Chapter - 2

POVERTY IN INDIA: REVIEW OF STUDIES ON POVERTY IN INDIA
An attempt is made to review the literature on poverty and Self-Help Groups to identify research gaps in this area firstly a review on vicious circles of poverty secondly review on the intervention of Self-Help Groups on poverty have been analyzed.

The magnitude of poverty has received considerable attention since 1970 for stabilisation and structural adjustment in different countries, including India. Identification of the poor is important for effective targeting of various poverty-alleviation programmes and safety nets so as to ensure their budgetary cost effectiveness in minimising the social cost of the programmes.

The magnitude of poverty has to be estimated for assessing the budgetary implications for various safety net programmes and evaluation of these programmes. These two factors will enable the Governments to formulate policies for ensuring socio-economic security to the people.

In rural India, the worst economic group is engaged in rural labour, both agricultural and non-agricultural activities. This is true both in terms of depth of poverty and its severity in terms of distance of average incomes from the actual poverty line. Within the broad category of rural labour, casual labour on non-permanent contracts is the most susceptible to absolute poverty. There is no discernible difference in poverty ratios between agricultural labourer since the casual labour
tends to move between agricultural and non-agricultural occupations as and when they are available. The self-employed rural households, whether agricultural or non-agricultural, tend to experience much lower levels of economic deprivation than other rural groups. Female-headed rural households recorded a higher than average incidence of poverty, both in terms of prevalence and severity. Also poor households in general tended to have a higher dependency ratio.

There are some definite social dimensions to material deprivation. It is more so among the some social categories such as Scheduled Castes and Scheduled Tribes registering higher extent and severity of poverty than the general rural population. In fact, Scheduled Tribe groups are worse-off than Scheduled Castes on any average, and tend to be the most economically destitute of all the rural population.

Within the rural areas, there is also evidence of greater regional concentration of poverty, with some backward regions displaying a very high incidence of poverty. Poverty is relatively more in Bihar, Uttar Pradesh, Madhya Pradesh, Orissa, Maharashtra, Andhra Pradesh and Tamil Nadu compared to the other states. Similarly, within, the State, there is a wide variation in the incidence of poverty. There are several studies which examined the extent of poverty and poverty alleviation efforts of Government.
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Though no comprehensive survey has been undertaken on all-India basis to quantify the population living in slums, the sixth plan document estimated that nearly one-fifth of the urban population of India constituted the slum population. (Planning Commission of India 1988:3).

The poverty situation in urban areas gets exacerbated by substantial rate of migration from the rural areas where the subsistence and even below subsistence level of living compels a large number of rural people to flock to the towns and cities in search of sources of livelihood and income opportunities. A substantial segment of the migrants coming to the urban settlements are living in slums, leading a substandard life. (Arup Mitra, 1988:29-42).

The important feature of urban poor is that there are no ‘homogeneous’ group of people like that of rural poor who belong to the category of landless agricultural labourers, small and marginal farmers and rural artisans. A second feature is that urban poverty is not caused by excessive urban unemployment and migrants have not been confined to the informal sector. Urban poverty problems probably rest in low incomes and low productivity and it increasing proportions of marginal and casual employment. Thirdly, the urban poor do not necessarily live in slums. Urban poor are scattered all over the urban
areas. In urban areas, the poor live in three types of areas. The first category would be found among those who live as servitors in affluent areas. The second category of poor would be found among the totally hopeless or those who seek temporary shelters in ruins, pavements and under cover of bridges. The third category of urban poor is dwelling in slums. (National Institute of Urban Affairs 1988:26-27)\textsuperscript{3}.

The urban poor have been chosen for the elaborate study for two reasons. Firstly, a significant proportion of urban poor compared to the first two categories live in slums. Secondly, the details regarding the location and number of households in each slum are available with the Tamil Nadu Slum Clearance Board so that a representative sample can be selected scientifically. But no such information is available for the first two categories. To understand the nature of urban poverty one has to understand the living conditions of the poor in urban slums. The socio-economic characteristics and poverty profile of the slum dwellers in Madurai city is made in this study. (National Commission for Human Settlement and Environment 1988:10).\textsuperscript{4}

According to an estimate made by Town and Country Planning Organisation (TCPO), the slum population in India in 1981 was 2.79 crores and was estimated to go up to 5.35 crores by the end of 1994, based on the estimate that 35 per cent of the population of super
metropolitan cities and 30 per cent in respect of the metropolitan cities live in slums. (National Institute of Urban Affairs 83, 1995:83)\(^5\).

