



SHGs And Bank Linkage In Jharkhand

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SHG – Bank linkage programme helps to promote financial transactions between formal & informal banking system (SHGs). This programme helps bank in reducing their transaction as well as risk costs in delivering small loans. SHG – bank linkage is a new rural banking concept. This paper presents an anatomy of SHGs & bank linkage in Jharkhand with a reference of an NGO: "Jan Chatna Manch" which is active in promoting number of SHGs in the district of Bokaro.

Keywords : SHGs, Microfinance, Bank Linkage.

Introduction

Self-help group (SHG) is a village-based financial intermediary usually composed of between 10-15 local women. Members make small regular savings contributions over a few months until there is enough capital in the group to begin lending. Funds may then be lent back to the members or to others in the village for any purpose. A Self-Help Group (SHG) may be a registered or unregistered group of micro entrepreneurs having homogenous social and economic backgrounds; voluntarily coming together to save regular small sums of money, mutually agreeing to contribute to a common fund and to meet their emergency needs on the basis of mutual help. The group members use collective wisdom and peer pressure to ensure proper end-use of credit and timely repayment. This system eliminates the need for collateral and is closely related to that of solidarity lending, widely used by microfinance institutions¹. To make the book-keeping simple enough to be handled by the members, flat interest rates are used for most loan calculations. Self-help groups are generally started by non-profit organizations (NGOs) that generally have broad anti-poverty agendas. These groups are seen as instruments for a variety of goals including empowering women, developing leadership abilities among poor people, increasing school enrolments, and improving nutrition and the use of birth control. Financial intermediation is generally seen more as an entry point to these other goals, rather than as a primary objective².

The existing literature³ suggests that the concept of forming SHGs and linking to banks would raise incomes and broaden financial markets by principally providing credit, among other services, to small scale entrepreneurs and thereby reducing poverty (Aghion & Morduch 2000). This would also lead to women's empowerment, since microfinance programmes have mostly targeted women as clients (Littlefield, Morduch and Hashemi, 2003 and Cheston and Kuhn, 2002). India, which has about 70 percent of the total population living in rural areas-most of who are poor - the programme of microfinance in terms of linking SHGs with banks holds a critical role in targeting poverty reduction and empowering women socially, politically and economically. Since the concept of SHGs is more than 25 years old, a number of studies have already examined the impact of microfinance on various aspects as noted above.

An impact study on SHG Linkage Programme in India was carried out by Puhazhendi and Badatya in 2002. The study assessed the impact on SHG members in three eastern states, i.e., Orissa, Jharkhand

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and Chattisgarh. The analysis of the study was based on primary data collected from a sample of 115 members of 60 SHGs. A socio-economic impact was arrived at by comparing the pre and post SHG situations of members. The overall findings of the study suggest that the SHG- bank linkage programme had made a significant contribution to social and economic improvement of SHG members. About 83 percent of the sampled SHG members belonged to the SC/ST communities. With regard to employment, the study found that employment per household increased by 34 percent between the pre-SHG and post-SHG situations. The share of BPL households was reduced from a high of 88 percent to about 75 percent in the SHG after its group formation and activities. Thus, about 15 percent of the sample SHG member households were able to raise their income levels sufficiently to cross the poverty line. There was also a remarkable improvement in the social empowerment of SHG members in terms of self-confidence, as reflected in their decision-making abilities and communication skills. Sustainability of SHGs was well established in terms of increased value of assets and savings rate, better access to institutional loans, higher rate of repayment of loans, elimination of informal sources and impressive social empowerment. The study reported that members in 80 percent of SHGs received some form of training. About 97 percent formed by NGOs received training programmes, while only 50 per cent of those formed by banks got such inputs. When asked about the usefulness of training programmes, 73 percent of the members said they were well served by them.

Different studies which include Chakrabarti (2004), Prabhu Ghate (2006), Ramakrishna (2006), Meissner (2006) Conducted in different part of India has analysed the impact of SHGs and have observed that SHGs can provide sustainable development for rural poor.

Nair (2005) examined the potential of SHG federations in providing sustainability to SHGs through financial and organisational support. Specifically, the study examined issues like:

- (i) variety of services provided by the federations and their benefits to SHGs,
- (ii) financial variability of SHGs and SHG federations and cost of promoting them,
- (iii) identification of constraints of promoting SHG federations, and,
- (iv) policy recommendations to strengthen SHG federations.

In terms of services provided by SHG federations and thrift cooperation to SHGs, the study found that the most common service is savings and loan facilities. Savings include general savings and particular savings for education, housing, marriages, and festivals. Loans include both small and large loans at costs lower than those available in the market. Besides these services, the SHG federations helped SHGs to internalise all operational costs and reduce the cost of promoting new SHGs. Further, SHG federations provide all essential services to SHGs with minimum costs. These services were often provided by the promoting agencies in the initial stage of SHG development. They include auditing, capacity building like training the SHG members, leaders and SHG accountants, and forming a common forum for reviewing the performance of SHGs. The federations also help in resolving conflicts among SHG members, between SHGs and between SHGs and banks. Another important aspect is that they assist in reducing the transaction costs of SHG-bank linkage programme by grouping 10-20 accounts into one single SHG account. The federations help in reduction of loan default-both within SHGs and from SHGs to banks. They provide micro-insurance services and social services such as education, health and livestock support. The federations employ their own resources in promoting new SHGs while minimising the promotional costs as compared to other agencies like the banks and NGOs. They also help in empowering the SHG members.

