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**PERFORMANCE OF SHGs CREDIT LINKAGE PROGRAMMES: A COMPARATIVE ANALYSIS**

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**ABSTRACT**

India is a diversified country, at one side rich becoming rich and poorer still struggling for their livelihood. SHGs linked credit programme is a unique one which caters the minimum financial requirement of poorer people particularly in rural India. The present study made an attempt to analyze the performance of SHGs linked credit programme in India in comparison with Karnataka. The present study uses secondary time series data from 1992-93 to 2009-10. There are two dimensions in this paper the first dimension deals with the performance of SHGs credit linkage programme in India. The second dimension deals with comparative role of India and Karnataka. It has found from the study that number of SHGs financed, loan given to SHGs, number of families benefited have significantly increased in India. However the growth of SHGs was higher than the growth of benefit to SHGs and families. Therefore, loan facilities to SHGs should be increased according to the needs of SHGs and families. At the same time there are no differences between India and Karnataka in terms of growth of SHGs, growth of loan to SHGs per SHG loan and others.

**KEYWORDS**

SHG's, credit linkage programmes.

**INTRODUCTION**

Microfinance is being practiced as a tool to attack poverty the world over. The term "Microfinance" could be defined as "provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas, for enabling them to raise their income levels and improve living standards" (NABARD 99). Microfinance Institutions (MFIs) are those, which provide thrift, credit and other financial services and products of very small amounts mainly to the poor in rural, semi-urban or urban areas for enabling them to raise their income level and improve living standards. Lately, the potential of MFIs as promising institutions to meet the consumption and micro-enterprise demands of the poor has been realized.

In the pursuit of economic development and planning, microfinance programs<sup>1</sup> were engineered by a few well thinking planners<sup>2</sup> to generate income and employment and alleviate poverty especially in the developing countries. The approach is accepted by the World Bank and other financial institutions as an important tool for poverty eradication and enhancement of living standards, particularly those of women. Moreover, microfinance has come to be regarded as a supplementary development tool that widens the financial service delivery system by linking a large rural population with formal financial institutions through self-help groups (SHGs).

The SHG - Bank Linkage Programme is a major plank of the strategy for delivering financial services to the poor in a sustainable manner. The search for such alternatives started with internal introspection regarding the innovations which the poor had been traditionally making, to meet their financial services needs. It was observed that the poor tended to come together in a variety of informal ways for pooling their savings and dispensing small and unsecured loans at varying costs to group members on the basis of need.

A review of the genesis and development of the SHGs in India reveals that the existing formal financial institutions have failed to provide finances to landless marginalized and disadvantaged groups. The origin of the SHGs could be traced to mutual aid in Indian village community. The Co-operatives are formal bodies whereas the SHGs are informal. The SHGs encourage savings and promote income-generating activities through small loans. The SHGs have reliability, stimulate savings and in the process help borrowers to come out of vicious circle of poverty. In India, the financial institutions have not been able to reach the poor households particularly women in the sector. Structural rigidities and overheads led to high cost in advancing small loans.

**REVIEW OF LITERATURE**

Copestake, et. Al., [2001] studied on the income impact of micro-credit on the clients drawn from poverty line have indicated that most households are better off with micro-credit, but income impacts vary in magnitude and durability and a sizeable proportion of clients find that their post credit incomes stagnate or fall.

Soundarapandian [2006] made an attempt to analyze the growth of SHGs and the role of micro finance in developing the rural entrepreneurship. The study suggests that though there is a positive growth rate of SHGs in state but in terms of the growth of SHGs there is a wide variation among states. Linkages of banks with SHGs are found impossible for this variation.

Loganathan and Asokan [2006] analyzed the inter regional performance of SHGs in terms of their total number, level of credit and per capital credit per SHG. The study revealed that SHGs had provided access to credit to their members, promoted savings, reduced dependence on money lenders and above all empowered rural women.

Namerta [1998] studied the eight micro finance programmes in India. He concluded that less than half of the sample women borrowers were economically empowered or benefited from improved household decision-making due to micro-finance services. And more than half of the sample lost control of the loans and incomes from the enterprises, as they were taken over by male family members.

