

Micro Finance through SHGS

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Abstract

Several non-government and co-operative organizations initiated savings and thrift led models for helping the poor and demonstrating that the poor have the urge to save and enjoy the grains of their savings through collective and mutually beneficial credit and micro Finance arrangements.

Most of the micro finance models are working through financing directly or indirectly to Self Help Groups (SHGs). The SHGs constitutes 15-20 like minded people living below poverty line. Members of SHGs save equal amounts as decided by their groups. They open an account in either a bank or post office in the name of the group and authorize a member to operate the account.

Concept and Evaluation of Micro Finance

Micro finance is a broad term that includes deposits, loans, payment services and insurances to poor. The concept of micro finance and micro credit are used interchangeably. But micro credit does not include savings; hence micro finance is more appropriate term. Microfinance is a term used for the practice of providing financial services such as micro credit, micro savings and micro insurance to poor people. The Task Force on Supportive Policy and Regulatory Framework for Micro Finance has defined Micro Finance as “the provision of thrift, credit and other financial services to the poor in rural, semi-urban and urban areas to help raise their income levels and improve their living standards”. Micro Finance is a participative model that can address the needs of the poor especially the women. Microfinance is not a new development. Its origin can be traced back to 1976, when Muhammad Yunus set up the Grameen Bank, as experiment, on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh. The concept of lending extremely small amounts of capital to poor entrepreneurs has developed by Mohammed Yunus of Bangladesh during the 1970’s. He has worked out various schemes for upliftment of weaker section of rural people. Finally, he launched the scheme of Self Help Group and played a key role in getting loan from Gramin Vikash Bank of Bangladesh in the year 1975 for which of his act he is known as the pioneer of Self Help Groups. Since then several microfinance institutions came up and have succeeded in reaching the poorest of the poor, and have devised new ground-breaking strategies with time for the fulfillment of their vision. These included the provision of collateral free loans to poor people, especially in rural areas, at full-cost interest rates that are repayable in frequent installments. Borrowers are organized into groups and peer

pressure among them, which reduced the risk of default. The success of micro-credit in Bangladesh had made it a popular poverty alleviating strategy in underdeveloped and developing countries. It's a unique effort itself where the developed and developing countries came forward to a global cause that is appreciable. In the development paradigm, the micro-finance has evolved as need based policy and programmes to cater to the so far neglected target group (women, poor, rural, deprived etc). Its evolution is based on the concern of all developing countries for empowerment of the poor and the alleviation of poverty. Development organizations and policy makers have included access to credit for poor people as a major aspect of many poverty alleviation programmes. Micro finance programmes have, in the recent past, become one of the more promising ways to use scarce development funds to achieve the objectives of poverty alleviation, further more certain micro finance programmes have gained prominence in the development field and beyond the basic idea of micro finance is simple if poor people are provided access to financial services, including credit they may very well be able to start expand micro enterprise that will allow them to break out of poverty. During the last two decade, microfinance has gained a lot of significance and momentum and now India occupies a significant place and a niche in global micro finance through promotion of the SHGs under SHG-Bank Linkage (SBL) programme and the Micro finance Institution (MFI) model. In the eleventh five year plan proper emphasis has given for inclusive growth and faster reduction of poverty. Micro finance through SHGs is the vital tool for reducing the poverty. The NABARD is the main initiator of the SHG movement since 1986-87. Now a day's both central and state governments, nationalized commercial banks, regional rural banks, cooperative banks, NGOs, non-banking financial corporation (NBFC) etc. have joined in the SHG movement as promoters.

Progress of SHGs – A Role Played by Banks

Amongst various models for delivery of micro finance, the SHG Bank Linkage Programme has emerged as a major micro finance model in the country. SHG Bank Linkage Programme was launched by NABARD for purveying micro credit by linking SHGs with banks in 1991-92 with a view to facilitate smoother and more meaningful banking with the poor. The SHG Bank Linkage Programme aims at connecting SHGs of poor people with banks and in process, created the largest microfinance network in the world. SHG Bank Linkage model works on the principle of thrift, lending and peer pressure.

Scheme for Promotion of Women SHGs in backward districts of India

With the object of scaling up SHG promotion activities in “Left Wing Extremism” (LWE) affected and backward districts in the country, a special initiative was commenced by NABARD with the Govt. of India. The programme entails promoting “Women” Self-help Groups in 150 districts with the assistance of anchor NGOs and support organizations

identified for the purpose. The USP of the programme is that the anchor NGOs serves as “Business Facilitators” for banks, promoting, handholding and monitoring the functioning of the SHGs for a fee to be collected from the client. This is expected to ensure continuing interest of the anchor institutions. The agency will also be responsible for repayment of loans by SHGs to banks. The programme also provides for an institutional arrangement by way of Memorandum of understanding (MOU) between an anchor NGO in each of the district and the financing bank to ensure continuous credit flow. The anchor NGOs are expected to map the potential for promotion of SHGs and attempt to saturate the allocated district with quality WSHGs in a limited time span. This approach is expected to facilitate sustained financial inclusion by extending banking services to women members of SHGs, promote sustainable livelihood opportunities to the members and facilitate effective implementation of other social development programmes for women through SHGs. Already Move has been entered into by 239 anchor NGOs with the bankssss, leading to formation and savings linking of 70,000 groups and credit linkage of 18,000 groups with the banks. The overall progress under the scheme is encouraging. NABARD is also supporting the anchor NGOs with capacity building and also promotional grant assistance. During the year 2012-13, an amount of Rs.16.94 crore has been utilized towards promotional grant assistance to anchor NGOs and for training and capacity building of stakeholders from Women SHG Development Fund maintained with NABARD and contributed fully by Government of India.

Conclusion

Microfinance is expected to play a significant role in poverty alleviation and rural development particularly the rural women. The potential for growing micro finance institutions in India is very high. Major cross-section can have been benefited if this sector will grow in its fastest pace.