CHAPTER – I

INTRODUCTION

The concept of “Rural Development” is not new. It is as old as farming itself. For almost everyone Rural Development seems to be a hunting ground for testing new hypothesis. It is to be admitted that it has become a fashion to play round this concept. Development is an upward movement and multidimensional process so far as meaning is concerned. Naturally Rural Development aims at elimination of mass-poverty and reduction of unemployment in rural areas of a state or a country. It covers village improvement and is generally conceived of a multi sectoral activities and i.e. Socio Economic and welfare services/programs. That is to say when we talk of Rural Development one should recognize a transition from the technocratic strategy of development to a reformist strategy of development. Now what is sustainable “Rural Development”?, “Sustainable Rural Development” aims at meeting the needs of the present generation without compromising with that needs of future generation, as per Brunt land Commission of sustainable Development. For economist, “a development path is sustainable when the stock of overall assets remain constant or increase over the time” – This definition was brought into common usage by world commission meetings of UNO (i.e. developed countries G-20 meet) i.e. the terms ‘mass poverty and Unemployment” when go on disappearing day by day there will be sustainable development. How can it (sustainable Development) be possible? By what means can it be? Definitely there are many. One of these many strategies is Microfinance activity.

Microfinance has made tremendous impact in India over the years and it has become a house hold name in view of Socio-Economic benefits reaped/receivable
from microfinance services by the poor lot in India. Self Help Groups (SHGs) have become the common carrier (vehicle) of development process, especially in rural India converging most of the development programs. Microfinance sector has covered a long journey from Micro Savings to Microcredit and then to Micro Enterprises and now entered the field of Micro Insurance. The gradual and evolutionary growth process has given a good push to the rural poor to reach social and economic growth along with empowerment leading to happy life of participating house hold. Financial institutions in the country have not only been playing a lead role but also joined hands productively with informal delivery channels. That is how microfinance has gathered momentum and registered an impressive expansion NABARD has been instrumental in facilitating various activities under microfinance sector involving all possible partners in the microfinance sector.

During the last three decades or so it has been realized that sustainable Rural Development needs the involvement of women in all the social and economic activities empowerment and decision making process, as women are more sincere and active agent of development process. Women are capable of playing pivotal role in the family and society. SHGs have provided the necessary platforms for the same. Strengthening women’s economic status by way of addressing twin objectives viz increasing income and solidarity (United We Stand) Microfinance activity by these SHGs, as such, has been playing a pivotal role in Bidar District in the development of rural masses though there are other various schemes such as SFDA, MFAL, DPAP, JRY, DWACRA, TRYSEM, RLEGP, NREP, SGSY, etc.
1.1 SUSTAINABLE RURAL DEVELOPMENT
(Towards poverty alleviation path)

Poverty is a social phenomenon in which a considerable section of the society is unable to fulfill even its bare necessities of life. Poverty in India and Karnataka is widespread and a variety of methods have been proposed to measure it. It was based on food security and it was defined from per capita expenditure for a person to consume enough calories and able to pay for associated wants (basic needs) to survive. The planning commission of India has defined a poverty line on the basis of recommended nutritional requirements of 2400 calories per person per day for rural areas and 2100 calories for urban areas. In rupees the poverty line is the midpoint of the expenditure class in which the calorie needs are satisfied for a household of five members. The poverty line has been fixed at an annual income of Rs. 10890/- in rural areas and Rs. 12570/- in urban areas. There are two concepts of poverty viz. (a) Absolute Poverty, (b) Relative Poverty, percentage of population below poverty line calculated by Lakadala Committee and Tendulkar Committee (Source: Karnataka Economy by T.C. Chandrashekar Tara, S. Sumeand Choode Gowda, 2016 edition) for the year 2004-05 for rural and urban area is 28.3% and 25.7% respectively on the basis of per Capita Income per month National Poverty line, as estimated by Tendulkar Committee was Rs. 446.7 per month during 2004-05 and Rs. 960.5 per month during 2014-15. In Karnataka per Capital Income (State Level) is Rs. 25585/- and that of Bidar District is Rs. 16155/- well below State level figures. The high power committee requested under the chairmanship of Prof. D.M. Nanjundapapa reported that north Karnataka region was backward in general and Hyderabad Karnataka in particular as more backward. This regional imbalance is mainly due to factors like Historical, Geographical Economic as well as Political ones. The committee recommended that certain ways like Additional resources transfer, special
development plans, employment generation programs, promotion of private
investment through fiscal and financial measures and development of services
infrastructure facilities on par with other regions have to be adopted. The
implementation of the programs should involve the people, voluntary organizations
and Self Help Groups which are service oriented and capable of mobilizing mass
participation. However the per capita income of Gulbarga Division is less 1.5 times of
Bangalore Division. Analyzing growth rates, an idea about the sustainability of
achieved development of the region is realized. Karnataka State has been
experiencing high growth rates in recent decades but it is noticed that the high growth
rates in the past and present have not been inclusive as 25% of population of the state
is living below the poverty line and still there is sharp North-South divide in the state.
The problem related to uneven spread of development in the reorganization of the
state in 1956. Naturally the district of Bidar, Gulbarga, Raichur (including Koppala)
were at the bottom of development. This means that incidence of backwardness is
significantly high in the Hyderabad – Karnataka Region.

OUR ENEMY

Dr. Avul Pakir Jainulabdeen Abdul Kalam, one of India’s most distinguished
scientist and our former President of India dedicates his book, “Ignited Minds –
Unleashing the Power within India” a feel-good book, to a child studying in class 12
by name Srehal. While addressing a gathering of school children in Anand, Gujarat at
the Anandalaya High School one boy asked a very intelligent question: Who is our
enemy? Dr. A.P.J. Abdul Kalam put it to the other students encouraging them to come
forward with their views. There came many different answers: China, Pakistan like
that. Then came the answer: “Poverty” from the above mentioned child Srehal.
Dr. Kalam expressed what a wise reaction (answer) from this child and he agreed,
correct answer from her “our enemy is poverty”. It is the real cause of our problems and should be the object of our fight, not our own.

A door is much smaller compared to the home, a lock is much smaller compared to the door, and a key is much smallest of all, but a key can open entire home. Then a small thoughtful solution can solve major problems.

The Nanjundappa Committee framed a mix of different strategies like: 1) Additional resource transfer, 2) Special Development Programs and employment generation programs 3) Promotion of private investments through fiscal and financial measures and 4) Development of services and infrastructure facilities to the level in other regions. The committee made several recommendations with regard to development of social and economic infrastructure and institution set up to speed up the development process in backward packets of Karnataka. A central University in Gulbarga a High court branch in Hubli, circuit branch at Gulbarga women’s University at Bijapur processing IT parks at Hubli and Gulbarga are some such measures taken by the Government. The committee has also recommended Special Development Plan to be implemented within a specific period of eight years or so covering major programs in various sectors based on development requirement especially in Rural areas, involving the people voluntary organizations and Self Help groups which are service oriented and capable of mobilizing mass participation in decentralised planning set-up for long term results (sustainable one).

1.2 RURAL DEVELOPMENT AND FIVE YEAR PLANS

Rural Development is a strategy designed to improve the economic and social life of rural poor. It is a process, which aims at improving wellbeing of people in rural areas through collective effort a movement for progress of rural areas. It should be a continuous process of improving social, economic, cultural and political aspects of the target communities. It is “thinking local but acting global”. According to World Bank,
Rural Development means “A strategy designed to improve the economic and Social life of rural people (World Bank 1975). According to 2011 census the rural population is almost 83.25 Cr (68.8% of total population). There has been consensus that rural development should be inclusive and sustainable in order to alleviate poverty.

Since 1947, the Indian Economy has been premised on the concept of planning. This has been carried through the ‘Five year Plans’, developed, executed and monitored by the Planning commission NITI Aayoga after 2014) with the Prime Minister as Ex-officio Chairman. The commission has also nominated Deputy Chairman Five year plans are centralized and integrated national economic programs. Being impressed by Five Year Plans in Russia (implemented by Joseph Stalin) our First Prime Minister Shri Jawararlal Nehru proposes to adopt the Five years plans in India (consequent on visit to Russia in 1927). China and India both countries continue to adopt Five Years Plans. India launched to First Five Year plan in 1951, immediately after independence under socialist influence of First Prime Minister Sri Jawararlal Nehru Economic Planning is the process in which limited natural resources are used skillfully so as to achieve desired goals of development. Above all transparency is a cornerstone of development as per Dr. A.P.J. Abdul Kalam (Ignited minds – PP156).

