



SHG as Poverty Alliviation Tool: A Case Study of Mayurbhanj District

Pritam Panda^{1*}, Shibashish Sahu², Satya Gopal Das³

^{1*}Research Scholar, Dept. of Commerce and Management, Maharaja Sriram Chandra Bhanja Deo University, Baripada, Odisha.

²Lecturer in Commerce, Rairangpur College, Rairangpur, Mayurbhanj, 757043, shibashishrrp@gmail.com

³Research Scholar, Dept. of Commerce and Management, Maharaja Sriram Chandra Bhanja Deo University, Baripada, Odisha.

Citation: Pritam Panda et al. (2024). SHG as Poverty Alliviation Tool: A Case Study of Mayurbhanj District, *Educational Administration: Theory and Practice*, 30(9) 1126-1131

Doi: 10.53555/kuey.v30i9.10340

ARTICLE INFO

ABSTRACT

A significant portion of the global population in low- and middle-income brackets faces challenges in accessing institutional credit and financial services. Consequently, the prevalence of rural poverty and unemployment continues to be a significant issue worldwide. Self-help groups could play an essential role in tackling poverty within this context. The idea that localized banking initiatives can alleviate poverty has led to the establishment of SHGs and microfinance institutions, which have significantly contributed to reducing global poverty levels. Particularly in India, collective microfinance programs focusing toward women have shown significant profitability. Currently, the analysis of SHG microfinance is underway to assess its effects on employment, income, and poverty levels. A comprehensive case study of SHG activities in Mayurbhanj would provide insights into how SHGs alleviate poverty in Mayurbhanj District of Odisha. Additionally, this research will assist policymakers in developing tailored programs that boost SHG-based approaches in similar rural settings.

Keywords: Self-Help Groups, women empowerment, microfinance, gender equality, rural development

Introduction

Self-help groups represent a distinctive form of financial intermediation within the context of India. This method integrates cost-effective financial services with a self-management and development framework tailored for women in SHGs. These organizations are believed to offer a range of social and economic benefits, and they are linked to financial institutions and larger development initiatives. The organizations improve women's financial independence by increasing their savings potential and facilitating access to loans. SHGs act as vital community platforms, enabling women to engage in local governance, pursue political candidacy, or advocate for pressing issues that impact their community or society. These are small, economically similar affinity groups composed of rural individuals facing poverty, united by a shared sense of need and a commitment to collective action. The initiative was a voluntary effort focused on achieving cost savings, with participants consenting to contribute to a shared fund. The allocation of these funds would be determined by the community, addressing their urgent requirements for both production and consumption and ultimately enhancing their income and quality of life. This organization is established by individuals from rural underprivileged backgrounds who are committed to alleviating poverty in their community.

Since the early 1990s, the Self-Help Group model has developed as a grassroots collective effort aimed at improving the life of poor. The primary aim of SHGs was to provide microcredit access to impoverished rural households; however, they have transformed into multifunctional entities that not only encourage saving practices but also support credit, entrepreneurship initiatives, group advocacy (NABARD, 2005; Harper, 2002). The collaborative efforts of ten to twenty women in small, cohesive groups allow them to pool resources and provide mutual support through joint financial and development initiatives. The SHG-Bank Linkage Programme (SBLP) provided by NABARD enables groups to establish connections with financial institutions for accessing banking services. According to Sinha (2005) and Seibel & Khadka (2001), individuals who join affiliated financial organizations are eligible for bank loans without having to meet

security standards for financial inclusion. The financial operations of SHGs fulfill dual objectives: they empower women to achieve financial independence and they facilitate women's active participation in household and community decision-making. The members of SHGs attain increased incomes while acquiring financial skills and enhancing personal confidence, which enables them to navigate their surroundings more effectively (Pitt & Khandker, 1998; Holvoet, 2005; Mayoux, 2000).

The participation of rural women in local governance structures has been facilitated by SHGs, which play a significant role in promoting grassroots democracy and political empowerment (Panda, 2004; Deshmukh-Ranadive, 2004). Self-help groups illustrate their significance through a development model that integrates thorough action with the active involvement of all members. SHGs uphold local authority and teamwork, transforming women from recipients of charity into influential change agents. SHGs programs have garnered acknowledgment from both governmental and non-governmental entities, resulting in the replication of this model across various regions, extending from South Asia to other global areas.