Rajasekhar [2000b] explored the issues by examining micro-finance programmes promoted by 15 NGOs in the states of Andhra Pradesh and Kerala. He made an attempt to study the impact of micro-finance programmes on poverty and gender equality, and the extent to which the characteristics of the groups contributed to achieving these results. After examining group formation, savings systems, conditions of credit delivery, poverty reach and loan repayments in three different types of NGO programmes, he concluded that overemphasis on short-term financial sustainability can actually create conditions that make financial sustainability unlikely, and that lack of explicit attention to developing mechanisms for participation and institutional sustainability will hinder progress toward poverty reduction and empowerment.

Manimekalai and Rajeswari [2002] felt that there was no support from the members' family. The NGOs concerned might educate the men to co-operate with women for the betterment of the community and the economy as a whole. To conclude, SHG was the best experiment found successful in many parts of the country and must be encouraged and spread to all the areas where poverty persisted and this would bring women to the mainstream in the society.

Anitha and Ashok [2007] observed that the success of these self-help Groups not only improved the economic status of the women concerned, but there was also a drastic change in their social status. SHGs developed human dignity among the poor and women. Women were nobody earlier but somebody now. In the process of rural development SHGs certainly have a future role to play.

Rajashekar [2000a] and Mayoux [1998] argue those micro finance programs were expected to make a significant contribution to poverty alleviation and empower the members in economic, social and political spheres. Hashemi et. al. [1996], Puhazhendi and Badatya [2002] argue that micro finance had very beneficial social and economic impact, whereas the studies by Montgomery et al., [1996]; Goetz and Sen Gupta [1996]; Buckley [1997]; Rogaly [1996]; Mayoux [1998]; and Kropp and Suran [2002] argue that micro finance had not any beneficial, social and economic impact.

Hulme and Mosley [1996] argue that micro finance did not assist the poorest. They questioned the ability of the programs in targeting the poor; the sustainability of services provided the ability of the programs to reduce the poverty. They also observed that there were only limited data on the impact of NGO programs on poverty and these NGOs comparative advantage over other service agencies needs to be investigated rather than assumed.

### CREDIT DEMAND OF THE POOR

It is estimated that in India there exist approximately 7.5 crores poor households, out of which 6 crores are rural and 1.5 crores urban households. One estimate assumes that the total annual requirement of credit for the rural poor families would be at least Rs.15, 000 crores on the basis of a maximum need of Rs.2000/- per family. Another estimate for requirement of credit (excluding housing) is Rs.50,000 crores assuming that annual average credit usage are Rs.6000/- per rural household, and Rs.9000/- for poor urban household. An additional Rs.1000 crore is estimated to be required for housing per year. Apart from micro-credit, they require savings and insurance also. Meanwhile, bank advances to weaker section aggregated Rs.9700 crore during 1997-98. MFIs and SHGs are estimated to have provided about 137 crore (cumulative up to September 1998). The above scenario, suggests a vast unmet gap in the provision of financial services to the poor. Moreover, 36% of the rural households are found to be outside the fold of institutional credit.

This study attempts to review the spread of credit linkages between self-help groups (SHGs) and banks across credit delivery models adapted by the Reserve Bank of India (RBI) and the National Bank for Agriculture and Rural Development (NABARD). It further examines the spread of credit linkages in India.

### METHODOLOGY

The present study uses secondary time series data from 1992-93 to 2009-10. There are two dimensions in this paper. The first dimension deals with the performance of the SHG credit linkage programme in India. For the analysis of this dimension the growth rate (AGR and AAGR) ratio and graphical methods are used. The second dimension deals with comparison of performance of SHGs between India and Karnataka. For the analysis of this dimension the comparative methods are used with the help of t-test and F test.

