

ECONOMIC EMPOWERMENT AND FINANCIAL INCLUSION OF POOR PEOPLE IN INDIA THROUGH MICROFINANCE

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Abstract

In spite of sincere effort by the Central and State Governments to improve the financial and social conditions of the poor people, especially in the rural India through various poverty alleviation programmes, the outcomes has far from satisfactory level. Self Help Groups emerges as one of the major tool in promoting financial inclusion for inclusive growth in India. Formal banking sector also ignored the poor due to risk involved in lending to poor. On this backdrop NABARD backed Self Help Group bank linkage is considered as best alternative to reach the rural poor. After 1990s microfinance has picked its momentum and now it is the largest microfinance movement in India. The main aim of NRLM is to reduce poverty by enabling the poor house holders.. The basic idea behind this programme is organize the poor in to Self groups and make them capable for self employment. This study attempts to review the spread of credit linkages between self-help groups (SHGs) with special reference to the women SHGs and NRLM programme.

Key Words: Bank Linkage, Micro finance, NRLM programme, Rural Livelihood, Self Help Group

1. Introduction:

Self Help Groups emerges as one of the major tool in promoting financial inclusion for inclusive growth in India Self Help Groups are a vehicle for very poor people to build up some savings. The groups can provide small loans to the members for various economic activities or in times of financial crisis through mutual support. They can be a forceful tool against indebtedness, and can prepare people to become clients of microfinance institutions at a later stage. Development of a nation is very much dependent on the development of rural people. In modern times, the real problem faced by every developing country like India is the poverty Microfinance to Self Help Groups (SHGs) may be considered as a vital tool for meeting the financial requirement of the poorer sections of the society, especially living in the rural areas. The financial requirement is one of the basic needs of the poor rural people of the society for their socio-economic upliftment.

Self-help Group (SHG) is a group of 10-20 individuals (preferably women) who get together to tackle their problems. Almost all of them are financially weak and not self dependent. The linkage between Bank and SHGs helps to provide formal financial credit to the informal sector. The scheme of micro financing through Self Help Groups (SHGs) has transferred the real economic power in the hands of poor people. Micro finance programs and institutions have become increasingly important tools to eradicate poverty and to micro and small enterprise development.

2. Objectives:

Main objectives of the study are:

- i) Find out the financial assistance of the bank to the Self Help Groups;
- ii) Assess the impact of microfinance to the members of Self Help Groups.
- iii) Asses the progress of NRLM

3. Self Help Group (SHG):

A Self Help Group is a registered or unregistered voluntary association of poor people of 10 to 20, from the same socio-economic backgrounds and it involves primarily in saving and credit activities. It can be all-women group, all men-group or even a mixed group. These groups start with saving and not with credit; the group then uses its savings to give loans to members to meet their emergency and other needs. The members decide on savings per members, maximum size of loans, guarantee mechanisms in loan sanction (Kour, 2008).

Advantages of lending to SGHs:

- i) Borrowers themselves evaluate the amount of credit needed instead of Bank and thus creates a peer screening effect and reduces the transaction costs as the group members have better information than the Banks (Anderson & Nina).
- ii) Peer monitoring system avoids using the loan in non-productive functions by the group members.
- iii) Members are trying to repay the loan in time due to peer pressure and fear to lose position in the society in case of defaulter.
- iv) Loss of a project are generally covered by the profitable projects within the group(Anderson & Nina).

4. Microfinance:

Micro Finance may be defined 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” (NABARD,1999). Micro Finance is a participative model that can address the needs of the poor especially the women. The most common microfinance product is a micro credit or Loan. These tiny loans are enough for hard working micro-entrepreneurs particularly the rural women to start or expand their small business such as weaving, handicrafts, tailoring, toy making, etc. and sell the products in the markets for generating their income.

Main objectives of Microfinance:

- i) Reaching the poorest
- ii) Reaching and empowering the poor rural people, especially women
- iii) Building financially self-sufficient institutions
- iv) Ensuring a positive, measurable impact on the lives of clients and their families

The microfinance movement in India was introduced around the 1970s. Microfinance has gained a lot of significance and momentum in the last two decades. India now occupies a significant place and a niche in global microfinance through promotion of the self-help group (SHGs) under SHG-Bank Linkage (SBL) programme and the microfinance Institution (MFI) model. To provide the rural poor accessibility to credit from the banking system and for alleviating poverty, NABARD in 1992 had started a programme of linking SHGs of the rural poor with banks. Over the years, the SHG-Bank linkage programme has emerged as the major micro-finance programme in the country.

