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Extended Abstract

1. AN IMPACT EVALUATION STUDY OF SELF HELP GROUP PROGRAM IN THE STATE OF MEGHALAYA

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Abstract: This paper looks at the effectiveness of the Self-Help Group (SHG) program to alleviate poverty in the state of Meghalaya during 2015-2019. We use a non-experimental method for impact evaluation. After four years of the program implementation, we find that SHGs have helped in bringing positive change in savings & borrowing behaviour and ownership of low consumer assets among the program beneficiaries. The SHG loan utilization goes towards medical, livestock and to some extent consumption purposes. The program helped the beneficiaries in improving livelihood diversification through support for livestock and agriculture. However the SHG program did not seem to improve the entrepreneurial outcomes, and ownership of high value consumer assets.

Key words: Credit market, Livelihood, Impact Evaluation, Self Help Group

Extended Abstract

1 Introduction

The government of India has adopted the Self-Help Group (SHG) program under the National Rural Livelihood Mission (NRLM) to alleviate poverty through building of strong grassroots institutions which can provide access to gainful self-employment and skilled wage employment opportunities for the poor leading to improvement in their livelihoods on a sustainable basis.

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SHGs (including government & NGOs) have been found to be the most critical source of credit for marginalised sections, in terms of both coverage and volume (Nair and Tankha, 2014). Difficult terrain, poor infrastructure of traditional banking, low risk appetite of banks and low finance experience are few of the reasons that justify the SHG program implementation under NRLM in Meghalaya. Given this context, it becomes imperative to measure the performance, outcomes and impact of this program in Meghalaya to enable continued efficient and effective implementation and also support policy making.

In particular, the objectives of this study are the following:

1. To examine access to credit and savings from formal financial institutions and changes in the level of financial activity

2. To identify different self-employment and dependence initiatives secured by the NRLM beneficiaries
3. To investigate the influence of Self-Help Groups on the income and consumption level of NRLM beneficiaries.
4. To assess the changes in the bargaining power of women within the household due to SHG membership.

2 Literature review

Microfinance has long been touted as one of the effective ways to help poor households in terms of improving consumption expenses, accumulation of assets, encouragement to labour supply and school attendance of the children. There have been studies based on randomised controlled trials which find modest benefits of microfinance under different systems (Banerjee, Duflo, et al.2015). However the business returns to microcredit lending seem to be conditional on the entrepreneurial acumen and longer time horizon (Banerjee, Duflo 2019, Attansio, Augsburg, et. al 2015, Augsburg, Hass 2015).

As SHG (self- help groups) are intended to provide regular credit at lower cost, there is sufficient evidence that these interventions do attract large program participation and cost of overall lending goes down in the affected areas (Hoffman, Vijayendra 2019, Hoffman, Vijayendra 2019, Kochar, Barooah 2020).

The poor households face multiple constraints and varied incentives to go for savings like prioritising present consumption over future needs or creation of a cushion against negative income shocks (Ashraf, Karlan 2006, Kochar, Barooah 2020, Kast, Meier et.al 2018).

3 Data

A multistage stratified random sampling method was used to create a representative sample across the state. The treatment group comprises of households belonging to SHG villages and has at least one SHG member. The comparison or control group comprises of households from non-SHG villages with having no SHG member. The size of treatment and control groups are 550 and 551 respectively. There are total 110 SHGs included in the overall sample and 55 village organisations. The unit of analysis in the study is at household level.

4 Empirical Analysis

The paper applies propensity score matching (PSM) for estimating causal impact of SHG intervention. As pre-condition of the propensity score matching method, the treatment and control groups were matched on the given set of covariates to determine the quality of comparison or control group; i.e., Age of the head of the household, Square of age of head of the household, Whether head is female or not?, Whether the Household is Christian?, Whether the Household belongs to Scheduled Caste/Scheduled Tribe?,

Whether household head is married or not?, Whether Head of the household has at least primary education?, Whether Head of the household is illiterate?, Dependency ratio within a household, Distance of household home to the nearest post office, Number of agricultural assets in a household in 2014, Number of bovine livestock in a household in 2014, Number of small livestock in a household in 2014, Number of low value durable assets in a household in 2014, Number of high value durable assets in a household in 2014. This list of variables satisfies the required conditions for matching, i.e., they are not determined by the program participation (i.e., SHG membership) in our analysis. However these matching variables can determine the program participation.

5 Impact of SHG program on the outcome variables

5.1 Household savings behaviour

All the SHG households are having some form of savings whereas the non-SHG households from the comparison group have 95% of households who hold some form of savings. The SHG households save lesser amount in formal sources (excluding SHG savings) than the non-SHG households on group level as well as per capita level. It indicates that the program beneficiaries do prefer SHG savings over other formal sources.

5.2 Household borrowing behaviour

There are 36% more households in the treatment group than the comparison group when it comes to taking any form of loan. It is also important to observe that only 15% of non-SHG households take any form of loan. Almost all of the SHG households who took a loan received it from a formal source.

The SHG internal loans dominate the loan portfolio for the treatment group by accounting for 64% of total loans Figure 2. The SHG linked loans account for 83% of all the loans taken by treatment group. The relatives and friends accounts for 28% and 7% of loans to comparison group and treatment group respectively. The banks account for 30% and 3% of loans to comparison and treatment groups respectively. Also the total number of loans taken by the treatment group is more than five times than the comparison group. This implies that SHG membership has improved borrowing behaviour among the treatment groups.

