



Financial Inclusion of Dalit Women Through SHG-Bank Linkage Programme

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ABSTRACT

India is home to the largest population of poor in the world. Microfinance in India has emerged as a powerful tool for financial inclusion. The 'SHG – Bank Linkage' programme plays a predominant role in the financial inclusion of excluded poor. The programme is coming up well and being implemented widely across the country. But there is a need to strengthen the SHG-Bank Linkage Programme to fully mainstream it with the commercial banking system. The programme is scaling up at a rapid pace in South India, while the progress in other regions is slow. The variations in performance across the regions, both in terms of reach and quality needs immediate attention.

KEYWORDS

Financial Literacy, Financial Inclusion, Microfinance

Introduction :

Micro Finance is emerging as a powerful instrument for poverty alleviation in the new economy. The term micro finance is of recent origin and is commonly used in addressing issues related to poverty alleviation, financial support to micro entrepreneurs, gender development etc. There is however, no statutory definition of micro finance. The taskforce and supportive policy and regulatory frame work for micro finance has defined micro finance as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas for enabling them to raise their income levels and improve living standards".

The definition for microfinance is best given by Robinson, Marguerite. According to her 'Microfinance refers to small-scale financial services for both credits and deposits — that are provided to people who operate small or micro enterprises where goods are produced, recycled, repaired, or traded; provide services; work for wages or commissions; gain income from renting out small amounts of land, vehicles, draft animals, or machinery and tools; and to other individuals and local groups in developing countries, in both rural and urban areas, delivery of financial services at an affordable cost to vast sections of disadvantaged and low income groups.' It includes Savings, Credit, Insurance, Remittance facilities etc.

Delivery of financial services at an affordable cost to vast sections of disadvantaged and low income groups is known as financial inclusion. Only 31 % of the Indian population has access to Banking services. The rest 69 % are still deprived of bare minimum banking services for which they are totally dependent on informal banking sources like private money lenders.

FI is needed because of High transactions costs of borrowers, High transactions costs of savers, High transactions costs of banks, High risk cost, and Inappropriate products. In India Marginal Farmers, Landless Farmers, Oral Lessees, Self Employed, Urban slum developers, Migrants, Minorities, Senior citizens and all Socially excluded groups including Women are the excluded lot .

Measures for promoting financial inclusion

There are some intermediaries which can be used for promoting financial inclusion. They are,

1. Linkage of Self Help Groups with bank
2. Linkage of Microfinance Institutions with banks
3. Business facilitators and correspondence model.

This paper study linkage of SHGs with banks for the promotion of Financial inclusion of rural dalit women. For the sake of survey Hunsur district is considered .

Linkage of SHGs (self-help groups) with Bank: Status of SHGs in India

A review of the genesis and development of SHGs in India reveals that the existing formal financial Institutions have failed to provide finance to landless, marginalized, and disadvantaged groups. The origin of SHGs could be traced to mutual aid in Indian village community. Co-operatives are formal bodies, where as SHGs are informal. SHGs encourage savings and promote income generating activities through small loans. The experiences available in the country and elsewhere suggest that SHGs are sustainable, have replicability, stimulate savings, and in the process help borrowers to come out of vicious Circle of poverty.

As regards micro finance in India, it is a new concept, perhaps influenced by the success of Grameena Bank of Bangladesh. Along with Government of India, NABARD and Rashtreeya Mahila Kosh have been promoting SHGs through non government organizations (NGOs) and banks. Self-Help Group is a small economically homogeneous and affinity group of rural poor, voluntarily formed to save and mutually agreed to contribute to a common fund to be lend to its members as per groups decision. The great merit of SHGs has been their ability to inculcate among members sound habits of their savings and banking. SHGs or micro credit groups have been recognized as useful tools to help poor access financial resources not available to them previously and help them break through the strong hold of exploitative money lenders.

India can boast of having the fastest growing and the most cost effective micro finance concept in the world. Poor families have been able to get banking services from the banking system through a network of over 1.5 rural banking outlets and over 16 lakh SHGs in the country. Till 31st march 2005, 16-18 lakh groups have been linked with formal banking system including 5, 39,385 fresh groups linked during 2004-05. The SHGs bank linkage programme has benefited 242.5 lakh families, covering 1212.50 lakh poor people. During 2004-05, bank loan of Rs.2,994 crore were provided to 10 SHGs taking the cumulative figure up to 31st March 2005 to Rs.6,898 crore with refinance support and Rs.3092 core from NABARD.

