

## IMPORTANCE OF THE SHGs UNDER LINKAGE PROGRAMME IN BIDAR DISTRICT OF KARNATAKA

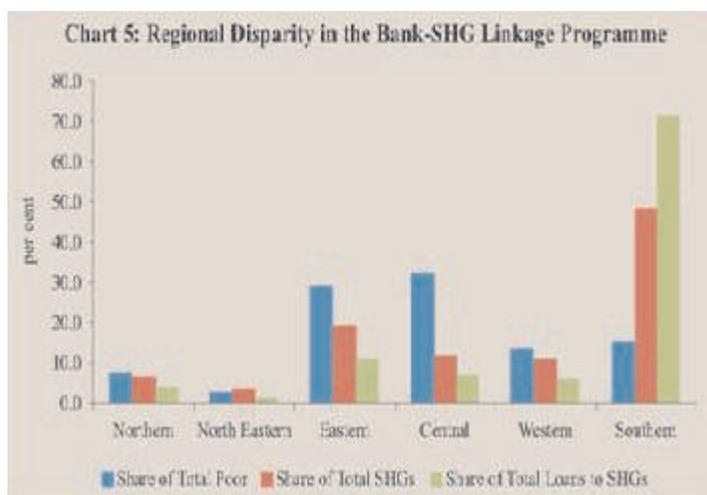


Dr. Sharnappa S. Malgond

Asst. Professor & Coordinator , Dept. of Post-Graduation Studies in Commerce ,  
Govt. First Grade College, Bidar (Karnataka)

### ABSTRACT

The term, SHG is used to describe the group of people in different context. It may have different definitions in other countries. But under the linkage programme in the Indian context a SHG can be defined as a Homogeneous affinity group of rural poor voluntarily formed to save small amount out of their emergent credit needs and revolving their resources among the members, both for consumption and small production, at such rate of interest, period of loans and other terms, which the group may decide. Such groups may be informed or registered and should not have membership of more than 20 if they were to be unregistered".



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**KEYWORDS :** linkage programme , characteristic features , intrinsic strengths.

### INTRODUCTION :

The characteristic features of such SHGs are 'transparency in operation' intimate knowledge of each other's intrinsic strengths, needs and problems have a common fund. Have simple and respective rules SHG route is one of the effective methods of delivery of credit to the un-reached poor. The focus is just not on SHG but poverty and its eradication through credit. "Collective decision making" market driven rates of interests and as decided by the group "security free loans terms decided by the group" external interference kept in the least" conflict solving through collective leadership and mutual discussions.

Thus, the SHGs functions on the principles of five "p" are as follows:

1. Propagator of voluntarism
2. Practitioner of mutual help
3. Provider of time emergency loans
4. Promoter of thrift and savings and
5. Purveyor of credit.

On an analysis of emerging model (as on 31st march 1997), it is observed that the model where

NGO acting.

Under the linkage model programme, broadly three models have emerged, are:

Model 1. NABARD-BANK-SHG (with NGO acting as facilitator)

Model 2. NABARD-BANK-SHG (with NGO acting as facilitator and financial Intermediary)

Model 3. NABARD-BANK-SHG (without the facilitation of NGO)

As a facilitator continued to be the most popular one 42% of such SHG linked with banks followed by the model where the NGO playing important role of financial intermediary (40%).

#### OBJECTIVES OF THE STUDY:

1. To analysis and appraise the effectiveness of linkage of SHGs with Banks in India, especially in Bidar district of Karnataka state.
2. To understand the role, significance and appraisal of SHGs in Bidar district.

#### SCOPE OF THE STUDY:

The present study focuses on the Linkage of SHGs, in India, especially in Bidar of Karnataka functions, significant contributions of SHGs towards the rural development, performance, economic conditions of existing SHGs and problems faced by them especially in Bidar District. The present study becomes important as Bidar District is one of the most backward Districts of Karnataka State.

