

Self Help Group (SHG) Bank Linkage Project

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The Union Minister of State for **Rural Development** recently presented a report on the impact **evaluation** study of [DAY-NRLM](#) by the **International Initiative for Impact Evaluation (3ie)**.



[Ref- Telangana Today]

About Self Help Group (SHG) Bank linkage:

- The **Department of Micro Credit Innovations** under the National Bank for Agriculture and Rural Development (**NABARD**) started this as a **pilot project in 1992-93**.
- It was aimed to link **500 Self Help Groups (SHGs)** of the poor to **formal financial institutions**, which became the **largest microfinance** program in the world (client base and outreach).
 - SHGs are **informal groups** of people, mainly **women**, who come together to address **common problems** and work for **financial empowerment**.
- This involves NGOs, RRBs ([Regional Rural Banks](#)), **DCCBs** (District Co-operative Central Banks), and **PACS** ([Primary Agricultural Credit Societies](#)), covering nearly **100 million households**.
- NABARD supports this ecosystem through **policy advocacy**, **training programs**, and **100% refinance** for banks.
- Evolving product-level changes address operational issues, and NABARD backs **Micro Enterprise and Livelihood Development Programs**.
- It supports government schemes like Women through SHGs promotion and NRLM in backward and **Left-Wing Extremism**-affected districts.

Components of Self Help Group (SHG) Bank linkage (BL):

- Training and sensitization of Bank Branch Managers
- Training and positioning of Bank Sakhis at Rural Bank Branches
- Initiate Community-Based Repayment Mechanism (**CBRM**) at Rural Bank Branches
- Credit Linkage of SHGs

Key Findings of the study:

- **Bank loans** of Rs. 7.68 lakh Crore were accessed by SHGs since FY 2013-14.
- The study sampled 27,000 households across **9 States** (Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Maharashtra, Odisha, Rajasthan, Uttar Pradesh and West Bengal).
- The **Loan utilization** was maximum for **Agricultural Activities** (43.9%), followed by other

activities (consumption, health, housing, etc.), purchase of cattle, and livestock services.

- There was an **increase in income by 19%** over the base amount.
- A decline was observed in share of **informal loans** by 20% and savings increased by 28%.
- The [labour force participation rate](#) of females' secondary occupation had increased.

Key factors for success of the SHG-BL:

- Annual issuance of a **Master Circular by RBI and NABARD**, for implementation guidelines like specification of minimum loan amounts for each SHG, which can be modified.
- **Regular training** of staff and community cadres under State Rural Livelihoods Missions (SRLMs) to enhance their capacity.
- **Financial education** for SHG members through trained Financial Literacy Community Resource Persons (FLCRPs) at the village level.
- **Bank Sakhis, trained members** from SHGs who act as intermediaries, aiding SHG members in transactions and application processes.
 - 45,746 Bank Sakhis are positioned in **rural Bank branches**, facilitating smoother interactions between the Banks and SHGs.
- A **web portal** was created to overcome information asymmetry in SHG-Bank Linkage, incorporating data directly from **Banks' Core Banking Solution (CBS) database**.
- All types of Banks involved in SHG lending share monthly data on **disbursements, outstanding loans, NPAs**, etc., enable comprehensive program monitoring at all levels.

Key initiatives under DAY-NRLM scheme:

- **Deendayal Antyodaya Yojna-National Rural Livelihoods Mission (DAY-NRLM)** was launched by the **Ministry of Rural Development (MoRD)** in **2011**.
- It was **aimed** to organize rural poor women into SHGs, fostering their **autonomy** and contributing to the **empowerment** of rural communities.
- **Revolving Fund and Community Investment Fund**: It was provided to SHGs and their federations for facilitation of linkages and access credit at subsidized interest rates.
- **Start-up Village Entrepreneurship Programme (SVEP)**: Sub-scheme under DAY-NRLM to assist SHG households in establishing non-agricultural enterprises at the village level.
- **Agro Ecological Practices (AEP) Support**: Mahila Kisans received backing for the promotion of sustainable agricultural practices under the mission.
- **Value Chain Interventions**: SHGs and members supported through value chain interventions to enhance returns on produced goods.
- **Awareness**: SHG members were educated on various development aspects, including health, nutrition, sanitation, government schemes, gender issues, citizen rights, and entitlements.
- **Capacity Building**: Improved capacities in planning, decision-making, problem-solving, and conflict resolution skills.
- **Institutional Mechanisms**: Development of institutional mechanisms such as Village Organizations, Gender Forums, and Village Coordination Committees.
 - **Hand-holding and nurturing support** for SHG federations to foster convergence with line departments and agencies.
- **Community Engagement**: Echoing women's opinions through established forums, ensuring active participation in decision-making processes.