First Plan (1951-1956)

a) It was based on the Harrod – Domar Model. 

b) Its main focus was on agriculture and community development program. 

c) The most important feature of this plan was active role of state in all economic sectors. 

d) This plan was successful and achieved growth rate of 3.6% against target growth of 2.1%.
Second Plan (1956-1961)

a) As emphasis was given to Industry based on Mahalainobis Model.

b) Khadi and Village industries program, Intensive Agriculture Development Program, Tribal Area Development program, and Village Housing Projects scheme were the major programs of rural reconstruction.

c) The Intensive Agriculture District Program (IADP) was introduced only in 1962 (at the Fagend) with an objective of increasing national income and reduction of poverty, reduction of inequality in wealth and large expansion of employment opportunities, etc.

d) This plan was successful and achieved a growth rate of 4.1% against the target rate of 4.5%.

Third Plan (1961-1966)

a) This plan was called Gadgil Yojana.

b) The main target of the plan was to make economy independent and to reach self-active position of take-off.

c) But due to Sino-Indian war of 1962, the target growth rate of 5.6% was not at all achieved; actual growth rate was 2.4%. However primary schools were started in rural area, Panchayat election were started and the states were given more development responsibilities, states were made responsible for secondary and higher education and local road construction.

d) Due to failure of the Third plan Government was forced to declare plan holidays (1966 to 1969).

a) More stress was given to minor irrigation and agricultural production (Green Revolution), Agricultural Prices Commission was set-up.

b) Due to HYV (High Yielding Variety) Program there was recorded food grain production of 95.6 Million tons in 1968-69.

Fourth Plan (1969-1974)

a) The Main objective was growth with stability and progressive achievement of self-reliance.

b) During this plan Garibi Hatao and Social Justice slogans were announced by the then Prime Minister Smt. Indira Gandhi in 1971.

c) Nationalization of 14 major banks was declared by the Government of India.

d) The crash scheme for Rural Employment, Drought Prone Area Program, Small Framer Development Agency, Tribal Area Development Agency, Marginal Farmers and Agri Labourers Development Agency were major schemes launched during the period to improve socio-economic condition of rural people. In 1974 minimum needs program (MNP) was introduced with a view to raise the standard of living of BPL families minimum elementary education for the children, public health facilities, family planning, preventive medicines, nutrition, reconstruction of village Roads, improvement of slum areas in Urban places etc., were taken up.

e) The target growth was 5.7% but there was an achievement of 3.3%.

Fifth Plan (1974-1979)

a) During the period stress was laid on employment, poverty alleviation and social justice.

b) 21% of the plan outlay was planned for agri development and irrigation.
c) Programmes: the Hill Area Development programs (HADP) Special Live Stock Production Program (SLPP), Food for Work Program (FWP), Desert Development Program (DDP), Training of youth for self- Employment (TRYSEM) were started. TRYSEM was designed to involve rural youth (18-35 age group) in productive force.

d) The actual growth was 4.9% against the target rate of 4.4%.

**Rolling Plan (1978-1980)**

The V plan was rejected by the Janata Party Government which came to power in 1977 and plan was put forward for 1978-1983 again Congress Government in 1980 announced a different plan.

**Sixth Plan (1980-1985)**

a) This five year plan marked the beginning of economic liberalization.

b) The Basic objective of the Plan was poverty eradication and technological self-reliance and was based on investment Yojana infrastructural change.

c) National Bank for Agriculture and Rural Development was established for development of rural areas on 12th July 1982 by recommendation of Shivaraman Committee.

d) The plan was a great success. The actual growth rate was 5.7% against the target growth rate of 5.2%.

e) Integrated Rural Development Programme (IRDP), National Rural Employment Program (NREP), were launched with modification of some earlier programs with objectives of creation of employment, increasing of rural economy, improvement of livelihood of rural people. Major rural development programs such as SFDA, MFALDA, DPAP, MNP, DWACRA, RLEG have become well known (part of 20 point programme). Due care was taken for the Development of women,
children and rural poor. RLEGP (Rural Landless Employment Guarantee Programme was introducing in 1983.

**Seventh Plan (1985-1990)**

a) This plan aimed at increasing agricultural production and several anti-poverty programmes, were introduced Jawahar Rozgar Yojana was launched (merger of RLEGP and NREP) with objectives of employment for the rural unemployed ones, strengthening the rural economic infrastructure and improvement of the overall quality of life of rural people (with 20% state partnership). The Million Well scheme (1988-89) programme (MWS), Indira AwasYojana (IAY) to provide dwelling houses to the poorest of the poor of the rural masses belonging to SC/STs and bonded labourers.

b) Special rice production on the eastern region National watershed programme, National oil-seed development project and social forestry were the major programmes in Agriculture sector.

c) The target of National growth income was 5.05%. The reached growth was 5.8%.

d) Under this plan India strove to bring about a self-sustained economy in the country with valuable involvement and contribution from voluntary agencies (NGOs).

**Annual Plans (1990-1992)**

Due to fast changing political situation at the Centre Eighth plan could not take off in 1990. Instead Annual plans 1990-91 and 1991-92 were taken up, India during this period faced economic instability. Dr. Manamohan Singh the then Finance Minister in P.V. Narasimha Rao cabinets launched India’s free market reforms that brought nation back from bankrupt situation. It was the beginning of liberalization, privatization and globalization (LPG) in India.
**Eighth Plan (1992-1997)**

a) The main objective of this plan was to sustain agricultural productivity and production achieved so far.

b) Control of rapid population growth, increase employment, strengthening the infrastructure, human resources development participation of NGOs, people, panchayats and Nagara Palikas in Government policies and schemes were also other objectives. IRDP, JRY, IAY, MWS programmes continued.

c) The target growth was 5.6%, the achievement was 6.78%.

**Ninth Plan (1997-2002)**

a) Ninth Five Year Plans was developed in the context of four dimensions 1) Quality of Life, 2) Generation of productive Employment, 3) Regional Balance, 4) Self-reliance, Promotion of economic and social growth was the main objective to achieve complete elimination of poverty.

b) During 1999-2000 IRDP, TRYSEM, DWCRA, SITRA, MWS were merged to form new self-employment programmes called Swarna Jayanti Gram Swarozgar Yojana (SJGSY) w.e.f. 1999.

c) Target growth rate was 6.5%, Achievement was 5.4%

**Tenth Plan (2002-2007)**

a) During the Tenth plan under Swarna Jayanti Gram SwarozgarYojana (SJGSY) emphasis was given to organize 1.25 lakhs SHGs (Self Help Groups) benefiting around 25 lakhs women establishment of micro enterprises, credit linkage vocational training for improvement of skill and capacity building for about 5 lakhs rural women. A new scheme Sampoorna Grameen Rozgar Yojana (SGRY) was launched from 15th August 2001, by merger of wage employment, SGSY, etc. schemes. The Pradhan Mantri Gram Sadak Yojana (PMGSY) started during 2000-2001 for road connectivity in rural areas.
b) The Tenth plan was expected to follow the regional approach rather than sectoral approach.

c) Reduction in gender gap at least 50% by 2007, as far as wage rates and literacy are considered, was aimed at.

d) The target growth rate was 8.1%. The achievement was 7.7%.

**Eleventh Plan (2007-2012)**

a) Two rural development programs Bharat Nirman Programme and Flagship programme were taken up to provide opportunities for improving living conditions as well as livelihood. Creation of rural infrastructure (time bound one) irrigation schemes, poverty alleviation, rural electrification providing pure drinking water etc., were such main programmes, under Bharath Nirman Programme. The flagship programme included NREGP, National Rural Health Mission (NRHM), Integrated Child Development Service (ICDS), Mid-Day-Meal (MDM), Total Sanitation Campaign (TSC), to provide a more participative approach through the involvement of Panchayatraj institutions.

b) This plan was defined by C. Rangarajan Committee and its main theme was “Faster and inclusive growth”.

c) Target growth rate was 8.1%. The achievement was 7.9%.

**Twelfth Plan (2012-2017)**

a) The Twelfth Five Year Plan’s main theme is faster more inclusive and sustainable growth. It is intended to reduce poverty by 10%.

b) This plan is devoted to agricultural and rural development as well as alround development.

c) Flagship programmes, MGNREGA, IAY, TSP, PMGSY, etc. continued in rural areas along with other programmes for upliftment of the poor classes.

d) The plan is aimed at growth rate of 8% as of now.
From the above it is seen that due concern was given to Rural Development in all the Five Year plans and much efforts are made to ensure the participation of public through voluntary organization (NGOs) and Banks by organizing SHGs in especially rural areas. Limited resources are being utilized efficiently. Rural Development is a continuous process that takes care of health, housing, education, and other welfare programmes and finally total peace in and out. That means Rural Development becomes sustainable when it is time bound oriented, participatory oriented, equity oriented and institution oriented.

1.3 MICRO FINANCE

Definition

Microfinance is defined as the provision of thrift, credit and other financial services and products in small amount to the poor ones in rural semi urban and urban areas with a view to raise their income level and improve living standard (NABARD 1999).