#### Sources of data collection

The data were collected from primary as well as secondary sources. Secondary data has been gathered about the SHGs Linkage with the Banks from different sources including information published in newspapers. NGOs and Banks and cooperative societies etc., In Bidar district.

#### Physical progress of SHGs

The commutative total number of groups linked as on 30th September 1997 was 9,620, during the year 1996-97 as many as 3,841 groups were linked with banks. In all 29 commercial banks, 80 RRB's and 11 cooperative banks have participated in 18 states and 2 union territories. The year wise progress is given below. The percentage of exclusive women groups is 76%.

Table No: 1  
Physical progress of SHGs

Year	No of groups linked during the year	Percentage increase over the previous year
1992-93	255	---
1993-94	365	143
1994-95	1502	312
1995-96	2635	175
1996-97	3841	146
1997-98	1022	-----
Total	9620	

Source: Y. C. Nanda, National Bank News review, Vol.15. No. 3, July-sept-1999,-pp 1-3.

#### Region-wise progress of SHGs

An analysis of region wise progress of the SHG linkage programme during the last two years

gives the following picture.

Table No: 2  
Region-wise progress of SHGs (as on 31st March 1997)

Region	% share in linkage	
	1996	1997
Southern	69.14	63.12
Eastern	12.78	13.48
Central	10.09	12.35
Northern	4.06	3.90
Western	4.36	6.70
North-eastern	0.57	0.45
Total	100.00	100.00

Source: Y. C. Nanda". National Bank news review, Vol. 15, No. 3, July-sept-1999, p.1-3.

Despite a drop by the southern region has been domination in the linkage programme. There is a steady increase in the progress of the programme in other region as well. However, the above analysis reflects the need for adopting different strategies and approaches in different region in India. While strategy for the southern region will be one of the consolidation and depending on the programme and development of new SHGs federation coming up, it will be the expansion of the SHGs programme by identifying and supporting new NGOs in other region, especially in the eastern, western and northern regions.

#### LINKAGE BANKING AND MICRO-FINANCE IN INDIA

Linkage Banking in India<sup>2</sup> is in fact, mainly the story of the evolution, structure, processes, progress and trend, constraints, strategies and perspective of the project of linkage informal self help groups with formal Banking system launched by NABARD in February, 1992. 'Micro finance' refers to the financial services for the poor and small Borrowers in the rural areas and resources poor region for their economic independence and emancipation linkage Banking in India has emerged as a successful model. This has the potential and promise of being a sustainable, successful, cost effective and transparent means of providing micro finance to the un-reached and disadvantaged rural poor.

Linkage Banking developed on the background of long history of elaborate and extensive rural credit structure in place and embarrassment of poverty alleviation programme implemented over the years. The fallacies of certain aberrations as also inherent strength, philosophy and practices of SHG system came to the surface in the backdrop of studies experience National and International.

In the context of above NABARD after extensive consultations with all concerned agencies launched the pilot project was based on certain basic promises and included accent savings, democratic and transparent functioning and self-management by SHGs. NGO as facilitator and support mechanism for SHGs linkage envisages certain understandable advantages to both SHGs and Banks. The distinct models for linkage have emerged in different parts of the country.

The project has made encouraging progress as much as 4,757 SHGs has been linked with 28 commercial Banks, 60 RRBs and 7 co-operative Banks coverage 16 states and one union territory and involving 127 NGOs as on 31st March 1996. Number of women groups constituted 73.5% of the total.

The impact studies conducted by NABARD and special studies conducted by some external agencies have brought to the fore several positive features conferring the assumptions and expectations under the project.

The Broad operational strategies adopted by NABARD for improving the rapidity and quality of the linkage consist of creating conducive policy environment conflict with tagged approach providing assistance to NGOs for their greater and effective involvement accent on the field studies monitoring consultation and coordination encouragement to innovation with SHG Linkage system etc. Efforts are being made to overcome the operational constraints.