### SHG BANK LINKAGE PROGRAMME IN INDIA

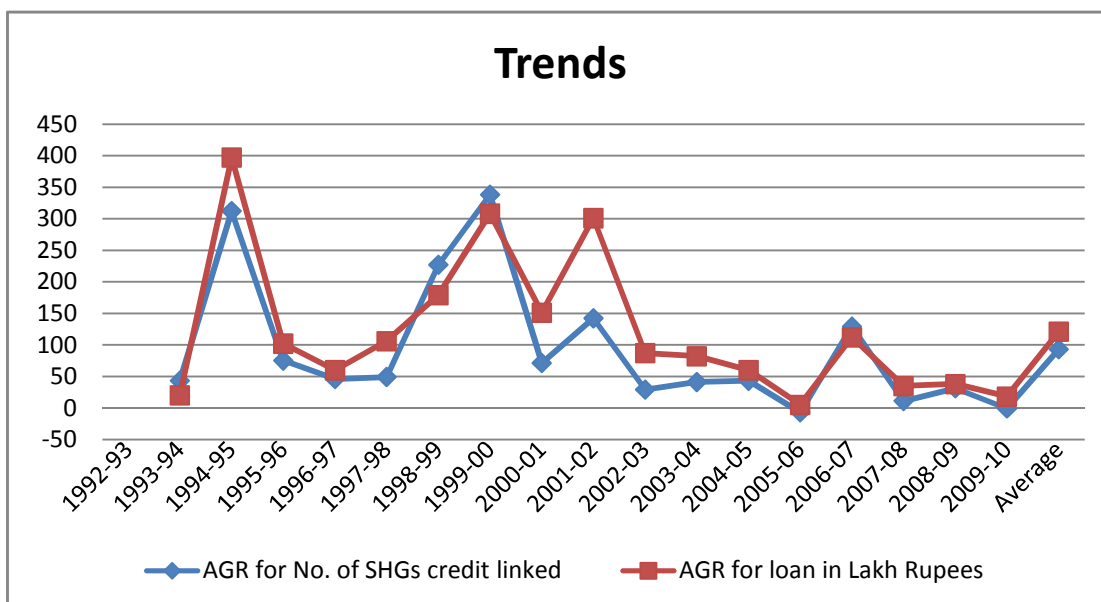
In the following section the performance of SHG bank linkage programme in India has evaluated by using the variables like number of SHGs credit linked, loan given, number of families benefited and others.

TABLE 1: SHGs CREDIT LINKED AND LOAN GIVEN TO SHGS IN INDIA

Sl. N o.	Year	No of SHGs credit linked	AGR	loan in Lakh Rupees	AGR
1	1992-93	255		30	
2	1993-94	365	43	36	20
3	1994-95	1502	312	179	397
4	1995-96	2635	75	361	102
5	1996-97	3841	46	578	60
6	1997-98	5719	49	1192	106
7	1998-99	18678	227	3330	179
8	1999-00	81780	338	13590	308
9	2000-01	139717	71	34072	151
10	2001-02	197653	142	54554	301
11	2002-03	255882	29	102231	87
12	2003-04	361731	41	185550	82
13	2004-05	518173	43	296180	60
14	2005-06	482598	-7	309613	5
15	2006-07	1105749	129	657039	112
16	2007-08	1227770	11	884926	35
17	2008-09	1609586	31	1225351	38
18	2009-10	1587000	-1	1445330	18
19	Average	422257	93	289675	121

The above table presents information about growth of SHGs and growth of credit given to SHGs. It is found that both SHGs and Loan to SHGs have increased significantly over the period of time. The SHGs have grown at the rate of 93 percent and loans to SHGs have increased at the rate of 121 percent. Therefore, loan to SHGs have increased higher than the rate of growth of SHGs. Hence the ratio between SHGs and loan has increased significantly during the period. During 1992-93 there were only 255 SHGs were linked to credit and during 2009-10 the numbers of SHGs linked to credit were 1587000. In the same way during 1992-93 loan to SHGs was rupees 30 lakh and it was increased to 1445530 lakh rupees. As a matter of fact the average loan to SHGs in each year was 289675 lakh rupees. The following chart shows the trends in growth of SHGs credit linked and loan to SHGs.