Besides these positive results the study also found negative appraisals of pressure,

challenges and stress for most of the SHG members.

Most of the studies (Puhazhendi and Satyasai,2000; Puhazhendi and Badatya, 2002; and EDA Rural System and APMAS, 2006) discussed mainly various socio-economic parameters of SHG members related to the situation during pre-SHG and post-SHG periods, other studies (Nair, 2005; Moyle, Dollar and Biswas, 2006 and Chakrabarti, 2004) assessed more specific type of issues such as role of SHG federations in providing sustainability of SHGs, economic and personal empowerment of women and role of microfinance in poverty eradication. The broad findings of first group of studies suggest:

- ◆ A high percentage of SHGs are meeting regularly and mostly at monthly intervals.
- ◆ The average value of assets of SHG member households increased after joining a SHG.
- ◆ Household savings increased significantly during the post-SHG period as compared to the pre-SHG period.
- ◆ More percentage of household members reported that they use higher proportion of loan amount for income generating purposes.
- ◆ The repayment of loans by SHGs household members was reported to be much higher during post- SHG period compared to pre-SHG period.
- ◆ The average annual net income of SHG member households increased significantly after joining a SHG and considerable contributions were made for poverty reduction.
- ◆ Employment per household increased during the post-SHG period as compared to the pre-SHG period.
- ◆ There was remarkable improvement in social empowerment of SHG members in terms of self confidence, decision-making and better communication.

The discussion of the second group of studies suggests that SHG federations play a critical role in improving the sustainability of SHGs through financial and organisational support. Besides the promotion of general savings of SHGs and special savings for education, housing, marriage and festivals etc. they also provide loans to SHGs on low rate of interest. As far as organisational support is concerned, federations employ their own resources in promoting new SHGs and were able to reduce the cost of promotion of SHGs or promotional costs as compared to other agencies such as banks and NGOs.

A specific study on women empowerment (Moyle, Dollard and Biswas, 2006) found that a high share of women SHG members reported significant development of their self-confidence and work efficiency. The study also reported that most of the women experience pressure, challenges and stress due to extra work and more responsibilities³.

Present study aims to analyse the SHG-Bank linkage in Jharkhand in process the study also tries to :

- (i) To understand status of SHG-bank linkage at national level
- (ii) To assess performance of SHG-bank linkage in Jharkhand
- (iii) Study/analyze the growth of SHG under NGO-”Jan Chetna Manch”, Chas and Chandankyari blocks of Bokaro district in Jharkhand.

Jharkhand is purposively selected for the study, as it has many SHGs running over here. The study is based on secondary data collected from NABARD.

SHG – Bank Linkage Programme

The Asian & Pacific Regional Agricultural Credit association (APRACA) presented a platform for policy dialogues to target new banking concepts in the early eighties. The basic concern was that traditional banking cannot any longer ignore the creative human potential of the poor in Asia. The APRACA with special programme support by GERMAN TECHNICAL ASSISTANCE played the role of a Lead Agency in promoting SHG – Banking in Asia & the Pacific. Finally, in Kathmandu in 1986 an agreement was signed in order to undertake national level studies on existing Self-Help Groups of the rural poor and to initiate project activities on Promotion of Linkages between Banking institutions and Self–Help Groups in Rural Savings Mobilisation and Credit Delivery to the rural poor.

The National Scenario

In India NABARD, established as an apex rural development bank in the year 1982, through an Act of Parliament, to provide refinance for agriculture, allied activities, small scale industries, cottage and village industries, rural artisans and crafts in an integrated manner led the team, presented a preliminary draft of this report at the 18th Executive Committee session and 10th Foundation Anniversary of APRACA held at New Delhi in 1987 and published the report in 1989. An action research project on SHGs was started by MYRADA in 1987 with NABARD providing a research and development grant. Subsequently, the Pilot Project of linking 500 SHGs to banks was started in 1992 with the objective of linking and financing existing SHGs as grassroots intermediaries to banks across the country for both savings mobilization and credit delivery. NABARD, issued detailed operational guidelines to banks for implementation of the pilot project⁴.

The Swiss Development Cooperation (SDC), had provided NABARD the necessary encouragement for launching the Pilot Project and supporting the same. Quick studies conducted by NABARD in a few states to assess the impact of the Pilot Project brought out encouraging and positive features like increase in loan volume of the SHGs, definite shift in the loaning pattern of the members from non-income generating activities to production activities, nearly 100% recovery performance, significant reduction in the transaction costs for both the banks and the borrowers, etc, besides leading to gradual increase in the income level of the SHG members. Another significant feature observed in the Pilot Project was that about 5% of the groups linked with the banks were formed by women.

