

Impact of SHG-Bank Linkage Programme in Nalbari District

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ABSTRACT : India is a country of about 125 crore of population. As reported by World Bank in 2010, 37.2% of the total population in India are living below the international poverty line, i.e. 37.2 % Indians earn below/or 1.25\$ a day. The numbers of Indian population earning 2 US\$ is as much as 68.7%. According to a World Bank study, *The State of the Poor: Where are the Poor and Where are the Poorest?*, India is inhabitant for one third of the world's poor. Half of the population are not covered by formal banking sector. In such a situation, SHG-Bank Linkage Programme bears enormous potentialities to offer some alternative way to the economically backward section of the society. In this paper an attempt has been made to study the impact of SHG-Bank Linkage Programme on the SHG members.

Keywords: Credit, Economic impact, Self Help Group, SHG-Bank Linkage Programme, Savings.

I. INTRODUCTION

Absence of formal employment and collateral security makes the poor people non-bankable and resource mobilization for these poor has always remained as a stringent job. The situation was so acute that poor people were force to borrow from local moneylenders at a very high rate of interest. To combat this problem many innovative institutional mechanisms have been developed across the world to enhance credit to poor even in the absence of formal mortgage. Microfinance has been an accepted idea for more than two decades as a pathway to emerge out of poverty. It acts as a special vehicle that mobilizes resources for the poor at large. Studies across the world have recognized microfinance as an effective tool of poverty reduction and economic development. Adams and Fitchett (1992), Daley-Harris (2002), Mayoux (2003), Christen et al (2004), Prahalad (2005), Khandelwal (2007), Roy (2011) and many others have highlighted on the role and significant contribution of microfinance in alleviating poverty particularly in underdeveloped and developing countries.

In India, microfinance took its root around 27 years ago with the Self Help Group- Bank Linkage Programme (SHG-BLP) started by the NABARD in the year 1989 as an action research project. In February 1992 NABARD launch the SHG-Bank Linkage Programme to evolve a supplementary credit delivery channel for meeting the credit needs of the rural poor. Since then it has successfully developed and operationalised the concept of linking SHGs with the banks. As on 31 March, 2015, total 76.97 Lakh SHG were linked with the banks (NABARD). The total loan outstanding to SHGs stood at 51,545 crore as on 31.03.2015. All categories of banks, viz. public sector banks, private sector banks, regional rural banks and co-operative banks participate in the programme.

1.1 Objective and methodologies

Present study is empirical one. During the study an attempt has been made to examine the impact of SHG-Bank Linkage Programme in Nalbari district of Assam. For the purpose of study 100 SHGs who get bank credit in the district are selected randomly. Data collected through field survey are tabulated and analysed.

Both primary and secondary data is used in the study. Primary data is collected through schedule. Secondary data are collected from various reports published by NABARD, journals and books.

1.2 SHG-Bank Linkage Programme

A Self Help Group is a voluntary informal organization formed usually by the rural poor to save their small savings and to develop banking habit i.e. depositing, lending and borrowing of money. The members of the group are economically homogenous group of resource poor people who voluntarily agree to contribute to a common fund to be lent to its members for their emergent productive and consumption needs as per decision of the group. These small groups are encouraged to meet frequently and collect small thrift amounts from their members and are taught simple accounting methods to enable them to maintain their accounts. Although individually these poor could never have enough savings to open a bank account, the pooled savings enable them to open a bank account in the name of the group. This is the first step in establishing links with the formal banking system. Groups then, meet often and use the pooled thrift to impart small loans to members for meeting their small emergent needs. This saves them from usurious debt traps and thus begins their empowerment through group dynamics, decision-making, and funds management. Through the SHG-bank linkage program the

RBI and NABARD have tried to promote relationship banking, i.e., improving the existing relationship between the poor and bankers with the social intermediation of NGOs. The prime purpose of such group is to make all the members self reliant and self sufficient by pulling their small savings. SHG may be organized either by reputed voluntary organization, NGOs, government Departments, banks or at the initiative of socially committed people of the locality. They are called self help promoting institution or entity (SHPI/SHPE)

According to kropp and Suran “SHG-Banking is a programme that helps to promote financial transactions between the formal rural banking system in India comprising of public and private sector commercial banks, regional rural banks and cooperative banks with the informal Self Help Groups as clients. SHGs are financial intermediaries owned by the poor. They usually start by making voluntary thrift on a regular-mostly fortnightly or monthly basis. They use this pooled resource together with the external bank loan to provide interest bearing loans to their members. Such loan provides additional liquidity or purchasing power for use in any of the borrower’s production, investment, or consumption activity.”

