

A STUDY ON THE STATUS OF SHG- BANK LINKAGE PROGRAMME IN JAGANNATH PRASAD BLOCK OF GANJAM DISTRICT IN ODISHA

Dr. Jyoti Prakash Mohanty*
Dasarathi Tripathy**

ABSTRACT

Microfinance has developed as dignified substitute for informal credit and acts as a powerful tool for poverty alleviation. Microfinance offers loans, deposit and insurance to poorest strata of society and low income households. At present, self help group Bank Linkage programme model and the Micro Finance Institution model for delivery of Microfinance in India is working on large scale as compare to other models. Self help group Bank Linkage programme model is recognized as largest Micro finance programme all over the world in term of coverage. This paper attempts to focus on status of Micro Credit through SHGs in Jagannath Prasad Block of Ganjam District in Odisha.

KEYWORDS: *Microfinance, Informal Credit, Poverty Alleviation, Self Help Group, Micro Credit.*

Introduction

Microfinance is financial services for under-privileged section of the society who do not have an access to formal banking system to build assets, diversify livelihood options, increase income and reduce their vulnerability to economic stress. Microfinance offers board Range of financial services as loan, saving and insurance to poor people through different microfinance Institutions as well as formal Banking system. Government programme like National Rural Livelihoods Mission (NRLM) also provide social intermediation services such as training and education, organizational support, health, sanitation and skills in line with their development objectives.

In Odisha the state Government started Mission Shakti Programme since 2001 for empowerment of women. Under this programme SHG –Bank linkage programme is a major Financial Inclusion initiative, aiming at ensuring access to institutional credit by women Self Help Groups. For SHG-Bank linkage programme the state government announced the interest subvention for Women SHG with effective from 1st April 2013, making the effective rate of interest as 2% for loan up to 3 lakhs. From 1st April 2015 the state Government reduced another 1% and effective rate of interest is 1%. In the mean time the state Government has approved to provide interest free loan i.e at 0% per annum for women SHG Bank linkage loan up to 3 lakhs from 1st April 2019. The main objective of the Mission Shakti Loan for WSHGs reduce the interest burden and enable the women to invest more capital in livelihoods activities resulting for improvement quality of life. This also help them to access the formal credit from bank at affordable cost. This interest subvention inculcates prompt repayment culture among WSHGs availing credit from bank.

The Government has played a prominent role of working as a Self Help Group Promoting Institution (SHPI) by organizing, nurturing and enabling credit linkage of SHGs with banks through community based organization like cluster level forum (CLF) and Gram Panchyat Level Forum (GPLF) under National Rural livelihoods Mission. This savings led microfinance model has now become the largest coordinated financial inclusion programme in the world covering almost 100 million households in the country. Under this programme 100% of the groups being exclusively women groups, the programme have provided the much needed push to empowerment of women in the country.

* Dy. CEO, ORMAS, Ganjam, Odisha, India.

** Project Officer, B'MASS, Jagannath Prasad Block, Ganjam, Odisha, India.

Methodology

The present paper is based on both primary and secondary sources of data. Secondary data were collected from Mahila Sanchayika Sangha (B'MASS) the Block level SHG federation, Official of Odisha Livelihoods Mission and Officials of Mission Shakti , Bank Branches in Jagannath Prasad monthly progress report, Annual reports, and other publications like research articles published in journal available. The total sample covered In Jagannath Prasad Block is 300 households among 35 SHGs linked under SHG Bank linkage programme.

Status of SHG Bank Linkage programme in Jagannath Prasad Block

Promotion and development of SHGs as part of micro-finance program for the socio-economic betterment of rural women in Jagannath Prasad Block of Ganjam district is started in the year 1999 with support of District Administration of Ganjam . In Jagannath Prasad Block there are 24 Gram Panchyats (Now 25 G.Ps) with major are economic backward (SC/ST) population. The District Administration set up Block Level SHG federation called Block Mahila Sanchyika Sangha to promote SHGs . there are 1230 SHGs promoted by the Federation till march 2015. During 17-18 & 18-19 Mission Shakti also form another 1023 SHGs . There no NGO promoted SHGs in this Block as the Federation closely work with the women last 20 years. Now this activity carries out by the Odisha Livelihood Mission and Mission Shakti. There are 04 national, 06 Regional Rural Bank and 01 Central cooperative Bank operate in the block. The SHGs bank linkage programme has not progressed in Jagannath Prasad Bloc as Block is under intensive Block of Odisha Livelihood Mission in the year 2019-20. Before the SHG were avail loan from Bank through B'MASS (Bank – NGO-SHG model).

As per Odisha Livelihoods Mission, Jagannth Prasad Block as on 31st March 2019, the progress under SHG bank linkage programme is as below:

S.No.	Name of Bank	2016-17		2017-18		2018-19	
		No. of SHG	Amount in Lakhs	No. of SHG	Amount in Lakhs	No. of SHG	Amount in Lakhs
1	Indian Bank, J.N. Prasad	20	16.72	25	28.30	79	110.00
2	S.B.I, J.N.Prasad	4	6.50	3	5.75	1	1.00
3	U.G.B, J.N.prasad	16	25.70	-	-	1	3.00
4	U.G.B, Panchabhuti	6	8.00	5	7.40	2	3.2
5	U.G.B, Tarasingi	20	22.00	27	30.10	8	8.8
6	U.G.B, Kadua	1	00.50	-	-	-	-
7	U.G.B, Pratapur	13	13.75	6	7.20	8	8.2
8	U.B.I B.D.Pur	3	3.00	8	10.00	21	23.60
9	S.B.I Chhamunda	1	2.00	2	4.20	15	45.00
Total		84	98.17	76	92.95	135	202.8

Impact of SHGs and SHG Banking

• Savings of Members

The SHG Bank Linkage programme distinctly differs from other micro Finance programmes across the world mainly in terms of its greater emphasis on savings. The basic philosophy of saving first and credit next is assumed to be one of the strengths of the programme. The programme rests on the premise that members will develop the habit of thrift so that during post-SHG phase they can avail of loan. This, besides increasing their self-reliance in meeting the credit needs of the group members will also help in efficient deployment of credit among the members as their own money is at stake. The existing savings and lending products mainly from institutional sources were not adaptable to the rural poor. Keeping this in view, the programme has shifted the entire responsibility of innovating the saving and lending products to SHGs with a broader framework suggested in its guidelines.

