

Chapter 11

An Analysis of Poverty and Inequality Among the Members of SHGs in West Bengal, India

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ABSTRACT

Economic development in the truest sense remains far from the development targets and millennium development goals in many less developed and developing countries of the world particularly because of the perennial problems of poverty and inequality in the distribution of income and wealth. The trajectory of planned economic development of India has also experienced the said problem. One of the escape routes for the poverty trap particularly in the rural areas of India has been the formation of self-help groups (SHGs) and the provision of microfinance to the SHGs. The present study tries to analyze the intensity of poverty and inequality among the rural households of some of the backward regions of West Bengal. This study indicates that the incidence of poverty remains less among the SHG members in comparison with the non-SHG households in both drought prone and non-drought prone areas of rural West Bengal. Further, the inequalities in the distribution of income and expenditure among the SHG members are also found to be more prominent in non-drought prone areas compared to drought prone areas.

INTRODUCTION

Poverty is more pervasive and intense in rural areas than in their urban counterparts particularly in the less developed and developing countries of the world. The World Development Report (1990) rightly observed, “poverty as measured by low income tends to be at its worst in rural areas, even allowing for the often substantial differential in cost of living between town and countryside”. The problems of malnutrition, lack of education, low life expectancy and substandard housing are also, as a rule, more severe in rural areas. The importance of rural poverty is not understood partly because the urban poor

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are more visible and more vocal than their rural counterparts. If these people are to raise level of life's sustenance, human dignity and freedom, when there is absence of any rapid expansion in the urban and industrial sectors, income has to be generated in rural areas.

Formation of Self-Help Groups (SHG) by the rural poor and their access to micro credit can contribute to a long-lasting increase in their income opportunities by means of a rise in investments of weaker sections of the society in income generating activities and to a possible diversification of source of income, to an accumulation of their assets and can contribute to better education, health and housing of the rural poor.

LITERATURE REVIEW

Hulme and Mosley (1996) conducted a comprehensive study based on the effect of microfinance on poverty. This study indicated that well-designed programmes could improve the income of the poor and could move them out of the clutches of poverty. When these poverty-stricken people are encouraged to save, they would become less vulnerable to poverty in future. The financial services to the poor, through the fulfillment of some social objectives, can become more inclusive and can contribute to poverty reduction (Chowdhury et al., 2004). Some related studies in this field indicated that the microfinance programme enabled the poor borrowers to spend greater part of their increased income on children's health and education (Montgomery, 2005). A study made by Sivaramakrishnan (2003) mentioned that organization of the rural poor into Self-Help Groups (SHGs) was one of the ways to reduce the incidence of poverty. The SHG-bank linkage and the role of Regional Rural Banks (Thorat, 2005) in combating poverty through microfinance in Indian context was the focal of point of some research studies. Pattenden (2010) noted the prominence of SHGs within current anti-poverty policy framework of India, and analysed the impacts of government and NGO-backed SHGs upon poverty alleviation in rural areas of North Karnataka. This study also indicated that the SHGs represented a partial neo-liberalisation of civil society in that they addressed poverty through low-cost methods that did not challenge the existing distribution of power and resources between the dominant class and the labouring class of poor. A study undertaken by Puhazhendhi and Satyasai (2000) covered 560 sample households from 223 SHGs spread over 11 states across India, and this study indicated a 33 per cent rise in average annual income of the households through group activities, and a decline in BPL (below poverty line) families by about 20 per cent after the formation of SHGs.

Many micro finance schemes had a clear focus on women. The vast majority of microfinance clients are women, particularly the poor women. Research studies show that women borrowers, even from the poorer sections, are more regular in repaying their debt obligations with the banks. Moreover, women use a more substantial part of their income for health and education of their children (Pitt & Khandker, 1998). Thus women play an important role in reducing the incidence of poverty within households.

However, there are also doubts as to whether micro credit can contribute to a substantial reduction in poverty, particularly of the 'core poor'. Firstly, these extremely poor people often decide not to participate in micro finance programmes since they lack confidence or they value the loans to be too risky (Hulme & Mosley, 1996; Marr, 2004). Several studies indicate that it is the 'better off poor' rather than the 'core poor' who stand to benefit most from the microfinance programme. Secondly, staff members of microfinance institutions may prefer to exclude the core poor since lending to them is seen to be an extremely risky proposition (Hulme & Mosley, 1996). Finally, the ways in which the programmes of microfinance institutions are organized and set up, may often lead to the exclusion of the core poor.

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