II. IMPACT ASSESSMENT

2.1 Regularity of savings

Savings play a very important role in economic development of an individual and the nation as a whole. Saving is important because of its direct relation with investment. Savings give confidence to a person but, a person’s ability to save depends on his income. Self-Help Group Bank Linkage Programme give importance on mobilizing small savings among the members and the philosophy of the programme is saving first credit next¹. The basic emphasis of the programme is to inculcate the habit of savings among the members and make them eligible for credit absorption. It is found during the study that all sample SHG members grow the habit of savings and they save regularly. This creates a sense of security among the members and makes them self-reliant to a great extent.

2.2 Utilization of Bank credit

Utilization of bank credit by the sample SHG members is presented in table-1. The study shows that only 14% of the sample SHG members use the loan money for the principal activity for which the SHGs were formed. Most SHG members (79%) used loan money for productive purposes but other than principal activity of the SHG. When enquired, the members reveal that though the credit availed from bank is not used for principal activities, these funds are used for productive activities like goat rearing, poultry, petty trading etc depending upon the ability and prospects. During the field study it is also found that some SHG members give their loan money to their guardians for use in productive purposes. Only 7 % of SHG members reported use of credit for household expenditure. It can be observed from the data that more than 90% sample SHG members are using loan money for productive purposes which give them employment and helps in generating some additional income

Table: 1 Utilization of credit by sample SHG members

Purpose	% of SHG members
For the principal activity of the SHG	14
For other productive purposes	79
Use for household expenditure	7
Total	100
Sample size 100	

Source: Field survey

2.3 Economic impact of credit

Various studies and research findings show that the SBLP has brought various socio-economic benefits to the SHG members. In the present study respondents are requested to give response in regard to employment generation, increase in income, increase in savings, increase in expenditure, increase in asset holding etc. to know their economic status. The findings of the survey are shown in the table-2. There has been increase in employment generation, 72% members reveals that the SBLP give employment to them, 87% members reveals that there is an increase in the income in post-SHG period, 92% members reported that their savings increase after joining SHG, 87% members agree that they can now spent more on essential items. 92% members believed that their credit absorption capacity i.e. the ability to borrow has increased in post SHG period, 69% members reported increase in asset holding in post SHG-period and 41% members reported increase in educational

¹ V. Puhazhendi and K. C. Badatya, SHG-Bank Linkage Programme for Rural Poor - An Impact Assessment, Paper presented at the Seminar on SHG-bank Linkage Programme at New Delhi on 25th and 26th November 2002

expenditure of their children. Thus it can be concluded from the findings that the SBLP has a positive impact on the economic conditions of the SHG members. Small loan received from the bank through SHGs helps SHG members in getting employment, increase savings and income.

Table: 2 Table showing Economic impact of credit on SHG members

Impact	% of SHG members
Increase in employment	72
Increase in income	87
Increase in savings	92
Increase in expenditure	87
Increase in credit absorption capacity	92
Increase in asset holding	69
Increase in expenditure on education of children	41
Sample size 100	

Source: Field Survey

2.4 Pattern of change in monthly income

Data relating to monthly income of sample SHG members in pre-SHG and post –SHG period are shown in the table-3. Table reveals that 59% SHG members were not having any income in pre-SHG period as against only 9% SHG-members in post-SHG period. In post-SHG period these 59% members who were basically housewife, were not engaged in any economic activity. Most of the SHG members reported no income because they are housewives and they were not involved with any kind of income generating activities. After joining SHGs they come forward and participate in some income generating activities like weaving, poultry firming, goat rearing etc. Now they are adding to the income of the family. Before joining SHGs they were dependent on others. After engaging in these activities they are helping their guardian in increasing family income.