The RBI has extended policy support for intensification of linkage programme recently fresh policy instruments have been issued to Banks based on the recommendations of working group, constituted under the chairmanship of the managing Director NABARD the RBI's decision to include SHG lending as a separate segment in the priority sector its addition in the reporting and monitoring under the service area approach and advice to the Banks to treat it as a business opportunity. Part of corporate strategy and to internalize the concept in the training curricula may facilitate acceleration of the pace of the programmer.

International agencies, particularly the SDC, APRACA and GTZ have contributed considerably to the enrichment and enlargement of the programme. The growing international attention on the linkage in India has brought in a sense of urgency, confidence, and quality consciousness among all the partners.

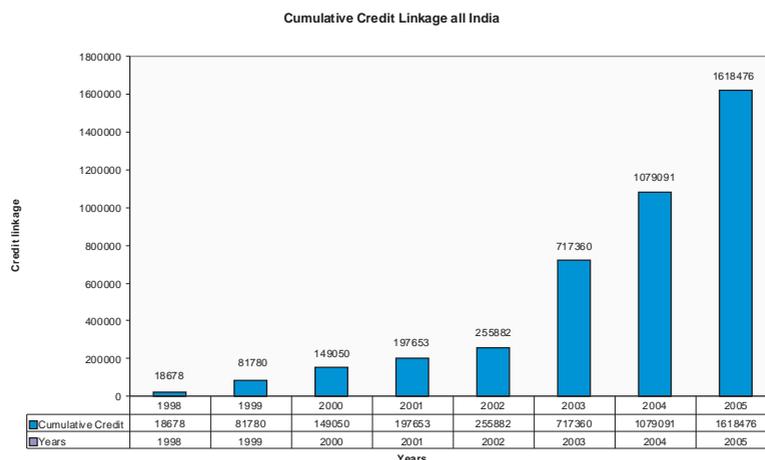
Liberalization with human face has been the motto of the Indian reform process in the context of the financial sector reforms the banks have been called upon to improve their financial performance and profitability without losing their developmental perspectives linkage would give them opportunity to fulfill the objectives commercial viability and service to the un-reached poor.

The NGOs have been the effective and committed partners in the developmental process, particularly in the social welfare activities, it as a SHPI could play greater role in formation fostering linkage and stabilization of SHGs in the years ahead for qualitative expansion of the linkage programme.

Considerable efforts have been done by all the partners to bring the project in India from its pilot phase to the consolidation phase. However, considering the size and diversities of the country and magnitude of poverty, massive efforts are required to make a significant dent in this regard.

Further, as eradication of poverty is a common concern, international/regional co – operation in terms of resources, experience and information is required for furtherance of the linkage banking and adaptation of successful micro-finance mechanisms/systems/schemes; sustained efforts and a collaborative approach may facilitate us to move forward towards our goal.

STATUS OF SHG PROGRAMME



Source: SHG-Bank linkage programme Karnataka, NABARD Karnataka Regional Office Bangalore 2004-05, pp-4.

The SHG-Bank linkage programme (SHG-BLP), within a short span of over one decade has proved beyond doubt that the poor are bankable. Micro finance – provision of financial product and services to the rural poor – has helped in improving their standard of living and rural empowerment, especially rural women, in addition to the economic development, the impact of SHG-BLP has been evident in other areas like health and sanitation, education, knowledge, information dissemination, etc.

Over 16 lakh SHGs have been linked with various financial institutions all over the country as at the end of 31st March 2005 and availing financial services from them. The role played by NGOs, Banks, farmers’ clubs and the Government agencies in this programme of empowering the rural poor, particularly women, has been noteworthy and they have demonstrated their commitment to the programme. The programme, which is acknowledged as the world’s largest micro-Finance programme, is getting new momentum and poised to reach new heights.

Having recognized the need for and progress achieved in promotion and credit linkage of SHGs

Status of SHG-BLP- All India

The initiatives of NABARD by involving a large network of partners have blossomed into the fastest growing and the most cost effective micro finance concept in the world. NABARD has fulfilled its commitment to provide banking a network of over 1.5 lakh rural banking outlets and over 16 lakh SHGs.