In India, many SHGs are ‘linked’ to banks for the delivery of microcredit. Many self-help groups, in India, under NABARD’s SHG-bank-linkage program, borrow from banks once they have accumulated a base of their own capital and have established a track record of regular repayments. This model has attracted attention as a possible way of delivery microfinance services to poor populations that have been difficult to reach directly through banks or other institutions. “By aggregating their individual savings into a single deposit, self-help groups minimize the bank’s transaction costs and generate an attractive volume of deposits. Through self-help groups the bank can serve small rural depositors while paying them a market rate of interest”⁵.

NABARD supports the rural credit system by way of refinance for short-term, production/ marketing activities, medium-term and long-term loans for technically feasible and financially viable projects

in both Farm and Non-Farm sectors, through State Co-operative Banks (SCBs), and Regional Rural Banks (RRBs). The State Co-operative Agriculture and Rural Development Banks (SCARDBs) are supported for only term loans for investment credit. The Commercial banks are supported for short-term financing of primary weavers' societies and for term loans for investment credit. NABARD provides finance to State Governments for completion of rural infrastructure development projects such as major and minor irrigation projects, soil conservation, rural roads and bridges, SHGs (Self Help Groups) through PRIs (Panchayati Raj Institutions) etc., from the "Rural Infrastructure Development Fund" (RIDF) created for the purpose.

The SHG-Bank Linkage Programme of NABARD has emerged as the primary model for providing Micro-Finance (MF) services in the country. It is a proven tool of extending to the unbanked rural clientele access to formal financial services. Encouraged by the success of the programme, NABARD promoted the linkage of Micro-Finance Institutions (MFIs) with the banking sector. The MFI-bank linkage model too has assumed importance on account of credit support extended by banks for on-lending to clients by MFIs⁶.

During the year ending 31st March 2008, 5,52,992 new SHGs were credit linked with banks and bank loan of Rs.2,541.98 crore was disbursed taking the cumulative number of SHGs credit linked to 34,77,965. In addition, 1,86,883 existing SHGs were provided repeat loans of Rs.1,685.60 crore. The programme has covered more than 5.80 crore poor households, making it the largest Micro-Finance (MF) programme in the world. As on 31 March 2007, 41.60 lakh SHGs maintained savings and had savings worth Rs.3,512.71 crore outstanding with the banking sector. During 2006-07, bank credit of Rs.6,570.39 crore and Rs.1,151.56 crore was disbursed to 11.05 lakh SHGs (including 1.88 lakh under SGSY) and 334 MFIs, respectively⁶.

During 2007-08, bank loan of Rs.4,227.58 crore was disbursed to 7,39,875 SHGs (including repeat finance of Rs.1,685.60 crore to 1,86,883 existing SHGs) vis-à-vis Rs.6,570.39 crore disbursed to 11,05,749 SHGs during 2006-07. The agency-wise disbursements reveal that, commercial banks accounted for 42 and 48 percent of the SHGs credit linked and bank loan disbursed, respectively, followed by RRBs and co-operative banks. The average loan disbursed per SHG amounted to Rs.57,139 during 2007-08 compared to Rs.59,420 during 2006-07. During 2007-08, NABARD extended refinance of Rs.1,615.50 crore under the programme. Further, 28.95 lakh SHG accounts (including those under SGSY) had loans outstanding worth Rs.12,366.49 crore from all agencies and 41.60 lakh SHGs maintained savings outstanding of Rs.3,512.71 crore with the banks as on 31 March 2007. The recovery performance of SHGs too reflects a high percentage of recovery. As on 31 March 2007, of the 290 reporting banks, 73 percent banks reported recovery of 80 percent in respect of their SHG portfolio. Agency-wise, 26 commercial banks (out of 36), 55 RRBs (out of 73) and 131 co-operative banks (out of 181) reported recovery above 80 percent.

The following Tables⁷ show the progress of SHGs –banks linkage at the National level in various categories as on 31st March 2008:

Table 1

Overall Progress Under Microfinance For The Years 2006-07 And 2007-08 at National Level

In Table 1 the data for the year 2007-08 has been presented under two models of microfinance

(Amount in crores)

Particulars	Units		2006-07	2007-08	% age growth
Savings Accounts of SHGs with Banks as on 31 March	No. of SHGs	Total	41,60,584	50,09,794	20.4
		Out of which under SGSY	9,56,317	12,03,070	25.6
	Amount	Total	3,512.71	3,785.39	7.8
		Out of which under SGSY	757.50	909.51	6.9
Bank Loans disbursed to SHGs during the year	No. of SHGs	Total	1,105,749	12,27,770	11.0
		Out of which under SGSY	188,962	246,649	30.5
	Amount	Total	6,570.39	8,849.26	34.7
		Out of which under SGSY	1,411.02	1,857.74	31.7
Bank Loans outstanding with SHGs as on 31 March	No. of SHGs	Total	2,894,505	36,25,941	25.3
		Out of which under SGSY	6,87,212	9,16,978	33.4
	Amount	Total	12,366.49	16,389.91	37.5
		Out of which under SGSY	3,273.03	4,816.87	47.2
Bank Loans disbursed to MFIs during the year	No. of MFIs		384	518	55.1
	Amount		1,151.56	1,370.15	71.1
Bank Loans outstanding with MFIs as on 31 March	No. of MFIs		550	1,109	101.6
	Amount		1,584.48	2,748.84	73.5