In order to avoid the harassment from the local money lenders with high rate of interest and other unfavourable conditions, NABARD and ILO have carried out a study and launched the concept of Self Help Groups (SHGs). The studies brought out that Self-Help Savings and

Credit Groups had the potential to bring together the formal banking structure and the rural poor for mutual benefit.

5. Bank Linkage Scheme:

The Monetary Policy of RBI emphasized the Bank Linkage with SHGs and Ministry of Finance announced the policy in Union Budget and issued various guidelines to banks in this regard from time to time. To scale up the SHGs linkage programme and make it sustainable, banks were advised to consider the lending procedure to SHGs as part of their mainstream credit operations and include it in their plan, training programme of their officers and staff and implement it as a regular business activity and monitor and review it periodically.

The bank-led microfinance channel was initiated by NABARD in 1992. The members contribute their savings in the group periodically and from these savings small loans are provided to the members. In the later period these SHGs are provided with bank loans generally for income generation purpose. The group's members meet periodically when the new savings come in, recovery of past loans are made from the members and also new loans are disbursed. This model has been very much successful in the past and with time it is becoming more popular. The SHGs are self-sustaining and once the group becomes stable it starts working on its own with some support from NGOs.

There are three models under the Self Help Group- Bank Linkage Programme (SBLP)

- i) SHGs promoted and financed by Banks (Commercial, co-operative and Regional Rural Banks);
- ii) SHGs promoted by NGOs and financed by the Banks;
- iii) SHGs promoted by NGOs and financed by the Banks where the NGOs act as financial intermediaries.

6. SGH-Bank linkage:-

Table -1 , Highlights of SGH-Bank linkage Programme.

Particulars	2009-10		2010-11		2011-12	
	No. of SHGs (in lakhs)	Amount (Rs. In Crore)	No. of SHGs (in lakhs)	Amount (Rs. In Crore)	No. of SHGs (in lakhs)	Amount (Rs. In Crore)
No. of SHGs (Savings with Bank)	69.53	6198.71	74.62	7016.30	79.60	6551.41

Loan disbursed to SHGs during the year	15.87	14453.3	11.96	14547.73	11.48	16534.77
Loan outstanding on 31 st March	48.51	28038.28	47.87	31221.17	43.54	36340.00

Source: Status Report, NABARD (2011-12)

Formal or informal (registered or unregistered) SGHs are eligible to open savings Account in Banks if the SHGs are engaged in promoting savings habits within their members. It is not essential that the SGHs have availed credit facilities or not. This fact is also reflected in Table 1. As per the NABARD guidelines, Banks may sanction savings linked loans to the SGHs and the savings to loan ratio varies from 1:1 to 1:4. However, in case of timely repayment of loans by the SGHs, further loans may be given more than the 4 times of the savings and simple documentation as per the discretion of the bank.

Table 2: Bank support to Women SHG

Particulars	2009-10		2010-11		2011-12	
	No. of SHGs (in lakhs)	Amount (Rs. In Crore)	No. of SHGs (in lakhs)	Amount (Rs. In Crore)	No. of SHGs (in lakhs)	Amount (Rs. In Crore)
No. of SHGs (Savings with Bank)	53.10	4498.66	60.98	5298.65	62.99	5104.99
Loan disbursed to SHGs during the year	12.94	12429.37	10.17	12622.33	9.23	14132.02
Loan outstanding on 31 st March	38.98	23030.36	39.84	26123.75	36.49	30465.28

Source: Status Report, NABARD (2011-12)

The number of saving linked SHGs stands as on 31st March, 2012, at 7.96 million with a membership of over 103 million poor households. While bulk of these savings is used for internal lending within the Group (over 70%), the balance is maintained in the savings accounts with the financing banks. Over 79% of SHGs linked to banks are exclusive women groups, which is one of the most distinguishing features of microfinance sector in the country. Over 4.35 million SHGs have now access to direct credit facilities from the banks and the total bank loans outstanding against these groups is over 36340 crore as on 31 March 2012 i.e. an average of 83500 per group. About 1.15 million SHGs were extended fresh loans to the extent of 16535 crore during 2011-12 by all banks averaging 1.44 lakh per group. Although fresh lending to SHGs during the year showed an increase of 13.7% over last year, the steady decline in the number of SHGs being extended fresh loans by banks for the last 3 years is a matter of concern.