Indian Initiatives:

The first effort was taken by NABARD in 1986-87 when it supported and funded an action research project on "Saving and credit management of SHGs" of Mysore Resettlement and development Agency. (MYRDA). Then NABARD launched a pilot project to provide micro credit by linking SHGs with bank in 1991-92. During the project period, some NGOs like Association of Sarva Seva Farms (ASSEFA), peoples Rural Education Movement (PREM) etc, have done excellent work in promotion of SHGs and mobilization of thrift and disbursal of credit. In 1999 RBI had set up a micro credit cell to make it easier to micro credit provides to pursue institutional development process. Although these developments are commendable, a lot more needs to be done. There are still 3-4 million households in rural areas and about 1-5 million poor in urban areas who do not have access to financial services from formal or semi-formal sources.

Significance of Establishing Linkages Of SHGs With Banks:

The linking of the SHGs with banks aims at using the intermediation of the SHGs between the banks and the rural poor for cutting down the transaction costs for both banks and their rural clients. Of late especially since late eighties it is being realized in India that SHGs can establish relationship between the formal financial institutions and the poor for providing credit and other banking facilities. The SHG approach involves formation of informal groups for pooling their savings through regular periodical meetings and then on lending among the members at some self decides rate of interest ranging from 1 to 3 percent per month.

Women led SHG's in many parts of the country have achieved success in bringing the women to the mainstream of decision making. SHG is also a viable organized setup to disburse micro credit to the rural women and encouraging them to enter into entrepreneurial activities.

Micro finance provides credit access to poor with no collateral obligations. It encourages savings and promotes income generating activities. Loans are provided at the market driven rates of interest and peer pressure is used in repayment. Micro finance is carried out through self help groups where poor come together in the range of 10 – 20 by weekly, fortnightly and monthly meetings through their savings and loading. It is hoped that through such interventions uncovered groups are covered with credit and in the process get empowered.

In 1987, NABARD made an attempt to search for alternative mechanism to improve the access of the poor for financial services in a cost effective and sustainable manner. This search led to the development of a delivery mechanism which encompasses financial relationship between informal organizations of the poor like the SHGs and formal organizations like Banks. Later on with the needed back up policy support from the Reserve Bank and the Central Government, the SHG – Bank linkage programme was launched by NABARD as a pilot project in February 1992.

Currently about 1 lakhs SHGs have been linked through various banks under the aegis of NABARD for which it has re-financed Rs.150 crores to the banks. With in this over all objective NABARD and Rashtriya mahila kosha have their won special objectives.

SHG – Bank linkage programme:

With a view to facilitate smother and meaningful banking with the poor, a pilot project for purveying micro credit by linking SHGs with banks was launched by NABARD in 1991-92. RBI had advised commercial banks to actively participate in this linkage program. The scheme has since been extended to RRBs and co-operative banks. As against a target of 50,000 SHGs received micro credit from banks during 1999-2000.

A target of 1.00 lakh SHGs was set for 2000-01 for linkage by banks. The number of SHGs linked to banks aggregated to 1.50 lakhs by the end of 2000-01. This translates into

an estimated 1.9 million very poor families brought within the fold of formal banking services. More than 88% of the groups linked with banks are exclusive women groups while cumulative disbursement of bank loans to these SHGs stood at Rs.193 crores as on march 31, 2000. Commercial banks, RRBs and co-operative banks all now associated with the SHG bank linkage programme.

Since 1970s developing country like India have increasingly focused on micro credit to facilitate the access of poor households to financial services like credit, savings, insurance etc., micro credit, which includes micro savings, is gradually emerging as one of the most effective strategies to alleviate poverty. It can effectively generate employment and sustain the income of the house holds by giving them opportunities of work. Although micro credit Institutions re effective weapons in the war against rural poverty they alone cannot neutralize non physical symptoms of poverty which deprive the poor of a full social existence. Efforts are needed to promote and strengthen micro finance institutions to optimize their war against poverty.

Role played by Banks in credit lent to SHGs in Karnataka: Status in Karnataka

The number of SHGs linked with banks increased from 22,742 in 2003 to 1, 37,000 by March 2007. During the same period, the amount of credit disbursed through SHGs increased from INR 21.8 crores to 144 crores. SHG clusters and SHG federations have also been established in the state.