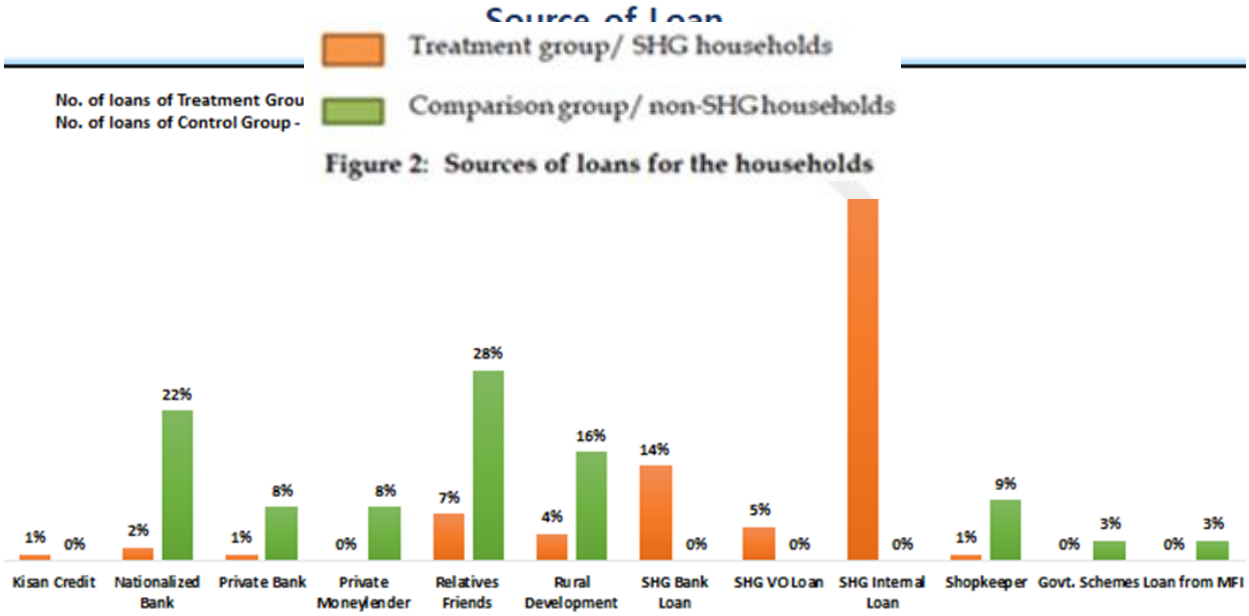

Figure 2: Sources of loans for the households

5.2.1 Subgroup analysis of the household borrowing

It was reported that percentage of SHG households taking a consumption loan is 5% which is only one-fourth of the corresponding figure for the non-SHG households. Also the percentage of SHG households taking a medical loan is 23% which is seven times of the corresponding figure for the comparison group or non-SHG households. We found that there were 21% of SHG households which took a loan for livestock which is around 10 times than the corresponding figure for the non-SHG households.

5.3 Effect of the SHG program on entrepreneurship

The SHG households borrowed almost thrice of the non-SHG households' average capital loans. The two groups of treatment and comparison are very similar in terms of ownership of enterprise (be it registered or unregistered), workers size at the enterprise, sales and expenses of the enterprise. It indicates that without the SHG loans SHG households' enterprise may even struggle to survive.

5.4 Effect of SHG program on the Livestock ownership

The average number of pigs owned by the SHG households is almost three times than the corresponding figure for the non-SHG households. Overall, a typical SHG household own 13% lesser number of livestock than the average non-SHG household. The preference for pig livestock by the SHG households is explained by the convergence of government welfare schemes through SHG program (IFAD 2014).

5.5 Effect of SHG program on agriculture practices

A typical SHG household own around 1.25 acres of farm land which is 40% lower than for a typical non-SHG household. The average number of rabi crops grown by SHG households is 0.31 which is 35% greater than for the non-SHG households. Even for overall crops, average number of total crops grown by SHG households is 1.1 which is 16% more than for the non-SHG households.

5.6 Effect of SHG program on various household income sources

The SHG households have similar wage income from agriculture and non-agriculture in terms of per working member earning as well as total household earning. However, the SHG households earn 26% lower wage income from MGNREGA than the non-SHG households. This may indicate towards the fact the poorest of poor may have lower access to the SHG membership as has happened in other places in the past (Pati, A.P.). In term of income sources, the SHG households show significantly greater diversity than the non-SHG households. The SHG households have greater representation in sources of livelihood such as agriculture, livestock, and non-agriculture wage work than the non-SHG households.

6 Conclusion

The improved accessibility to the formal credit through SHGs have helped in positive change of savings and borrowing behaviour among the beneficiaries. The beneficiaries have shifted towards formal sources of credit due to the intervention. Most of the SHG loan utilization goes towards medical, livestock and to some extent, towards consumption purposes. The program beneficiaries have preference towards livestock and agriculture to support their livelihood. However as the finding suggests, the SHG program only offers small amount of loans which may not be sufficient to support entrepreneurial expansion among the beneficiaries. This is corroborated by no better performance of enterprises owned by SHG households than ones owned by non-SHG households. However, this study would like to mention that some of the income differences between two kinds of households could be vulnerable to extent of remittances which wasn't collected in this study. This is so as Meghalaya has a significant population that migrate to other parts of India (Parida, J.K 2018). The intervention could also focus on marketing, greater credit support in farming to enhance its role in livelihood support.

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