The primary aim of establishing SHGs is to eliminate poverty among disadvantaged individuals by empowering them to engage in and oversee their own productive ventures. This initiative can boost their household employment and income, ultimately resulting in better living standards. The income-generating activities were anticipated to function as a tool to foster economic awareness and empowerment among the members. In this scenario, this study explores the role of SHGs in alleviating poverty among rural populations in the Mayurbhanj district of Odisha.

Review of Literatures

A troubling cycle of poverty and unemployment affects rural India. The relationship between poverty and unemployment is cyclical; poverty leads to unemployment, and in turn, unemployment perpetuates poverty. Many initiatives aimed at alleviating poverty emphasize the importance of community development, particularly through the implementation of SHGs operations (Sinha, et al. 2008; Rangappa, et al. 2008). These organizations improve rural living conditions and create employment opportunities through microcredit initiatives. Individuals facing economic hardship require both financial stability and enhanced self-confidence to achieve social empowerment (Datta & Raman, 2001). Improving both intellectual and emotional aspects of communication and action will greatly enhance overall quality of life. Considering that a significant number of women have participated in SHGs mainly for economic empowerment and family welfare, it is crucial for planners and policymakers to promote strategic planning focused on improving the social and economic standing of rural women throughout the diverse states of the nation. The most significant understanding in India resides in the utilization of Self-Help Groups to address poverty and advance women's empowerment, a mission that can be profoundly augmented by the contributions of social workers (Alrefaei, et al. 2023; Khanna, et al. 2023).

The study carried out by Sinha (2005) demonstrated that individuals associated with SHGs achieved greater success in microenterprises and exhibited better standard of living. Nair (2005) indicated that SHGs in Kerala facilitated poverty reduction by promoting female entrepreneurship. The financial inclusion provided by SHGs allows members to accumulate assets and cultivate sustained income because of their activities. SHG programs enable women to achieve economic independence, an essential element of empowerment, facilitating access to money and participation in entrepreneurial ventures (Kabeer, 2001; Ackerly, 1995). In the context of India, Puhazhendhi and Badatya (2002), Bansal (2010), and Prathap (2011) have shown that SHG-bank linkage microfinance programs have made a major and beneficial impact to the reduction of poverty and the inclusion of individuals in the financial system. According to Swain and Floro (2012), the involvement of SHGs has a considerable impact on lowering the susceptibility of SHGs members to poverty in comparison to the vulnerability of non-members from the same group.

A substantial amount of literature underscores the transformative potential of SHGs in alleviating poverty and fostering women's empowerment throughout rural India. However, several critical gaps persist, particularly in district-specific contexts such as Mayurbhanj district in Odisha. Consequently, a targeted case study of SHGs operations in the Mayurbhanj district will address a significant gap in the literature by providing specific insights into the ways in which SHGs aid in poverty alleviation in one of India's most socio-economically disadvantaged districts. This study will assist decision-makers in crafting customized interventions that resonate with local conditions; there by improving the overall effectiveness of SHGs based approaches in comparable rural environments by using second order CFA with the help SEM.

Objective

The study intends to find the effect of SHG on poverty alleviation (POA).

Hypothesis

SHG has positive and significant effect on POA.

Methodology

A random sample technique was used in this study, and a thorough questionnaire consisting of 35 items was created in light of previous research results. A sample size of 632 individuals was chosen for this investigation. The items associated with each of the four constructs (Income Generation, Social Empowerment, Economic Empowerment, SHG Membership) were chosen through a thorough review of pertinent literature. A total of 700 questionnaires were handed over to members of SHGs in Mayurbhanj district in order to gather primary data on how members of SHGs in the area accomplish women's empowerment and reduce poverty with their organizations.

After undergoing a thorough assessment, only 632 questionnaires were deemed legitimate for the final study. The examination and restructuring of each question were conducted to ensure its relevance and consistency with the study's primary purpose. Participants were asked to assess each of the 35 measurement items using a five-point scale that ranged from "strongly agree" to "strongly disagree".