The banking system also has been directed to play its role in this process. In rural credit disbursement, concerted efforts are made to promote the non-farm activities in rural areas. Self-employment ventures in trading the farm and non farm products and production of consumer goods, food articles, garments are some of the programmes commonly promoted by banks, through the SHGs. These are reasons to believe that given the necessary support and guidance, some of the SHGs have been successful in influencing the employment environment of their members. It may be intangible in some cases, explosive in some others. There is a need for documenting their achievements, for drawing inferences from their experiences.

SHG Bank linkage – Agency-wise cumulative participation in Karnataka up to March 2006.

Sl.No.	Name of the Agency	No. of SHG'S	Bank loan (In Millions) Rs.
01	Commercial Banks	38, 605	1, 006.79
02	Regional Rural Banks	37, 087	1, 094.73
03	Co-operative Banks	28, 174	734. 66
	Total	103, 866	2836. 18

Source: NABARD Report

The above table clearly shows that all the financial institutions have provided maximum bank loan to SHGs. Commercial Banks have provided Rs. 1006.79 million and they have formulated 38,605 SHG in Karnataka up to 2006. Regional Rural Banks have also played a significant role in providing bank loans to SHGs and even Co-operative Banks also participated in promoting SHGs in Karnataka. Savings made by members are pooled and loaned to be another. SHG members determine the terms and conditions.

SHG members consider their ability to raise loans from banks and their ability to negotiate with banks directly as a major indicator of increased levels of confidence and self esteem. This provides some insights into SHG member's ability to access finance from mainstream institutions. Many members say that they have learnt to sign after joining the group. Although this might seem like a minor achievement to most of us, to SHG members, it seems to be a way of gaining, acceptance in the

mainstream and a source of pride. Many members spoke of how they were previously ashamed to conduct bank transactions, as they used thumb impressions in place of signatures. Only after learning to sign they were comfortable about going to a bank. It was after joining the SHG that they had gained the confidence of conducting bank transactions on their own and approaching bank officials for loans.

In the survey area when asked about reasons for joining SHG, members cited as many as nine reasons, to avail credit, developing saving habit, to meet unexpected demand for cash, peer pressure, motivated by NGO officials, Solidarity, exchange of ideas ,experiences, attend adult education classes, and empowerment. Among all the reasons mentioned, to avail credit, to meet unexpected demand for cash, and develop saving habit are the prime factors to join the SHGs. However there are minor variations across various categories of women. Regular meetings, compulsory attendance and savings are the features of these SHGs. The meetings are conducted at the group leader's house either weekly or fort nightly depending on the convenience of the members. There is a penalty for late attendance and absentees.

SHG and Bank Linkage in Hunsur taluk:

Finance being the life blood of every commercial venture, availability of adequate funds at reasonable terms is a must to ensure speedy economic development of a village and empowerment of women. There are a good number of financial institutions that support women to start any new enterprises in Hunsur taluk.They have stressed on the need to include those who are financially excluded .It was very clear that lot of stress was made to improve the financial status of dalit women by providing financial facility to them.Some of the banks which are working in the area under the guidance of RBI are

- Karnataka Bank.
- Canara Bank.
- State Bank of Mysore.
- Mysore and Chamaraja Nagar district Co-Operative Bank.
- Vijaya Bank.
- Cauvery Kalpataru Grameena Bank.

These banks played a key role in advancing loans to the women groups in improving their economic status. About six Banks in Hunsur are advancing loans to more than 239.53lakh people .This indicate the growing economic awareness about rural credit among the groups. This facility enabled the rural women to achieve self sufficiency in economic field. The objective of these Banks is to develop sustainability in the field of economic development by encouraging group activities to generate self employment products. These banks are providing the loan for agricultural purpose, rearing the cows, sheeps and goats, and financial assistance for agarbathi manufacturing, sambar powder preparation and papad making, etc. Thrift and credit system of SHGs is a great revolution in this taluk in bringing socio economic transformation among the uneducated rural women. Internet and computer facilities are already provided to these banks for the quick processing of loans to priority groups.