The then World Bank president James Wolfensen defines microfinance as that micro level financial assistance scheme that helps people, helps themselves to take up income generation projects and business.

Concept and Evolution

India constitutes about one sixth of world’s total population of 7000 million and is the largest democratic country in the world. Alongside China and Brazil, our country is emerging as key market in the world. The picture of growing GDP and rising foreign involvement show an environment of increasing wealth. Yet around 300 million people (about 60 million households) are living below the poverty line. Of the above, 20 percent of eligible, have an access to credit from the formal credit institutions (Commercial Banks, Regional Rural Banks and Cooperatives). It means
around 80% (i.e. 240 million people) of people below poverty line either use to depend on informal credit system/local money lender or do not have any credit facility. This was the reality till recently. So to say in the Indian context terms like ‘Small and Marginal farmers, rural artisans and economically weaker sections, (‘have nots’) have been used broadly to define micro finance customers. Research across the globe has shown that, over the time, microfinance clients increased their income and as such assets more inclined to educate their children and become capable of taking care of their children health and nutritional care. Gradually a more refined model of micro credit delivery, utilization of the credit and recovery mechanism has been evolved. Many Microfinance institutions have made their entry in this regard by way of organizing Self Help groups (10-20 members in each groups). Self Help groups especially women groups have become very effective in bringing economic changes in the rural areas. Group formation, provision of collateral free credit, recovery, knowledge use, skill development and awareness are realities along with women empowerment on gradual basis. ‘Credit per se’ is not a sufficient factor for economic development but it will have more significance when accompanied by both 100% utilization and repayment of loan availed from the group. In a study by Asia Technical Development of the World Bank (1995) it was observed that the priority across different types of financial services among the rural poor was consumption credit, savings, production credit and education of children. It is a fact that a large member of rural poor continued to remain outside the folk of formal banking system. It is no doubt that incidence of poverty is brought down from 56.04% in 1973 to around 27% by 1995-2000 in rural areas yet quantum of dependence on informal sector lending agencies is around 35%. Such situation forced NABARD (National Bank for Agriculture and Rural Development) to look into the very premises of
microfinance system (informal lending) to channelize an effective small credit delivery, recovery of small loans and utilization aspects to small groups consisting of 10-20 persons. That is how these small groups popularly called Self Help Groups concept evolved.

These Groups have an objective of mobilizing small savings well within their capability and approach Banks/Cooperative Banks for Bank linkage and an integrated recovery network well within the group. The members of the group do act with responsibility and a sense of belonging to the group, the impact being success and satisfaction.

Dr. Mohammed Yunus, former Head of the Department of Chittagong University, Bangladesh and a Nobel laureate an experimental attempt to encourage landless and marginalized people especially women folk (termed as beggars in Bangladesh) by assisting them with small loans from his pockets to undertake petty business/trade. This effort worked soon. There was a big twist in a few years and attained global attraction. Bangladesh Grameen Bank came into being. The success story of Bangladesh Grameen Bank is discussed in detail as follows.

1.4 SELF HELP GROUPS (SHGs)

History

Throughout the history, people have formed groups of 10-20 persons who have something in common that can be shared among themselves or distributed to the needy in the group. That is to say Self Help Group is about people coming together with others, who are deprived of basic needs to support each other and to work together towards betterment of each of them, in the group. That is to say the poor themselves can join and create poverty free environment for them. NABARD defines it “as a group of 20 or less people from a homogenous class who are willing to come
together for addressing their common problems”. They make regular savings and use the pooled savings to give interest bearing loans to the needy members of the groups. The self Help Groups concept was the brain child of Grameen Bank of Bangladesh, which was found by Prof. Mohammed Yunus of Chittagong University in 1975. Prof Mohammed Yunus popularly known as Father of Micro Credit System, started a research project in Bangladesh in 1979 and came out with an idea of micro credit (lending Small amount to a few) that resulted in the establishment of ‘GRAMEEN BANK’ in 1983. He during field visit with his student in the village of Jobra in Bangladesh watched a lady called Suffia working with bamboo. He was surprised and shocked to know that the lady was not able to manage Rs. 50 to buy raw materials (of course bamboo). She explained that the local money lenders charged Rs. 10 per week for Rs. 100 and sometimes Rs. 10 per day for Rs. 100. Professor Yunus felt very bad and next day he lent Rs. 2500 to some 42 people of Jobra village and told them to repay the loan without interest. This emotional support of Prof. Yunus to the needy persons like Sofia, became a reality in establishment of Grameen Bank in Bangladesh in 1983. Grameen Bank has around 2565 branches covering 81379 villages. Around 8.35 million borrowers are the beneficiary ones with loan component of Rs. 684.13 billion TK (Takka i.e US $1.35 billion (Naturally the more beneficiary being women). Grameen Bank exclusively works for women. The borrowers of Grameen Bank at present own around 95% of the total equity of the bank, remaining 5% is owned by the government October 13, 2006 was the golden moment for Bangladesh when Prof. Muhammad Yunus and Grameen Bank declared recipients of Nobel Prize 2006 for piece.
In the same manner Grameen Bank system was introduced in Nepal during 1990s by the Central Bank of Nepal, by organizing 5 rural Regional Development Banks.

In 1986 Asia and Pacific Agriculturist Credit Association (APRACA) devised on a co-ordinate program for the promotion of the linkage between the Banks and SHG for rural saving mobilization and credit delivery to the rural poor.

In 1989 the cultural Bank of Indonesia started a pilot project named ‘linking the banks and Self Help Groups’ with the involvement of SHPI (Self Help Promotional Institution). In 1993, a Bank for Agriculture and Agricultural Cooperative (BAAC) allowed to provide loan to farm related activities.

In 2003, Tanzania started on pilot basis to provide micro service to economically disadvantaged people using the village banking methodology. In India during the mid-1980’s concept of SHGs started by MYRADA (Mysore Resettlement and Development Agency) an NGO (Non-Governmental Organisations). Here the concept was that the poor are credit worthy and that the Credit Management Groups consisting of poor (beneficiaries) themselves could manage their affairs efficiently. These Credit Management Groups were naturally termed as Self Help Groups. Self-employed women’s Association started Urban Cooperative Bank (Shri Mahila SEWA Sahakari Bank in Ahmedabad in 1974 and used to provide small credit to the poor self-employed women working as hawkers, vendor domestic servants and individual basis.

It is then that the NABARD started and sponsored an action research project in 1987 through MYRADAs by sanctioning Rs. 10 lakhs as grant to it (MYRADA). Encouraged by MYRADA’s group based approach of lending to the poor and the results of filed level experiments NABARD (National Bank for Agriculture and Rural
Development) launched a pilot project in 1991-92 in partnership with NGOs for promoting and grooming Self Help Groups (SHGs) of homogeneous members and inspiring them to make savings in small amount and lending the pooled amount to the needy in the groups. Steady progress of this pilot project led to the self help group bank linkage programme in 1996 as a normal banking activity which was accepted and wide spread. The Reserve Bank of India set the right policy environment by allowing savings bank account of informal groups to be opened by the formal banking system (termed as ‘linking’).

The concept of Self Help Groups thus had spread across the global and are adjudged as voluntary small and economic groups of poor.

Objective of Self Help Groups

The following are the objectives.

1. To encourage habit of saving among group members and facilitate the accumulation of their own capital base.
2. To develop self confidence among group members.
3. To provide a common platform for sharing of views at the doorsteps of the group members to take collective decision.
4. To bring in financial discipline among the members as a group philosophy.
5. To provide financial assistance from the pooled amount to the needy members of the group on interest decided by them.
6. To recover the loans on regular basis and convenient methodology.

Characteristics of Self Help Groups

Main Characteristics of SHGs are:

1. Usually SHGs create common fund out of their small savings regularly.
2. The groups evolve a flexible system of operations usually with NGOs or Banks and manage pooled resources in a democratic manner.
3. Groups consider the loan request in periodical meeting on the need basis.

4. Usually the documentation is too simple faith is the priority.

5. Rates of Interest are usually on higher side usually 24% PA (now in Karnataka the situation is different because of interest subsidy to the link banks, (DCC Banks) to enable the banks to grant loans at 4% from 2014 and 0% from 2017 as announced in the Budget 2017).

6. Recovery of the loans is usually 90% and above because of group policy and knowledge of the end users (loanees).

**Function of Self Help Groups**

Important functions of SHGs are

1. Enabling group members to become self-reliant and self-dependent.

2. Providing a forum for members for discussing their social and economic problems.

3. Encouraging the social status of members by way of Group philosophy.

4. Providing a platform for members for exchange of ideas.

5. Developing and enhancing the decision making capacity of members.

6. Fostering a spirit of mutual help and co-operation among members.

7. Instilling in members a sense of strength and confidence to face their problems.

8. Providing organisational strength to the members.

9. Providing literacy and increasing general awareness among the members and equipping the poor member with basic skills required for monetary transactions.