Data-analysis procedures

The intricate relationships among the variables in the study were examined through structural equation modeling (SEM), yielding valuable insights for assessing the theoretical model. The model enables the examination of various complex hypotheses through the logical analysis of different independent and dependent variables. The SEM technique facilitates a more profound comprehension of the interconnections between different components, enhancing the analytical framework of the study by uncovering previously unrecognized processes. The collected data were analyzed in two phases. In the first phase POA scale was validated using first order CFA and then second orders CFA was used to test the hypothesis by using SEM.

Tools and techniques used in the study

The hypothesis was tested using confirmatory factor analysis (CFA). It is a sophisticated multivariate technique that investigates the extent to which the measured variables represent the underlying constructs. The parameters for the constructs used in second order CFA were obtained from first order CFA by modifying the indices to achieve an optimal fit.

Poverty alleviation (POA) scale

The validation of POA scale was constructed with the use of second-order CFA. The strong association between primary constructs in first order CFA indicates the existence of a subsequent construct (POA) and suggests that the latent variables are not completely independent.

Second order CFA

Second order confirmatory factor analysis (CFA) builds upon first-order CFA by proposing that the initial latent factors serve as indicators for one or more latent factors of a higher degree.

Structural model

The study undertakes the model which is proposed to test the significance of effects of SHG on POA by using AMOS 20.0 and the results are given in the following tables.

The model is proposed to test the significant effect of SHG on POA.

Table-1: Reliability and Validity of the Model

Construct		Construct	Estimate	AVE	CR	Alpha
I1	<---	Income_Generation	0.802	0.62	0.89	0.918
I2	<---	Income_Generation	0.868			
I3	<---	Income_Generation	0.699			
I4	<---	Income_Generation	0.768			
I5	<---	Income_Generation	<u>0.832</u>			
I6	<---	Income_Generation	0.689			
I7	<---	Income_Generation	0.812			
S6	<---	Social_Empowerment	0.793	0.53	0.87	0.872
S5	<---	Social_Empowerment	0.741			
S4	<---	Social_Empowerment	0.752			
S3	<---	Social_Empowerment	0.730			
S2	<---	Social_Empowerment	0.672			
S1	<---	Social_Empowerment	0.702			

E1	<---	Economic_Empowerment	0.663	0.504	0.86	0.862
E2	<---	Economic_Empowerment	0.728			
E3	<---	Economic_Empowerment	0.659			
E4	<---	Economic_Empowerment	0.694			
E5	<---	Economic_Empowerment	0.701			
E6	<---	Economic_Empowerment	0.807			
M5	<---	SHG_memebership	0.761	0.55	0.82	0.858
M4	<---	SHG_memebership	0.819			
M3	<---	SHG_memebership	0.852			
M2	<---	SHG_memebership	0.610			
M1	<---	SHG_memebership	0.625			

Source: Calculated from primary data

The computed values of CR and AVE satisfy the minimal condition for data reliability. The alpha value also surpasses 0.70 thresholds, indicating a robust level of reliability for the scale employed in the analysis.

Discriminant Validity

The sample data confirms discriminant validity (Table No-6.55) as $\sqrt{\text{AVE}} > \text{Correlation coefficients}$ between different constructs (Hair et al., 2011).

Table No-2: Factor Correlation Matrix

	$\sqrt{\text{AVE}}$	I	E	S	SHG
I	0.788	1	0.771	0.785	0.434
E	0.71		1	0.664	0.340
S	0.73			1	0.317
SHG					1

Source: Calculated from primary data

Fit index of the model

The structural model has been prepared by using AMOS 20.0 and the results are given in the following tables after modification of error terms. The result of the model shows model fit indices: CMIN /df= 3.181, GFI =0.910, NFI= 0.916, TLI= 0.930, CFI= 0.941 and RMSEA = 0.058. The results demonstrate acceptable model fit indices.

