

Minor Research Project

On

“An Impact Assessment of Self Help Group (SHG)-Bank Linkage Programme for Rural Poor of Amravati District ”.

By

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CONCLUSION AND SUMMARY OF FINDINGS

The subject of this research study is “An Impact Assessment of Self Help Group (SHG)-Bank Linkage Programme for Rural Poor of Amravati District ”. An in-depth look at Self Help Group their linkage with Bank as an effective tool to provide the easy credit to poor who otherwise elude the benefits of the financial inclusion.

Specifically through this study of the SHGs from Amravati districts from Maharashtra gives a picture of SHGs as only one piece of a larger puzzle. Independent SHGs supported by NGOs or SGSY, Federations, Volunteers, MFIs or any other government agency are one part of a much larger effort in Maharashtra to provide the poor with access to financial services. During this study we have observed change in economic strength and status change of the poor before and after joining in SHG. There was a significant change in their exposure towards society, education and purpose of empowerment. These analyses are based on qualitative data drawn from individual and group interviews conducted during September 2013 – January 2014.

Factor: The following factors were analysed to assess the impact.

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|----------------------------------|--------------------------|-------------------------|
| 1. Age of the SGH | 2. Repayment | 3. No.of Members in SHG |
| 4. Gender | 5. No.of Childred | 6. Years in SHG |
| 7. Promoted by NGO,, SHPI, Banks | 8. Age of the Individual | |

Though SHG linked credit increased about fourfold during last three years, it did not translate into higher incomes for members and higher asset creation in the name of members. While the inter-divisional and inter-social categories declined in SHG linked loans, such variation increased significantly in asset creation.

Impact of SHG-Bank Linkage Programme: Micro financing i.e. provisioning of small financial services and products to poor people is contributing to the process of development by creating conditions that are conducive to human development. It has a strong gender orientation. About 90% SHGs that are linked to banks are reported to be of women as mentioned earlier. Through these groups, women empowerment is taking place. Their participation in economic activities and decision making at household and at society level is increasing. It is making the process of development participatory, democratic, independent of subsidy and sustainable. Therefore, microfinance through SHGs is contributing to poverty reduction in a sustainable manner. Studies have shown overall positive impact of SHG bank linkage programme on the socio-economic conditions of rural poor. It is reported that significant changes in the living standards of SHG members have taken place in terms of increase in income level,

assets, savings, borrowing capacity and income generating activities. There are signs of empowerment taking place among women members 32 of SHGs.

CONSTRAINTS IN SHG LENDING: Like any other poverty alleviation programs, SHG financing is also suffering from certain constraints in implementation. Therefore, appropriate attention need to be focused, on the following operational issues, confronting these SHGs, both institutional and non-institutional, in the initial stages of implementation itself.

A) Institutional Issues:

1. Institutional mission: Commercial banks during last two decades aimed at target oriented approach to attain the statutory stipulations of Reserve bank of India and Govt. of India for alleviation of poverty⁵⁶. Hence, institutional mission is required for banking with the poor i.e., by linking, financing and capacity building of SHGs rather than targeted approach of financing through government sponsored self employment programs.

2. Organizational structure: Due to reforms in banking industry and restructuring of banks, commercial banks are to integrate MF within a larger bank culture and structure to gear towards high volume, small loan size business.

3. Human resources: The financial methodologies to reach poor and retain low-income clients who require small amounts of capital are need to be understood by most mid-level bank managers and not to consider as second class activity. Further, micro finance and SHG operations are labor intensive and require special training.

4. Meeting the costs: The banks are required to compete in open markets and cover operating-costs, risks and opportunity costs of capital in view of interest rate ceilings for small loans, targeted credit schemes.

5. Monitoring: Collaboration among banks, NGOs, government agencies should be effective and efficient, because the role of Government Agencies is waning away and there are inherent failures in the mechanism to direct, monitor and lead the groups towards common goal.

6. Collateral: Insistence of collateral securities for loans by banks and insistence of minimum balance for opening of Savings Bank Account are to be resolved in linking of SHGs.

7. Small and marginal farmers: As a consequence of directed or supervised credit programs and the declining volume of agricultural credit there is a 'shift'. This 'shift' may be explained as a changing scenario from 'farm credit' to 'micro finance' and from 'public sector banks' to promotion of 'non-governmental finance institutions'. And this 'shift' should not lead to negligence of the specific financial demand and requirements of small farmers for farm credit.

B) Non Institutional Issues:

1. SHGs rating norms are not followed. Groups are to be rated as per the laid down procedures and efforts are required to rectify their weak areas. Haste can lead to wrong selection of activities of beneficiaries

2. Large number of heterogeneous women groups with regard to age and literacy. On the other hand, increasing number of caste based homogenous groups need to be discouraged.

3. Linking of revolving fund assistance – there is no uniformity of revolving fund assistance among groups by the sponsoring agency.

4. The peer pressure that is lacking in majority of the groups is to be ensured by discouraging equal sharing of both savings through internal lending among group members. The internal lending and bank finance should be for few members only either for consumption (for small amount) or for capacity building. The credit limits are to be assessed based on credit absorption by the group and proposed activity should be linked to the skills of the group members.

5. Due to illiteracy among group members they have to depend on writing the accounts by the literate person of the village, this is resulting in incomplete updating and factual projection of group activities. Counseling sessions or training on procedures to be followed on savings, internal lending, capacity building and record maintenance is conspicuously lacking in most of the groups. Such activity is to be made mandatory at the linking stage.

Summary of finding:

The investigation of the implications of scaling up process on the poverty alleviation mission through SHG Bank Linkage Program. First, the study established the presence of significant scaling up process at the SHG organization. Then, the study used a multi-dimensional framework to explore the implications of this scaling up process on its poverty alleviation mission. The extent of scaling up is determined in four main domains (coverage, activities, strategy and organizational sustainability) and the implications on poverty alleviation mission in three domains (depth of outreach, quality of outreach and scope of outreach), as suggested by the literature.