



Impact of SHG-Bank Linkage Programme on Savings Mobilization, Credit Dispensation and Economic and Non-Economic Conditions of SHG Members - A Study in Nagaon District of Assam

Dr Kalpendra Das

Assistant Professor, Nagaon GNDG Commerce College

kalpendradas@gmail.com

ABSTRACT:

Microfinance is emerging as a powerful instrument for the economic upliftment of the most deprived section of the society. Microfinance is an effective tool of poverty alleviation, building confidence and empowering women socially, economically and politically. To provide formal banking services to the poor people by linking SHG with the bank, the SHG-Bank Linkage Programme was launched by NABARD in 1992. The Programme follows group approach and through formation of groups, it brings the poor people above the poverty line. The objective of this paper is to study the impact of SHG-Bank Linkage Programme on saving mobilization, credit dispensation and economic and non-economic conditions of the SHG members in Nagaon District of Assam. The study found that, after joining the groups, SHG members learned to save money and used credit for productive purposes. The study observed that the Programme has a positive impact on the economic and non-economic conditions of the SHG members. The Programme enables the women members to take part in the household matters. After joining the groups member's self confidence and ability to talk with the strangers had been improved. The study revealed that microfinance had enabled the SHG members to find a regular source of income, increase their income, increase their savings and accumulate assets. The study concluded that, for the success of the SHG-Bank Linkage Programme, active participation of target groups is extensively required.

Keywords: microfinance, SHG, member, programme, saving, loan, repayment.

Introduction:

Today, microfinance is emerging as an effective tool for promoting faster growth and alleviating poverty. It is a useful instrument in fighting against poverty. Micro-finance through Self Help Group (SHG) is more effective to overcome exploitation, build up confidence and to empower women socially, economically and politically. Under microfinance programme, a small loan is extended to the poor, so that they can undertake economic activities for income generation and improve living conditions. Many researchers have observed that microfinance can improve the socio-economic condition of the poor, if they are provided collateral free loans and other financial services at their doorsteps and guided accordingly.

SHG-Bank Linkage Programme:

SHG-Bank Linkage Programme was launched by NABARD in 1992 as a pilot project. The main objective of the programme is to provide support to organize the poor in to SHG, enables them to manage their own funds, improve their saving habits, link them with the banks and negotiate bank credit on commercial terms. The programme encourages poor people to save a small amount on a regular basis and gives them access to the formal credit. As soon as group attains the maturity required to handle the larger resources, the bank extends credit. Today, SHG-Bank Linkage Programme is emerging as the largest microfinance programme in the world. As of March 2022, it touches 14.2 crore households across India through more than 119 lakh SHGs. During the period, the total amount of deposits was Rs.47, 240.48 crore. The total amount of loans disbursed during the period was Rs.99, 729.23 crore and loans outstanding total over Rs.1, 51,051 crore. (*Status of microfinance in India, 2021-22*)

Review of Literatures:

Puhazhendi and Satyasi (2000) studied the impact of microfinance on the living conditions of the rural people. The study revealed that the SHG-Bank Linkage Programme had a positive impact on the living conditions of the SHGs members as the assets creation, saving mobilization, income generation etc of the members had been increased after joining the groups. Moreover, SHGs had improved their empowerment and self-confidence.

MYRADA (2002) considered three aspects such as economic resources, participation in decision making and general welfare of the family to determine the empowerment of SHG members. The study observed that members of older groups were more conscious about family health as compared to younger

groups. The financial position of members of older groups had been improved. It enabled the members to make decision and build up confidence. They were technically more skilled and financially more secured.

APMAS (2003) observed that the repayment performance was high among the SHGs who had utilized bank loans in stated purposes. The study revealed that the linkage programme had increased the income level of SHG members. Their confidence level, decision taking ability, self confidence and leadership capacity had been improved due to intervention of the SHG -Bank Linkage Programme.

Swain (2007) compared SHG members with the non-members to find out the impact of SHG-Bank Linkage Programme on poverty, vulnerability and social development. The study revealed that self confidence of members and their ability to meet financial crisis had improved after joining the SHG. The study found that SHG had improved the awareness of the members relating to family planning and health, children's education, buying and selling of properties etc.