7. Empowering aspects of self-help microfinance schemes:

Self-help groups intermediated by microfinance have been shown to have positive effects on rural people. They have played valuable roles in reducing the vulnerability of the poor, through asset creation, income and consumption smoothing, provision of emergency assistance, and empowering and emboldening women by giving them control over assets and increased self-esteem and knowledge (Bansal H 2001). The SHGs have become a platform for exchange of experiences and ideas. The women have tremendous energies to start their own enterprises given the right opportunities. They have developed abundant self-confidence and self esteem through SHG movement. Not only economic poverty but also social and gender issues can be tackled effectively through this process. (Chiranjeevulu 2003). Impact assessment studies point to asset creation as one of the main indicators, measurable by empirical data. From various documented sources, it would appear that financial services to self-help groups have brought about an increase in household income. For example, the 2000 United Nations Common Country Assessment for Bangladesh felt that microcredit had lessened the severity of poverty and helped to increase total income per household by 29 per cent. A World Bank study found that a 10 per cent increase in borrowing had led to an increase in women's non-land assets by 2 per cent for loans from the Grameen Bank and 1.2 per cent for loans from the Bangladesh Rural Advancement Committee (BRAC) (World Bank 1998). In India, microcredit studies done on groups dealing with dairy farming have noted positive profit levels and short payback periods for loans (Lalitha and Nagarajan 2002).

Earnings generated from such undertakings have been instrumental in increasing the physical well-being of the household, often through better nutrition and sanitation.

The growing social awareness across the world has brought a number of issues among which gender equality and empowerment of women are very significant. Discrimination against women in the form of male-female differentiation constitutes the core of the gender-biased system. The World Bank has suggested that empowerment of women should be a key aspect of social development programs. The scheme of micro financing through Self Help Groups (SHGs) has transferred the real economic power in the hands of women and has considerably reduced their dependence on men. The empowerment of women and improvement of their status and economic role needs to be integrated into economic development programs, as the development of any country is inseparably linked with the status and development of women. Given the gender division of labour that prevails in India, Nutrition, Child health, and related matters typically depend mostly on women's actions and decisions. Experience has shown that promotion of enterprise creation and income generating activities among women would transform them from 'being alive' to 'living with dignity'. One of the powerful approaches to women empowerment and rural entrepreneurship is the formation of Self Help Groups (SHGs) especially among women. The SHG is really a boon in the rural areas which gives financial autonomy to the rural women and makes them economically independent (Laxman 2001). They have developed their self-confidence and self esteem through SHG movement. Serious social and gender issues can be solved effectively along with the economic improvement through this movement also.

8. NRLM (National Rural Livelihood Mission)

The main aim of NRLM is to reduce poverty by enabling the poor householders to access gainful Self-employment and skilled wage employment opportunities, resulting in appreciable improvement in their livelihoods on a sustainable basis through building strong grassroots institutions of the poor. The basic idea behind this programme is to organize the poor into Self groups and make them capable for self employment. Due to shortcomings of SGSY (Swarnajayanti Gramin Swarojgar Yojana), SGSY has been restructured as NRLM, being implemented in a mission mode across the country.

8.1 Core Values:

- i) Community self-reliance and self dependence.
- ii) Transparency and accountability of all processes and institutions.
- iii) Inclusion of the poorest and meaningful role to the poorest in all the processes.
- iv) Reducing their dependency on external support agencies.

v) Ownership and key role in all stages like planning, implementation and monitoring

8.2 Features of NRLM

The main feature of NRLM is universal social mobilization. At least one women member from each identified rural poor household is to be brought under the self Help Group network in a time bound manner. Adequate coverage of vulnerable sections of the society SC and ST 50%, Minority 15% and disable person 3%..

8.3 PIP (Participatory identification of poor)

Community based process with participation of the poor to identify NRLM target groups, based on sound methodology and tools will be adopted. PIP process will reduce the inclusion and exclusion errors of current BPL list. Till the PIP process is undertaken, the rural households already included in the official BPL list will be targeted under NRLM. NRLM would promote specialized institution like Livelihood, Collectives, Producers, Cooperatives for livelihood promotion.