Table-3: Regression weights

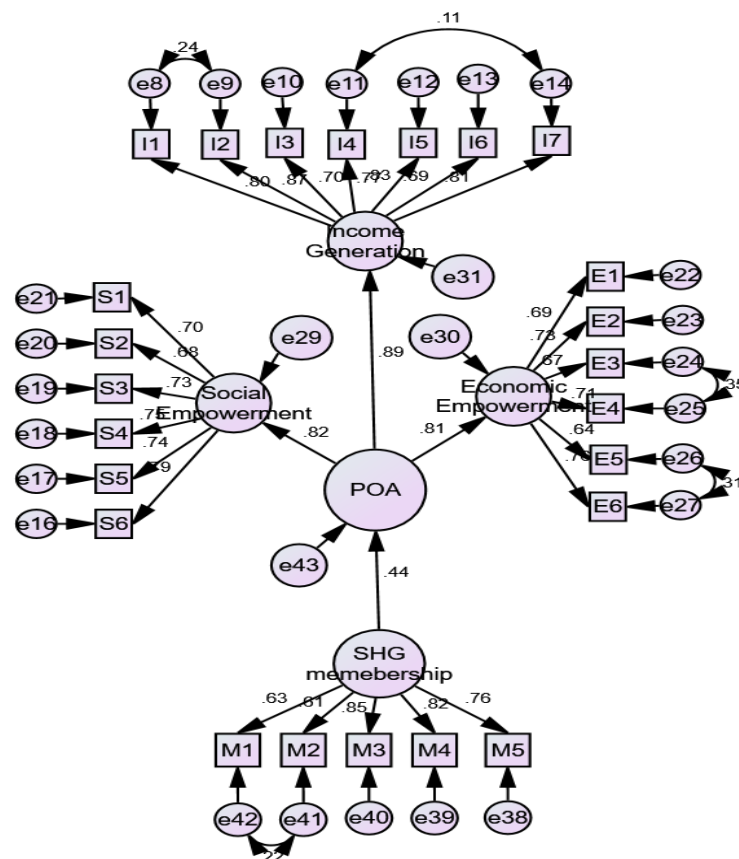
Construct		Construct	Estimate	S.E	C.R.	P
POA	<---	SHG_memebership	.346	.038	9.146	***
Social_Empowerment	<---	POA	.891	.060	14.734	***
Economic_Empowerment	<---	POA	.827	.062	13.253	***
Income_Generation	<---	POA	1.000			

Source: Calculated from primary data

Discussion

When the critical ratios (C.R.) presented in table no. 3 exceed 1.96, the path is deemed significant at a 95% confidence level. As a result, given that all observable variables in the study exhibit statistically significant effects, it can be concluded that they each demonstrate substantial loadings on their respective constructs. The research posited the hypothesis that a robust and affirmative correlation exists between self-help groups and the alleviation of poverty.

The direct correlation between SHG and POA demonstrated a positive and statistically significant relationship, as evidenced by the path coefficient ($\beta = 0.346$, $t = 9.146$, $p < .05$), thereby affirming the study's hypothesis.

Fig.1: Path diagram of the model

Conclusion

The focus of Indian planning has consistently been on the alleviation of poverty since its very beginning. As a result, efforts directed towards the mitigation of poverty have received considerable attention in the field of economic development. To address poverty with efficacy, a concentrated effort must engage with the myriad factors that contribute to its existence in both rural and urban environments. Therefore, it is very important for developing nations to prioritize the mitigation of poverty in order to improve their economic circumstances and elevate the overall quality of life. To eliminate rural poverty and break the cycle of deprivation, it is crucial to execute focused poverty alleviation initiatives directly. Obtaining a favorable interest rate on credit is crucial for improving one's overall quality of life. SHGs embody a progressive strategy aimed at enhancing the circumstances of the underprivileged by providing access to credit, cultivating self-assurance, elevating self-worth, and building credibility in diverse facets of existence. The group comprises women from comparable socioeconomic backgrounds who participate in a collaborative and voluntary initiative aimed at promoting savings within their community. SHGs strive to alleviate poverty through the execution of economic initiatives that generate employment opportunities and provide microfinance services to marginalized individuals, thereby empowering them to broaden their professional horizons and develop new competencies. This distinctive initiative is enabled through the organization of underprivileged women into SHGs.