NCAER (2008) observed that the level of income, assets accumulation, employment generation expenditure on consumption and other household matters of the SHG members had been increased significantly after joining the groups. The study concluded that the self -confidence, financial condition, communication skills, decision making capacity etc. of the SHG members had been improved during the post SHG period.

APMAS (2009) stated that SHG had improved saving habits, increased income, decreased family debts and increased in easy access to formal credit. The study observed that the leadership quality of women and their interaction ability with Govt. officials had been improved after joining the groups.

Mehta, S.K, Mishra, H.G and Shing, A (2011) stated that the impact of the microfinance programme was significant and positive in changing the socio-economic conditions of the SHG members. The Programme had improved the communication skills and confidence level of SHG members.

Objective of the Study:

The objective of this paper is to study the impact of SHG-Bank Linkage Programme on savings mobilization, credit dispensation and economic and non-economic conditions of the SHG members in Nagaon District of Assam.

Methodology:

Area of Study: The study cover only Nagaon district of Assam.

Sampling technique: The study is based on primary data. The primary data are collected from the respondent through a well designed schedule. The multistage random sampling method has been used for collection of data from the respondent SHG members. In the first stage, 360 SHGs have been selected randomly from the entire Nagaon District. In the second stage, the data from at least two members from each SHG have been collected to find out the impact of the Programme.

Analysis of data: To analyze the data, statistical tools such as classification and tabulation of data have been extensively used.

Level of Savings of SHGs:

The main aspect of the SHG-Bank Linkage Programme is to mobilize small savings and promote savings habit among the low income people. The basic principle of SHG-Bank Linkage Programme is *savings first and credit later* (**banking with SHGs, a hand book for branch level bankers, NABARD**). SHG mobilizes small savings from the members particularly on a monthly basis and creates a fund. Later, this fund is used for the common benefits of the members. Generally, every member is required to deposit a fixed amount with the SHG regularly, particularly on the day of the group meeting. The level of savings of SHGs in the study area has been presented in the following table.

Table-1

Level of Savings of SHGs

Sl No.	Level of savings	No. of SHGs	% of SHGs
1	Rs.5-Rs.30	237	65.8
2	Rs.31-Rs.50	93	25.8
3	Rs.51-Rs.100	25	6.9
4	Rs.101-Rs.150	5	1.4
Total		360	100.0

Source: Field Survey .

Table 1 shows that out of 360 SHGs, the level of savings for 65.8 per cent ranged from Rs.5 to Rs.30 per month, while for the 25.8 per cent, savings ranged from Rs.31 to Rs.50 per month. Similarly, the level of savings in 6.9 per cent of SHGs was Rs.51 to Rs.100 per month and in 1.4 per cent it was Rs. 101 to Rs.150 per month. The study reveals that most of the SHGs had fixed a small amount of savings for members. Since the borrowing capacity

of members depends on the amount of savings deposited in the groups; the small amount of savings had restricted the member's ability to obtain a larger amount of loans from their respective groups.

Level of Credit Received by SHG Members:

The prime objective of the group formation is access to credit from the formal institutions. For every person, it is not possible to obtain credit from the bank personally, as they are incapable to offer suitable security to the bank. But, it can be possible through the groups. The bank generally extends credit to the SHGs for lending to the members. Members obtain loans from their groups on personal security. The level of credit received by members depends on the level of savings. The following table shows the level of credit received by the SHG members in the study area.

Table- 2

Level of Credit Received by SHG Members

Sl No.	Level of credit	No. of SHG members	% of SHG members
1	Up to Rs.1000	212	34.6
2	Rs. 1001-Rs.2000	115	18.8
3	Rs. 2001-Rs.3000	59	9.6
4	Rs. 3001-Rs.4000	14	2.3
5	Rs. 4001-Rs.5000	59	9.6
6	Rs. 5001 and above	153	25.0
	Total	612	100

Source: *Field Survey*

Table-2 shows the amount of credit received by 612 SHG members. Out of which, 34.6 per cent had received credit up to Rs.1000. Similarly, 18.8 per cent had received credit ranging from Rs.1001 to Rs. 2000, 9.6 per cent had received credit between Rs.2001 to Rs. 3000, 2.3 per cent had received credit between Rs. 3001 to Rs. 4000, 9.6 per cent had received credit between Rs.4001 to Rs.5000 and 25.0 per cent had received credit of Rs 5001 and above. The study reveals that the amount of credit received by most of the SHG members was not satisfactory as their level of savings was small.

