Investigation Of Shgs Credit Linkage Program Performance: A Comparative Assessment

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Abstract

This study investigates the performance of Self-Help Groups (SHGs) credit linkage programs in India, with a specific focus on the comparative role of Karnataka. SHGs have become instrumental in promoting financial inclusion and socio-economic empowerment among marginalized communities. This research employs a comparative assessment framework to evaluate the effectiveness of various credit linkage initiatives across Mysore and Chamarajanagr, highlighting key performance dimensions such as accessibility, repayment rates, impact on income, and group sustainability. The findings reveal significant variations in program performance, with Karnataka showcasing a robust model characterized by strong institutional support, innovative practices, and higher rates of successful credit absorption.. The results underscore the importance of tailored interventions and collaborative frameworks to enhance the effectiveness of SHG credit linkage programs nationwide. This comparative analysis aims to contribute valuable insights for policymakers and practitioners seeking to optimize SHG performance and expand their impact on community development in India.

Keywords: Accessibility, Empowerment Sustainability Self-Help Groups (Shgs), Socio-Economic,

INTRODUCTION:

Self-Help Groups (SHGs) have emerged as a pivotal mechanism for promoting financial inclusion and empowering marginalized communities, particularly in developing countries. The credit linkage programs associated with SHGs aim to connect these groups with formal financial institutions, enabling them to access credit and other financial services. This linkage not only enhances the economic stability of individual members but also fosters collective growth and entrepreneurship within the community.

In recent years, various SHG credit linkage programs have been implemented across different regions, each with unique approaches and outcomes. A comparative assessment of these programs is crucial to understanding their effectiveness, identifying best practices, and addressing the challenges faced by SHGs in accessing credit. This article investigates the performance of various SHG credit linkage initiatives, highlighting key indicators of success and the socio-economic impact on beneficiaries.

Through a detailed analysis, we aim to uncover the factors that contribute to successful credit linkage and to provide insights that can inform policy decisions and program design. By examining both successful and less effective programs, this study seeks to offer a comprehensive understanding of how credit linkage can be optimized to empower SHGs and enhance their role in community development.

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 programs1 were engineered by a few well thinking planners2 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

Rao and Radika (2011) the study analyzed the impact of SHGs in the people of society, skills and knowledge of member and developed of human capital. The study also highlighted the microfinance institution is beneficial to remove poverty and economic development. This study was quantitative behavior and data have been taken from SHGs in Deccan Garameen Bank. This study used simple Regression methods. In this study found SHGs was helpful to improve the status of society and wellbeing of member, improved skills and create social and human capital. This study also concluded that poverty is major issues, Microfinance institution was does not remove but they help the poor family setup your business. Batra (2012) the study concluded that in Haryana many financial institution and agency are works and help full to grow the SHGs. Microfinance programme SGSY agency was provided higher amount of loan SHGs and its special focused on BPL families. This study also concluded the Mewat Distt. Developments authorities are major role played encourage the SHGs and Women empowerment. Das & Bhowal (2013) this study deliberated the Quality assessment of SHGs through opinion of promoters, institution and Ngo's regarding the parameters to quality of SHGs. This study based on multistage simple random sampling selected block of Nagaon Distt of Assam. This study used

