

**IMPACT OF SHG - BANK LINKAGE  
PROGRAMME ON EMPOWERMENT OF RURAL  
POOR IN KERALA**

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## DECLARATION

I hereby declare that the thesis entitled **IMPACT OF SHG-BANK LINKAGE PROGRAMME ON EMPOWERMENT OF RURAL POOR IN KERALA** is a *bonafide* record of research work done by me under the supervision and guidance of *Dr. G.S. Gireesh Kumar, Reader, P.G Department of Commerce & Research centre, Nirmala College, Muvattupuzha, Kerala*. I further declare that this work has not previously formed the basis for the award of any academic qualifications, associate ship, fellowship or other similar title of any other University or Institution.

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### CERTIFICATE

This is to certify that the thesis entitled **IMPACT OF SHG-BANK LINKAGE PROGRAMME ON EMPOWERMENT OF RURAL POOR IN KERALA** is an authentic record of *bona fide* research work carried out by *Smt. Susy Paul, Lecturer (Sl. Grade), P.G. Department of Commerce, Mar Athanasious College, Kothamangulam, Kerala* independently under my guidance and supervision. I also certify that this has not been previously submitted for the award of any degree, diploma, associate ship or other similar title of any other University or Institution.

She is permitted to submit the thesis.



  
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## Abstract

Micro Finance initiatives are now recognised as a cost effective and sustainable way of expanding outreach of the banking system to the rural poor. The SHG-Bank Linkage Programme of NABARD in India is the largest Micro Credit Programme in the world. The Programme was formally launched in the year 1992 by NABARD as a pilot project by linking 500 SHGs with FIs. The total number of SHGs linked as on 31-03-2007 reached 2924973 with cumulative bank credit of Rs.180407 millions. The study, "Impact of SHG-Bank Linkage Programme on Empowerment of Rural Poor in Kerala" has been undertaken to investigate to what extent the SHG-Bank Linkage Programme has been able to really improve the access of the rural poor and other marginalized sections to formal finance and what has been the resultant impact on the socio economic conditions of the poor.

Both primary and secondary data were used in the study. The primary data were collected through depth interviews with a sample of 610 SHG members from 305 credit linked SHGs (200 from Thiruvananthapuram District, 240 from Idukki District and 170 from Malappuram District). The secondary data were sourced from NABARD reports, RBI reports, books, periodicals, and web sites. The data were suitably classified and analysed keeping in view the objectives of the study. The study covers a decade from 1997-1998 to 2006-2007. Primary data were collected during the year 2006-2007. The socio economic conditions of the members were compared between '*pre and post*' SHG situation to quantify the impact. The primary data were suitably classified and analysed on the basis of the objectives of the study using statistical tools such as Averages, Percentages, Chi square test, Z test, Independent T test, ANOVA, Transformation matrix and Regression analysis. The study findings concluded that SHG-Bank Linkage Programme has made significant contributions to social and economic improvement of the member households of SHGs.

The results of the study reveal that General category contributes major share of the sample. 84 per cent respondents are members under Kudumbashree while 9 per cent are members of SGSY and 7 per cent have Dual membership. 96 per cent respondents belong to NGO type linkage and 4 per cent Bank type. Beneficiaries pursued different types of Income Generating Activities such as Agriculture and Allied Activities (39%), Business Activities (37 %) and Multiple Activities (24%). The average monthly net income of the respondent was increased to Rs.1600 which was about 9 times more than the 'pre' SBL situations. The growth of income of members who solely undertake 'A' type activities is lowest because Agriculture is not as lucrative as Business activities. The average monthly income of the households of the respondents is increased to Rs.4248 which was about 54 per cent more than the 'pre' SBL situation. Before joining the SHG-Bank Linkage Programme 77 per cent of the respondents are under the APL class which increased to 90 per cent in the 'post' SBL situation. The increase in value of assets, that includes productive assets such as livestock and consumer durables, was from Rs.25111 to Rs.40840, registering an increase of 63 per cent, after participation of the Programme.

