



Microfinance Through Shg-Bank Linkage Programme

KEYWORDS

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ABSTRACT *Micro finance is a miniscule but potentially significant and effective credit delivery system which seeks to achieve broad range and multifaceted objectives to meet the credit needs of rural poor, including the non-bankable and the landless. One of the initiative taken by the NABARD as a part of microfinance initiative is Self Help Group Bank Linkage programme. The SHG model is a flexible one and variation of sizes and compositions are permitted as also charging flexible interest rates, purposes and repayment terms. This flexibility has enabled various types of SHGs to flourish which meet the varying requirements of their clientele. Present paper focuses on the impact of SHG Bank Linkage programme on the economic status of members and members household through the study of their Savings, loans, Employment generation and income levels.*

Economic Impact on SHG members in Rural Bangalore

Poverty is a situation when people are unable to get satisfactorily the basic needs of life. It comes in many forms and causes multiple harms. The poor may suffer from lack of food, water, unemployment, disease, abuse, homelessness, degradation and suffer from physical, mental and emotional disability, limited skills and education, low self-esteem and lack of self-confidence, fear, resentment, aggression and truated vision. In the words of AmartyaSen, "Poverty must be seen as the deprivation of basic capabilities rather than merely as low incomes." In spite of many steps and programmes undertaken by the Central and State Governments, poverty remains widespread and constitutes a great burden for the economy as a whole, and its removal has become great challenge for the policymakers. Mohammed Yunus while receiving the Nobel peace prize said that "lasting peace cannot be achieved unless large population groups find ways in which to break out of poverty."

Alleviating poverty requires many tools, including food, shelter, employment, health and family planning services, education, infrastructure, markets and communication. The key to reducing poverty is knowing how to use the tools. Finance helps the poor catch up with the rest of the economy as it grows. Provision of such finance to the poor and underprivileged sections of the society has always been challenge. Despite encouraging programmes undertaken and policies initiated by Government of India and wide network of rural bank branches for poverty alleviation, a very large number of poorest of the poor continued to remain outside the formal banking system. The NCAER Survey on rural access to finance indicates that 70 per cent of the rural poor do not have a bank account and 87 per cent have no access to credit from a formal source. Therefore, a need was felt for alternative policies, systems and procedures, savings and loan products, and new delivery mechanisms which would fulfill the requirements of the poorest in rural India. In this context Microfinance has emerged as an important tool.

Microfinance is the provision of thrift and other financial services and products of very small amount to the poor in rural and semi urban areas for enabling them to raise their income levels and improve their living standards. It helps the poor to accumulate useably large sums of money, ex-

pands their choices and reduces their risk.

Indian microfinance is dominated by two operational approaches i.e. Self Help Groups (SHGs) and Micro Finance Institutions (MFIs). The first approach is popularly known as SHG- Bank Linkage model. This model is the dominant model, initiated by the NABARD. It has largest outreach, to micro finance clients in the world. It started off with a modest number of 225 SHGs with a loan disbursement of 29 lakh in 1992-93. This has increased to 74.30 lakh SHGs with a loan disbursement of Rs 24017.36 crore in 2013-14. The second approach is financing through MFIs. This model emerged in the late 1990s to harness social and commercial funds available for open lending to clients. As per CRISIL estimates, the total number of MFIs and loan disbursed by them stood at 1109 and Rs 1850 crore by the end of March 2009.

This study focuses on evaluation of the impact of SBLP on the economic status of members in Bangalore Rural district of Karnataka. For the propose of study 300 Women SHG members (75 members each from 4 taluks of Bangalore Rural district) have been randomly selected. A separate schedule has been administered for the collection of primary data from SHG members. Economic impact on SHG members can be understood by looking into their annual savings, loans disbursed, generation of employment and income. Along with these variables even community of the members is considered for the further analysis.

Table 1: Average annual savings of the SHG members-Community wise

Community	No of respondents	Average amount of savings per member per month (Rs)	Minimum Amount of savings (Rs)	Maximum amount of savings (Rs)
ST	75	1379.2	650	3200
SC	54	1391.67	740	4500
OC	66	1893.48	650	12000
BC	57	1718.42	970	5000
Minority	48	1146.87	750	1900
Total	300	1521.87	650	12000

Source : Field data

Table 1 shows on an average the member's contribution to the revolving fund every month in the form of savings community wise. These savings would be utilised for lending to the members at times of need. At national level if observed as on 2013-14 number of SHGs were 74.3 lakhs with a membership of 966 lakh and a savings of Rs 9897 crores. This is definitely wealth at the bottom of pyramid. Poor who have been considered as unbankable could generate substantial saving.