Utilization of Credit by SHG Members:

SHG members obtain loans from their groups for various purposes. Besides, making investment in selected activities for income generation, they also obtain loans to meet some urgent household needs such as, consumption, child education, family health, social obligations etc. The utilization of credit by the SHG members has been shown in the following table.

Table-3

Utilization of credit by SHG members

Sl. No.	Utilization of credit	No. of SHG members	% of SHG members
1	Utilization in selected activity	326	53.3
2	Utilization in household activity	117	19.1
3	Utilization in both the activities	169	27.6
	Total	612	100

Source: *Field Survey*

Table-3 reveals that a large number of SHG members had utilized their credit in selected activities. Out of 612 SHG members, 53.3 per cent had utilized credit in selected activities, while 19.1 per cent had utilized for household activities and 27.6 per cent had utilized for both selected and household activities. In the study, it was found that a large number of SHG members had utilized credit in selected activities. It is a good sign, as the members had sought to improve their economic condition by utilizing credit in income generating activities.

Repayment Performance of SHG Members:

Regular repayment of loans to the groups is considered an important activity for the members. SHG-Bank Linkage Programme emphasizes timely repayment of loans. If the loan repayment performance is more than 90 per cent, then it is considered very good, between 70 and 90 per cent is considered good and less than 70 per cent is considered unsatisfactory (**banking with SHGs, a hand book for branch level bankers, NABARD**). Generally, members repay the loan amount as per the decision of groups. If any member refuses or fails to repay the loans on time, after adjusting his savings with the borrowing amounts, the group may charge penalty or take vital decision to terminate his or her membership. Repayment of loans by the members

within the prescribe time enable them to get another dose of credit. Moreover, regular repayment of loans increases the viability of the groups. It also enables the groups to obtain bigger amount of loans from the banks. The repayment performance of the SHG members has been presented in the following table.

Table 4

Repayment Performance of SHG Members

SI No.	Repayment percentage	No. of SHG members	% of SHG members
1	More than 90 per cent	381	62.3
2	70-90per cent	173	28.3
3	Less than 70 per cent	58	9.4
	Total	612	100

Source: *Field Survey*

Table-4 shows that the repayment performance of the SHG members was satisfactory. Out of 612 SHG members, the repayment performance of 62.3 per cent of members was more than 90 per cent, while that of 28.3 per cent of SHG members was 70 per cent to 90 per cent and that of 9.4 per cent of members was less than 70 per cent. The study observed that the SHG members in the study area were aware in respect of repayment of loans.

Changes in Economic Conditions of SHG Members:

In this study, the view of the SHG members on certain economic indicators, such as regular source of income, increase in income, increase in savings and accumulation of assets were sought to assess the impact of the Programme on their economic conditions. Clearly, the groups of SHG members shown against these indicators are not mutually exclusive. The significance of micro-finance on these economic indicators has been presented in the following table.

Table-5

Changes in Economic Conditions of the SHG Members

Economic indicators	No. of SHG members	% of SHG members
Regular source of income	388	63.3
Increase in income	202	33.0
Increase in savings	305	49.8
Accumulation of asset	524	85.6

Source: *Field Survey*

Table-5 reveals that the economic conditions of the SHG members had improved significantly after joining the SHGs. As per the study, 63.3 per cent of the SHG members stated that microfinance had enabled them to find a regular source of income; while 33.0 per cent revealed that microfinance had increased their income. Similarly, 49.8 per cent of the SHG members revealed that their amount of savings had been increased after joining the SHGs. It was estimated that 85.6 per cent of the SHG members had been able to increase their assets during the post-SHG period. It was observed from the finding of the study that the micro-finance has a positive impact on the economic conditions of the SHG members and had opened the way through which members were able to earn a regular income, increase their income, increase their savings and accumulate assets.