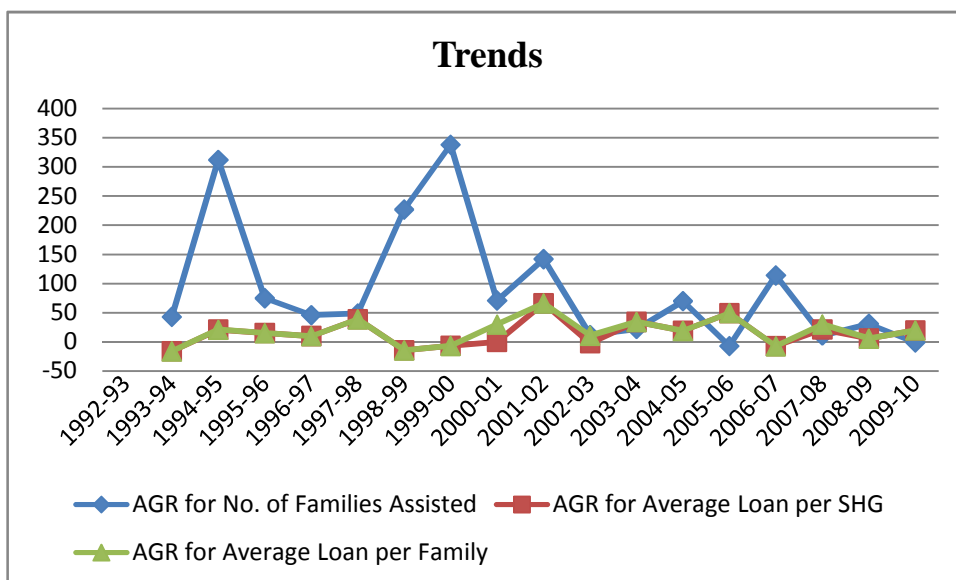
**SHG AND FAMILY LEVEL BENEFITS**

The SHGs linked credit programme has helped society at two levels; at the SHG level and at the family level. In the following section how many SHGs and families have benefited in terms of loan has been analyzed.

**TABLE 2: SHG AND FAMILY LEVEL BENEFITS**

Sl. No.	Year	No. of Families Assisted	AGR	Average Loan per SHG (Rs.)	AGR	Average Loan per family (Rs.)	AGR
1	1992-93	4335		11765		692	
2	1993-94	6205	43	9863	-16.167	580	-16.18
3	1994-95	25534	312	11917	20.825	701	20.86
4	1995-96	44795	75	13700	14.962	806	14.97
5	1996-97	65297	46	15048	9.8394	885	9.80
6	1997-98	97223	49	20843	38.51	1226	38.53
7	1998-99	317526	227	17828	-14.465	1049	-14.43
8	1999-00	1390260	338	16618	-6.7871	978	-6.76
9	2000-01	2375181	71	22110	29.65	1301	29.64
10	2001-02	3360101	142	27601	66.091	1624	66.05
11	2002-03	3754874	12	26985	-2.2318	1799	10.77
12	2003-04	4586000	22	36180	34.074	2412	34.07
13	2004-05	7774000	70	42971	18.77	2864	18.73
14	2005-06	7238970	-7	64155	49.298	4277	49.33
15	2006-07	15480486	114	59420	-7.3806	3961	-7.38
16	2007-08	17188780	11	72076	21.299	5148	29.96
17	2008-09	22534204	31	76108	5.5941	5436	5.59
18	2009-10	22218000	-1	91073	19.663	6505	19.66
19	Average	6025654	91	36127	16	2408	17

The above table presents information about number of families benefited, average loan per family and average loan per SHG and their growth rates. It is found that number of families benefited, average loan per family and average loan per SHG have increased significantly over the period of time. It is also found that average growth of number of families benefited is higher than the average loan to family and SHGs. Therefore it can be identified that growth of loan was not commensurate with the growth of SHGs. If it could have been according to the needs of the SHGs and Beneficiaries, then the achievement could have been much more than what is today. However, it cannot be denied the increased support of government to SHGs in the form of loan. Because, during 1992-93 the loan to each SHG and family was rupees 11765 and 692 respectively, it increased to rupees 91073 and 6505 respectively during the year 2009-2010. Therefore, the performance of SHGs credit linked programme immensely helped the vulnerable sections of the people particularly in rural areas. In the following section an attempt has made compare the performance of SHGs credit linked programme of Karnataka with India. The following chart shows the trends in growth behavior of above variables.



**COMPARATIVE ANALYSIS**

In this section an attempt has made to analyze the performance of SHGs credit linked programme of Karnataka with India. For the comparative analysis the variables like growth rate (AGR) of number of SHGs credit linked, growth rate (AGR) of loan to SHGs, growth rate (AGR) of loan per SHG and loan per SHG (absolute value) are considered.

**TABLE 3: COMPARISON OF GROWTH RATE (AGR) OF SHGS BETWEEN INDIA AND KARNATAKA**

Mean Comparison						
Group	N	Mean	Std. Deviation			
Growth	Karnataka	17	88.5000	202.79277		
	India	17	92.8824	104.82001		
INDEPENDENT SAMPLES TEST						
Assumption	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	T	df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	.290	.594	-.079	32	.937	-4.38230
Equal variances not assumed			-.079	23.980	.938	-4.38230

Not significant.