**1.5 FORMATION AND DEVELOPMENT OF SELF HELP GROUPS**

It is very important to know about formation (promotion) and Development of self Help Groups as effective and sustainable institutions. This process is organic and needs to be evolved over a period. Various stages of development are narrated as under.
a) Short listing of Potential Villages

The potential villages have to be identified for the following criteria are followed.

i. Remoteness of the Village.

ii. Lack of infrastructure facilities.

iii. Low literacy rates.

iv. Such areas usually Hamlet type ones.

v. People with smaller land holdings or no land holdings.

vi. Such villages where the people are under clutches of money lenders (i.e. where exploitation is existing)

b) Identifying the poorest of the poor

The process involves three steps i) Village Mapping, ii) Wealth Ranking, iii) Sharing Information with the Villagers.

In village mapping, the entire village structure i.e. Houses, Streets, Trees, Schools, Government Building, Common Buildings, Street Light, Temple, Water Facilities, societies has to be covered. This method helps to understand the exact number of families.

In the wealth ranking process, the families so identified are classified, poor poorest and moderate rich, so that poorest of the poor are identified. In order to seed the concept of Self Helps Groups, the information so collected is shared with the poorest of the village to obtain consent thereon.

c) Seeding the concept of Self Help Groups

Once the process of selecting the poor is complete the need for collective action and promotion of Savings sanctioning of credit are emphasized or this special meeting involving leaders, bank officials and if necessary existing Self Help Groups are to be carried out.
d) Formation of Groups

After seeding the concept of Self Help Groups, steps to form the groups are taken up. Here the steps are initiated to name the groups and frame norms and operational guidelines (we may call these ‘byelaws’) relating to functioning, saving, leading activities, selection of office bearers such as President, Secretary and the Treasurer and defining roles and responsibilities can also be taken up.

e) Quality Check

Once the group is formed quality check shall be done.

i. Whether group members are from the poorest category.

ii. Motive of the members in forming the Self Help Groups.

iii. Whether they have adopted Bye-laws and selected office bearers.

iv. What is the number of the members.

After considering various aspects as above the group consisting of poorest is motivated to initiate savings and credit activities with their own sources at least for six months or so. Such group is recognized as Self Help Group eligible for linkage with Banks/NGOs.

f) Regularizing the Group Level System

After recorganization of the Self Help Group, group level system is set up for further functioning.

i) The meetings are to be conducted regularly, weekly/monthly. The minutes are to be recorded at the end of the meeting.

ii) Simple account system has to be followed (cash book)

iii) Necessary books are to be opened and maintained.

iv) Training has to be imparted to the group members by the promoting/assisting bank/NGO.
1. Stages of Group Development

Each group goes through several stages in development.

1. In the first (initial) stage i.e. formation of the group members either engage in busy type of activity or withdraw and show apathy.

2. Second stage is marked by dyads and triads members seek out similar others and begin a deeper sharing of itself. The members feel comfort and support in their dyads and triads. Focus on task performance begins to emerge.

3. Third stage is marked by more serious concern with task performance. The dyads/triads begin to open up and seek out, other members in the group i.e. members begin to take greater responsibility.

4. Forth stage is the one where members of the group see themselves as if involved in the task fully i.e. each member makes contribution and follows group norms.

(The group defines its goal with long term vision.)

2. Growth of Microfinance and Self Help Groups

A range of institutions in public sector and private sector offers the microfinance services in India, i.e. formal institutions and informal institutions. The microfinance service providers include institution like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and Rashtriya Mahila Kosh (RMK). At the retail level Commercial Bank, Regional Rural Banks and Cooperative Banks provide microfinance services. On the other hand the informal institutions that undertake microfinance services as their main activity are generally referred to as Microfinance institutions, (private institutions). Today on an average there is at least one retail outlet for about 4500 rural people.

During 1986-87, NABARD took initiative in informal group lending in India. Primarily NABRAD took up certain research projects involving SHGs as a channel of
microfinance in 1980’s. MYRADA (Mysore Resettlement and Development Agencies) sponsored an action research project on saving and credit management of SHGs, which was partially supported by NABARD in 1986-87. In 1988-89 NABARD undertook a survey of 43 NGOs in 11 states in India in collaboration with same member institutions of Asia Pacific Rural and Agricultural Credit Association (APARCA). These research works inspired NABARD to initiate a pilot project called SHGs linked Project (NABARD – 1991).

In the meanwhile micro financing by informal agencies had already started. Self Employed Women’s Association (SEWA) owned by women of petty trade Groups was organized on co-operative principle in 1974. Poor women employed in the unorganized sector of Ahmedabad were brought under one umbrella by starting Shri Mahila SEWA Sahakari Bank as an Urban Co-Operative Bank (under Cooperative Societies Act 1959) with main objective of providing banking services to the poor women i.e micro lending activities. Since then the SEWA bank has been providing microfinance services to the poor and self-employed i.e. hawkers, vendors, domestic servants, small women entrepreneurs, etc. There are other MFIs such as working women’s forum in Tamilnadu during 1980, SHREYAS in Kerala in 1988 which are involved in microfinance operations through promotion of women cooperative and people’s co-operatives. It is only in the late 1980’s that few NGOs started experiment of microfinance activities through Self Help Groups organized by them. PRADAN (Professional Assistance for Development Action) a voluntary organization registered (Under Societies Registration Act) in the year 1983. A few young professionals, inspired by the beliefs that even well-educated people must work for poor people to remove mass poverty at the grass roots started working in rural areas. In 1987 PRADAN started its SHG in Alwar Rajasthan involving rural poor
women. PRADAN works with Adivasis too, who live near and in forest for their livelihood and also with Natural Resource Management, Agriculture, Horticulture, livestock Development, Diary Goat rearing etc. Today PRADAN work, with over 225000 poor families in rural India and in around 44 districts, with extensive linkages with Government programmes and mainstream commercial Banks.

As of now, Self Help Groups have been doing well with financial inclusion. They have become better alternative to provide financial services (Savings and Microcredit) to the poor. The experience shows that poor are bankable and credit worthy. In this regard NABARD has been making continuous effort in the field of microfinance programmes in bringing rural poor into the fold of formal institutional credit Government of Karnataka extended its whole hearted assistance by subsidizing the interest to enable District Cooperative central Banks to finance SHGs @ 4% interest earlier from 2014 and now @ zero percent as announced in the 2017-18 Budget. Indeed Government of Karnataka has set an example and shows pro - poor concern. The SHG Bank linkage programme was introduced in 1992 as an approach to provide the rural poor simple access to formal financial services with a view of economic development.

3. SHG – Bank Linkage Programme

Taking off from the MYRADA initiative of promoting credit management groups and subsequent experimentation of linking them with the formal credit delivery system, NABARD launched pilot project for improving the access to credit in February 1992. This could be considered as land mark development in banking with the poor as it formed the basis for the emergence of Self Help Group Bank linkage programme the most successful inclusive growth strategy so far in the Indian Economy.
The SHG-Bank linkage has since then passed through various phases – pilot testing (1992-95), mainstreaming (1996-98) and expansion (1998 onwards) and metamorphosed into the microfinance movement. The physical and financial outreach of this programme is very impressive.

At the end of 31.03.2016, 79.06 Lakhs SHGs have Savings Bank accounts with aggregate Savings of 13691.39 crore out of which Credit linked SHGs were 18.32 lakhs during 2015-16 which have loan of 37289.90 Cr.

