.59
Punjab	7.66	9.24	8.26
Rajasthan	16.05	10.69	14.71
Sikkim	9.85	3.66	8.19
Tamil Nadu	15.83	6.54	11.28
Tripura	16.53	7.42	14.05
Uttar Pradesh	30.4	26.06	29.43
Table 'contd'			
Uttarakhand	11.62	10.48	11.26
West Bengal	22.52	14.66	19.98
Andaman & Nicobar Islands	1.57	0	1

Appendix 1: (Continued)

State / Union Territory	% of Rural Population Below Poverty Line	% of Urban Population Below Poverty Line	Total
Dadra & Nagar Haveli	62.59	15.38	39.31
Daman and Diu	0	12.62	9.86
Delhi	12.92	9.84	9.91
Lakshwadeep	0	3.44	2.77
Puducherry	17.06	6.3	9.69
All India	25.7	13.7	21.92