An article Graminvikas (1995:32-36)\(^6\) highlights the role of an innovative saving/credit programme called Podupu Lakshmi that had been successfully launched and carried out in the Nellore district of Andhra Pradesh. Podupu Lakshmi is based on a very simple principle of saving a rupee per day / per member. The erstwhile submissive, docile, silent and week women changed their psyche into assertive, confident, mobility, articulate, questioning and demanding pressure lobby groups. The aspirations of women for economic prosperity went up and they started climbing up the social ladder through the programme. The other factor for the success was the timely intervention of the government machinery. The careful identification of committed government functionaries in key positions also led to the success of the programme.

Yaswanth Sinha (1998-99)\(^7\) in his Union Government budget speech for the year 1998-99 announced an allocation of five hundred crore rupees to NABARD for refinancing SHG bank linkages. Around ten million rural poor women are expected to be covered by SHG Linkage programmes over the next five years.

Karmakar (1999)\(^8\) has studied among other things the performance of women SHGs (formed with the financial support of MYRADA) in Tamil Nadu and found that SHGs have been formed with
the agricultural labourers and marginal farmers and found that rotation of leadership has been followed. Further, the group accounts have been prepared by an educated member of the SHG, and the same member was in charge for documenting the proceedings of the weekly meetings of the group. Further, the same member was being appointed as animator by MYRADA. The amount contributed by MYRADA and the interest accumulated forms the main financial sources for the SHG which have been rotated by the members. Group decides the members to whom the loan is to be sanctioned, purpose of loan, priority of loan and other terms and conditions. However the purpose wise borrowings show that the total 24 loans were given out of them only 2 were utilised for productive purposes and other loans were utilized to meet urgent family requirements viz. Health, consumption, marriage, etc.,

At one time urban poverty was considered as a fall out of rural poverty. Today, it would be true partially and for the first generation of urban poor. The urban poor consist not only of rural migrants, but also already residents of urban poor who have inherited poverty. SCs, STs and other disadvantaged sections of population. (2000.p.104-106)⁹

An evaluation study conducted by Satya Sai and Puhazhendi (2000)¹⁰ have primarily examined the Socio-economic background of SHG members and its impact on income and assets in Tumkur District in Karnataka. The study results revealed that after becoming the
member of SHG three-fifths of the sample SHG members could acquire assets on one-hand and secured consumer durables on the other.

Lakshmi Narasaiah has conducted a study (2001:87-89) on poverty in his study he opined that the attempt made to formulate an objective and generally valid definition of poverty must be abandoned. It is a complex and multi-faceted problem. Since it can be caused by deprivation in different areas, there are in reality different poverty profiles. There is a multitude of different poverty groups with different interests and needs, such as women and children, the rural and the urban poor, members of various ethnic groups and religious communities. This can lead not only to conflict between different poverty groups but also to discord within the respective groups, thus hampering the formulation of consistent strategies for reducing poverty.

A comparative study has been conducted by Rao (2002:98-103) to assess the SHG member's involvement and their perception about SHGs. For this purpose 120 SHG members belonging to 23 SHGs spread over 6 districts of 2 states have been selected. The study results show that the majority of the women who have joined in SHGs from low income groups but have a strong willingness to improve their economic status. Against this background the sample self-help group members in A.P. have obtained credit mostly for meeting consumption purposes, while the financial facilities availed by the sample SHG members of
Karnataka were for meeting the expenditure of social functions. It only means that the SHG members have borrowed mostly for unproductive purposes. Further, the study indicated that certain SHGs have already involved in creating social awareness among the SHG members.