Table 1.1: SHG–Bank Linkage (All India Figures)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHGs Financed</th>
<th>Bank Loan Rs. In Lakhs</th>
<th>No. of Families Assisted</th>
<th>Average Loan per SHG Rs</th>
<th>Average Loan per Family in Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>255</td>
<td>30</td>
<td>4335</td>
<td>11765</td>
<td>692</td>
</tr>
<tr>
<td>1993-94</td>
<td>365</td>
<td>36</td>
<td>6205</td>
<td>9863</td>
<td>580</td>
</tr>
<tr>
<td>1994-95</td>
<td>1502</td>
<td>179</td>
<td>25534</td>
<td>1917</td>
<td>580</td>
</tr>
<tr>
<td>1995-96</td>
<td>2635</td>
<td>361</td>
<td>44795</td>
<td>13700</td>
<td>806</td>
</tr>
<tr>
<td>1996-97</td>
<td>3841</td>
<td>578</td>
<td>65297</td>
<td>15048</td>
<td>885</td>
</tr>
<tr>
<td>1997-98</td>
<td>5719</td>
<td>1192</td>
<td>97223</td>
<td>20843</td>
<td>1226</td>
</tr>
<tr>
<td>1998-99</td>
<td>18678</td>
<td>3330</td>
<td>317526</td>
<td>17828</td>
<td>1049</td>
</tr>
<tr>
<td>1999-00</td>
<td>81780</td>
<td>13590</td>
<td>1390260</td>
<td>16618</td>
<td>978</td>
</tr>
<tr>
<td>2000-01</td>
<td>149050</td>
<td>28789</td>
<td>2533850</td>
<td>19315</td>
<td>1136</td>
</tr>
<tr>
<td>2001-02</td>
<td>197653</td>
<td>54554</td>
<td>3360101</td>
<td>27601</td>
<td>1624</td>
</tr>
<tr>
<td>2002-03</td>
<td>255882</td>
<td>102231</td>
<td>3754874</td>
<td>26985</td>
<td>1799</td>
</tr>
<tr>
<td>2003-04</td>
<td>361731</td>
<td>185550</td>
<td>4586000</td>
<td>36160</td>
<td>2412</td>
</tr>
<tr>
<td>2004-05</td>
<td>518173</td>
<td>296180</td>
<td>7774000</td>
<td>42971</td>
<td>2864</td>
</tr>
<tr>
<td>2005-06</td>
<td>482598</td>
<td>309613</td>
<td>7238970</td>
<td>64155</td>
<td>4277</td>
</tr>
<tr>
<td>2006-07</td>
<td>1105749</td>
<td>657039</td>
<td>15480486</td>
<td>59420</td>
<td>3961</td>
</tr>
<tr>
<td>2007-08</td>
<td>1227770</td>
<td>884926</td>
<td>17188780</td>
<td>72076</td>
<td>5148</td>
</tr>
<tr>
<td>2008-09</td>
<td>1609586</td>
<td>1225351</td>
<td>22534204</td>
<td>76108</td>
<td>5436</td>
</tr>
<tr>
<td>2009-10</td>
<td>15.87 L</td>
<td>1445330</td>
<td>22218000</td>
<td>57795</td>
<td>4128</td>
</tr>
<tr>
<td>2010-11</td>
<td>11.96 L</td>
<td>1454773</td>
<td>16744000</td>
<td>126722</td>
<td>9051</td>
</tr>
<tr>
<td>2011-12</td>
<td>11.48 L</td>
<td>1653477</td>
<td>16072000</td>
<td>144031</td>
<td>12554</td>
</tr>
<tr>
<td>2012-13</td>
<td>12.20 L</td>
<td>2058536</td>
<td>17080000</td>
<td>168757</td>
<td>12054</td>
</tr>
<tr>
<td>2013-14</td>
<td>1366421</td>
<td>2401736</td>
<td>191298940</td>
<td>175768</td>
<td>17577</td>
</tr>
<tr>
<td>2014-15</td>
<td>1626238</td>
<td>2758231</td>
<td>22767332</td>
<td>169608</td>
<td>16960</td>
</tr>
<tr>
<td>2015-16</td>
<td>1832323</td>
<td>3728690</td>
<td>25652522</td>
<td>203495</td>
<td>20349</td>
</tr>
</tbody>
</table>

Source: SHG-Bank Linkage 2008-09 by NABARD and status of Microfinance 2009-10 to 2015-16; www.nabard.org
Table 1.2: Highlights of the SHG–Bank Linkage Programme 2015-16

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Particulars</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Physical (No. in lakh)</td>
</tr>
<tr>
<td>1</td>
<td><strong>Total number of SHGs saving linked with banks</strong></td>
<td>79.03</td>
</tr>
<tr>
<td></td>
<td>(i) Out of total SHGs – exclusive Women SHGs</td>
<td>67.63</td>
</tr>
<tr>
<td></td>
<td>(ii) Out of total SHGs – under NRL/SGSY</td>
<td>34.57</td>
</tr>
<tr>
<td></td>
<td>(iii) Out of total SHGs – under NUL/SJSRY</td>
<td>4.45</td>
</tr>
<tr>
<td>2</td>
<td><strong>The number of SHGs credit linked during 2015-16</strong></td>
<td>18.32</td>
</tr>
<tr>
<td></td>
<td>(i) Out of total SHGs – exclusive Women SHGs</td>
<td>16.29</td>
</tr>
<tr>
<td></td>
<td>(ii) Out of total SHGs – under NRL/SGSY</td>
<td>8.16</td>
</tr>
<tr>
<td></td>
<td>(iii) Out of total SHGs – under NUL/SJSRY</td>
<td>1.11</td>
</tr>
<tr>
<td>3</td>
<td><strong>Total number of SHGs having loans outstanding as on 31st March 2016</strong></td>
<td>46.73</td>
</tr>
<tr>
<td></td>
<td>(i) Out of total SHGs – exclusive Women SHGs</td>
<td>40.36</td>
</tr>
<tr>
<td></td>
<td>(ii) Out of total SHGs – under NRL/SGSY</td>
<td>21.91</td>
</tr>
<tr>
<td></td>
<td>(iii) Out of total SHGs – under NUL/SJSRY</td>
<td>3.13</td>
</tr>
<tr>
<td>4</td>
<td><strong>Average loan amount outstanding/SHG as on March 2016 (in Rs.)</strong></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td><strong>Average loan amount disbursed/SHG during 2015-16 (in Rs.)</strong></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td><strong>Estimated number of families covered up to 31st March 2016</strong></td>
<td>1010</td>
</tr>
<tr>
<td>7</td>
<td><strong>No of Banks and Financial Institutions submitted MIS (in number)</strong></td>
<td>392</td>
</tr>
<tr>
<td>8</td>
<td><strong>Data Joint Liability Groups</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(i) Joint Liability Groups promoted during the year 2015-16</td>
<td>5.72</td>
</tr>
<tr>
<td></td>
<td>(ii) Loan disbursed to Joint Liability Groups (JLGs) during the year 2015-16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(iii) Cumulative Joint Liability Groups promoted as on 31st March 2016</td>
<td>17.34</td>
</tr>
<tr>
<td></td>
<td>(iv) Cumulative loan disbursed to JLGs as on 31st March 2016</td>
<td>17336.95</td>
</tr>
<tr>
<td>9</td>
<td><strong>Support NABARD</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(i) Capacity building for partner institutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Under SHG-BLP and JLGs</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of Programmes conducted during 2015-16 (in no. only)</td>
<td>3906</td>
</tr>
<tr>
<td></td>
<td>Number of participants covered during 2015-16 (in lakh)</td>
<td>1.21</td>
</tr>
<tr>
<td></td>
<td>Cumulative number of participants trained up to March 2016 (in lakh)</td>
<td>34.02</td>
</tr>
<tr>
<td></td>
<td><strong>Under WSHG Scheme (in LWE affected and backward district)</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Number of Programmes conducted during 2015-16 (in no. only)</td>
<td>1194</td>
</tr>
<tr>
<td></td>
<td>Number of participants covered during 2015-16 (in lakh)</td>
<td>0.38</td>
</tr>
<tr>
<td></td>
<td>(ii) Refinance Support</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Refinance to banks during 2015-16</td>
<td>6906.03</td>
</tr>
<tr>
<td></td>
<td>Cumulative refinance released up to 31st March 2016</td>
<td>37663.60</td>
</tr>
<tr>
<td></td>
<td>(iii) <strong>Revolving Fund Assistance (RFA) and Capital Support to MFIs</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>RFA outstanding as on 31st March 2016</td>
<td>7.25</td>
</tr>
<tr>
<td></td>
<td>Capital support outstanding as on 31st March 2016</td>
<td>4.42</td>
</tr>
<tr>
<td></td>
<td>Refinance disbursed to NBFC-MFIs during 2015-16</td>
<td>2300.00</td>
</tr>
<tr>
<td></td>
<td>(iv) <strong>Grant assistance to SHPIs for promotion of SHGs under SHG-BLP</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Grant assistance sanctioned during 2015-16</td>
<td>29.49</td>
</tr>
<tr>
<td></td>
<td>Cumulative sanctioned up to 31st March 2016</td>
<td>330.78</td>
</tr>
<tr>
<td></td>
<td>(v) Cumulative grant assistance sanctioned to anchor NGOs for promotion of SHGs under WSHG Development Scheme up to 31st March 2016</td>
<td>204.98</td>
</tr>
<tr>
<td></td>
<td>(vi) Cumulative grant assistance sanctioned to JLPIs for promotion of JLGs up to 31st March 2016</td>
<td>129.30</td>
</tr>
</tbody>
</table>

4. Progress of SHG-BLP

Rejuvenation of SHG-BLP requires coordinated efforts by all stake-holders to tackle the issues of heavy south concentration, stagnation in growth, multiple membership, lower bank linkage both in number and quantum, rising NPAs, etc. which have been an area of concern in the recent past. Efforts at coordination with all stake-holders, capacity building of bankers and SHPIs including NRLM/SRLMs and village level meets with SHGs have shown improved performance of SHG-BLP during 2015-16. The number of SHGs having savings increased to 79.03 lakh as on 31st March 2016 from 76.97 lakh a year back. There was a net addition of 2.06 lakh SHGs during the year. The domain of SHGs consists of 85.6% women groups which play a crucial role in empowerment of the poor rural women. During the year 2015-16, the coordination between NABARD and NRLM/SRLM ensured that more and more SHGs got bank loans. NRLM is working since April 2013 with its agenda to cover 7 crore rural poor households across the country with sustainable livelihoods through self-managed SHGs and federations.