Table reveals that 25% of sample SHG members were earning Rs.100 to Rs.500 per month in pre-SHG period as against 19 % in the post-SHG period. Thus, 9% of the sample SHG members have been able to raise their income level. 45% members were earning Rs.501 to Rs.1000 per month in post-SHG period as against only 14% in pre-SHG period. There were only 2% SHG members who reported earnings of Rs.1001 to Rs.2000 per month in pre-SHG period which has increased to 22% in post-SHG period. There were no members earning more than Rs.2000 per month in pre-SHG period but in post SHG situation 5 % members reported earnings of Rs.2001 to Rs.3000 per month. It is observed from the data in the table that only 9 % SHG members reported no income in post-SHG period. This is due to the fact that some members give the loan money to their guardian. It can also be observed from the table that most of the members (45%) were earning in the range of Rs.501 to Rs.1000 per month in post-SHG period. With these analyses it can be concluded that the SBLP has a positive impact on the income of the SHG members in post SHG period. Persons who were earlier not engaged with any activity now started income generating activity, Thus the SBLP is effective in generating income generating activities and thereby contributing to the GDP of the country. An increase in income also leads to reduction in poverty.

Table: 3 Table showing change in monthly income

Monthly income	Pre-SHG	Post-SHG
	% of SHG members	% of SHG members
No income	59	9
Rs. 100 to Rs. 500	25	19
Rs. 501 to Rs. 1000	14	45
Rs. 1001 to Rs.2000	2	22
Rs. 2001 to Rs. 3000	0	5
	100	100

Source: Field survey

2.5 Pattern of change in monthly savings

Self-Help Group Bank Linkage programme gives equal importance on promoting saving habit among the group members. It provides the opportunity to save small amount of money to its members. The group members are first required to save regularly and after saving for a few months the process of internal lending starts among the members from the accumulated fund. By this time, SHGs also acquire eligibility for a bank loan. According to NABARD data in the year 2013-14 74.30 lakhs SHGs had open savings bank account and mobilized Rs. 9897.42 crore. Data relating to monthly savings of sample SHG members of the study area in pre-SHG and post –SHG period are shown in the table-4. Data in the table reveals, 60% of the respondents reported that there was

no savings in pre-SHG period. But, in post-SHG period only 9% of the respondents could not save. Only 19% were saving Rs.40 to Rs.50 per month in the pre-SHG period, but in post-SHG period increase to 15%. 27% members reported savings in the range of Rs. 51 to Rs. 100 in post-SHG situation as against 10% in pre-SHG situation. 23% members reported savings in the range of Rs. 101 to Rs. 200 in post-SHG situation as against 8% in pre-SHG situation. 6% SHG members reported that they save Rs. 201 to Rs. 300 per month in post-SHG period as against 5% members in pre-SHG period. In the pre-SHG period no members reported savings in between Rs. 301 to Rs. 400 and Above Rs. 400 but the in post SHG situation 6% members could save between Rs. 301 to Rs. 400 and 2% members save Above Rs. 400.

Table: 4 Table showing change in monthly savings

Monthly savings	Pre-SHG	Post-SHG
	% of SHG members	% of SHG members
No savings	60	9
Rs. 40 to Rs. 50	19	25
Rs. 51 to Rs. 100	10	27
Rs. 101 to Rs.200	6	23
Rs. 201 to Rs. 300	5	8
Rs. 301 to Rs. 400	--	6
Above Rs. 400	--	2
Total	100	100

Source: Field survey

2.6 Impact of SBLP on dwelling

A house to live is basic requirement for human being. One's financial condition determines one's housing pattern. Since SHG members are economically weak their housing condition is not very good. Pre- SHG and post-SHG housing pattern of sample SHG members in the study area are given in table-5. Data in the table reveals that most of the sample SHG members live in kutcha (muddy) houses. 76% members reported living in kutcha houses in pre SHG period which has come down to 69% in post-SHG period. Only 9% members reported having a pucca house in pre-SHG period as against 10% in post SHG period. Remaining 15% reported living in semi- pucca houses in pre-SHG period as against 21% in post-SHG period. From the analysis of data it can be observed that there is no much impact of SBLP in housing pattern of the SHG members.

Table: 5 Table showing change in dwelling

Dwelling	Pre-SHG	Post-SHG
	% of SHG members	% of SHG members
Kutcha	76	69
Pucca	9	10
Semi Pucca	15	21
Total	100	100

Source: Field survey

2.7 Impact of SBLP on sanitation of sample SHG member

Sanitation facility is essential for good health. According to 2011 census data, in India 63.6% of its total population has no access to good toilet facility. In Assam 35.4% population of the state has no access to such facility. In Nalbari district 31.5% of total population of the district has no sanitation facility². During the study it is found that 16% of sample SHG members were not having sanitation facility in pre-SHG period which is reduced to 5% in post SHG period. Again, percentage of sample SHG members having kutcha toilet has increased from 80% in pre SHG period to 84% in post SHG period. Percentage of sample SHG members having pucca toilet has increased from 4% in pre SHG period to 11% in post SHG period. The change is due to increase in awareness and increase in income level of the SHG members after joining SHGs.