In the pre-SHG situation about 42 per cent of the sample members were not saving anything because of poor Condition. About 22 per cent were having savings in the range of Rs.100-Rs.500 followed by 12 per cent of members in the range of savings up to Rs.100 . Only 5 percent members have save Rs. 500- Rs.1000. The intervention of SHG has resulted in a shift in the saving amount to higher slabs, i.e., 5 % to 35 % in the range of Rs.500-1,000 and 30% in the range of Rs.1,000-2,000. The mean savings of Rs.2000 and above increased from in case of 5 % members.

- **Personal Bank Account**

In the pre SHG situation only 26 % of members have saving Bank account in her name. After the SHG –Bank linkage programme all the members have Saving Bank account and have the financial services. The financial inclusion and access of banking services happen due to the SHG & SHG Bank linkage programme.

- **Access of Loan from Formal Institution**

Easy access of credit mainly from institutional sources is one of the major objectives of the programme and thus it aims at strengthening credit widening (expanding the clientele base) and credit deepening (enhancing quantum of loan per borrower). The results showed that the SHG-Bank Linkage programme has contributed both in credit widening as well as credit deepening. The average loan received by the members Rs. 11800/-. The incremental availing loan an increasing trend along with an increase in the age and repeat of loan from Bank . Therefore, the programme had a significant impact on borrowing patterns the borrowing pattern got totally changed and about 92 per cent of the loan was received from SHGs. In the process, there is significant reduction in the dependency of moneylenders. The utilization of loan amount according to purpose of loan from 36 per cent to 72 per cent between pre and Post SHG- Bank linkage programme. Major loan taken for agriculture purpose , small business and animal husbandry activity.

- **Number of Borrowing**

SHG- Bank linkage programme has positively impacted and improve to access to the rural poor to credit. About 98 percent of members were take loan after SHG Bank linkage programme where 46 percent non-borrows during pre Bank linkage period. There also loan uptake capacity of members increase due to low interest rate of lending by bank.

- **Loan Repayment Period**

The loan repayment period is frequently and shorter periods. At most all SHGs have the repayment period is less than 12 months. There also have the tendency by member's regular repayment habit in principal with interest as per the repayment schedule. The repayment rate from members to SHG is 89 % where as the SHG to Bank is 98 %. This indicate that the members have increase of habit for regular and prompt repayment.

- **Income Generation**

The SHG Bank Linkage programme with better access to credit brings in its wake increased income to the SHG members. The average net income in pre-SHG and post- SHG situations worked out to Rs.10319 and Rs. 13184 account for 23 percent increase. The age of SHG and repeat finance had a positive impact on incremental net income of their family.

- **Poverty Alleviation**

Both the central government and State Government undertake several self-employment as well as wage employment programmes to eradicate poverty from among the masses. The SHG Bank Linkage programme is one such programme, which has its impact on poverty alleviation through group effort, which emanates from their own savings and timely credit from various institutional agencies. The present study computed poverty level income of the households as a product of the cut off levels of monthly per capita consumption expenditure and the number of consumption units in the households.

- **Employment Generation**

Easy and timely availability of credit results in enhanced opportunities for undertaking different economic activities which further leads to increased employment. The estimated employment days per household worked out to 556 person days during post-SHG-bank linkage situation that had registered an increase of 34 per cent between pre and post SHG situations. On the other hand, the proportion of employment days generated through farm activities increased from 24 per cent to 33 per cent between pre and post credit linkage situations.

- **Social Impact and Empowerment**

The SHG Bank Linkage programme impacted the social empowerment of sample SHG members in a significant way. The feeling of members in terms of their self worth such as confidence building, meeting financial crisis of the family, treatment towards neighbours, etc. which improved to about 82 per cent during post-SHG situation. Similarly, there was improvement in the quality of treatment

meted out to the SHG members by their family members. About 80 per cent of them experienced a better treatment within the family during the post-SHG situation, which was only 26 percent during pre SHG situation. Further, involvement of the members in group activity significantly improved their confidence in managing financial crises in the family, which increased to about 75 per cent in the post-SHG situation as compared to only 29 per cent in the pre-SHG situation. Various SHG activities resulted in improving the decision making capacity of SHG members. Accordingly, it has its impact on decision-making in household matters as well. One of the most important objectives of the programme was to improve the assertiveness of SHG members. In this study, it was measured in terms of their increasing desire to protest against social evils like drinking, gambling, wife beating by husbands, etc. However, with the implementation of the programme, violence in the family came down considerably in the post- SHG situation. The mobility of SHG members improved significantly,

Summary and Conclusion

The present study attempts to assess the impact of micro Finance channelized through SHG Bank Linkage programme implemented by Government in Odisha. The socio-economic conditions of the members were compared between pre and post-SHG situations to quantify the impact. The SHG - banking has resulted in a significant decline in poverty among SHG members. It also resulted in a significant decline in SHG members' dependency on money lenders and other informal credit sources.

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