Note: Actual number of ADFs provided with bank loans would be less as several ADFs have availed loans from more than one bank.

involving credit linkage with banks:

- (i) SHG-Bank linkage Model: This model involves the SHGs financed directly by the banking agencies viz. Commercial Banks (Public Sector and Private Sector), Regional Rural Banks (RRBs) and Co-operative Banks.
- (ii) MFI - Bank Linkage Model: This model covers financing of Micro Finance Institutions (MFIs) by

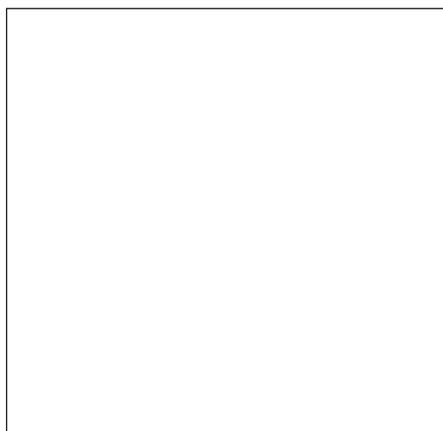
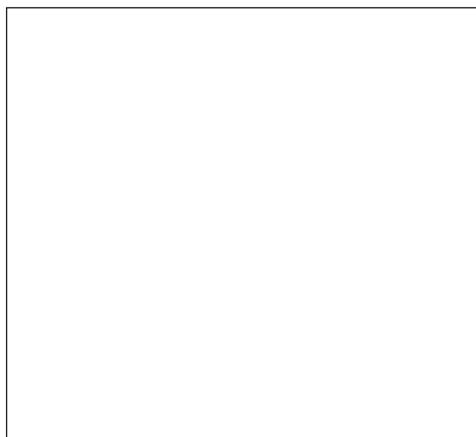
banking agencies for on-lending to SHGs and others small borrowers covered under microfinance sector.

Looking at the overall progress, it is evident that SHG-Bank linkage is developing in a good working model and is far outnumbering the MFIs.

**Table 2: Savings Of Shgs With Banks – Agency-wise Position For
The Years 2006-07 And 2007-08**

As on 31 March 2008, total 50,09,794 SHGs were having savings bank accounts with the banking

Agency	During the year	Total SHGs' Savings with the banks as on 31 March 2008				Per SHG Savings (Rupees)	Out of Total : SHGs savings with banks under SGSY	
		No. of SHGs	% Share	Amount	% Share		No. of SHGs	Amount
Commercial Banks (Public & Private Sector)	2006-07	22,93,771	55.2	1,892.42	53.8	8,250	5,71,062	524.49
	2007-08	28,10,750	56.1	2,077.73	54.9	7,392	7,65,775	527.02
	% growth	22.5		9.8		-10.4	34.1	0.5
Regional Rural Banks (RRBs)	2006-07	11,83,065	28.4	1,158.29	33.0	9,791	3,00,427	188.66
	2007-08	13,86,838	27.7	1,166.49	30.8	8,411	3,57,004	210.83
	% growth	17.2		0.7		-14.1	18.8	11.8
Co-operative Banks	2006-07	6,83,748	16.4	462.00	13.2	6,914	84,828	44.35
	2007-08	8,12,206	16.2	541.17	14.3	6,663	80,291	71.66
	% growth	18.8		17.1		-1.4	-5.3	61.6
TOTAL	2006-07	41,60,584	100.0	3,512.71	100.0	8,469	9,56,317	757.50
	2007-08	50,09,794	100.0	3,785.39	100.0	7,556	12,03070	809.51
	% growth	20.4		7.8		-10.5	25.8	6.9



sector with outstanding savings of Rs.3,785.39 crore as against 41,60,584 SHGs having savings of Rs. 3512.71 crore as on 31 March 2007, thereby having growth rate of 20.4% and 7.8% respectively. Thus, more than 7.01 crore poor households were associated with banking agencies under SHG Bank Linkage Program. As on 31 March 2008, the Commercial Banks had the maximum share of SHGs' savings with 28,10,750 SHGs (56%) with savings amount of Rs.2,077.73 crore (55%) followed by Regional Rural Banks with savings bank accounts of 13,86,838 SHGs (27.7%) and savings amount of Rs.1166.49 crore (31%) and Co-operative Banks having savings bank accounts of 8,12,206 SHGs (16.2%) with savings amount of Rs.541.17 crore (14.3%).