Table: 6 Table showing change in sanitation

Sanitation	Pre-SHG	Post-SHG
	% of SHG members	% of SHG members
Kutcha	80	84
Pucca	4	11
No sanitation facility	16	5
Total	100	100

² 2011 census data

Source: Field survey

2.8 Impact of SBLP on asset holding of sample SHG members

Table-7 shows the asset holding position of sample SHG members. From the data in the table it can be observed that in the post-SHG period percentage of SHG members having livestock increase to 83% from 37% in the pre-SHG period. Percentage of SHG member having television in pre-SHG period was 10% which increased to 25% in post-SHG period. Only 3% members reported having cooking gas in pre-SHG period which has increased up to 18% in post-SHG period. 36% SHG members were having mobile phone in pre-SHG period which has increased to 70% in post-SHG period. In pre SHG period 80% SHG members having a bicycle which has increase to 96% in post SHG period. In pre-SHG period 78% members were having radio which has decrease to 76% in post-SHG period.

Table: 7 Table showing change in other asset holding

Asset	Pre-SHG	Post-SHG
	% of SHG members	% of SHG members
Live stock	37	83
Television	10	25
Cooking Gas	18	3
Mobile Phone	36	70
Bicycle	80	96
Radio	78	76

Source: Field survey

III. PROBLEMS FACED BY SHG MEMBERS

Though SHG movement brings changes to the life of SHG members, yet, they face various problems. 41% SHG members agree that the rate of interest charged by the banks is high for them. A very high percentage (76%) of SHG members are of the opinion that the loan provided by banks are inadequate for investment in high profit generating activity. 29% members face problems to get the loan sanctioned by the banks. In the initial stage due to lack of banking habits the SHG members found difficulties to acquaint themselves with banking procedures. 44% SHG members reported having no training from government or banks. 32% SHG members reported lack of market for their products as there is no proper channel of marketing of their products. A few (3% numbers) members reported having internal conflict and only 11% reported having problems in repayment of loan. But, any way they have repaid their loan.

Table: 8 Table showing Problems faced by SHG members

Nature of problem	Yes	No
High rate of interest	41	59
Inadequate bank loan	76	24
Problem to get the loan sanctioned	29	71
Lack of training	44	56
Lack of market for the product	32	68
Conflict among the group members	3	97
Problem in repayment of loan	11	89

Source: Field survey

IV. SOCIAL IMPACT OF SBLP ON SHG MEMBERS

The SHG-Bank Linkage Programme has some impact on the social empowerment of sample SHG members. Data in the table- 9 shows the change in social impact of SBLP on SHG members. It is observed from the data in the table that in post-SHG period 81 % members reported Participation on decision making in family compared to 27% in pre SHG period. In pre-SHG period only 10% reported participation in social decision making which increase to 77% in post SHG period. In pre-SHG period only 19% members were aware of education, health and governments development policies which increase to 72% in post-SHG period. Before joining SHG only 10% members could interact with government and bank officials but after joining SHG 81% SHG members reported interaction with government and bank officials. This indicates increase in confidence level among members. Before joining SHG only 10% members were going to banks and other government offices but after joining SHG all members reported visiting banks and other government offices.

Table: 9 Table showing Social and behavioural impact of SBLP on SHG members

Impact	Pre-SHG	Post-SHG
	% of total SHG members	% of total SHG members
Participation on decision making in family	27	81
Participation in social (group) decision making	10	77
Awareness regarding education, health and govt. policies	19	72
Interaction with govt./ bank officials	10	81
Visit to banks and other offices	11	100
Sample size 100		

Source: Field survey

V. CONCLUSION

It is observed from the above discussion, that the SHG-Bank Linkage Programme is playing a catalytic role in terms of enabling people to define their own development priorities. In last two decades SHG-Bank Linkage Programme is playing a pivotal role in Indian economy. The concentration of SHG-Bank Linkage Programme is multi dimensional including employment generation, poverty alleviation, improve in asset holding position, social empowerment etc. From the present study it is clearly understood that the SHG-Bank Linkage Programme helps in promoting saving habit and increase credit absorption capacity of the SHG members in Nalbari district. So, we can conclude that SHG-Bank Linkage Programme is contributing towards the economic development and social upliftment of economically weaker section of the society.

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