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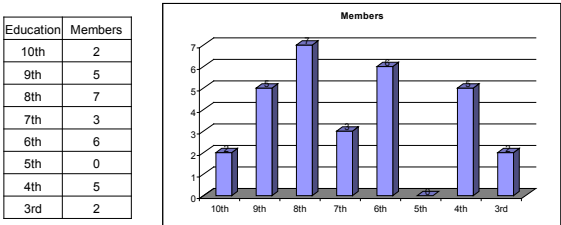
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Depending on the economic status of the group, women saved Rs 75 to Rs 150 / month. Generally, after 5-6 months of operation, savings are used for internal lending. The amount of loan and number of loaners are decided by the members depending on the savings, need, and urgency. Loans are sanctioned at a rate of interest. Women said that they suddenly realized that they have not only access to but control over an amount which they had never dream in their lives that they would ever see. They opened bank account in the name of group to ensure safety of money saved and to access more mainstream credit. These groups are also linked with banks to undertake income-generating activities through which women could achieve economic independence and self-confidence to some extent. Thus women belonging to lowest strata of the society are getting habituated to savings and managing SHGs efficiently. AIDS, dowry, nutrition, legal literacy, sanitation, al-ready involves some of these groups multiple roles of women etc.

The status of women is intimately connected with their economic position, which in turn depends on opportunities for women for participation in economic activities. Though women work more than a man ,most of her work in not recognized in monetary tems. particularly in rural areas. this is one of the reasons along with low level of education which is making her more vulnerable to all sorts of exploitations. Women ability to save and access to credit would give them an economic role not only with in the household but, also, outside the house as well. Investment in economic activities of women would improve employment opportunities for women.

The socio – economic survey of SHGs in this area helped rural women to earn an additional monthly income ranging from Rs 500 to Rs 2500 depending on the income generation activity taken up by them. The rural women have learnt the art of improving their socio – economic status by participating in Government Programmes.

Educational status of beneficiaries



FINANCIAL DETAILS OF SHGS

Sl.No.	YEAR	AGE YEAR	EDN	CASTE	BEFORE JOB	AFTER JOB	SAVZGS	CREDIT IN RS.	ECONOMIC NO ECONOMIC	ECO,SOC POL CHAGES	BEHAVI OCRCL CHANGES
1	2000	29	9 th	VOKKALIGA	AGRI	AGRI/EARTH/WORM/CHM	15800	50000	ECONOMIC	YES	YES
2	1998	45	6 th	DHOBI	HOUSE WIFE	EARTH/BATHI	15000	50000	ECONOMIC	YES	YES
3	2004	34	8 th	VOKKALIGA	HOUSE WIFE	PROVISION STORE ZOREX	18000	50000	ECONOMIC	YES	YES
4	2000	28	6 th	VOKKALIGA	COOLI	COOLI/COW & SHEEP	8500	25000	ECONOMIC	YES	YES
5	2001	38	9 th	S.C	COOLI	PETTY TRADE	7800	25000	ECONOMIC	YES	YES

6	2000	48	4 th	S.C	AGRI	AGRICOW	7200	22000	ECONOMIC	YES	YES
7	2001	46	6 th	MUSLIM	HOUSE	PAPAD SAMBAR POWDER	10800	50000	ECONOMIC	YES	YES
8	2000	46	8 th	VOKKALIGA	HOUSE	AGRI	18000	25000	ECONOMIC	YES	YES
9	2001	32	9 th	NAYAK	HOUSE	RETAIL SHOP	158000	50000	ECONOMIC	YES	YES
10	2001	38	9 th	VOKKALIGA	AGRI	AGRI	18500	25000	ECONOMIC	YES	YES
11	2001	42	8 th	MUSLIM	AGRI	AGRI	17578	25000	ECONOMIC	YES	YES
12	2004	29	8 th	EDIGA	HOUSE	HOUSE WIFE	15000	23000	NON ECONOMIC	YES	YES
13	2004	28	4 th	MADIVALA	HOUSE	LANDRY	8400	3000	ECONOMIC	YES	YES
14	2002	25	10 th	NAYAKA	HOUSE	WHOSE WIFE	8000	3000	NON ECONOMIC	YES	YES
15	2002	34	4 th	EDIGA	HOUSE	RETAIL SHOP	18000	4850	ECONOMIC	YES	YES
16	2002	35	4 th	VOKKALIGA	AGRI	AGRI	4271	10000	ECONOMIC	YES	YES
17	2002	38	6 th	VOKKALIGA	AGRI	AGRI & COW	3712	9600	ECONOMIC	YES	YES
18	2002	52	6 th	VOKKALIGA	AGRI	SHEEP & COW	4216	13000	ECONOMIC	YES	YES
19	2002	36	7 th	VOKKALIGA	AGRI	COW	3822	10000	ECONOMIC	YES	YES
20	1999	50	3 rd	MADIVALA	HOUSE	LANDRY	11425	15500	ECONOMIC	YES	YES
21	2000	40	9 th	VOKKALIGA	AGRI	AGRI	15156	25000	ECONOMIC	YES	YES
22	1999	38	8 th	VOKKALIGA	AGRI	AGRI&COW	18120	28500	ECONOMIC	YES	YES
23	2000	46	3 rd	VOKKALIGA	AGRI	SHEEP & COW	14941	25000	ECONOMIC	YES	YES
24	2000	40	8 th	VOKKALIGA	AGRI	SHEEP & GOAT	12207	24000	ECONOMIC	YES	YES
25	1999	38	4 th	S.C	COLLI	COW	10464	15000	ECONOMIC	YES	YES
26	1999	49	7 th	S.C	COLLI	COW	7042	9500	ECONOMIC	YES	YES
27	1999	43	7 th	S.C	AGRI	COW & SHEEP	15498	18000	ECONOMIC	YES	YES
28	2000	39	10 th	VOKKALIGA	ABRI	PAPAD PREPARE	10800	50000	ECONOMIC	YES	YES
29	2000	45	8 th	NAYAKA	AGRI	PAPAD PREPARE	8320	50000	ECONOMIC	YES	YES
30	2000	38	8 th	NAYAKA	AGRI	PAPAD PREPARE	7900	25000	ECONOMIC	YES	YES
							348272	501250		YES	YES