8.4 Fund

NRLM provides RF (Revolving Fund) to support SHGs to boost their group financial management capacity. The CIF (Community Investment Fund) would be provided to SHG-Federations as corpus and to be used for lending to the SHGs for meeting the members credit needs directly and as a capital leveraging repeat bank finance in the long run.

8.5 Financial Inclusion through NRLM

NRLM is functioning to achieving financial inclusion universally. Financial inclusion is possible if both supply side and demand side of financial services increase among the poor people. NRLM increase the demand of financial service by promoting financial literacy among the poor, providing catalytic capital to the SHGs and their federations, enhancing their absorption capacity and linking up with markets, Interest subvention. On the other hand coordinating with the Financial Institutions, developing community facilitators like Bank Mitra. Community based repayment mechanism; NRLM would also work towards universal insurance coverage of rural poor.

9. NRLM progress:

Table 3 : NRLM progress at a Glance as on 26/05/2017

I Geographical Coverage Under DAY- NRLM		
Sl NO	Indicators	Achievement
1	Numbers of States/UT transited to Day-NRLM	30

2	Number of districts with intensive blocks in DAY-NRLM	551
3	Number of block identified for intensive approach in NRLM states	3841
4	Number of blocks where intensive implementation has	3750
5	Number of villages in which intensive implementation has started	252773
6	Number of gram Panchayets in which intensive implementation has started	86683
II Progress on Intensive Blocks (including NRLM-EAP/State projects)		
7	Number of households mobilized in to SHGs (in lakh)	314.5
8	Number of SHGs Promoted (in Lakh)	31.6
9	Number of Village organization Promoted	144156
10	Number of SHGs provided Revolving Fund	762605
11	Amount of Revolving Fund Distributed to SHGs in lakh)	100461.4
12	Number of SHGs provided Community investment Fund	446363
13	Number of Community Recourse Persons developed	1027233
14	Amount of Credit mobilized through banks (in Lakh)	56197.80

Sources: Ministry of Rural Development, Govt. of India (www.nrlm.gov.in)

Some important issues relating to the above table are 1) 551 districts out of 687 districts of the Country is in operation i 2) 3841 blocks has been identified for intensive approach against 6860 blocks in the country. 3) In case of community Investment Fund (CIF) out of 31.6 Lakh SHGs only 4.46 Lakh SHGs were extended CIF, Which is less than the SHGs formed.

10. Conclusion:

Microfinance is playing a significant role in alleviate poverty and rural development. Micro finance is not just a financing system, but a tool for social change, especially for women. In spite of the serious efforts taken by the Governments to empower the poor people through creating opportunities of income and employment, the outcomes are not so encouraging. No external force is responsible for the failures of the Government programmes but there is a lack of internal urge from the poor people themselves. The success of any strategy of women empowerment depends upon the improving education, health & medical facilities, nutrition and family planning. It is a great opportunity to the poor women making them free from the bondage of unfavourable social structure. Micro finance to women-led SHGs also helped the members to achieve social and economic empowerment. Although the loan amount is small, it helps in meeting the requirement of the poor. Small amounts of loans

coupled with financial discipline ensure that loans are given more frequently and hence credit needs for a variety of purposes and at shorter time intervals can be met. This is a better mechanism to reduce poverty gradually as against one time loan for productive asset, which may lead to sustained increases in income (Madheswaran and Dharmadhikary 2001). If the poor people are organised in an effective manner under the umbrella of SHGs with the fundamental objective to reduce their stress and burden difficulties owing to lack of income for their survival, then it will be the help to a great extent towards the economic development of the society. It also helps to reduce the income disparity partially. Microfinance to the rural SHGs is a way to raise the income level and improve the living standards of the rural people. The Self Help Groups have proved the way for economic independence of rural poor and also save them from the vicious circle of the local money lenders. It also developed the various skills among the members like, finance, marketing, leadership, applying modern technology etc. Women are most of the cases enhancing social relationship among the women SHGs irrespective of caste, religion, and creed. On the other hand I hope that NRLM will create a new ray for all rural householders particularly BPL (Below Poverty line) householder. Thus we can conclude that the overall impact of microfinance through SHGs and progress of NRLM is very effective in tackling poverty, create self-employment and empowerment of poor people. NRLM system to increase both demand and supply of financial service of poor Indian people will be able to change the livelihood way and quality of rural poor people

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