Table 3

Bank loans Disbursed to SHGs - Agency-wise for the years 2006-07 and 2007-08

From Table-3, it is observed that commercial banks lead in disbursement of SHG loans during

Agency	During the Year	Total Loans disbursed by Banks to SHGs				Per SHG bank loan disbursed (Rupees)	Out of Total: Bank loan disbursed to SHGs under SGSY	
		No. of SHGs	% Share	Amount	% Share		No. of SHGs	Amount
Commercial Banks (Public & Private)	2006-07	5,71,636	51.7	3,918.94	59.7	68,557	1,23,551	878.72
	2007-08	7,35,119	59.9	5,403.90	61.0	73,551	1,60,674	1,103.70
	% growth	28.6		37.9		7.2	30.0	25.6
Regional Rural Banks (RRBs)	2006-07	3,81,199	34.5	2,052.73	31.2	53,849	48,653	407.91
	2007-08	3,27,650	26.7	2,651.84	30.0	80,935	64,678	597.71
	% growth	-14.0		29.2		50.3	32.9	46.5
Co-operative Banks	2006-07	1,52,914	13.8	598.72	9.1	39,153	16,758	124.39
	2007-08	1,65,001	13.4	793.52	9.0	48,092	21,297	156.33
	% growth	7.9		32.5		22.8	27.1	25.7
TOTAL	2006-07	11,05,749	100.0	6,570.39	100.0	59,420	1,88,962	1,411.02
	2007-08	12,27,770	100.0	8,849.26	100.0	72,076	2,46,649	1,857.74
	% growth	11.0		34.7		21.3	30.5	31.7



2007-08 with 59.9% share followed by Regional Rural Banks with a share 26.7% and Co-operative Banks with a share of 13.4%. During 2007-08, average bank loan disbursed per SHG was Rs.72,076 as against Rs.59,420 during 2006-07. The average loan per SHG ranged from a high of Rs.80,935 per SHG by RRBs to low of Rs.48,092 per SHG by Co-operative Banks.

Table 4

**Bank Loans Outstanding Against SHGs - Agency-wise For
The Years 2006-07 And 2007-08**

From Table-4, it is observed that commercial banks had the maximum share of outstanding bank loans

(Amount Rs. crore)

Agency	During the Year	Total Loans outstanding against SHGs as on 31 st March 2008				Per SHG bank loan outstanding (Rupees)	Out of Total: Bank loan outstanding against SHGs under SGSY	
		No. of SHGs	% Share	Amount	% Share		No. of SHGs	Amount
Commercial Banks (Public & Private)	2006-07	18,93,016	65.4	8,760.38	70.8	46,277	4,68,059	2,255.31
	2007-08	23,78,847	65.6	11,475.47	67.5	48,240	6,38,283	3,225.92
	% growth	25.7		31.0		4.2	36.4	43.0
Regional Rural Banks (RRBs)	2006-07	7,29,255	25.2	2,801.76	22.7	38,419	1,72,012	807.76
	2007-08	8,75,716	24.2	4,421.04	26.0	50,485	2,23,191	1,332.33
	% growth	20.1		57.8		31.4	29.8	64.9
Co-operative Banks	2006-07	2,72,234	9.4	804.35	6.5	29,546	47,241	209.96
	2007-08	3,71,378	10.2	1,103.39	6.5	29,711	55,504	258.62
	% growth	36.4		37.2		6.6	17.5	23.2
TOTAL	2006-07	28,94,505	100.0	12,366.49	100.0	42,724	6,87,312	3,273.03
	2007-08	36,25,941	100.0	16,999.90	100.0	46,884	9,16,978	4,816.87
	% growth	25.3		37.5		9.7	33.4	47.2



to SHGs with a share of 67.5% followed by RRBs with a share of 26.0% and Cooperative Banks with 6.5%. As on 31 March 2008, an average bank loan outstanding per SHG was Rs.46,884 as against Rs.42,724 per SHG as on 31 March 2007. It varied from a high of Rs.50,485 per SHG in case of RRBs and a low of Rs.29,711 per SHG in case of Co-operative Banks. The share of women SHGs in total SHGs having outstanding bank loan was 80.4% as against 82.5% as on 31 March, 2007.

Table 5
Year-wise Progress In Linkage Of SHGs

YEAR	Cumulative No. of SHGs linked to banks	Cumulative Bank Loan disbursed (Rs.Crore)	Cumulative NABARD Refinance disbursed (Rs.Crore)
1992-93	265	0.3	0.3
1997-98	14,317	24	21
1999-00	1,14,775	193	150
2000-01	2,63,285	481	401
2001-02	1,06,567	1,026	796
2002-03	7,17,360	2,049	1,419
2003-04	10,79,091	3,904	2,124
2004-05	16,18,456	6,896	3,092
2005-06	22,38,565	11,398	4,160
2006-07	29,24,973	18,041	5,453
2007-08	34,77,965	22,268	7,068

(Source: NABARD)

Table 6
Regional Spread of Linked SHGs

Sl.No	Region	Cumulative No. of SHGs linked to banks	Cumulative bank loan disbursed (Rs.Crore)	Cumulative NABARD Refinance disbursed (Rs.Crore)
1	Southern	16,74,811	15,896	5,962
2	Eastern	6,72,289	2,370	410
3	Central	4,05,707	1,501	163
4	Western	3,74,561	1,32	197
5	TOTAL 1 to 4	31,27,368	21,099	6,732
6	% of Grand Total	90%	95%	97%
7	Northern	2,30,740	851	1156
8	North-Eastern	1,19,857	329	34
9	TOTAL 7 & 8	3,50,597	1180	190
10	% of Grand Total	10%	5%	3%
11	GRAND TOTAL	34,77,965	22,268	6,922

As Table-5 suggests, over a period of last one and half decade, the microfinance initiatives of NABARD through its SHG-bank linkage programme has assumed shape of a microfinance movement in the country. As against 255 SHGs in 1992-93, more than 34 lakh SHGs were credit linked with various banks the cumulative loan disbursed being Rs.22,268 crores and this programme has enabled many poor households in the country to gain access to microfinance.