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 SHG-bank linkage programme has benefited 242.5 lakh families, covering 1212.50 lakh poor people. During 2004-05, banks loans to the tune of Rs. 2,994 crores were provided to SHGs, taking the cumulative figure up to 31st March 2005 to Rs. 6,898 crores with refinance support of Rs. 3,092 crores from NABARD. The status of SHG-Bank linkage programme during 2004-05 and the cumulative position as on 31st March 2005 is given below:

Table No. 3  
Status of SHG-Bank linkage programme (2004-05)

Particulars	Cumulative 31.03.04	During 2004-05	Cumulative3 31.03.05
No. of groups credit linked	10,79,091	5,39,385	16,18,476
Bank loan(Rs.Crore)	3,904	2,994	6,898
Refinance(Rs.Crore)	2,123	969	3,092
Average loan per SHG (Rs)	36,178	55,507	42,620
Families covered (in lakh)	661.864	80.636	242.500
No. of poor people assisted (in lakh)	809.32	403.18	1212.500

Source: SHG-Bank linkage programme Karnataka, NABARD Karnataka Regional Office Bangalore 2004-05, pp-4.

### SHG-Bank Linkage Programme (BLP) in Karnataka

Karnataka were the first seeds of SHG-Bank linkage programme were sown and germinated, has been showcasing its experience. The state has continuously ranked among the top three states in the country in terms of credit linkage. The programme has crossed several milestones in the state since its launch and many models evolved in the state since its launch and many models evolved in the state are adopted by others.

The NGOs Bankers and the women and child development department (WCDD), government of Karnataka have been actively involved in promotion of SHGs in the state. During 2004-05, all the agencies together promoted 48,389 SHGs (NGOs-20,219, Regional rural Banks-10913 and cooperative Banks-17,257).

The cumulative SHGs promoted by all the agencies as on 31st March 2005 together were 2,36,866, of which 1,00,000 SHGs (42%) have been promoted by the state Government and the remaining SHGs (58%) have been promoted by NGOs, Banks and farmer's clubs. Over a period of time, two thirds of the RRBs and cooperative Banks in the state have developed the skill in promoting SHGs on their own and assumed the mettle of self help promoting institutions (SHPIs).

The agency wise details of SHGs promoted are given in the following table:

Table No. 4  
Details of SHGs promoted by agency wise

S.No.	Name of the Agency	No. of SHGs promoted
1	WCDD, GOK	1,00,000
2	NGOs	94,332
3	Banks/farmers' clubs	42,534
	Total	2,36,866

Source: SHG-Bank linkage programme Karnataka, NABARD Karnataka Regional Office Bangalore 2004-05, pp-6.

Karnataka continued to contribute a significant number of SHGs to the all India figure, both in terms of promotion and credit linkage. The credit linkage by various agencies has reached an impressive number of 1.6 lakh SHGs by 31st March 2005. The state has also provided repeat finance to 12,403 groups during 2004-05.

The status of SHG-Bank linkage programme in Karnataka during 2004-05 and the cumulative position as on 31st March 2005 is given below:

Table No. 5  
The status of Bank linkage programme In Karnataka

particulars	Cumulative 31.03.04	During 2004-05	Cumulative 31.03.05
No. of SHGs promoted	1,88,477	48,389	2,36,866
No. of groups credit linked	1,03,866	59,332	1,63,198
No. of groups refinance linked	61,447	33,188	94,635
Bank loan (Rs crore)	285.21	266.53	551.74
Refinance (Rs crore)	154.84	99.51	254.35
Families covered* (in lakh)	15.58	8.9	24.48
No. of poor people assisted* (in lakh)	77.90	44.5	122.4

\*estimated. Source: SHG-Bank linkage programme Karnataka, NABARD Karnataka Regional Office Bangalore 2004-05, pp-7.