It has been proved in the study that there is a link between education and the number of beneficiaries who have taken the help of SHGs. In the study area most of the beneficiaries are having primary and secondary education. As per the data most of the beneficiaries are able to understand the significance of SHGs in improving their financial status.

In order to address the issues of financial inclusion, the Government of India constituted a "Committee on Financial Inclusion" under the Chairmanship of Dr. C. Rangarajan. The Committee submitted its final report to Hon'ble Union Finance Minister on 04 January 2008.

The major recommendations of the Committee include :

- (i) Launching of a National Rural Financial Inclusion Plan (NRFIP) in mission mode with a clear target to provide access to comprehensive financial services, including credit, to at least 50% (say 55.77 million) of the financially excluded rural cultivator/non-cultivator households, by 2012 through rural/semi-urban branches of Commercial Banks and Regional Rural Banks. The remaining households have to be covered by 2015. For the purpose, a National Mission on Financial Inclusion (NaMFI) is proposed to be constituted comprising representatives from all stakeholders to aim at achieving universal financial inclusion within a specific time frame.
- (ii) Constitution of two funds with NABARD – the Financial Inclusion Promotion & Development Fund(FIPF) and the Financial Inclusion Technology Fund(FITF) with an initial corpus of Rs. 500 crore each to be contributed by GOI / RBI / NABARD. The FIPF will focus on interventions like, "Farmers' Service Centers", "Promoting Rural Entrepreneurship", "Self-Help Groups and their Federations", "Developing Human Resources of Banks", "Promotion of Resource Centers" and "Capacity Building of Business Facilitators and Correspondents", while the FITF will focus on funding

of low-cost technology solutions.(This recommendation has already been accepted by GoI.)

- (iii) Deepening the outreach of microfinance programme through financing of SHG/JLGs and setting up of a risk mitigation mechanism for lending to small marginal farmers/share croppers/tenant farmers through JLGs
- (iv) Use of PACSs as Business Facilitators and Correspondents
- (v) Micro finance – Non Banking Finance Companies (MF-NBFCs) could be permitted to provide thrift, credit, micro-insurance, remittances and other financial services up to a specified amount to the poor in rural, semi-urban and urban areas. Such MF-NBFCs may also be recognized as Business Correspondents of banks for providing only savings and remittance services and also act as micro insurance agents.
- (vi) Opening of specialized microfinance branches / cells in potential urban centers for exclusively catering to microfinance and SHG - bank linkages requirements of the urban poor. An enabling provision is made in the NABARD Act, 1981 permitting NABARD to provide micro finance services to the urban poor.

To achieve 100 per cent financial inclusion, financial literacy among the women should be high. Micro finance is emerging as a powerful instrument for poverty alleviation in the current economy. In the case study area micro finance scene is dominated by SHG – bank linkage programme as a cost effective mechanism for providing financial services to the unreached dalit poor which has been successful not only in meeting financial needs of the rural dalit women but also strengthen collective self – help capacities of the poor, leading to their empowerment. Rapid progress in SHG formation has now turned into an empowerment movement among women across the study area. If dalit woman is financially literate it is very easy for their financial inclusion through Government programmes .

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