The Regional status of SHG-bank linkage as on 31st March 2008 is shown in Table – 6 and it is quite evident that Southern region has maintained its first place in this category with more than 16 lakh SHGs linked to the banks where as the North-Eastern region is way far behind with only 1,19,857 SHGs linked and the loan disbursed being Rs.329 crores only.

SHG – Bank Linkage In Jharkhand

“Self-Help Groups initiatives in Jharkhand have expanded even to the remotest parts of the state. Microcredit, through SHGs, has proved to be one of the most effective ways of making credit available to the rural poor”⁸. Lately Jharkhand is also catching up with other parts of the country in such linkage. “Women have not only succeeded in over coming their ever increasing family responsibilities, they have organised themselves into SHGs to sustain their families. In rural areas of Dhanbad district, till date these women are running 562 of the 1295 SHGs functioning and they are finding it a better way to change their lives. It can be noted that such SHGs are becoming increasingly important in improving the state of the womenfolk. Around 6000-7000 women are earning their livelihood from these groups by engaging themselves in fields like floriculture, mushroom farming and horticulture. DRDA is providing all necessary assistance to the SHGs and the state government gives Rs.1.25 lakh subsidies to them. NABARD is very much impressed with the women SHGs in rural Jharkhand, as the recovery rate of loans sanctioned is nearly 100 per-cent while that of those run by men is less than 80 per-cent. This fact has forced the NABARD to help the deprived women by designing different kinds of poverty alleviation programmes for boosting self-employment among them through providing credits. It may sound strange that most of the members of the SHGs run by women have not seen school over primary classes, but each has got tight grip and mastery in micro financing”⁹.

Thirteen districts of the state have received the second installment of Rs 13.534 crore from the Centre for completing the implementation of the rural development scheme like infrastructure development and training of self-help groups (SHGs) started in the 2007-08 fiscal under the SGSY programme. The beneficiaries are Bokaro (Rs 158.56 lakh), Chatra (Rs 84.82 lakh), Deoghar (Rs 6.07 lakh), Dhanbad (Rs 145.78 lakh), Dumka (Rs 209.72 lakh), East Singhbhum (Rs 26.72 lakh), Garhwa (Rs 45.48 lakh), Godda (Rs 42.03 lakh), Gumla (Rs 157.29 lakh), Pakur (Rs 14.50 lakh), Ranchi (Rs 130.34 lakh), West Singhbhum (Rs 248.92 lakh) and Simdega (Rs 19.11 lakh). According to the Dhanbad district rural development authority (DRDA), the total fund (including the first installment) that Dhanbad has received so far is Rs 5.6 crore from the Centre and Rs 168 lakh from the state. Ten percent of the amount was used to train SHGs and 20 percent on infrastructure development. The rest was used for loan subsidy. With the first installment, SHGs were trained in vegetable farming, animal husbandry and fishery¹⁰.

The NBARD is promoting marts in four Jharkhand cities—Hazaribagh, Jamshedpur, Ranchi and Deogarh—to sell products made primarily by self-help groups (SHGs) operating in and around these places. Though multi-item marts will not be owned by anybody, local SHG members will man them

with an NGO acting as the ‘facilitator’. The marts will also sell products of other SHGs in the state. Adopting a participatory rural appraisal (PRA) technique, NABARD has asked interested local NGOs to work out and submit to it monetary estimates of running marts as well as draw plan for the same¹¹. The following Tables⁷ show the progress of SHGs –banks linkage of Jharkhand as on 31 March 2008 under various categories:

Table 7
SHG-Bank Linkage: - Grant Support for Projects to NGOs functioning as SHPIs as on 31.03.2008

From Table – 7 (A) it is evident that the Hazaribagh district is way ahead of other districts of Jharkhand

A: District Wise Break-up of No. of SHGs			B: Progress Made of Ongoing Projects			
Sl. No	District(s)	No. of SHGs under various NGOs promoted & credit linked (since Yr-2000)	Total Amount Released (Rs. in Lakhs)	No. of SHGs promoted	No. of SHGs with SB A/c's	No. of SHGs credit linked
1	Bokaro	750	69.64	6169	5007	3215
2	Chahta & Garhwa	550				
3	Deogarh, Godda & Sahibganj	825				
4	Dhanbad	400				
5	Dumka, Pakur & Jamtara	790				
6	Giridih	550				
7	Gumla & Lohardagga	645				
8	Hazaribagh	1210				
9	Palamu & Latehar	625				
10	Seraikela-Kharswan	350				
11	Singhbhum	500				
12	Ranchi	465	9.96	905	905	905
			Complete d/ Closed Projects (11)			
			Total (10-4)	7074	5912	4120

with 1210 number of SHGs under various NGOs/Agencies functioning as SHPIs which are being promoted or credit linked by NABARD. As for the progress of ongoing projects of NABARD (Table-7-B), Rs.69.60 Lakhs was released for 104 numbers of projects to 7074 SHGs of various NGOs in the state of Jharkhand as on 31st March 2008.