During the year, 18.32 lakh SHGs were disbursed bank loan of Rs. 37,287 crore. About 44.5% of total SHGs receiving bank credit during the year were covered under NRLM and they availed 45% (Rs. 16,786 crore) of the total amount disbursed. Table gives an account of savings, credit disbursement and credit outstanding of total SHGs and under NRLM and NULM during past three years.

SHG-BLP is a strong intervention in financial inclusion for the bottom of pyramid. A proven platform initially conceived increasing the outreach of banking services amongst the poor it has since graduated to a programme for promotion of livelihoods and poverty alleviation. The number of SHGs with savings linkage credit disbursed during the year and bank loans outstanding as well as the quantum of savings outstanding loan disbursed during the year and total loan outstanding has
shown positive growth during the past three years (Figure 4.1). Year 2015-16 was particularly positive for the growth of SHG-BLP.

**Figure 1.1: Progress of SHG-BLP during past three years**  
(No. in lakh, Amount in Rs. ‘000 crore)

![Progress of SHG-BLP during past three years](image)


### 1.6 MODELS OF SHG–BANK LINKAGE

Over the years (Since 1992) three models of SHG-Bank linkage exist.

- **Model – I: Bank – SHG – Models**
  
  In this model the financing Bank plays vital role. Formation and promotion of SHG is done by the bank. Savings of the group members are deposited in the banks SB A/c opened in the name of the group. The Bank acts as SHG provider institution.

- **Model – II: Bank (Facilitator) SHG – Member**
  
  In this model, NGOs, Government agencies or community based organization act as facilitating agencies to from SHGs. The groups are formed, trained and nurtured by these agencies. Banks observe the operations of the SHGs and after satisfaction about the working of the SHGs, allow to open the Saving A/c and provides credit directly to the SHGs 70% of SHGs linked to their model.
Model – III: Bank – NGO-MFI-SHG-Member

This model is very different from the above two models. Here SHGs are promoted and nurtured and financed by NGOs who act as facilitator and microfinance intermediaries (MFIs). Afterwards when SHGs have developed and satisfied banks are being approached for loans, for the purpose of lending to SHGs. NGOs have also been found to federate the SHGs and gradually equip the SHG federation to follow their rules.

1.7 ROLE OF NABARD

NABARD a premier institution, accredited with all matters concerning policy, planning and operations in the field of agriculture and other allied economic activities in rural areas with vision to facilitate sustained access to financial services for the unreached poor in rural areas through various Microfinance innovations in a cost effective and sustained manner. The Mission of NABARD is “Promote sustainable and equitable agriculture and rural prosperity through effective credit support, related services institution building and other innovative initiatives. As such NABARD has been working as catalyst in promoting and linking more and more SHGs to the Banking system. A pilot project linking 500 SHGs with banks was launched in 1992 in consultation with Reserve Bank of India (RBI). This happened to be LAND MARK development in banking sector and ‘banking for the poor’ mission took off. On the recommendation of NABARD the RBI advised the Banks financing Subsequently RBI took measures in 1996 to give a thrust to microfinance based lending and advised the banks to consider lending to SHGs’ as a part of their mainstream credit operations along with necessary financial services by way of identifying suitable branches having potential for linkage with SHGs and providing necessary services to such branches. NABARD continued to provide refinance to the banks under ‘Bank-linkage
project’ at the stipulated rates of interest. That is how NABARD became proactive organization to cover rural poor who were not covered under the formal credit institutions so far. NABARD keeping this view in mind adopted.

- Liberal and immediate refinance assistance to the clientele i.e. Commercial Banks, Regional Rural Banks and Cooperative Banks who extended loans to SHGs.
- Promotional assistance to NGOs and SHGs for their capacity Building.
- Conducting studies, awareness programmes, seminars and research projects.
- Co-coordinating and collaboration arrangements together with consultation in order to accelerate the programmes.
- And more precisely formulation of policy measures to promote SHG bank linkage.
- Providing training to Bank, NGOs and Developmental agencies.

Further NABARD has extended special facilities like

i. 100 percent refinance to the Banks against the loans provided to SHGs

ii. Simple procedure/regulation.

iii. Reasonable charges (usually @ 6.5%) irrespective of loans by facilitating Banks and.

iv. Freedom to SHGs in the fixation of interest/loan amount to their group members.
Figure 1.2: Role of NABARD

1.8 ROLE OF NGOs

Microfinance programs accredited as key strategies for poverty alleviation and economic development, introduced and extended by Non-Governmental organization (NGOs) in India. NGOs have played a very crucial role in the proliferation of SHGs not only by promoting them but also building their capacities by training them in group activities, maintenance of records, inculcating financial discipline training in income generating activities and participating in certain social activities. NGOs have been relied upon the Banks for grading SHGs, complying with documentation
formalities and even monitoring loan utilization. They have remained a crucial link between SHGs on one side and Banks, development functionaries and Government on the other. NGOs have become prominent in the field of microfinance by 1990s by way of involving themselves with microfinance activities through SHGs, as well as community development and welfare programs in rural areas.

1.9 ROLE OF GOVERNMENT OF INDIA

Fully aware of the importance of SHG Bank linkage in ensuring inclusive growth, Government of India has all along shown interest to the programme by budget announcements.

`Microfinance Sector (Development and Regulation) Bill as well as a Bill to amend insurance laws was under consideration. As announced in budget speech in 2008, two funds – Financial Inclusion and Technology Funds have been set up in NABARD. Financial Inclusion is the process ensuring access to timely and adequate financial services by vulnerable groups at an affordable cost. The main component of financial services are savings, credit, remittance, insurance and investment. Poor people need access to one or more components of financial services. SHGs help in accessing critical credit (i.e. need based one) services and have potential for accessing other services for ensuring their total financial inclusion.

1.10 ROLE OF RESERVE BANK OF INDIA

Reserve Bank of India (RBI) has initiated many a steps for promotion of SHG- Bank linkage program in the country to make the environmental very conducive for the Banks so that they can participate in a larger way in the programme. The Loans granted by the Banks to such SHGs which are engaged in Agriculture and allied activities, are classified and treated as direct finance to agriculture. Under the revised guidelines and lending to primary sector, micro – credit
continues to be under this head. Provision of credit and other financial services and products of very small amounts not exceeding Rs. 50,000/- per borrower either directly or indirectly through a SHG/Joint Liability Group mechanism or to NBFC/MFI (Non-Banking finance company, microfinance institution for lending up to Rs. 50000/- per borrower, will constitute micro-credit. In this regard RBI has issued a master circular on microcredit encompassing necessary instructions on 01.07.2009 (RPCD No. Plan-BC.08 12.01.001/2008-09).

1.11 ROLE OF BANKS

The crucial role played by the participating Commercial Banks, Regional Rural Banks and Cooperative Banks is narrated in the forthcoming paras (SHG-Bank linking programmes in Karnataka) Cooperatives in Karnataka have credit of significant contribution in the micro credit segment).

1.12 ROLE OF MICRO FINANCE INSTITUTIONS (MFIs)

Micro Finance Institutions act as one important conduit for extending financial services to the microfinance sector in the country by raising resources from Banks and other institutions and extending loan to individuals or members of SHGs/JLGs. MFIs could be (i) NGO-MFIs- registered under the Societies Registration Act 1860 or the Indian Trust Act 1880, 2) Cooperative MFIs – registered under the State Cooperative Act/Mutually Aided Cooperative Societies Act, 3) MFIs incorporated under the section 25 of Companies Act 1956 or section 8 of Companies Act 2013, 4) NBFC-MFIs incorporated under the Companies Act 1956 and registered with RBI. MFIs have been also allowed to mobilize resources by way of obtaining bulk loans from Banks/other financial institutions. The MFIs have become innovative in reaching the poor only after SHG-Bank linkage programme.
1.13 SHGs IN KARNATAKA

Karnataka a pioneer in SHG-Bank Linkage programme and an accredited state for microfinance innovations continues to be one prominent leader state in promotion and credit linkage of SHGs. The NGOs and Women and Child Development Department of Government of Karnataka and Cooperatives have been actively involved in promotion of a majority of SHGs in the state. All the Banks have taken the responsibility of linking their groups with the formal Banking system. Some of the Regional Rural Banks (RRBs) and Cooperative Banks (DCC Banks) in the state have promoted Self Help Promoting Institutions (SHPIs). All the Banks (Commercial, RRBs) and DCCBs, the Women and Child Development Department GOK, NGOs and many other Development agencies accorded high priority to the programme in the state. As such SHG-Bank Linkage concept has been in operation in all the district of Karnataka. Thus the Self Help group movement is deep-rooted in southern states and Karnataka has been among the top three states in the country. The key Stakeholders have continued innovation for sustaining the SHG movement Women Child Development Department Government of Karnataka NGOs, Commercial Banks, DCC Banks, PACS and RRBs continued to play vital role in promotion of SHGs in the state. Agency wise SHG A/Cs are given as follows.