descriptive statistic and put reliability test, Kruskal Wallis Test to measured quality. This study concluded that there are no differences between the opinions of all stakeholders regarding the permanent of SHGs quality assessment. Maheshwari & Goyal (2014) this study investigated the how to work in SHGs make a disadvantage section of the society, landless farmers and poor women. This study based on previous year's literature. The study explored that different literature found different aspect of women empowerment through SHGs. This study also found that SHGs was helpful to make empower the poverty in grassroots, because poverty is a global concern. Khan, Ahmed, and Shireen (2021), conducted a study to look at the variations in the ownership makeup of MFIs in India about effectiveness. According to their analysis, microfinance institutions in India met the efficiency requirements from 2005–2006 to 2017–2018, regardless of changes in regulations. Regression analysis was done in this work, and it was discovered that NBFC and MFI outperformed their counterparts. According to this study, increasing efficiency might be achieved by adopting cutting-edge technologies through outsourcing from financial technology. Hyder (2020), found that microcredit had reduced income poverty by 1.5% as a consequence of their qualitative and quantitative research approach based on secondary data from Bangladesh. Thus, by providing low-cost loans and generating income, microcredit may be able to assist individuals in escaping poverty, as the research shows. However, as the microfinance industry has expanded, several scholars have researched outreach failure and mission drift. Wondirad (2020), investigated the relationship between the financial and social performance of MFIs. Data from 183 MFIs were gathered between 2005 and 2014 and used in this paper. Aside from the connection between social and financial factors, the main query was whether competition was causing any kind of performance distortion. The study concluded that there is not only a favorable correlation between MFIs' social and financial success but also that the participation of MFIs boosted the poor's sustainability and profitability. Sharif (2018), found in this study that improving the lives of rural impoverished people requires microfinance. His study looked at several factors to determine how well Indian microfinance organizations were performing. The information was gathered from multiple secondary sources, encompassing data spanning from 2012–2013 to 2016–2017. During the study period, it was discovered that deposits, clients, savings, etc. are growing annually. Kumar et. al. (2015), the study concluded that MFIs and SHGs are essential to the provision of microfinance services, which promotes the development of India's low-income and impoverished population. However, several study findings from across the nation have also been reported regarding slow progress in SHG member graduation, subpar group functioning, member dropout, etc. These findings must be taken into consideration when creating the roadmap for the SHG program's next phase. Kumar (2015), focused on the problems and difficulties facing MFIs. It also addressed the current environment and the necessity of microfinance for sustainable development. The report offers MFIs several recommendations for resolving the issues. These precautions include transparency in interest rates, appropriate regulation, field oversight, and alternative funding sources. These actions may lead to the rural economy's expansion, diversification, and development. Nikita's (2014), study concludes that the number of SHGs with bank-linked savings declined for the first time in 2012–2013, following the introduction of the SHGs BLP. The report also reveals that there was an increase in SHG loan outstanding, which contributed to the rise in non-performing assets. Eventually, it is discovered that commercial banks hold the majority of the shares when the agencywise loan to MFI is given. He recommended that actions be taken to enhance the results of programs periodically introduced under microfinance.

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.

OBJECTIVES OF THE STUDY

- To Analyze the Performance Dimensions of SHGs Credit Linkage Programs
- To Compare SHG Credit Linkage Performance Between Mysore and Chamarajanagar District

METHODOLOGY:

This study will employ a mixed-methods approach to analyze the performance of SHG credit linkage programs in Mysore and Chamarajanagar districts of Karnataka. The methodology will consist of the following key components:

This study aims to analyze the performance dimensions of SHG credit linkage programs and to compare these performances between Mysore and Chamarajanagar districts of Karnataka. A structured methodology will be employed, consisting of the following components:

1. **Research Design**:
o A comparative study design will be utilized to assess and analyze the performance dimensions of SHG credit linkage programs in the selected districts.

2. **Sampling**:
o **Selection of SHGs**: A purposive sampling method will be employed to select a diverse range of SHGs from both Mysore and Chamarajanagar districts, considering factors such as size, age, and sector focus.
o **Sample Size**: A total of 60 SHGs will be surveyed, with 30 from each district, ensuring a representative cross-section of SHGs operating in different contexts.
   Data Analysis:

3. **Statistical Analysis**:
o The quantitative data will be analyzed using statistical software such as SPSS or R. The t-test will be used to compare means between the two districts for specific performance indicators, assessing whether differences in performance are statistically significant.
o The F-test will be applied to analyze the variance between groups, helping to determine if the obser-

ved differences in performance indicators can be attributed to the district-specific characteristics of the SHGs.

PROGRESS OF SHG BANK LINKAGE PROGRAMME IN INDIA

SHG Bank linkage programme through microfinance in India is the world's largest microfinance programme in terms of its reach and scale of finance. Started as a pilot project in the year 1992 with the initiation of NABARD, now it has spread all over India covering 31 states and union territories and 641 districts by 31st March 2023, . SBLP has witnessed a significant progress during this time and brought considerable changes in the socio economic conditions of SHG members. As on 31 March 2023, 16.19 crore rural households were covered under the SHGBLP. A total of 134.03 lakh SHGs were savings linked to the banking sector with savings of Rs. 58,892.67 crore. Of these, 112.92 lakh were all women SHGs with savings of Rs. 52,455.48 crore accounting for 84% and 89% of total SHGs and savings, respectively.