SHGs and Bank Linkage in Bokaro

**Table 8 : Progress Under SHG-Bank Linked Parameters In Jharkhand
As On 31st March 2008**

(A) (Amount in Rs. Lakhs)

Category	Commercial Banks		Regional Rural Banks		Co-operative Banks		TOTAL	
	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount	No. of SHGs	Savings Amount
Savings of SHGs with Banks	40818	2948.53	21874	518.04	0	00	62692	3466.57
Bank Loan disbursed to SHGs	9338	4129.06	1946	1010.98	0	00	11284	5140.04
Bank loan outstanding against SHGs	39777	13255.21	17473	2962.98	0	00	57250	16218.19

(B) (Amount in Rs. Lakhs)

Category	Total Savings of SHGs with the Bank		Out of Total SHGs-Exclusive Women SHGs	
	No. of SHGs	Amount of Savings	No. of SHGs	Amount of Savings
Commercial Banks (Public Sector)	40808	2947.35	22255	2206.40
Commercial Banks (Private Sector)	10	1.18	10	1.18
Regional Rural Banks	21874	518.04	13691	388.11
Co-operative Banks	0	00	0	00

(C) (Amount in Rs. Lakhs)

Category	Banks	Total No. of SHGs	Total Amount	Out of Total SHGs-Exclusive Women SHGs	
				No. of SHGs	Amount
Loan disbursed to SHGs	Commercial Banks (Public Sector)	9338	4129.06	7723	2537.51
	Commercial Banks (Private Sector)	Not Available	Not Available	Not Available	Not Available
	Regional Rural Banks	1946	1010.98	1247	709.72
	Co-operative Banks	Not Available	Not Available	Not Available	Not Available
Loan Outstanding Against SHGs	Commercial Banks (Public Sector)	39767	13253.21	22036	7076.04
	Commercial Banks (Private Sector)	10	2.00	10	2.00
	Regional Rural Banks	17473	2962.98	10408	2153.94
	Co-operative Banks	NIL	NIL	NIL	NIL

More than 62000 SHGs of Jharkhand have around Rs 3466.57 lakhs as savings in various banks. Rs.5140.04 lakhs were distributed as loan to about 11284 SHG during last fiscal and the loan outstanding against 57250 SHGs was Rs.16218.19 lakhs (Table 8-A). Commercial Public sector banks are way ahead of other FIs in SHG-bank linkage with more than 40,000 SHGs having savings of Rs.2947.35 lakhs with them. However Co-operative banks are a non-starter in such linkage in Jharkhand (Table 8-B). 22036 numbers of exclusive women SHGs had loan amount of Rs.7076.04 lakhs outstanding against them with PSUBanks as on 31.03.2008 while the loan disbursed to 7723 exclusive women SHGs was Rs.2537.51 lakhs. The number of linkage with private bank stood at 10 (Table 8-C). It is very much in tune with NABARD and Government policies that more and more number of women SHGs are coming forward for such linkage and thus the movement is gaining strength over the years.

Table 9

Monthly Progress Report of SHG Credit Linkage In Bokaro District – June'09

(Amount in Rs. Lakhs)

Sl. No	Name of the Bank	No. of SHGs for which loans sanctioned during the month		Total Loans sanctioned during the month, including repeat groups		Cumulative Credit linkage during the Year	
		Fresh	Repeat	No. of SHGs	Amount	No. of SHGs	Amount (in cro)
	CBS:						
1	SBI	92*	-	92	50.220	95	51.120
2	CBI	06*	-	06	3.750	06	3.750
3	BOI	71*	-	71	55.350	104	63.45
4	Union Bank	24*	-	24	25.550	27	25.770
5	Canara Bank	01*	-	01	0.250	01	0.250
6	IOB	01*	-	01	0.250	01	0.250
7	Syn. Bank	02*	-	02	0.550	02	0.500
8	PNB	9*	-	9	13.400	9	13.400
9	All. Bank	20*	-	20	15.000	20	15.000
10	United bank	01*	-	01	0.250	01	0.250
11	BOB	02*	-	02	0.500	02	0.500
12	Total CBS	229	-	229	166.020	255	174.24
13	RRE	08*	-	08	10.250	08	10.250
14	DCCB	-	-	-	-	-	-
15	Grand Total	237	00	237	176.27	275	184.49

(*Cumulative No. of SHGs formed under 93-3Y during the Year)(Source: DDM, NABARD, Bokaro)

During the month of June'09, 237 number of SHGs in Bokaro district were sanctioned Rs.176.27 lakhs for various projects and although State Bank of India with linkage to 92 SHGs was the leading bank in the district as regards number of SHGs linked to it, in terms of loan sanctioning Bank of

India was the leader with Rs.56.350 lakhs loaned to 71 SHGs (Table-9).

