INTRODUCTION

“Maybe our great-grandchildren will go to museums to see what poverty was like” - Muhammad Yunus

The above statement of Muhammad Yunus stands testimony for the importance of micro credit for alleviating poverty.

There are about three billion people, half of the world’s population, living on the income of less than two dollars a day. Among these poor communities, one child in five does not live to see his or her fifth birthday.

In the seventies when Muhammad Yunus, Nobel Peace Prize winner (2006), started to lend small amounts of money to the people of Jobra, a poor village in Bangladesh. Yunus unknowingly initiated microfinance programme that turned into one of the most popular anti-poverty strategies throughout the world.

Micro-Finance has, in recent times, come to be recognized and accepted as one of the new development paradigms for alleviating poverty through social and economic empowerment of the poor, with focus on empowering women. Experiences of different anti-poverty and other welfare programmes have shown that the key to its success lies in the participation of community based organisations at the grassroots level.
Microfinance is the form of financial development that has its primary aim to alleviate the poverty. Governments, donors and NGOs around the world responded enthusiastically with plans and promised to work together towards the realization of these goals. Micro Finance is relatively a bigger term which addresses broad range of services especially financial and banking needs of the poor. Micro credit is one of the facet among all the services of the micro finance. It has evolved with its main focus in generating income activities for the poor. In the recognition of microfinance, the UNO celebrated the year 2005 as a year of micro-credit, as a result this financing instrument is perceived worldwide as a very effective mean against hunger and poverty, mainly in developing countries.

In India Social Banking has been prevailing since long. Institutional credit was perceived as a strategy for rural development and poverty alleviation by enhancing rural production, employment and productivity. Increasing access to credit for the poor and marginalized was more emphasized in India. In 1960, India had made one of the largest interventions in rural credit market and it was made as the “Social Banking Phase”. Social Banking phase was characterized by broadening the access to the poor and marginalized and to section of the people with no formal banking.

In 1980 the Indian Government had realized the importance and need for rural financial services. NABARD was set up in 1982. In India, the adaptation of the new microfinance approach by rural financial institutions assumed the form of the “Self- Help Group–Bank Linkage Program.” After an initial pilot study the NABARD set up a working group on non-governmental organizations (NGOs) and SHGs. The working group made recommendations for internalization
of the SHG concept as a potential intervention tool in the area of banking with the poor. The RBI was quick to accept the recommendations and advised the banks to consider mainstreaming lending to SHGs as part of their rural credit operations. NABARD has pioneered the concept and implemented the SHG Bank Linkage programme since 1992 for providing easy access of institutional credit to rural poor. Since loans available through micro credit schemes were more accessible to the poor people as compared to bank loans. Though there are many models of purveying micro finance the SHG Bank Linkage Model has emerged as the major micro finance programme. The important growth of the SHGs, in numbers, is mainly attributable to the proactive role of the state governments.

Through the SHG-bank linkage program the RBI and NABARD have tried to promote relationship banking, i.e. improving the existing relationship between the poor and bankers with the social intermediation of NGO’s.

Money is an inextricable part in our life. To save means to put aside a portion of the income that is not spent on consumption so that this savings can be further used for unpredictable needs which can save the poor entrepreneurs from irregularities of cash flows, cushion against contingencies like illness, calamities, death of family members, savings provide a safety net and help them tide over crises. Savings can also keep them away from the clutches of moneylenders, make formal institutions more favorable to lending to them, encourage investment which will generate employment and make them shift to more productive activities, as they may invest in slightly more risky activities which have an overall higher rate of return.
Indian Government from the beginning of the “Social Banking Phase” have emphasized only on credit keeping aloof from the savings, at present the loan disbursal is savings based and not credit led. Integrating the need for savings and credit facility will benefit the poor and also make the activity more viable for banks and encourage them to lend to the poor through the SHGs. Thus micro credit has proven to be an effective and popular measure in the ongoing struggle against poverty. It plays a crucial role in escalating the income generating activities among the poorer particularly women, who are not benefited by the conventional financial system. Micro credit through the SHG Model helps the programme participants to induce voluntary savings habit at the same time reduces the unemployment burden by undertaking different productive activities.

An increasing number of studies are being conducted across the world to assess the impact of micro credit on the lives of its beneficiaries. Thus understanding the role of micro credit in generation of savings and employment among the self help groups in West Bengal will help in knowing the performance/functioning of the SHG’s.