OVERALL PROGRESS OF SHG BANK LINKAGE PROGRAMME IN INDIA
Table 1: Progress of SHG Bank Limkage Programme during 2013-14 to 2022-23

Year	No. of SHGs with savings (in Lakh)	Amount of Savings (in Crore)	No. of SHGs availed loans (in Lakh)	Amount of loan disbursed (in Crore)	No. of SHGs with loan outstanding (in Lakh)	Amount of Loan outstanding (in Crore)
2013-14	74.30	9897.42	13.66	24017.36	41.97	42927.52
2014-15	76.97	11059.84	16.26	27582.31	44.68	51545.46
2015-16	79.03	13691.39	18.32	37286.90	46.73	57119.23
2016-17	85.77	16114.23	18.98	38781.16	48.48	61581.30
2017-18	87.44	19592.12	22.61	47185.88	50.2	75598.45
2018-19	100.14	23324.48	26.98	58317.63	50.77	87098.15
2019-20	102.43	26152.05	31.46	77659.35	56.77	108075.07
2020-21	112.23	37477.61	28.87	58070.68	57.8	103289.71
2021-22	118.93	47240.48	33.98	99729.22	67.40	103289.71
2022-23	134.03	58892.68	42.96	145200.23	69.57	188078.80

Source: Status of Microfinance Reports, NABARD from FY 2013-14 to 2022-23
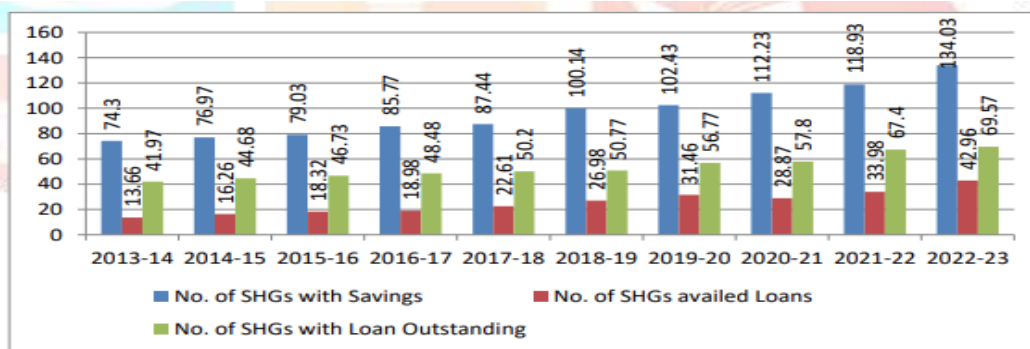
Fig1:No. of SHGs with Savings, Availed Loans and Loan Outstanding (in Lakhs)

The table 1 shows that in the progress SBLP in terms of number of SHGs with savings and amount of savings, no. of SHGs availed loans (credit linked) and amount of loan disbursed and no. of SHGs with loan outstanding and amount of loan during 2013-14 to 2022-23. It can be observed from the data that the SBLP has achieved a considerable progress during the past 10 years. The number of SHGs with savings have been increased from 74.30 lakhs with an amount of savings of Rs. 9897.42 crore in 2013-14 to 134.03 lakh with an amount of savings of Rs.58892.68 crore in 2022-23. Similarly the number of SHGs availed loans increased from 13.66 lakhs with the disbursed amount of Rs. 24017.36 crore in 2013-14 to 42.96 lakhs with the disbursed amount of Rs. 145200.23 in 2022-23. Further it can be observed that the number of SHGs with loan outstanding has been increased from 41.97 lakh with an outstanding loan amount of Rs. 42927.52 crore to 69.57 lakh SHGs with an outstanding loan amount of Rs. 188078.80 crore.
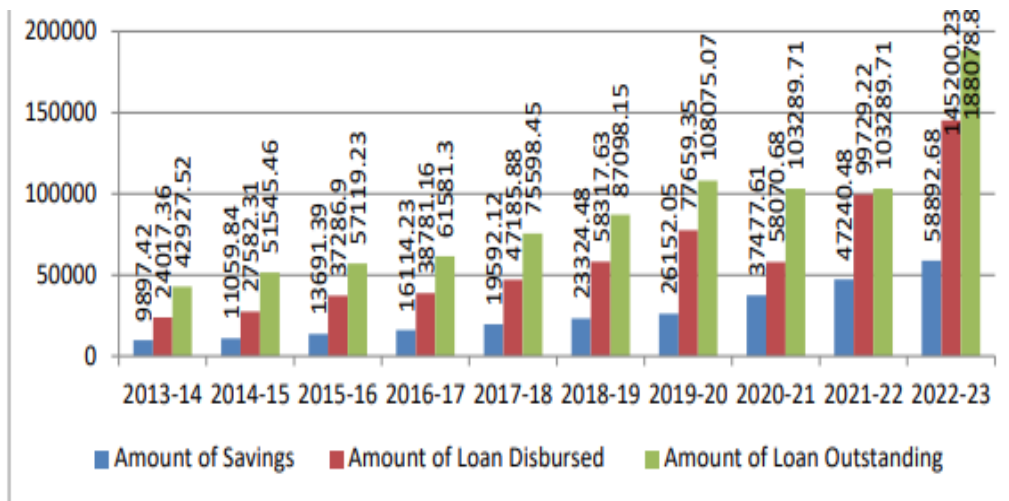