#### Model wise status of credit linkage in Karnataka

Table No. 6  
Status of credit linkage in Karnataka (as on 31st March 2005)

Model	Description	No. of SHGs credit linked
1	SHGs formed and financed by Banks	91,814
2	SHGs formed by NGOs and formal agencies, but directly financed by Banks	45,490
3	SHGs financed by Banks using NGOs and other agencies as financial intermediaries	25,894
TOTAL		1,63,198

Source: SHG-Bank linkage programme Karnataka, NABARD Karnataka Regional Office Bangalore 2004-05, pp-8.

The progress of SHG-Bank linkage programme in Karnataka for the period from 1992-93 to 2004-05 is given in following table:

Table No. 7  
SHG-Bank linkage in Karnataka

Year (Financial)	No. of SHGs credit linked	Bank loan (Rs lakh)	Refinance (Rs lakh)
1992-93	114	5.73	5.73
1993-94	51	5.51	5.51
1994-95	481	77.71	70.71
1995-96	1,046	145.08	145.08
1996-97	760	159.12	159.12
1997-98	1,138	232.19	228.10
1998-99	2,002	429.86	422.28
1999-00	5,018	1054.81	649.00
2000-01	8,009	1714.00	1404.00
2001-02	18,413	3475.39	2229.00
2002-03	25,146	7249.50	4073.55
2003-04	41,688	13972.39	6090.98
2004-05	59,332	26653.00	9951.00
Cumulative as on 31 <sup>st</sup> March 2005	1,63,198	55174.29	25434.06

Source: SHG-Bank linkage programme Karnataka, NABARD Karnataka Regional Office Bangalore 2004-05, pp-31.

#### Salient features of SHG-Bank linkage programme in Karnataka

Table No. 8  
Salient features of SHG-Bank linkage programme

S.No.	particulars	As on 31 <sup>st</sup> March 2005
1	No. of SHGs promoted	236,866
2	No. of SHGs availing bank loan (Fresh groups)	163,198
3	Amount of bank loan availed (Rs crore)	551.74
	No. of SHGs financed by sanghamithra rural finances services, Mysore (an mFI)	6,273
	Amount of credit by mFI (Rs lakh)	3128.89
4	No. of families covered under the programme (lakh)	35.53
5	No. of families availing bank loan through the programme (lakh)	24.48
6	% of women covered under the programme	90
7	Average loan per SHGs (Rs)	33,808
8	Average loan per family (Rs)	2,254
9	NO. of groups linked through NABARD Refinance	94,635
10	Amount of NABARD Refinance	254.34
11	No. of participating Banks (Based on SB A/c maintained)	59
	CBs	25
	RRBs	13
	CCBs	21
12	No. of Bank branches participating (including PACS)	4,510
13	No. of district covered (total-27)	27
14	No. of NGOs participating in the programme directly/indirectly	597

Source: SHG-Bank linkage programme Karnataka, NABARD Karnataka Regional Office Bangalore 2004-05, pp-33.

Table No. 9

District-wise cumulative physical and financial progress- Karnataka as on 31st March 2005

Sl. No.	Name of the district	SHGs credit linked	Bank loan ( Rs lakh)
1	BAGALKOT	2076	546.784
2	BANGALORE ®	5234	2951.929
3	BANGALORE (U)	1317	1036.808
4	BELGAUM	6053	2201.385
5	BELLARY	8864	2387.329
6	BIDAR	8732	2748.958
7	BIJAPUR	2896	974.295
8	CHAMARAJANAGAR	4076	1561.591
9	CHIKAMANGALORE	2289	809.861
10	CHITRADURGA	8331	2502.204
11	DAKSHIN KANNADA	21346	6104.101
12	DAVANAGERE	3410	1366.302
13	DHARWAD	3095	951.022
14	GADAG	1701	473.989
15	GULBARGA	7491	2058.271
16	HASSAN	11445	3475.860
17	HAVERI	2635	897.391
18	KODAGU	1999	697.642
19	KOLAR	7123	2188.467
20	KOPPAL	2539	594.669
21	MANDYA	6790	1888.171
22	MYSORE	12510	4762.827
23	RAICHUR	3447	879.481
24	SHIMOGA	5585	3047.562
25	TUMKUR	10613	3807.431
26	UDUPI	8324	3090.183
27	UTTARA KANNADA	3277	1170.315
TOTAL		1,63,198	55174.828

