



Research Paper

Income and Employment Generating Activities Through SHG based Micro Enterprises: An Initiative for Poverty Eradication

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ABSTRACT

The majority of the population in India lives in villages. The Indian rural population consists of farm sector and non-farm sector. The non-farm sector consists of the poorest of the poor, considered as landless. They are either marginal farmers or labour class, who have no land and they mainly depend upon physical labour for livelihood. If they have access to financial resources for income generating activities, they will come out of their slim economic base. With the increasing criticism of the state led formal credit system and its utilization for poverty alleviation, in recent years, developing countries have moved towards new mechanism of lending micro credit/micro finance. Micro credit is the extension of small loans to the entrepreneurs too poor to qualify for traditional bank loans. It has proved to be an effective and popular measure for in the ongoing struggle against the poverty, enabling those without access to lending institutions to borrow at bank rates and to start small business. SHG based micro enterprise is one of initiative adopted for income and employment generation by Shree Kshethra Dharmasthala Rural Development Project (SKDRDP) in rural area. One of the aim of SKDRDP is to generate employment opportunities in rural areas to alleviate poverty by providing micro credit/micro finance.

The paper attempts to address the issues relating to the employment and income generated by the SHG based micro enterprises through case study of selected SHG based micro enterprises of Belthangady Taluk of Karnataka.

Key words: Micro finance, Micro credit, Micro enterprises, Self Help Group, Employment Generation, Income Generation

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I. Introduction

The majority of the population in India lives in villages. The Indian rural population consists of farm sector and non-farm sector. The non-farm sector consists of the poorest of the poor, considered as landless. They are either marginal farmers or labour class, who have no land and they mainly depend upon physical labour for livelihood. If they have access to financial resources for income generating activities, they will come out of their slim economic base.

Despite of wide network of rural banks in the country and implementation of the credit linked Poverty Alleviation Programme, a large number of poor continue to remain outside the formal banking system as well as the main stream of economic development. Various studies suggest that the existing policies, systems and procedures do not meet the needs of hardcore and asset less poor.

Rural development is based on sustainable development with available resources. The main aim of rural development schemes is to generate employment opportunities, alleviate poverty by harnessing the available resources. The Government of India has implemented many schemes for the self-employment of the rural poor.

With the increasing criticism of the state led formal credit system and its utilization for poverty alleviation, in recent years, developing countries have moved towards new mechanism of lending micro credit/micro finance. Micro credit is the extension of small loans to the entrepreneurs too poor to qualify for traditional bank loans. It has proved to be an effective and popular measure for in the ongoing struggle against

the poverty, enabling those without access to lending institutions to borrow at bank rates and to start small business.

II. SHG's and Micro Enterprises – A Conceptual Framework

Self-Help Groups (SHGs) are self-managed groups of poor, which primarily came into existence to mobilize financial resources through their own savings and lend the same against themselves to meet the credit needs of their members. It is the alternative to achieve the objective of rural development and initiate community participation in all rural development programmes.

SHG activities are initially confined to internal savings and internal lending, borrowing for consumption purpose. Later on emphasis shifted from consumption credit to investment. At present SHGs are considered as an effective participatory process in development endeavors. SHGs are slowly entering into IGAs, as a measure of poverty alleviation or enhancing income levels as well as quality of life of the rural mass.

Initially NGOs have encouraged the members of SHGs to take up individual enterprises and were induced to avail various Government schemes. Most of the SHG members who have a very low economic profile are confronted with a number of hurdles. As the SHG concept has imbibed and developed group consciousness, it was realized that Micro enterprise is a possible measure to encourage Income and Employment generating activities among the members, of the SHGs.

Micro Enterprise is a small (Micro) business (Enterprise). Each micro enterprise is different, so the size, type of business, and legal arrangement can vary a great deal. SHG based Micro enterprises are started with the objective of giving people something to do and thereby creating employment and income amongst rural poor

The concept of Micro enterprise has emerged to overcome the pitfalls and limitations of individual entrepreneurship. Individual enterprises are guided by profit, which largely depends on the competencies of individuals. Micro enterprise depends to a large extent on the effective support of link organizations like Government or NGOs.

