

# Impact of SGSY Programme on Economic Welfare of the Households in West Bengal

Dr. Swapan Kumar Barman

Assistant Professor, Department of Commerce (UG & PG), Prabhat Kumar College, Contai, West Bengal (India)

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### \*Corresponding Author

Email: [swapan.pkc\[at\]gmail.com](mailto:swapan.pkc[at]gmail.com)

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## ABSTRACT

Swarnajayanti Gram Swarozgar Yojana (SGSY) is one of the dominant microfinance model for forming and functioning SHGs in India. It has become a new way of development and found to be the only practical and most appropriate solution to the deep seated challenges of poverty. The objectives of this study are to examine the impact on economic welfare of the Households (HHs) in West Ben by comparing pre & post-SHG situation. Multistage random sampling techniques have been used for the study. A total of 2076 members from 519 SHGs have been randomly selected from 10 blocks of two district namely Paschim Medinipur and Purba Medinipur in West Bengal during January to March, 2018. The study examines economic welfare by the using of Economic Welfare Index Model. Firstly, we have constructed an index of economic welfare and finally to measure the economic welfare we have employed Z- test. The study observed that the economic welfare of the household belonging to SGSY- SHG members has been a significantly increase during post SHG period.

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## 1. Introduction

Swarnajayanti Gram Swarozgar Yojana (SGSY) was implemented in India from 1<sup>st</sup> April 1999 as a poverty eradication programme in India by cheering the forming and functioning of Self Help Groups (SHGs). According to the Reserve Bank of India (RBI) Annual Report 2005-2006, the cumulative number of SHGs linked to bank stood at 2.2 million with total credit amounting Rs. 1,398 crore. As per annual progress report of Swarnajayanti Gram Swarozgar Yojana, in India up to March 2008, 12, 27,770 SHGs (SGSY & NABARD) were credit linked including loan amounting to Rs. 8,849.26 crore and 50.09 lakh SHG had savings worth Rs. 3,785.39 crore. Today, it the largest micro finance (MF) programme in the world covering more than 7 crore poor households. Up to March 2009, a total of 257307 numbers of SHGs were formed under SGSY in West Bengal including disbursement of loan amounting Rs. 41494 lakh. If we look at the progress scenario in the district of Purba Medinipur it is found that 17692 number of SHGs were formed with an accumulation of savings amounting to Rs. 2789.57 lakh including disbursement of loan amounting to Rs. 4381.77 lakh.

## 2. Literature Review

Hassaim, A. K. M. G. and Nargis, N. (2008) in their paper on a welfare economic analysis of the impact of Microfinance in Bangladesh shows that aggregate welfare of the households significantly changed over the years. The study also found that the rural poor households belonging to SHG members have across poverty level by increasing income and productivity through the self-employment programme.

Kar, J., (2008) in his study improving economic position of women through microfinance, a case study from Mayurbhanj district of Orissa in India revealed that microfinance has succeeded in extending credit facility to the rural poor

especially for women in Orissa. The study examined that the significant change of economic condition and welfare of rural poor through microfinance. The study also observed that optimistic performance of SHGs in respect of debt, productive use of loan, management for use of funds and etc. Badatya, K.C., Wadavi, B. B. and Snanthi, B.B., and Ananthi, S (2006), made an evaluation study series on microfinance for micro enterprises- An impact evaluation study of self-help groups. The study has been conducted in AP covering three districts constituted 56 SHGs with 310 SHG members. The study stated that positive impact of group dynamics within SHGs and changes in pattern of enterprise mix among the SHG members. The study examined the impact of different Income Generating Activities (IGAs) and Micro Enterprises (MEs) with the help of some economic indicators like investment and Return, profit margin, net income percentage ratio of sales to operating cost, sales, total cost, loan repayment performance etc. P. Mahendra, Varman, (2005) in his article on impact of Self-help Groups (SHGs) on formal banking habits showed that SHGs had developed a credit delivery mechanism in India. This paper makes an attempt to examine the close relationship between the growth of SHGs and the number of female bank deposit holder with the help of logistic regression analysis. The analysis revealed that the impact of after joining SHG members have operated more bank operation. The study also concluded that SHGs have influence to operate bank account in formal banks.

## 3. Objective of the Study

The main object of the present study is to examine the impact of SGSY programme on economic welfare of the households belonging to SHG members in west Bengal. Thus, we are interested to examine whether there is an improvement in the economic welfare of the households by comprising the pre-SHG and post-SHG situation.

**4. Data Base, Sample Design and Methodology**

In this study we try to examine whether there is an improvement of the economic welfare of the household belonging to SHG members by comparing pre-SHG and post-SHG situation.