Changes in Non-Economic Conditions of SHG Members:

It is evident from the earlier studies conducted by different researchers on microfinance that the impact of microfinance on the non-economic conditions of the SHG members is positive and significant. Group approach and involvement in income generating activity had increased the participation of SHG members in household matters and other social matters such as children education, health, nutrition etc. Moreover, involvement in group activities had increased their self confidence and ability to talk with strangers. After joining the SHGs, members, particularly, women were able to participate in public affairs such as attending in village or panchayat meetings, approaching government or bank officers for better services, gathering against alcohol consumption, involvement in politics etc. The following table shows how micro-finance has brought about changes in the non-economic conditions of the SHG members in the study area in terms of certain non-economic indicators, viz, participation in household matters, increased self confidence and ability to talk with strangers, increased awareness in education and health and participation in public affairs. The groups of SHG members shown against the non-economic indicators are not mutually exclusive. This has presented through the following non-economic indicators.

Table-6**Changes in Non-economic conditions of the SHG Members**

Non economic Indicators	No. of SHG members	% of SHG members
Participation in household matters	349	57.0
Increased self confidence and ability to talk with strangers	293	47.9
Increased awareness in education and health	241	39.4
Participation in public affairs	184	30.1

Source: *Field Survey*

Table-6 states to what extent micro finance has changed the non-economic conditions of the SHG members in the study area. 57.0 per cent of the SHG members reported that their participation in household matters had been increased during the post-SHG period. While, 47.9 per cent felt that their self confidence and ability to talk with strangers had been increased after joining the SHGs. 39.4 per cent believed that micro finance had increased their awareness in education and health matters. On the other hand, 30.1 per cent of SHG members stated that their participation in public affairs such as attending panchayat or village meetings, being involved in politics, approaching officers for rendering better services etc. had been increased after joining in the group. It was observed from the study that the SHG-Bank Linkage Programme, through microfinance intervention, had significantly changed the economic and non-economic conditions of the SHG members. The women who hesitated and were reluctant to take part in the household matters or whose importance was being ignored by the family had greatly benefited after joining the SHGs. The regular source of income and experience that were acquired from the group approach had a significantly positive influenced on the behavior of the SHG members in the study area.

Conclusion:

The participation of SHG members and the performance of an SHG can be traced by assessing the various aspects that are related to the savings mobilization and credit dispensation of the SHG members. An SHG involves itself in these two activities and thereby it promotes savings habit among the members and gives them access to formal credit. It is found in the study that the level of savings had restricted the members in respect of obtaining a larger amount of credit from the groups, and that has also limited the extent of bank's credit, because savings is the basis of credit. However, it is noticeable that a reasonable number of SHG members had obtained credit and utilized it in selective activities. It is a good sign, as they sought to improve their economic conditions by utilizing credit in income generating activities. Regular repayment of loans by the borrowers enables the lenders to recycle their funds. The borrowers, whether they are SHGs or individuals, should try to repay their loans on time and clear the way for availing another dose of credit. This practice will definitely increase the sustainability of the groups, and it will improve the relationship among the banks, SHG and their members. The SHG-Bank Linkage Programme has a positive impact on the economic and non-economic conditions of the SHG members in the study area. The women who hesitated and were reluctant to take part in household matters and whose importance was being ignored by the family had greatly benefited after joining the SHGs. The Programme has built up self confidence of the women members and enables them to talk freely with the strangers. After joining the groups, the awareness of women members regarding education and health matters has been improved. The participation of women members in village or panchayat meetings, approaching government or bank officers for better services, involvement in politics and gathering against alcohol consumption, had been increased due to the intervention of the SHG Bank Linkage Programme. Microfinance has enabled the SHG members to find a regular source of income, increase their income, increase their savings and accumulate assets. Thus, it can be concluded that the performance of the SHGs in the study area is satisfactory and the members have satisfactorily participated in the drive towards savings mobilization and credit dispensation.

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