Institutional 'credit deepening and widening' among the rural poor were achieved to a great extent. The average loan per member during 'post' SBL situation was Rs.16923 which is about 15 times more than the 'pre' SHG loan of Rs.1167. The extent of reliance on money lenders who charged exorbitant rate of interest of more than 36 per cent, declined from 15 per cent to 3 per cent which is a remarkable achievement of SBLP in providing accessibility from formal financial institutions at reasonable interest rates. 75 per cent of total loan is used for productive purposes i.e., business, purchase of livestock or agriculture. Of the total, 65 per cent of the respondents have Micro Enterprises of their own, which exhibits the power of SHG-Bank Linkage Programme in making members self reliant and self employed by their entrepreneurial development. 58 per cent of the Micro entrepreneurs have full time employment of more than 2 weeks and 33 per cent have part time employment of more than 2 weeks. The monthly employment generation in days is worked out to 20 days per month during 'post' SHG situation, which resulted an increase of 19 times between 'pre and post' SHG situation. Only 28 per cent of the respondents have received some sort of training after the participation of the Programme. There is remarkable improvement in empowerment of SHG members after the participation of SBL Programme. Analysis of the total empowerment of the respondents as revealed by the total empowerment index shows that 63 per cent are medium empowered and 23 per cent are high empowered. The major problem confronted by women beneficiaries are production problems, financial problems and marketing problems.

NGO promoted group edge over Bank promoted groups in income generation, savings, loan accessibility, employment generation, capacity building and development of human capital. SHGs under SGSY outshine NHGs under Kudumbashree on income generation, asset acquisition and savings. Comparatively, Kudumbashree units are better in employment generation and effective in imparting useful training to its members due to their structured setup and association with external agencies. Sustainability of SBL Programme was well established through the better performance of older groups than the recently linked groups in terms of increased value of productive assets, savings, income generation and impressive empowerment (social and economic).

For greater acceleration of rate of economic empowerment, future strategy must focus more and more on training and capacity building of members besides ensuring adequate linkage support. SHGs role may further be enhanced through its involvement in developmental programmes implemented in the areas.

\*\*\*

## KEY WORDS

- **Micro Entrepreneur-** A woman or group of women who own and manage a Micro Enterprise.
- **Financial Inclusion** – Financial inclusion is delivery of banking service at an affordable cost to the vast sections of disadvantaged and low income groups.
- **Kudumbashree-** The State Poverty Eradication Mission launched by the Government of Kerala in 1998 with the financial support of NABARD and Central Government for wiping out absolute poverty from the State within a period of 10 years.
- **Neighbourhood Group (NHG)** - It is the lower most tier in the organization of Kudumbashree consisting of 20-40 women members selected from poor families.
- **Self-Help-Group (SHG)** - A Self Help Group is a small, economically homogeneous and affinity group of 10-20 poor persons.
- **Micro Enterprise Development (MEDP)** - This is a training programme launched by NABARD in 2006 with the basic objective to enhance the capacities of the members of matured SHGs to take up Micro Enterprises through appropriate skill upgradation.
- **Non-Governmental Organisations-** NGOs are financial intermediaries in micro finance sector. They are registered under Societies Registration Act and or Indian Trust Act 1880.
- **Micro Finance-** Micro Finance is an economic development approach that involves providing financial devices through institutions to low income clients
- **Micro Enterprises** – Micro Enterprises are units in which investment ranging from Rs.5000 to Rs.25000, have a minimum turnover of Rs.1lakh to Rs.10 lakh and have a potential to generate net income of at least Rs.1500 per member per month.
- **Micro Finance Institutions (MFIs)-** MFIs are financial intermediaries in micro finance sector such as NGOs, Co-operatives and NBFCs.
- **Linkage Banking-** It is a programme that helps to promote financial transactions between the formal rural banking system in India comprising of public and private sector Commercial Banks, RRBs, and Co-operative Banks with informal SHGs as clients.
- **Government Agencies-** The institutions owned and / or managed wholly or partially either by the Central Government, State Government or Local Bodies for the development and/or promotion of women entrepreneurship.



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