References

1. Ackerly, B. A. (1995). Testing the tools of development: Credit programs, loan involvement, and women's empowerment. *IDS Bulletin*, 26(3), 56–68. <https://doi.org/10.1111/j.1759-5436.1995.mp26003008.x>
2. Alrefaei, N., Aquinas, P. G., & Al-Maamari, O. A. (2023). Self help group (SHG) in India: a path toward empowerment and poverty reduction. *Social Work with Groups*, 46(3), 249-263.
3. Bansal, D. (2010). Impact of Microfinance on Poverty, Employment and Women Empowerment in Rural Punjab. PhD diss., Punjabi University, Patiala..

4. Basargekar, P. (2009). Economic empowerment through SHG interventions: A study of select SHGs in Maharashtra and Gujarat. *Indian Journal of Social Work*, 70(4), 603–620.
5. Dasgupta, R. (2001). An informal journey through SHG. *Indian Journal of Agricultural Economics*, 56(3), 370–386.
6. Datta, R. (2004). Microcredit in rural Bangladesh: Is it reaching the poorest? *Journal of Microfinance/ESR Review*, 6(1), 55–81.
7. Datta, R., & Raman, R. (2001). Can microcredit empower women? A case study from Bangladesh. *Gender & Development*, 9(1), 45–52.
8. Harper, M. (2002). *Self-help groups and grassroots organizations in rural development: Some lessons from India and elsewhere*. International NGO Training and Research Centre.
9. Holvoet, N. (2005). The impact of microfinance on decision-making agency: Evidence from South India. *Development and Change*, 36(1), 75–102.
10. Kabeer, N. (2001). Conflicts over credit: Re-evaluating the empowerment potential of loans to women in rural Bangladesh. *World Development*, 29(1), 63–84.
11. Khanna, R. R., Nagajothi, V., & Rajan, A. (2023). Poverty alleviation and empowerment of women in self-help groups: with special reference to mutukkadu village in chengapattu district a case study. *International Journal of Scientific Research in Modern Science and Technology*, 2(9), 66-74.
12. Mayoux, L. (2000). Micro-finance and the empowerment of women: A review of the key issues. *International Labour Organization*.
13. NABARD. (2005). *SHG-Bank linkage programme: Progress and prospects*. National Bank for Agriculture and Rural Development.
14. Nair, T. S. (2005). The transforming world of Indian microfinance: Towards a new policy paradigm. *Economic and Political Weekly*, 40(17), 1699–1708.
15. Panda, S. M. (2004). Political empowerment of women: Role of SHGs. *Indian Journal of Public Administration*, 50(3), 413–428.
16. Pitt, M. M., & Khandker, S. R. (1998). The impact of group-based credit programs on poor households in Bangladesh: Does the gender of participants matter? *Journal of Political Economy*, 106(5), 958–996.
17. Prathap, S. K. (2011). Financial Inclusion of Fisher Households in Coastal Kerala- Role of Microfinance. PhD diss., Cochin University of Science and Technology, India.
18. Puhazhendhi, V., and K. Badatya. (2002). SHG-Bank Linkage Programme for Rural Poor in India-An Impact Assessment. Mumbai: National Bank for Agriculture and Rural Development
19. Rangappa, K. B., R. Bhai, and A. L. Sandesh. (2008). Self-Help Groups and Financial Inclusion of Rural Households in Dry Land Villages of Davangere District, Karnataka. Mumbai: IGIDR.
20. Ray, S. (2017). Alleviating Poverty through Micro-finance: SGSY Experience in Orissa. *Sociological Bulletin*, 57(2), 211-240. <https://doi.org/10.1177/0038022920080204> (Original work published 2008)
21. Sinha, A., Y. C. Nanda, and P. C. Parida. (2008). Impact and Sustainability of SHG Bank Linkage Programme. GTZ-NABARD: National Council of Applied Economic Research.
22. Seibel, H. D., & Khadka, S. (2001). SHG banking: A financial technology for reaching marginal areas and the very poor. *Savings and Development*, 25(1), 33–44.
23. Swain, R. B., and M. Floro. (2012). Assessing the Effect of Microfinance on Vulnerability and Poverty among Low Income Households. *Journal of Development Studies* 48 (5): 605–618.