Table 1.3: SHG accounts

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Agency</th>
<th>No. of SHGs as on 31.03.2016</th>
<th>Saving Amount in Lakhs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Commercial Banks</td>
<td>605154</td>
<td>79879.15</td>
</tr>
<tr>
<td>2</td>
<td>Regional Rural Banks</td>
<td>137921</td>
<td>16132.89</td>
</tr>
<tr>
<td>3</td>
<td>Co-Operative Banks</td>
<td>219371</td>
<td>48230.09</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>962446</td>
<td>144242.13</td>
</tr>
</tbody>
</table>
The Government of Karnataka through Women and Child Development Department with an intention to pool women and material resources has been encouraging “Stree Shakthi” approach. This pioneering scheme has enabled women to achieve financial stability and Self-reliance through various income generating activities. This approach has also contributed towards social development such as helping village cleaning, laying of roads, etc. The scheme was launched on 28-8-2008 with an objective of empowering women, i.e. socio-economic ones and encouraging other development activities. In this regard SHGs have emerged as the dominant strategy for combating poverty. The “Stree Shakthi” scheme aimed at curbing domestic violence against women, promoting girl child education and preventing child marriages, more meaningfully empowering women through savings microcredit operations.

The growth graph of SHGs promoted over the years is as follows.
### Table 1.4: Credit Linkage of SHGs (Cumulative)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of SHGs Credit Linked</th>
<th>Bank Loan</th>
<th>Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-93</td>
<td>114</td>
<td>5.73</td>
<td>5.73</td>
</tr>
<tr>
<td>1993-94</td>
<td>51</td>
<td>5.51</td>
<td>5.51</td>
</tr>
<tr>
<td>1994-95</td>
<td>481</td>
<td>77.71</td>
<td>70.71</td>
</tr>
<tr>
<td>1995-96</td>
<td>1046</td>
<td>145.08</td>
<td>145.05</td>
</tr>
<tr>
<td>1996-97</td>
<td>760</td>
<td>159.25</td>
<td>159.12</td>
</tr>
<tr>
<td>1997-98</td>
<td>1138</td>
<td>232.19</td>
<td>228.10</td>
</tr>
<tr>
<td>1998-99</td>
<td>2002</td>
<td>429.86</td>
<td>422.28</td>
</tr>
<tr>
<td>1999-00</td>
<td>5018</td>
<td>1054.81</td>
<td>649.00</td>
</tr>
<tr>
<td>2000-01</td>
<td>8009</td>
<td>1714.00</td>
<td>1404.00</td>
</tr>
<tr>
<td>2001-02</td>
<td>18413</td>
<td>3475.39</td>
<td>2229.00</td>
</tr>
<tr>
<td>2002-03</td>
<td>25146</td>
<td>7249.50</td>
<td>4073.55</td>
</tr>
<tr>
<td>2003-04</td>
<td>41688</td>
<td>13960.37</td>
<td>6090.200</td>
</tr>
<tr>
<td>2004-05</td>
<td>59332</td>
<td>26653.00</td>
<td>9951.00</td>
</tr>
<tr>
<td>2005-06</td>
<td>61730</td>
<td>44260.02</td>
<td>6695.43</td>
</tr>
<tr>
<td>2006-07</td>
<td>92708</td>
<td>81638.87</td>
<td>15599.24</td>
</tr>
<tr>
<td>2007-08</td>
<td>94280</td>
<td>100446.47</td>
<td>12699.52</td>
</tr>
<tr>
<td>2008-09</td>
<td>60319</td>
<td>120702.37</td>
<td>19219.00</td>
</tr>
<tr>
<td>2009-10</td>
<td>104151</td>
<td>113044.23</td>
<td></td>
</tr>
<tr>
<td>2010-11</td>
<td>90342</td>
<td>137435.43</td>
<td></td>
</tr>
<tr>
<td>2011-12</td>
<td>87943</td>
<td>162949.21</td>
<td></td>
</tr>
<tr>
<td>2012-13</td>
<td>145733</td>
<td>229940.72</td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td>184854</td>
<td>296400.00</td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td>221814</td>
<td>312200.00</td>
<td></td>
</tr>
<tr>
<td>2015-16</td>
<td>281389</td>
<td>625908.13</td>
<td></td>
</tr>
</tbody>
</table>

Rs. in lakhs

100% Refinance
Table clearly shows that the SHG-Bank linking in Karnataka State is in progress. The performance is encouraging. It is to be noted that at the beginning i.e. 1992-93 114 SHGs were linked with Banks with refinance facility of Rs. 5.71 lakhs against Bank loan of Rs 5.73 lakhs (100% refinance) thanks to the initiation and interest taken by NABARD. As at the end of 31 March 2016, a total of 2,81,389, SHGs are linked with Bank loan of Rs. 625908.13 lakhs and refinance by NABARD is 100%. As on 31 March 2016, there are 962446 SHGs and savings being Rs. 1442.42 Cr. Apart from this Promotional and Developmental initiatives below ones show the NABARD’s commitment to economic development activities and rural prosperity.

1. Capacity Building of stakeholders (training programmes to SHGs, NGOs and Banks)
2. Grant assistance (for promotion and credit linkage of SHGs and for capacity building of SHGs)
3. Micro Enterprise Development programme (to facilitate SHGs to take up income generating activities and improve their livelihood)
4. Technology upgradation support to NGOs.
5. Supporting SHG Federation.
6. Documentation and Dissemination together with Digitalization.
7. Monitoring and Reviewing of SHG lending, etc.

1.14 BANKS IN KARNATAKA

The Banks (CBs, RRBs and Cooperative Banks) in Karnataka have given more importance to micro credit to make it crucial part of loan portfolio. During the year 2015-16 the credit flow from all the Banks is Rs. 6259 crore, reaching 281389 SHGs and of this Commercial Banks share is Rs 4837.38 crore (77.8%), RRBs share
is Rs. 651.6 crore (10.4%) and cooperative Banks share is 770.1 crore (12.3%). The Cooperatives (DCC Bank) in Karnataka and Department of Women and Child Development Departments have shown their personal interest in promotion and Development of SHGs. The Cooperative Banks have appointed nodal officers exclusively for their purpose. DCCBs will monitor and review the progress.

Microfinance institutions are quite active in India. For the year 2015-16 MFIs availed loans with an estimated share of 36.9% of loan disbursed at all India level. 647 A/Cs of MFIs are there through which loans disbursed by the Banks/FIs to MFIs. The loan amount being 20795.57 Cr. (i.e 36.9%). The MFIs were able to garner higher confidence of banks and Financial Institutions.

About 45 MFIs are active in Karnataka, but still their activities were not been authentically documented. The emergence of Association of Microfinance initiation is a ray of hope for the sector. It is expected that documentation of MFIs and field level issues will be attended to by this Association.

1.15 MICRO FINANCE AND MICRO CREDIT IN KARNATAKA

Micro finance typically refers to a range of financial services including credit savings, insurance money transfers and other financial products provided by different service providers, targeted at poor and low income group.

Microfinance refers to very small loans to unsalaried borrowers (such as artisans, small industries, and vegetable vendors, roadside retailers and other activities including farming, sheep rearing, cattle rearing, poultry, etc.) with little or no collateral provided by them to registered institutions.

Many microfinance institutions have come up with programs for eradicating poverty. With rise of globalization, the role of micro credit programs is increasing.
Micro credit summit held at different times lay stress on the need for better awareness among the poor.

It has also been observed that micro finance institutions and micro credit institutions give more priority to women because in developing countries women are typically responsible for the upbringing of their children and for taking care of the entire family.