Source: SHG-Bank linkage programme Karnataka, NABARD Karnataka Regional Office Bangalore 2004-05, pp-32.

## 1. Findings and Suggestions & Conclusion

### Major Findings

This chapter summarizes the major findings emerging from the studies and also indicates the policy issues which need to reconsider at appropriate levels for formulating action programme of SHGs. The following are some important findings which emerged during the field study relating to "the Importance of the SHGs under linkage programme".

1. The banks, Non-Governmental organizations are playing vital role in motivating, organizing, promoting and assisting the Self-help groups. The NGOs and District Central Co-operative Bank (DCCB) are actively involved in promoting and linking with banks by providing proper guidance.

2. In Bidar district, NGOs, PACCS & Banks formed over 8321 SHGs as on 31st March 2004 in their operational areas. The rural poor comprise women and children members of various caste and ethnic

groups with varying interest and needs while working for rural development. Social status should be taken into consideration and the problems need potential interests and skills should be highlighted. Thus, it is necessary to empower the rural poor and bring them into the main stream of national life.

3. The study, the economic conditions of Self-help groups with special reference to Bidar District, has revealed many positive aspects regarding contribution of SHGs to the rural development. The concept of Self-help group is to be seen as an important milestone in achieving the ultimate objective of economic empowerment of women as a weapon for poverty alleviation.

4. One of the important findings of the study is that the Self-Help group activities have been helping poor women in economic and social development. Many agencies like Banks, voluntary organizations, NGOs, Local Bodies, etc., are engaged in organizing & linking Self-Help groups with Banks & NGOs in their own way.

#### SUGGESTIONS:

1. The rural poor have trust in blind beliefs. In order to alleviate these, the empowerment of rural poor women for mobilization of the existing resources and increasing the capacity of women self-development becomes necessary.

2. The SHG linkage process, formation and function of SHGs is to be made still more systematically. Gram Panchayat and NGOs can take their role in the linkage, formation and promotion of Self-Help groups by heartfelt participation. The Bidar district is the model for implementing the concept of SHG-linkage.

3. Public relation department, media etc., are required to prepare and distribute publicity materials highlighting the significance and advantages of SHG- Bank linkage Programme in rural areas.

4. Financial Institutions, like banks, co-operative societies, etc., are required to make a lot of contribution for the promotion and growth of SHGs at the block level.

5. Proper training shall be given to members of SHGs with respect to the formation and smooth functioning and sustainability. Women empowerment requires a careful implementation. Therefore, expertness is required while promoting SHGs, as a result, the group leaders or animators, NGOs, banks, etc., should possess such expertness.

6. Bidar DCC Bank, Non-Governmental Organizations, Government, and Vikas Vahini Volunteers (VVV), etc., are involved in building up SHG movement for linking with financial institutions.

7. The SHG movement focuses on poverty alleviation and facilitating the unprivileged at the root level. This philosophy is highly internationalized by the PACS & NGO people. Now the second movement that focuses on "Profitability of SHG business" should start.

#### CONCLUSION

As the concept of SHGs is based on "Live comfortably, let others to live comfortably", the group model has been recognized as a potential pathway to alleviating poverty with linking of SHG-Bank. In fact, the number of poor women and men who are enrolling in SHGs all over Bidar district has been increasing remarkably which depicts the positive response. They are not only active in avoiding waste and effective credit management but are also taking up other activities, such as natural resource management and development work, improving literacy, knowledge management, etc.

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