The above tables present comparative information about growth rate (AGR) of SHGs between India and Karnataka. It is found from means comparison that Average growth rate (AAGR) of SHGs in India was 92.88 percent and it was 88.50 percent in Karnataka during seventeen years period, that's from 1992-93 to 2009-10. It is found from the F test that the variance in growth rate between India and Karnataka are statistically not significant. Hence, equal variances assumed. The difference in Average growth of SHGs between India and Karnataka is 4.38 percent. The t-test reveals that the difference between the two means is statistically not significant. Hence, there are no differences in growth of SHGs in India and Karnataka.

**TABLE 4: COMPARISON OF GROWTH RATE (AGR) OF LOAN TO SHGS BETWEEN INDIA AND KARNATAKA**

Mean Comparison				
Group	N	Mean	Std. Deviation	
Growth	Karnataka	17	137.41	305.35821
	India	17	121.24	113.78298

INDEPENDENT SAMPLES TEST						
Assumptions	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	Df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	.652	.426	.205	32	.839	16.17
Equal variances not assumed			.205	20.359	.840	16.17

Not significant.

The above tables present comparative information about growth rate (AGR) of loan SHGs between India and Karnataka. It is found from means comparison that Average growth rate (AAGR) of loan to SHGs in India was 121.24 percent and it was 137.41 percent in Karnataka during seventeen years period, that's from 1992-93 to 2009-10. It is found from the F test that the variance in growth rate between India and Karnataka are statistically not significant. Hence, equal variances assumed. The difference in Average growth of loan to SHGs between India and Karnataka is 16.17 percent. The t-test reveals that the difference between the two means is statistically not significant. Hence, there are no significant differences in growth of loan to SHGs in India and Karnataka.

**TABLE 5: COMPARISON OF GROWTH RATE (AGR) OF LOAN PER SHG BETWEEN INDIA AND KARNATAKA**

Mean Comparison				
Group	N	Mean	Std. Deviation	
Growth	Karnataka	17	28.94	36.09
	India	17	16.56	22.66

INDEPENDENT SAMPLES TEST						
Assumptions	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	3.860	.058	1.198	32	.240	12.38
Equal variances not assumed			1.198	26.914	.241	12.38

Not significant.

The above tables present comparative information about growth rate (AGR) of loan per SHGs between India and Karnataka. It is found from means comparison that Average growth rate (AAGR) of loan per SHGs in India was 28.94 percent and it was 16.56 percent in Karnataka during seventeen years period, that's from 1992-93 to 2009-10. It is found from the F test that the variance in growth rate between India and Karnataka are statistically not significant. Hence, equal variances assumed. The difference in Average growth of loan per SHGs between India and Karnataka is 12.38 percent. The t-test reveals that the difference between the two means is statistically not significant. Hence, there are no significant differences in growth of loan per SHGs in India and Karnataka.

**TABLE 6: COMPARISON OF LOAN PER SHG BETWEEN INDIA AND KARNATAKA  
MEANS COMPARISON**

Group	N	Mean	Std. Deviation
Rupees Karnataka	18	53090.33	62294.67
India	18	35347.83	25887.13

INDEPENDENT SAMPLES TEST						
Assumptions	Levene's Test for Equality of Variances		t-test for Equality of Means			
	F	Sig.	t	df	Sig. (2-tailed)	Mean Difference
Equal variances assumed	5.890	.021**	1.116	34	.272	17742.5
Equal variances not assumed			1.116	22.701	.276	17742.5

\*\* Significant.

The above tables present comparative information about loan per SHG between India and Karnataka in absolute values. It is found from means comparison that Average loan per SHG in India was 35347.83 53090.33 rupees and it was 53090.33 rupees in Karnataka during eighteen years period, that's from 1992-93 to 2009-10. It is found from the F test that the variance between India and Karnataka are statistically significant. Hence, equal variances not assumed. The difference in Average loan per SHG between India and Karnataka is 17742.5 rupees. The t-test reveals that the difference between the two means is statistically not significant. Hence, there are no significant differences in loan per SHG in India and Karnataka.

## CONCLUSION

In the present study an attempt has been made to analyze the performance of SHGs linkage credit programmes in India. An attempt has also made to comparatively analyze the performance SHGs between India and Karnataka. It has found from the study that number of SHGs financed, loan given to SHGs, number of families benefited have significantly increased in India. However the growth of SHGs was higher than the growth of benefit to SHGs and families. Therefore, loan facilities to SHGs should be increased according to the needs of SHGs and families. At the same time there are no differences between India and Karnataka in terms of growth of SHGs, growth of loan to SHGs per SHG loan and others.

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