Loans to SHG members

Poor who cannot give collateral cannot access the loans from formal financial institution. So they generally were dependent upon informal sectors for financial assistance in the form of loan. They continue to remain in debt because of exorbitant interest charged by informal sector like money lenders. For this reasons availability of loans at a reasonable interest rates and without security is need for the hour. This assistance is provided to SHG members.

Table 2: Loans disbursements to SHG members - Community wise

S No	Community	1 st st loan Cycle Average Size (Rs)	2 nd loan cycle Average Size (Rs)	3 rd Loan cycle Average Size (Rs)
1	ST	5842	21384	59125
2	SC	7337	20025	33625
3	OC	11370	34247	53182
4	BC	5703	18993	38700
5	Minority	8756	24579	50812
6	Total	9157	27513	51140

Source : Field data

SHG members get loans from banks. On repayment of 1st cycle of loan they are eligible for higher amount in second cycle and on repayment of second cycle of loan they become eligible for higher amount in third cycle. Period of repayment is short in first cycle usually 12 to 18 month in second cycle 2 to 3 yrs and in third cycle 5 yrs plus under-study availed loans. From the above table we can observe that members of SHGs could avail loans to the extent of Rs 51140 each. At national level

If observed 13.66 lakh SHGs could raise fresh loans of Rs 24017.36 crores as on 31march 2014.

Table 4.23: Impact of SHG Bank loan on the income of SHG member's- Community wise

S No	Dimension	ST	SC	OC	BC	Minority	Total
1	2	3	4	5	6	7	8
1	SHG Members income on an average per month (in Rs)						
a	Before Joining the SHG	1076	972	1500	614	1343	1105
b	After joining the SHG	7396	9805	8953	6636	12206	8797
		(+587.36)	(+908.744)	(+496.87)	(+980.78)	(+808.86)	(+696.11)
2	SHG Members household income on an average per month(in Rs)						
a	Before Joining the SHG	3864	5736	4888	4236	4168	4542
b	After joining the SHG	12820	14700	23498	14078	18506	16587
		(+231.78)	(+156.27)	(+380.73)	(+232.34)	(+344)	(+265.19)

Note: Figures in parentheses are percentage increase or decrease after SHG loan when compared before SHG loan situation

Source: Field data

Employment generation:

One of the major objectives of SHG is to provide employment opportunities to women though income generating activities and make them independent economically.

Table 3 is designed to capture the impact of SHG- Bank loan on employment of SHG member's and members household across community categories before and after the SHG membership. Last row shows number of additional people employed after the SHG membership. The impact of microfinance is clearly visible from the table as the percentage of wage employment has declined in all the community categories except SCs. Overall wage employment has recorded a negative trend and on the other hand impact of microfinance is clearly visible in self-employment in the case of community categories without any exceptions. All together microfinance has resulted in providing an additional employment to 37 members from SHG households.

Table 3: Impact of SHG Bank loan on the employment of SHG member's and their household -Community wise

S No	Dimension	ST	SC	OC	BC	Minority	Total
1	2	3	4	5	6	7	8
1	Wage employment						
a	Before Joining the SHG	48	33	35	24	19	159
b	After joining the SHG	27	37	18	24	15	121
2	Self-employment						
a	Before Joining the SHG	18	10	22	21	21	92
b	After joining the SHG	46	21	41	27	33	168
	Increase in employment [(1a+2a)-(1b+2b)]	7	15	2	6	7	37

Note: Figures in parentheses are percentage increase or decrease after loan when compared before loan situations

Source : Field data

Income Generation:

The income levels of SHG members and SHG households determine the purchasing power and their by their standard of living and overall economic status. Income also determines their savings and loan repayment capacity.

Table 4 shows the impact of microfinance on the income level of SHG members and SHG household's before and after SHG membership. It could be observed from the table that there is a substantial increase in the income levels of members as well as households after SHG membership. The percentage of increase in the income levels of members range from the maximum of 980.78 percent in the case of BCs to the minimum of 587.36 percent in the case of STs. The overall increase in the members was as high as 696.11 percent. In the SHG households also the increase has been substantial ranging from the maximum of 380.73 percent in case of OCs to the minimum of 156.27 percent in case of SCs with an average increase of 265.19 percent. The significant observation is that the impact of microfinance on the individual members is much more than the impact on SHG household. Thus the member's contribution to the overall income levels of households has significantly improved due to microfinance.

Conclusions:

The study reveals that in Bangalore Rural district the impact of SHG membership on their savings, employment and income levels has substantially improved. The concept of Self help Groups helped the women to attain employment their by generate more income reflecting the economic development of SHG members. It is a positive achievement indeed.

References

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