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ROLE OF SELF HELP GROUPS THROUGH MICRO-FINANCE FOR POVERTY ALLEVIATION

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Abstract
Micro finance gained attention in 1970 to provide small money loans to poor individuals who lack the capability of borrowing from established commercial banks. In 1992 NABARD encouraged micro financing by linking around 500 SHGs with the bank. Micro finance by providing small loans and savings facilities has been developed as a key strategy for reducing poverty throughout the world. In India many micro finance system based SHGs were developed. It allows poor people to increase their sources of income. We need to analyse the limitations of micro finance whether it reduces poverty or aggravates it? A majority of microfinance program target women with the explicit goal of empowering them. There are varying underlying motivations for pursuing women empowerment. Some argue that women are amongst the poorest and the most vulnerable of the underprivileged and thus helping them should be a priority.

Key words: Micro finance, Poverty Alleviation, SHGs, Women Empowerment.

Introduction

In recent years micro-finance become an important intervention as a tool for rural development and poverty alleviation. In India, many a number of microfinance institutions including NGOs, NBFI and Government agencies had intensively intervened. Innovation of group based microfinance especially Self-help Groups (SHGs). Is it possible to make money while helping people out of poverty? Micro finance seemed to be an answer.

Micro Finance Origin And Institution

Since Muhammad Yunus pioneered the concept of microcredit in 1976 and founded the Grameen Bank in Bangladesh, Microcredit has become a major movement. Worldwide, more than 3600 microcredit institutions provided loans to 137.5 million clients, as per the Report of the Microcredit Summit Campaign 2012. Grameen Bank alone disbursed more than $5 billion in microloans over the last 10 years, and it has now 7.7 million borrowers. According to the Grameen Bank website, microcredit is “offered for creating self-employment for income generating activities and for housing for the poor, as opposed to consumption.” The poor are expected to invest the microloans to start up or grow a micro business and thus climb out of poverty. Microcredit is considered as a silver bullet for alleviating poverty.

Micro finance, which first gained attention in 1976, works to provide small money loans to poor individuals who lack the capability of borrowing from an established commercial bank. Micro finance is designed to assist poor individuals create or expand small businesses and eventually move from the informal sector into the formal sector. It is pertinent to note that micro finance institutions lend almost exclusively to women.

Objectives of study

1. To study the importance and role of the Self Help Groups and micro-finance in poverty alleviation and empowerment of women.
2. To analyze the growth of microfinance sector and Self Help Groups.
3. To highlight the role of Micro-finance in Micro-Entrepreneurships in rural areas.

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Methodology: This is a descriptive research paper based on secondary data. Data have been found out from different websites, books, research paper and journals

Link Between SHGs And Micro Finance

The self help groups (SHGs) are empowering the rural poor by providing them access to institutional credit and other relevant services. The SHGs lay stress on thrift, training and capacity building. Emphasis is placed on educating the members on social issues.

Provision of institutional credit through SHGs has produced many positive results. The problem of overdue has been solved. The borrowers need not only credit, but also supporting inputs and services. In short, micro finance led to the real empowerment of the rural poor. In India women's self help groups reach about 50 million people. Another 20 million are covered by micro finance institutions.

The SHG movement in India greatly increased the financial inclusion of women. Though this movement was particularly focused on lending women, they also came forward to save and to invest. Microfinance experts generally agree that women should be the primary focus of service delivery. Evidence shows that they are less likely to default on their loans than men. Presently, there is a need to think beyond the group. SHG has empowered women to become eligible for loans as individual entrepreneurs. If women are given an opportunity to become individual entrepreneurs they come forward and start business. They are also ready to learn skills to make their business successful.

Poverty alleviation and SHGs

While referring to the arguments for and against the statement that micro finance reduces poverty, some argue that microcredit does not significantly alleviate poverty. Majority of microcredit clients are caught in subsistence activities and compete in overcrowded markets. They usually have no specialized skills, hire no paid staff, own few assets, and operate on too small a scale to achieve efficiencies, and so they do not earn enough to rise out of poverty. In March 2009 the World Bank published thorough field studies of the dynamics of poverty based on narratives from 60,000 poor or formerly poor people in 15 countries of Asia, Africa, and Latin America. The study notes an "important insight" that "the tiny loans usually provided under microcredit schemes do not seem to lift large numbers of people out of poverty."

Positive aspects: The advocates of microcredit argue that micro credit can help to substantially reduce poverty in the following ways.

1. By contributing to a long lasting increase in income.
2. Increasing investments in income generating activities.
3. By diversifying sources of income.
4. Accumulating assets.
5. Reducing vulnerability due to illness, drought, and crop failures.

Micro finance to women shows a positive impact as they are more reliable and have higher payback ratio. They use a substantial part of their income for health and education of their children and play important role in reducing poverty within household.

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Shortfalls/Negative Aspects

1. The extreme poor often decide not to participate in micro finance programmes since they lack confidence or they value the loans to be too risky. They are too risk averse to borrow for the investment in future. Thus they benefit to a limited extent from micro finance programmes.
2. The core poor are often not accepted in group lending by other group members because they are seen as a bad credit risk.
3. Staff members of micro institutions may prefer to exclude the core poor since lending to them seen as extremely risky.
4. Core poor may be excluded due to organizational set up i.e. registration of a firm and minimum amount of the loan that needs to be accepted and savings before granting the loan.
5. Group loan leads to high transaction costs. Some believe that monitoring is costless.

Conclusions

There are over 24 crore people below the poverty line in our country. The Scheme of Micro-finance has been found as an effective instrument for lifting the poor above the level of poverty by providing them increased self-employment opportunities and making them credit worthy. A basic effort of last decade, the microfinance objectives in India has reached at top point similar to Bangladesh. With some effort substantial progress can be made in taking MFIs to the next orbit of significance and sustainability. There is a need of designing financially sustainable models and increase outreach and scale up operations for poor in India. People belong to villages are still unaware about banking policies and credit system. So NGO should communicate to them and share their view with villagers. Banks should convert and build up professional system into social banking system for poor. Government of India and state governments should also provide support for capacity building initiatives and ensure transparency and enhance credibility through disclosures.

Micro finance is not a panacea which removes poverty in one go, nor is it a new form of money lending to exploit the poor. The poor deserves to participate in the opportunities that the overall growth of the country offers and micro finance is essential step towards that.

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