III. Field Study

Field study was conducted to assess the impact of NGO in promoting SHG based micro enterprises in Income and Employment generating activities for eradicating poverty. The NGO selected for the study was Shri Kshetra Dharmasthala Rural Development Project (SKDRDP). It is a pioneering NGO in Dakshina Kannada district of Karnataka State is actively associated with the implementation of SGSY in the district. Under the SGSY, higher degrees of incentives are offered for group enterprises. The main beneficiaries of SGSY are the people below the poverty line and members of SHGs. After a careful analysis of the project and the identification of beneficiaries, the Agency - Government / NGO - imparts necessary training to empower the people below the poverty line to take up IGAs either individually or in group.

IV. Area of the Study

Selected area of study is Beltangady Taluk of Dakshina Kannada District, which is 59 km to east of Mangalore surrounded by Udupi district in north and Chickmagalur and Hassan in the east and Puttur and Sullia taluk in south. Cashewnut, coconut, areca nut and paddy are the main crops. With hills and rivers this taluk is an ideal place for adventures and trekking. There are 21 commercial bank branches in the taluk, total area is 1375 sq.kms, population is 246443 and literacy rate is 86%.

V. Research Methodology

To study the role of SHG based micro enterprises, NGO micro finance institution (NGO-MFI) SKDRDP was selected. This is the largest Micro finance institution in the state of Karnataka. There are 22 micro enterprises promoted and linked to market in Beltangady Taluk.

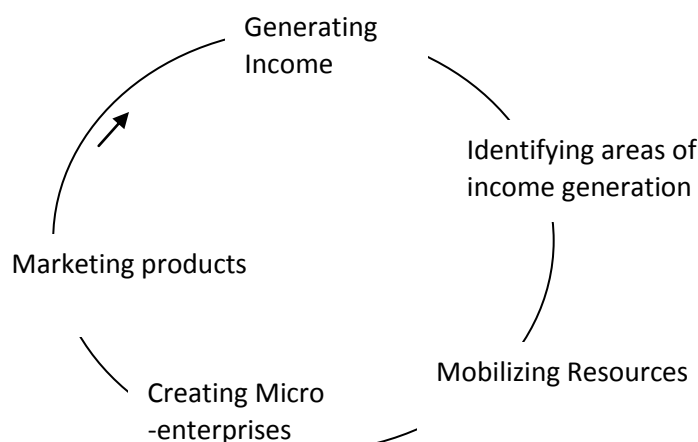
For the study of SHG as a facilitator of Micro enterprises 5 SHG micro enterprises unit promoted by SKDRDP are selected. Each SHG micro enterprises selected is a representative unit of that particular category. So each case study is provided with depth analysis pertaining to investment, production, employment and income generated etc.

For each case study 5 SHG Micro enterprises comprising of 10 women members were selected. Hence, total 50 members from 5 units were selected together.

For the collection of information on employment and income generation a detailed questionnaire is employed.

VI. The Role of SHGs in IGAs

6.1 Cycle of income generation



The process begins with identification, mobilization of resources, creating enterprises, marketing products and generating income. The very fact that increased preference for income generating activities suggest the increase in the income level as well as the element of savings and investments in group activities which contribute for further income generating activities

VII. Results and Analysis

Results are analysed on the basis of employment and income generated in the following manner on the basis of the information collected through questionnaire.

Table No. 7.1 Number of working days in a month (Employment Generated)

Activity (SHG Micro-enterprises)	Employment generated prior joining IGAs	Employment generated after joining IGAs
Food products	15-20 (17.5)	26
Chemical items	18-20 (19)	26
Agarbati rolling	18-20 (19)	26
Garments	18-20 (19)	26
Rexene	16-19 (17.5)	26

(Source: primary data)

The above table reveals the number of working days of SHG members before and after joining Micro Enterprises. The number of working days in a month varied between 15 to 20 before joining and it is 26 after joining SHG micro enterprises. The number of working days were less because of seasonal nature of work, lack of demand and problem of supply of raw material, marketing of products and daily wage earning work, beedi rolling etc.

After organizing themselves into SHG based micro enterprises and with the capacity building program of SKDRDP and SIRI, now the members are able to produce quality products, and market the goods through SIRI. All the members in all the Units get more work hence the number of working days has increased which leads to increase in employment. Members who work in Micro Enterprises are fully employed, enjoy weekly holiday and has work for 26 days in a month. Thus, by forming SHGs based Micro Enterprises, rural poor have overcome the problem of unemployment as well as seasonal unemployment. They have moved from wage employment to self-employment. Indeed, this is a qualitative improvement in the nature of employment.