**5. Sample design, Data base and methodology**

The study is mainly biased on primary data. Primary data have been collected from primary sources in different blocks of the district through personal contact and interview with the help of structured questionnaire. The study has considered data from four Gram Panchayats (G.Ps.) in each of the 12 blocks, selected at random. Secondly, samples of 519 SHGs have been selected from 48 GPs. Finally, Four SHG members were selected from each of the selected SHGs randomly. 2076 respondents representing 519 SHGs formed the sample size and data were collected during January – March, 2018 .To determine whether there is a significant improvement in the economic welfare of the households belonging to SHG members, we have employed 'Z' test.

**6. Concept of Economic welfare**

Economic welfare is a wide-ranging concept. It includes different objective and subjective concepts. Generally economic welfare depends on;

- i. Increased expenditure on food, clothing and education.
- ii. Improved health and nutrition.
- iii. Improved / increased sanitation.
- iv. Improved / increased access to health, sanitation education, services etc.

In this study we used only 'increased expenditure on food, clothing education and health' as the parameter of economic welfare of the sample households belonging to SHG members in pre-SHG & post-SHG situation during the period under study.

**7. Economic welfare Index**

**The Model:**

To examine whether the economic welfare on the household belonging to SHG members has increased significantly or not, we have constructed an index of economic welfare. The indices of economic welfare have been calculated for each 2076 sample households in pre – SHG and post-SHG situation. Then, mean economic welfare of the households for both pre-SHG and post-SHG situation is calculated.

Let,  $EW_B$  and  $EW_A$  represent the indices of economic welfare of households in the pre-SHG and post-SHG period respectively.

Thus,

$$EW_B = EW_B f . F_B + EW_B c . C_B + EW_B e . E_B + EW_B h . H_B$$

Where  $EW_B f$  is the share of total expenditure on food in pre –SHG period.

$EW_B c$  is the share of total expenditure on clothing in pre-SHG period.

$EW_B e$  is the share of total expenditure on education in pre-SHG period.

$EW_B h$  is the share of total expenditure on heat in pre-SHG period.

$F_B$  is the total expenditure on food in pre-SHG period.  
 $C_B$  is the total expenditure on clot in pre-SHG period.

$E_B$  is the total expenditure on education in pre-SHG period.

$H_B$  is the total expenditure on health in pre-SHG period.

Similarly,

$$H_A \quad EW_A = EW_A f .F_A + EW_A c.C_A + EW_A e .E_A + EW_A h.$$

Where,

$EW_A f$  is the share of total expenditure on food in post-SHG period.

$EW_A c$  is the share of total expenditure cloth in post-SHG period.

$EW_A e$  is the share of total expenditure on education in post-SHG period.

$EW_A h$  is the share of total expenditure on health in post-SHG period.

$F_A$  is the total expenditure on food in post-SHG period.

$C_A$  is the total expenditure on cloth in post-SHG period.

$E_A$  is the total expenditure on education in post-SHG period.

$H_A$  is the total expenditure on health in post-SHG period.

The impact of economic welfare has been tested by 'Z' test which is shown below:

$$Z = \frac{\bar{x}_A - \bar{x}_B}{\sqrt{\frac{S_A^2}{n_2} + \frac{S_B^2}{n_1}}}$$

Where,

$\bar{x}_A$  is mean economic welfare in post-SHG period.

$\bar{x}_B$  is the sample mean economic welfare in pre-SHG period.

$S_A^2$  is the sample variance of the value of economic welfare in post – SHG period.

$S_B^2$  is the sample variance of the value o economic welfare in pre-SHG period.

$n_1=n_2$  is the sample of households belonging to SHG members.

Table-1 shows the summary results of Z test with respect to economic welfare by using sample households belonging to SHG members during pre and post SHG situation.

**Table – 1: Result relating to “Z” test**

	Pre SHG	Post SHG
Mean	$\bar{X}_B = 923.16$	$\bar{X}_A = 1015.66$
Sample variance	$S_B^2 = 81889.3$	$S_A^2 = 81831.4$
No.of members /households	N = 2076	2076

Critical value of Z at 1% level of significance  
 Computed value of Z=10.42

It is observed that the calculated value of (Z=10.42) is greater than that of the table value (2.58) at 1% level. Therefore, we can say that there has been significant improvement in economic welfare of the households belonging SHG members in the post-SHG situation during the period under study.

**8. Concluding Observations**

SGSY-SHG movement brought about tremendous social and economic changes. The result of the above analysis suggest that SHGs under SGSY have performed better in terms of increase in economic welfare of the households belonging to SHGs members.

The study revalued that SHG members have been able to increase their income as well as expenditure on foods, clothing health and education during the study period.

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