Fig2: Amount of SHGs with Savings, Availed Loans and Loan Outstanding (Rs. in crore)

COMPARATIVE ANALYSIS:

In this section an attempt has made to analyze the performance of SHGs credit linked programme of Mysore and Chamarajanagar District . 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 2 Comparison of growth rate (AGR) of SHGs between Mysore and Chamarajanagar

Mean Comparison				
	Group	N	Mean	Std. Deviation
Growth	Mysore	20	78.3000	218.8546
	Chamarajanagar	20	82.8824	114.72118

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	.280	.694	-.088	38	.944	-4.22854
Equal variances not assumed			-.088	24.850	.944	-4.22854

Not significant.

The above tables present comparative information about growth rate (AGR) of SHGs between Mysore and Chamarajanagar. It is found from means comparison that Average growth rate (AAGR) of SHGs in Mysore was 78.30 percent and it was 82.88 percent in Chamarajanagar It is found from the F test that the variance in growth rate between Mysore and Chamarajanagar are statistically not significant. Hence, equal variances assumed. The difference in Average growth of SHGs between Mysore and Chamarajanagar is 4.22 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 Mysore and Chamarajanagar.

Table 3 Comparison of growth rate (AGR) of Loan to SHGs between Mysore and Chamarajanagar

Mean Comparison				
	Group	N	Mean	Std. Deviation
Growth	Mysore	20	148.42	235.45825
	Chamarajanagar	20	141.28	120.77564

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	.672	.434	.225	38	.785	17.19
Equal variances not assumed			.225	20.488	.820	17.19

Not significant.

The above tables present comparative information about growth rate (AGR) of loan SHGs between Mysore and Chamarajanagar. It is found from means comparison that Average growth rate (AAGR) of loan to SHGs in Mysore was 148.42 percent and it was 141.28 percent in Chamarajanagar.. The F test that the variance in growth rate between Mysore and Chamarajanagar are statistically not significant. Hence, equal variances assumed. The difference in Average growth of loan to SHGs between Mysore and Chamarajanagar is 17.19 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 Mysore and Chamarajanagar.

Table 4 Comparison of growth rate (AGR) of Loan per SHG between Mysore and Chamarajanagar

Mean Comparison				
	Group	N	Mean	Std. Deviation
Growth	Mysore	20	38.74	44.29
	Chamarajanagar	20	18.77	25.44

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	3.880	.068	1.215	38	.260	14.40
Equal variances not assumed			1.215	26.846	.261	14.40

Not significant.

The above tables present comparative information about growth rate (AGR) of loan per SHGs between Mysore and Chamarajanagar. It is found from means comparison that Average growth rate (AAGR) of loan per SHGs in Mysore was 38.47 percent and it was 18.77 percent in Chamarajanagar. It is found from the F test that the variance in growth rate between Mysore and Chamarajanagar are statistically not significant. Hence, equal variances assumed. The difference in Average growth of loan per SHGs between Mysore and Chamarajanagar is 14.40 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 Mysore and Chamarajanagar.

Table 5 Comparison of Loan per SHG between Mysore and Chamarajanagar

Means Comparison				
	Group	N	Mean	Std. Deviation
Rupees	Mysore	20	64575.33	72548.67
	Chamarajanagar	20	45344.83	26894.19

Independent Samples Test

	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	5.980	.026**	1.119	38	.284	18842.5
Equal variances not assumed			1.119	38.	.288	18842.5

** Significant.

The above tables present comparative information about loan per SHG between Mysore and Chamarajanagar in absolute values. It is found from means comparison that Average loan per SHG in Mysore was 64575.33 and it was 45344.83 in Chamarajanagar. It is found from the F test that the variance between Mysore and Chamarajanagar are statistically significant. Hence, equal variances not assumed. The difference in Average loan per SHG between Mysore and Chamarajanagar is 18842.5. 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 Mysore and Chamarajanagar.

CONCLUSION:

In the current research, an effort has been made to evaluate the effectiveness of self-help group (SHG) linkage credit programs in India. Additionally, a comparative analysis of SHG performance between Mysore and Chamarajanagar has been conducted. The study reveals a significant increase in the number of financed SHGs, loans extended to these groups, and the number of families benefiting from them across India. However, the expansion of SHGs has outpaced the growth of benefits received by the groups and their families. Thus, it is essential to enhance loan facilities for SHGs based on their and their families' needs. Furthermore, no significant differences were observed between Mysore and Chamarajanagar regarding the growth of SHGs or the loans granted to SHGs on a per-group basis.

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