Table 7. 2 Income earned by members per month before and after joining SHG based Micro Enterprises

Activity (SHG Micro-enterprises)	Income Earned before joining	After joining
Food products	600-800	2210
Chemical items	600-800	2400
Agarbati rolling	400-600	2400
Garments	400-600	1820
Rexene	600-800	1800

(Source: primary data)

The above table depicts the increase in monthly income of SHG members. Before joining the SHG based Micro Enterprises, the income level of members was very low. It varied from the minimum of Rs. 400 per

month and maximum of Rs. 800 per month. However, after joining income per month varied from Rs. 1800 to Rs. 2400 per month. There is an increase of almost 3 to 4 times.

VIII. Summary of Observations

- ✓ This study has taken up 5 micro enterprises covering 40 sample members promoted by SKDRDP and engaged in different IGAs in Belthangady Taluk of Dakshina Kannada District. The following are the summary of observations,
- ✓ In 1999 GOI merged all the anti-poverty credit system to borrow and start small business, programmes into SGSY to promote self-employment among men and women by training groups among them and enabling them to cross the poverty line.
- ✓ Micro credit concept has emerged as a new and viable mechanism to overcome the defects of stated formal credit system. Micro credit has proven effective and popular measure in the ongoing struggle against poverty, and inability of those without access to formal bank credit.
- ✓ The concept of micro enterprises has emerged to overcome the pitfalls of and limitations of individual entrepreneurship. Individual enterprises largely depend on the individual competencies while the SHG based enterprises depend on the effective support of link organizations like NGO and Government.
- ✓ Majority of the SHG members are of the age group 25 to 40 years.
- ✓ Most of the members of SHG are having primary education (90%) and illiterates (10%). This reflects that IGAs of SHGs has helped people with the very low educational and economic profile.
- ✓ The sources of income before joining SHG are daily wages, beedi rolling etc. The SHG based micro enterprises has provided regular employment this helped the poor people to improve their nature of employment.
- ✓ The annual incomes of the members were very low before joining SHG based micro enterprises. After joining these enterprises their income has increased considerably (3 to 4 times).
- ✓ Some of the Micro Enterprises involved in IGAs are confronted with marketing difficulties. Because of this most of the units concentrate on production and marketing is taken care by SIRI, a unit of SKDRDP.
- ✓ SIRI takes care of advertising, market network etc. and is able to expand market for the product of these units.

IX. Suggestions and Recommendations

- ✓ On the basis of the primary data and secondary data following recommendations are made.
- ✓ Separate small industrial estate may be setup for SHG based Micro Enterprises to create special environment.
- ✓ Formulate and implement policies and programmes that enhance the skills, of members.
- ✓ Create social environment through training institute in which members are encouraged to take challenging jobs to achieve their full potential.
- ✓ Increasing access to credit either through micro credit or FI catering to members and strengthening the existing arrangements.
- ✓ Tie up with media equation to give circle publication about entrepreneurs and entrepreneurial success.
- ✓ Members should realize the importance of savings habit, bonus and IG activity and its impact.
- ✓ Working in remote villages far away from market centers limits the scope for identifying and initiating viable income generating activities. Any Unit operating in remote areas and intends to embark on IGA development should realize that it may be severely constrained in that regard.
- ✓ IGA do not bring overall economic development but they need markets where people with disposable income will buy goods and services, hence the programme should more focus on promoting IGAs near markets in semi-urban areas, market centers and large villages.

X. Conclusion

Today self-help groups play a major role in poverty alleviation in rural India. A growing number of poor people (mostly women) in various parts of India are members of SHGs and actively engage in savings and credit as well as other activities (Income generation, natural resource management, literacy, child care and nutrition etc). The savings and credit focus of SHGs are the most prominent elements and offer a chance to create some control over capital. NGOs and government support SHGs in India in one way or the other and many success stories are available, describing how membership in SHG changed the life of a particular individual or group for better. Many NGOs in India are promoting the SHG mechanism and linking it to various developmental interventions. SHG approach is an effective, efficient and relevant tool for organizing and empowering the poor and introduction of programmes to promote income and employment-generating activities, which will generate sufficient sustainable and regular income

SHGs are developed as a tool for poverty alleviation in different countries of the world. Basically SHGs are developed as a micro finance unit and they gradually move on to more complex income and employment generation activity. In India, a number of SHGs are developed and supported by different NGOs. NGOs play a crucial role as a facilitator from inception to the development and the success of SHGs by providing technical guidance, training, financial support, and marketing of goods and services.

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