Krishna and Anirudh (2003:8-14)\textsuperscript{13} in their study it was conducted that apart from the, transforming a given rate of economic growth, higher poverty reduction warrants a thorough investigation of factors that act as incentives and obstacles. The nature of these incentives and obstacles is likely to change in relation to the local political economy. Applying scarce development resources more effectively will necessitate investigating more closely what factors are associated with decline in and what factors are associated with escape from poverty in any particularly local context. Some case studies suggest the diversification of income resources is the most important factor associated with households escaping poverty. People on the just margin of poverty line are very much volatile to slip in to poverty due to health care cost, social expenses and high interest on private debt

Rao (2004:11-15)\textsuperscript{14} in his research paper made an attempt to examine the working of SHGs in the tribal areas of Andhra Pradesh. The study results show that two-thirds of the respondents were participating in the group activities. Saving was said to be the reason for joining the SHG. About two thirds of the respondents have availed the
loans from the SHGs. Further, it was revealed that nearly two thirds of the borrowings have been used for productive purposes. The results were found positively in Girijan areas where exploitation and backwardness of the people is more. The efforts of NGOs, Government departments and social workers have facilitated for the effective functioning of SHGs in the study area.

Adeole, Ayanwale and Taiwo Alini (2004:41-49) have examined the impact of micro-credit on poverty alleviation and in reducing gender disparities. The study results show that the monitoring and evaluation by the NGO ensured a very high repayment rate. NGO efforts have also resulted in higher savings. The analysis has also revealed that both men and women could obtain higher incomes when compared to the situation prior to availing the micro-credit. Further, the NGO namely FADU (Farmers Development Union) has provided women an easy access to farm financial institution on their own. One important conclusion that emerged from the study was that the micro-credit has enabled the beneficiaries to crossing the poverty line.

Vasudeva Rao (2004:58-63) in his study has examined the impact of the SHGs/DWCRA on the status and the quality of the poor women in the rural areas and also examined the extent of women participation in the group activities. The study results showed that nearly 95 per cent of the members attend the group meetings regularly and
four fifths of the SHG members have actively participated in the discussion held in the SHG meetings.

A note worthy factor is that there is a positive relationship between saving and repayment. The study has also revealed higher levels of awareness on issues directly related to social development. Attitudinal change has also been brought among the members of SHGs. The formation of SHGs has led to financial linkages with NABARD, Bank and other financial institutions. It means that self-help groups have a positive effect on tribals.

According to Jawed Akhtar (2005) the alleviation of poverty has been a major objective of India’s development plans. The “Garibi Hatao” slogan given by late Prime Minister of India Indira Gandhi in the early 1970s marked the beginning of an intensified approach to help the poor has reflected in a wide range of programmes for direct intervention to benefit the backward and poorer sections of the society. These programmes have had some considerable achievements to their credit, such as public distribution system with a wide rural coverage, employment generation programmes with significant impact on the rural poor and improvement in providing rural amenities and infrastructure facilities like roads, schools, health centres, banks, communication facilities etc. Reduction of poverty is one of the good indications used in measuring the impact of anti poverty programmes in India. The
percentage of population living below the poverty line has declined from 55 per cent during 1973–74 to 36 per cent during 1993–94 and further to 26.1 per cent during 1999–2000 for the country as a whole. However, it may be noted that the whole of the decline in the poverty cannot be attributed to anti-poverty programmes alone but there appears to be a consensus among the researchers that these programmes have been made continuous efforts since 1970 in the reduction in poverty.

Sidhu, Toor and Dhadli (2006:87-93) have observed that rapid urbanization has been a worldwide phenomenon in 20\textsuperscript{th} century in developing countries like India. The same trend has been continued in 21\textsuperscript{st} century also in these countries including India. The challenge of reduction in urbanisation became even more serious in the context of urban poverty, which is largely an extension of rural poverty. India's population was about 438 million in the year 1961 which increased to about 548 million in 1971, about 685 million in 1981, about 846 million in 1991 and about 1027 million in 2001. During the year 2005, our total population has been about 1099 million. The urban population was about 18 per cent of the total population in the year 1961 which increased to about 28 per cent in 2001. The number of urban poor was 60 million in the year 1973-74 which increased to 67 million in 1999-2000. However in terms of proportion the ratio of urban poor had declined from 49 per cent to about 24 per cent in the corresponding
period. The reduction in urban poverty has been possible due to increase in the income of the urban poor during the last three decades. The Government has also taken number of welfare measures regarding reduction of poverty in the rural and urban areas. The urban poor did not enjoy modern facilities of life. This happened mainly due to their poor economic conditions. It is suggested them that additional financial resources should be mobilized by the Government for the upliftment of the poor. The 21st century is an era of development with a human face otherwise the poor will not forgive all of us.