The SHG Bank linkage programme (SHGs-BLP) initiated by NABARD in 1992 continues to be a dominant microfinance model in the country that took the financial services to the poor and disadvantaged people. GOI and Govt. of Karnataka have put in place a favorable policy environment for enabling growth of microfinance. Under interest subvention scheme for SHGs, under National Rural Livelihood Mission (NRLM) all women SHGs are eligible for interest subvention for credit availed up to Rs. 3 lakh at 7% per annum. GOK has an 4% interest subvention scheme for cooperative bank that issue loans to SHGs Further in the Budget speech for the year 2017-18 Honorable Chief Minister of Karnataka announced that the SHGs and Stree Shakthi Groups will be getting interest free loan from the cooperative banks (DCCB) and cooperative banks in turn will have entire interest subsidy from the Government.

Really this is a revolutionary and poor friendly approach by the Government of Karnataka. Over the years the SHG-Bank linkage programme has financially empowered 97 lakhs poor rural women in the state of Karnataka, 9.62 lakh SHGs have opened Savings Bank A/Cs in various banks with Rs. 1442.42 crore amount as savings and all the bonks have played a major role in providing credit of Rs. 6259.08 crore to 11.71 lakh SHGs (including repeat finance. This programme covered 125.05 lakh families of which 90% are women.
1.16 SIGNIFICANCE OF THE STUDY

All over the world the role of micro financing for rural development the main objective of which is poverty alleviation and economic development, is well organized. Micro financing policies have helped in achieving sustainable development of the rural sector. The finance support at micro level has caused the process of development a self-sustaining one for the ‘have-nots’. When an operational approach (i.e. a very practical one) towards poverty reduction in rural areas was not readily available and when an easy access to financial support for them was also not-available (i.e. amidst grave situations) SHG client development strategy has emerged gradually as a successful means of sustainable development (both economic and social). The significance of the study aims at the reasons for miraculous growth and success stories of SHG financing and strategies edge over the aligopolistic competition from their institutional support systems. Further the study at Bidar district reveals and unfold special characteristic of the group experiment (i.e. SHGs) in micro finance activities. The very results of the study will be definitely a guiding navigator for the stake holders (Government, Banks, Institutions, policymakers, people representatives, voluntary organizations), in removing cob webs that exist in the process of rural development, so that socio economic objective is attained. The study is also an eye-opener for those who are at the helm of the affairs and it provokes and urges them to earmark requisite financial budgetary support to foster growth in the real sense.

1.17 DATA BASE

The subject of the study has been micro finance activities by the Self Help Groups and the impact thereon. The secondary data has been collected from 1992-93 onwards in India and Karnataka. The particular reference year being 2016 for which
primary data has been collected in Bidar district. Even the progress of SHGs in Bidar district from 2000 onwards is collected for analysis purpose. The systematic statistical tools and techniques are adopted to draw a definite and precise conclusion on the study. In addition the tables, graphs, and charts are generated from the data and used to draw appropriate inferences. Further certain recommendation to the stakeholders is placed in the report for consideration.

1.18 OBJECTIVES OF THE STUDY

Now-a-days microfinancing has emerged as a powerful instrument for poverty alleviation in the economy of a state. In India Micro finance scheme is dominated by Self Help Groups (SHGs). SHG-Bank Linkage programme aimed at an effective mechanism for providing financial services to the “Unreached Poor” especially in rural areas. Unreached poor include small and marginal farmers, rural artisans, economically weaker section and agricultural labourers and other labourers and these unreached poor are the micro finance customers. All over the world and precisely in India, the role of micro financing activities by SHGs is aimed at alleviating poverty, the main objective of Rural Development. Micro financing policies, through SHGs adopted by Banks, MFIs, NGOs and Govt. have helped in achieving economic and social status of the poor clientele over the years and thereby achieving sustainable development. Now SHGs have been playing a role in changing the living conditions of rural poor especially women both socio-economic and even political. The function of SHGs such as regular savings, linkage with Banks, group works, timely credit to the needy among the group members, regular meetings training by the Bankers and more importantly recovery of loans are the motivating factors to improve their condition. The study of SHGs in Bidar district reveals the success of the SHG movement since 1995. The study in Bidar district throws light on many aspects and
unfolds the true stories of economic and social development. The very study is on these lines.

The objectives of the Study are:

- To examine the Self-Help Group movement as a means of financial services to the rural poor (with special reference to Bidar District).
- To find out key beneficences under Self Help Groups.
- To assess socio economic conditions of members of Self Help Groups.
- To find out importance of SHG–Bank linkage.
- To identify the problems faced by Self Help Groups and their members.
- To recommend suitable measures to strengthen SHG Bank linkage programme in particular and to strengthen SHG movement in general.

1.19 HYPOTHESES OF THE STUDY

The study of SHG movement in Bidar District has been taken up with special focus on socio economic development (the main objective of Rural Development) and analyzed accordingly, viz.

1. SHG movement has emerged as a powerful tool of rural finance paving the way for sustainable Rural Development.

2. The SHGs are key stones of Microfinance in India.

3. The SHGs have made socio economic and political impacts on the lives of the members of SHGs by their specific structure and delivery systems of finance.

4. The study also throws light on how women the major part of SHG movement in the district are creators of ‘A CHANGE’.
1.20 METHODOLOGY

The study examined the impact of microfinance activities by SHGs in Bidar District of Karnataka State. As the topic chosen demanded both (i) Primary Data, (ii) Secondary data. The primary data is obtained by way of a detailed field study taken up in all the five taluks of Bidar district (Bidar, Humanabad, Bhalki, Basavakalyan and Aurad taluks). In the study area there are 23620 SHGs as on 31.03.2016, 237 no of respondents are chosen from 10 villages and 26 SHGs from all the five taluks. As majority of SHGs are women SHGs in Bidar District around 237 women members were interviewed in detail and information is collected in designed schedule. Seven men members available were also interviewed and data is collected. Suitable tools were used for data analysis such as descriptive statistics, crosstabs, Chi-square test and correlation methods have been applied to find out, the role of Self Help Groups on the lives of poor rural people both in economic and social aspects, in the study area. Inference drawn thereon may be guiding principles to the Government and other stakeholders.

1.21 TOOLS FOR DATA COLLECTION

Tools used for data collection are the interview schedule and also participatory observation. A structured questionnaire is used to collect the data from the respondent. Participatory observation methodology has been adopted to understand the problems of SHG members in depth if any. The relevant tables, graphs, charts are generated from the data collected. Detail case studies will show the impact on the development aspects.
1.22 LIMITATIONS OF THE STUDY

The very subject of the study is confined to Bidar district of Karnataka State. As per the objectives the study, it is aimed at finding out information related to SHG movement and its impact on the lives of rural poor with special reference to socio economic conditions of the micro finance beneficiaries, as of now. The results are based on the information gathered from the members of SHGs. The study is also a best tool for poverty alleviation. The secondary data is obtained from the DCC Bank and Branches, NABARD, NGOs and primary Agricultural Credit Cooperatives, SAHARDA in Bidar District Administration and Deputy Registrar of Cooperatives Bidar District.

1.23 ORGANISATION OF THE STUDY

CHAPTER - I: INTRODUCTION

It deals with the meaning of sustainable Rural Development Rural Development and Five year plans, Definition and concept growth of Micro fiancé, Self Help Groups in India and Karnataka. It also consists of significance of the study, objectives, methodology data collection limitations etc.

CHAPTER - II: REVIEW OF LITERATURE

This chapter pertains to Review of Literature. These literatures are collected and reviewed with reference to Rural Development, Microfinance and its impact on Development, SHGs and their activities in global areas and India. The literature is collected from Books, Journals, Magazines, News papers, publications, Reports and Websites. The review covers

i. Studies related to Micro finance and Rural Development.

ii. Studies related to socio economic conditions of members of SHGs.

iii. Studies related to microfinance activities by Self Help Group (SHG) and impact thereon.
CHAPTER - III: PROFILE OF THE STUDY AREA

The profile of Bidar District (the study area) like geographical areas, population, agricultural land, sex ratio, literacy level, industries, work force, banks, NGOs Stree Shakthi Groups, SHGs training centers etc., the base for all the purpose of the study has been obtained from District Administration and Banks.

CHAPTER - IV: MICROFINANCE ACTIVITIES IN BIDAR DISTRICT (STUDY AREA)

This chapter deals with SHGs, Banks, functioning of SHGs, overall monitoring of SHGs by Bidar District Central Cooperative Bank, Regular training programmes, Review of progress of SHGs, by the Bidar DCC Bank, NABARD Regional office is the catalytic factor of great concern that finds a place of mention in the study.

CHAPTER - V: ANALYSIS OF THE DATA

The Chapter deals with an analysis of socio economic development aspects of SHGs members and poverty reduction of rural poor, with an intention to cover main objective of Rural Development. The data obtained is compiled and interpreted with tables and graphs.

CHAPTER - VI: MAJOR FINDINGS, SUGGESTIONS AND CONCLUSIONS OF THE STUDY

The chapter deals and marks the summary, findings and suggestions. The conclusion of the study also finds a place in this chapter.