Jan Chetna Manch : A Case Study

Jan Chetna Manch of Bokaro district is a leading NGO in formation of SHGs and till June'09 they have promoted 100 groups which are exclusively women groups. Out of total 236 SHGs promoted during the month in various parts of the district, 227 were exclusively women groups (Table-10).

In the Chandankyari and Chas block of Bokaro district, the SHG movement was pioneered by Jan Chetna Manch, a small NGO. The first group was formed in the year 1993-94 with the main concept of getting rid of the petty money lenders and has access to easy credit. JCM activists did not have much experience at that time and books as well as literature were also not easily available. So the growth was slow, but over the time the number of groups facilitated by JCM has increased. Presently the numbers of active SHGs run by JCM under the banner "Mahila Mandal Samiti" is 340 and the number of members in all these groups is nearly 5000. All these are exclusively women's groups. Out of these 330 of them have their account in various banks. Nearly 100 of them have taken loans from the banks and their recovery rate justified the famous phrase of Md.Yunus, the Nobel Prize winner that "The Poor are Bankable". The cumulative savings of all these 5000 SHG members exceed Rs.90 Lakhs as of today. These groups have been federated into a central body, democratically elected and registered as a co-operative society. This federation now looks after the day to day affairs of the SHGs and it is financially totally self supported.

Table 10

Sl.No	Name of SHPI	Groups promoted during the month		Cumulative groups promoted*	
		Total	Of which women groups	Total	Of which women groups
1	Mahila Janshakti Sangathan	00	00	50	50
2	Jan Chetna Manch, Bokaro	00	0	100	100
3	SAHA	00	00	41	41
4	ANA	00	00	50	50
5	Shree Amar Sanstkar Kalyan Samiti	00	00	50	50
6	Simanchal Jankalyan Samiti	00	00	50	50
7	SHGs under SGSY (DRDA)	236*	227*	236	227
	Grand Total	236	227	568	559

(*Over the No. of SHGs promoted during the Year)

(Source: DDM, NABARD, Bokaro)

Monthly Report Of Formation Of SHGs In Bokaro District – June'09

The impact of this SHG movement in Chandankyari and Chas blocks can be observed in many spheres of life. But the most notable outcome is the complete abolition of the exploitation of rural money lenders. When JCM started its activities, the prevailing rate of interest in this area was 120% per year and the loans from money lenders were available only against some collaterals like land or ornaments. The dispossession of land due to debt burden was a very common feature in this area.

Now it has become history.

Most of the SHGs facilitated by JCM are not exclusively BPL groups, though the members are from poor families. It is well known that due to fault in our system many genuinely poor families remain excluded from the BPL categories and the politically rich and powerful people have got their names in the BPL list. Hence such families can't get the benefit of subsidized loan. However the integrity and motivation of the group members have enabled them to run individual and collective economic activities like vegetable cultivation, poultry, goat keeping and other such small trades etc. successfully.

Apart from economic activities, the SHG federation mentioned above run a women's health center and also take active part in resolving problems like torture on women, child abuse etc. Presently the federation members are engaged in total sanitation movement and they are hopeful that their enthusiasm will lead to 100% use of latrines in the rural areas in future.

Conclusion

In southern states of India the SHG movement spread rapidly and it was discovered that the movement is more sustainable amongst women groups. In Jharkhand this movement has taken momentum only couple of years ago and it will need more concerted efforts by all stakeholders to make it strong, quantitatively as well as qualitatively. Still there are large areas that remain untapped. There is need to strengthen SHGs, to make them eligible for credit linkages with banks⁶. The DCCBs are to come forward actively in linkage programme in the various districts of the state. This state needs to have more such dedicated NGOs like JCM who can guide the poor families to a firm and sound financial back-up and increase their general living standards so that they also enjoy the fruits of our growing economy.

Notes

- 1 Reserve Bank of India: www.rbi.org.in // self-Help-Groups
- 2 Stuart Rutherford. *Self-help groups as microfinance providers: how good can they get?* Mimeo, 1999, p. 9
- 3 Impact and Sustainability of SHG Bank Linkage Programme, National Council of Applied Economic Research (Final Report- March 2008)
- 4 NABARD Handout on MICROFINANCE: compiled by Vishnu Ajarekar, FM/DGM, NBSC, Lucknow – 21.11.208
- 5 Robert Peck Christen, N. Srinivasan and Rodger Voorhies, *Managing to go down market: regulated financial institutions and the move into microsavings*. In Madeline Hirschland (ed.) 'Savings Services for the Poor: An Operational Guide', Kumarian Press, Bloomfield, CT, 2005, p. 106.
- 6 NABARD: Annual Report (2007-08)
- 7 NABARD: Status of Microfinance in India – 2007-08
- 8 Jharkhand – A Rich State Where Poor People Live: Abhijit Ganguly; Business Economics, April 15, 2009.
- 9 Hindustan Times, dated March 6th & 7th 2009.
- 10 Funds boost to self-help groups: RESHAM MUKHERJEE (The Telegraph: April25 2008, Kolkata).

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