Rajan (2006:67-72) in his paper on "Post Reform Poverty Trends: Presented an Analysis," has concluded that the structural adjustment programme (Reforms) initiated in 1991 has been concentrated on Liberalization, Privatization and Globalization (LPG). The reforms have serious implications for the country's economic growth in general and for the poverty in particular. The impact of reforms programme on poverty is examined in terms of the extent and incidence of poverty. The study reveals that economy during the post-reform period compared to the pre-reform period. The growth rate of the tertiary sector has been much greater than that of primary and secondary. Although there are many factors influencing growth and economic reforms are important. Hence the higher rate of growth of the economy during the post-reform period has resulted in reducing the incidence of poverty.
Govindappa (2007:147-190) has made an attempt to study the impact of self help groups (SHGs) scattered among SC, BC and OC categories on empowerment of women in Anantapur district, Andhra Pradesh State from 20 self help groups (SHGs) have pre and post socio-economic conditions joining in the SHGs were measured with visible socio-economic indicators which have bearing on empowerment his study reveals that majority (70%) of the respondents possess land while 30 per cent respondents are remained landless. He also observed that 50 per cent of the SC respondents have some bit of land and negligible percentage of respondents are depending up on agriculture by leasing the land on tenant basis. His study also covered aspect of the respondents and concluded that 50 per cent of the respondents had sanitation facility while another 50 per cent are using open areas for toilet.

According to B. Ramalingam (2008:20-22) India’s achievements in reducing poverty at the National level during the period 1956-2000 have been significant, there are so address poverty in all over the country. Poverty eradication is not possible at this stage but we can make strategies to reduce it, the present study focuses on new idea of poverty reduction strategies in the state of Andhra Pradesh. Rural poverty in Andhra Pradesh is no way different to poverty elsewhere in the world it is a multi-dimensional phenomenon encompassing the inability to cater to the basic needs like lack of control, over resources,
lack of education and skills, poor health and malnutrition, poor shelter, poor access to water and sanitation, vulnerability to shocks, vulnerability to crime, lack of political freedom as well as voice.

As per the assessment made by the Asian Development Bank (2009: 22) the urban poverty has declined at an average rate of 0.75 per cent from 1973-74 onwards. There was no upward trend in the annual rate of urban poverty. While the head count rate of poverty is observed in the declining trend. While the Government of India has observed that the total number of urban poor as increased during 2002-2007.

According to G.Paramasimhan and S.Manichkaraj (2010:24) the problem of poverty has continued to remain as the central challenge of development at the global level. Nevertheless, growth-poverty relationship has remained obscure even after three decades of empirical research done on development and region-wise analysed for all categories of countries. The experience with the poverty in India, as it is found in the entire developing world which is rapidly acquitting an urban face and is destined to become a huge issue in the course of India’s urbanization. One of the cause for the poverty is increased the Urban population. The percentage of population living in urban areas has been increased from 19.9 per cent to 23.3 per cent between 1971 to 1981, 25.7 per cent to 27.8 per cent between 1991 and 2001 in India.
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Appa Rao (1999:36-42) in his article entitled "Rural Women and Poverty Alleviation" expressed the opinion that rural women are to be associated with poverty alleviation programmes right from the planning stage to end use. He contended that there is a need to bring changes the attitude of the state holders of the programme towards the participation in poverty alleviation. Besides, the unfelt needs are to be made felt needs through motivation for yielding better results and ensure better participation of rural women for overall use of human resources for their development.

Dr. Sarkar A.N (2001:87-89) in his article entitled "Innovations in Micro Finance linked Development Programmes" he expressed that the micro – finance could be referred to as an institutional mechanism of providing credit support in small amount and usually linked with small groups along with other complementary support such as training and other related services to the people with poor resources and skills for enabling them to take out economic activities. He also pointed out that in order to give boost to the micro – finance initiatives, region specific strategies in consultation with stake holders need to be evolved suitable strategies which will have to focus on building sustained demand for micro finance services and simultaneously equip its providers to deliver them on sustainable basis.
Vijayanthi, K.N. (2002:29)\textsuperscript{26} in her survey on Women's Empowerment through self-help groups in 5 slum areas of Puliankhope in Chennai. The decision-making power of women in this study was measured with the aid of 31 items groups into six factors. She identified that there is more freedom for women to take decisions in the matters of children's education and housing. Women's health and environmental sanitation have improved after women joined Self-Help Groups. The study suggested that in any developmental programme a community structure around women's SHGs should be formed and planning must be left to members. The felt needs of the women should be identified by the women themselves in preference to the top-down approach.

Kumaran K.P. (2002:96-99)\textsuperscript{27} has conducted a study in Pune district of Maharastra to document the experiences in SHGs in promoting micro-enterprises through micro-credit intervention. The study revealed that the main source of money for savings for majority of the SHG members was the daily wage earned by them. Some of them also get a share from their husbands wage towards saving while others depend on income received from livestock. The study also revealed that the most common micro-enterprises set up by SHG members were tailoring and dairy units.
Ranjit Karnakar and Bholanath Ghosh (2002:441-451) conducted a survey in the Midnapore district of West Bengal on "The Role of Women in the Self Help Groups: An Emerging Possibility to co-operation at Gross Root". The study revealed that Self-Help Groups (SHGs) enhanced the quality of status of women as participants, decision makers and beneficiaries in the democratic, economic and socio-cultural life. It also revealed that the SHGs encouraging women to take active part in the socio-economic progress of the nation. They concluded that the emancipation of women is an essential prerequisite for economic development and socio progress of the nation.

Sabyasachi Das (2003:84-89) in his study concluded that microcredit is an alternative source of credit for the poor who earlier were considered as non-bankable. This system not only provides credit, but also social which is an important input for development, to the poorer sections of the society, in the form of capacity building. He has also been observed that group lending has distinct advantage in the form of excellent recovery rate and improvement in income level. He further observed that in rural India, it can be seen that the poorer sections of the society and destitute cannot avail of the credit from banks and other formal financial institutions due to their inability to pledge collateral security and mortgage property.
Archana Sinha (2004:31-36) in her scholarly article entitled "Micro – Finance for Women’s Empowerment" put forward a debate on micro – credit for discerning policy makers, researchers and development practitioners. She pointed out that one of the major limitations of women Self – Help Groups (SHGs) is the time consuming meetings, particularly in programmes based on group lending and time consuming income generating activities coupled with no reduction in traditional responsibilities, they only increase their work and time burden.

She discarded the assumption that access to credit automatically leads to empowerment as women face wide disadvantages and inequalities, in order to be successful in business and life. In addition the assumption that providing women with access to credit guarantees that women maintain control over their loans and the benefits of the investment cannot be taken for granted.

RimJhim Mousumi Das (2004:43-45) in his scholarly article “Micro-Finance Through SHGs” rightly pointed out that easy access of the poor to the sources of credit is the biggest need of the hour rather than cheaper rates of interest. He opines that micro finance provides opportunity to the poor for getting sufficient amount of easily to start any income generating activity. He further says that micro- finance not only deals with the credit part but also deals with savings and insurance
part. It ensures the right to solve and it is one of the most powerful weapons which work for bringing the poor rural people into the mainstream.

Satyanarayana M.V.A.N. and Nagalakshmi (2005:52-55)\textsuperscript{32} opined that the main obstructions to socio-economic development of rural woman are illiteracy, poverty, lack of employment opportunities, resistance to change, lack of infrastructural facilities etc. They expressed that we can overcome these drawbacks by an integrated and balanced development oriented policy. Much economic growth can be recorded by providing employment opportunities and utilizing the available resources of that area. They said that one can say that if the work of the rural women in off-farm activities are accounted and recognized. Their power can be utilized for improving their socio-economic conditions.

Dr. Narayana Swamy, N. and others\textsuperscript{41} have explained the advantages of linkages between formal cooperatives and SHGs. For the formal cooperatives the main advantage would be externalization of a part of the work items of the credit cycle-assessment of credit needs, appraisal, disbursal, supervision and repayment, reduction in the formal paper work involved and a consequent reduction in transaction costs.

For the groups, the advantages lie in the access to a larger quantum of resources as compared to their corpus generated through
thrift, access to better technology and skill upgradation through different schemes of banking sector and a general improvement in the nature and scale of operations that would accelerate economic development.

Manoharan Naik K. and Girija B. (2005:18-20)\textsuperscript{34} in their article entitled "Microfinance: the New Development paradigm for Poverty Eradication and Women’s Empowerment" identified the major hurdles which inhabit the poor women from forming groups, which includes their powerlessness, lack of unity and leadership qualities which act from outside and include caste, class, and ethnic stratification. They concluded that the activities undertaken by SHGs cover the whole gamut of socio-economic development of the poor. This definitely improves the condition of poor especially women and is a part of employment of women.

Madhura Swaminathan (2007:1171-1175)\textsuperscript{35} in his essay on “The Micro credit Alternative” made an evaluation of NGO controlled Micro credit. He reported that a record of near 100 per cent repayment is a major success of NGO – controlled micro credit. The essay showed that NGO-controlled micro credit organizations do not incur lower translation costs than banks but they are able to transfer these costs to other donors and borrowers.

Pradesh and the Micro – Finance Bill" outlines a case study of the episode in 2006 in Krishna District of Andhra Pradesh when the state Government temporarily closed down all the branches of Micro-Finance institutions there. He pointed out that state Government action came as a rude shock to the sector. It led to widespread negative publicity in the press and did much to reverse the slowly growing awareness of the good work being done by Micro – Finance Institutions (MFIs) in extending financial inclusion and reaching out to the poor. The case study provided an in sight into the kind of consumer protection issues relevance to Indian micro – finance.

Sooryamurthy. R. (2007:401-412) in his paper entitled “Micro credit for Micro enterprises or for Immediate consumption Needs”, presented the loan-use pattern of 1,1116 women meeting of self help groups who participated in micro-finance programmes in two districts (Alappuzha and Ernakulam) of Kerala. In his study he found that a large number of them have used loans for their immediate needs, rather than for Self – Employment Micro – Enterprise (SEM). So, the suggested that in order to make the women members economically independent and to assist them in earnings a stable income, they need to be encouraged to use the loans for SEM through sustained financial and managerial support.
Narayana. N. (2008:36-39) in his article entitled “Towards Achieving Women’s Empowerment through Micro – finance programme; A fresh look at the Issues, Challenges and Strategies” recommended that the government has to widen the network of credit programme for the rural poor women to increase their economic solvency and enhance their empowerment. He concluded that microfinance will contribute in solving problems of inadequate housing and urban services as an integral part of poverty alleviation programmes. Microfinance must also be re-assessed in the light of evidence that the poorest families and the poorest women are not able to access credit. A range of micro – finance package is required to meet the needs of the poorest women.

Tanmoyee Banerjee (2009:451-467) in his scholarly article on “Economic Impact of Self-Help Groups: A Case Study” made an effort to estimate the impact of Self-Help Groups created under SGSY programme of Government of India on the basis of primary survey undertaken in the district of North 24 paraganas of West Bengal during September 2005 to March 2006. He made a comparative analysis of group (300) and non-group members (143). In his study he observed that there is a large impact of SHGs on group members than non-group members. It has been found that income generation through group activities has improved the average income of group members than that of the non-group members. The study further revealed that there has
been a significant decline in the medical expenditure and school dropouts in the families of group members than that of non-group members.

D.Nagayya and D.Koteswara Rao (2009:285-301) in his article entitled “Micro Finance and support organizations in the Southern States of India” reviewed the recent trends in the SHG Banks linkage programme at national and state level, with special reference to Andhra Pradesh in detail and certain aspects of the other southern states Tamil Nadu, Karnataka and Kerala. In Andhra Pradesh they covered the aspects like, state initiatives, federation structure, services beyond credit performed by SHGs, linkages with various programmes and Andhra Pradesh Mahila Abhivruddhi Society (APMAS). In respect of the other states they covered the aspects like, Kudumabashree Projects of Kerala, DHAN Foundation’s work with base in Tamil Nadu, MYRADA and Sanghamittra Rural Financial Services with base in Karnataka and ICICI Bank’s linkages with SHGs in the partnership model. They conclude that there is a need to explore ways to utilize local knowledge and information for effective loan monitoring and risk mitigation.
References


