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USAGE OF LINKAGE LOAN AT NHG LEVEL

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The Kudumbshree Neighbourhood Groups are one of the world renowned models in organizing the poor people and the marginalized to come together to solve their individual problem. Neighbourhood Groups-Bank Linkage Programme is emerging as a cost effective mechanism for providing financial services to the poor which has been successful not only in meeting financial needs of them but also strengthen collective self help capacities of the poor, leading to their empowerment.

Bank Linkage Program

Soon after a NHG is formed and one or two meetings held where the savings are collected, a savings bank account will be opened in the name of the NHG. After saving for a minimum period of 2 to 3 months, the common savings fund will be used by the NHG for lending to its own members. Simple and clear books of account of savings and lending will be kept by the NHG. Once NHG attains 6months of maturity, bank ascertains the performance of NHG on the following parameters

1. Composition
2. Age of the SHG
3. Meetings
4. Attendance %
5. Minutes book
6. Participation
7. Savings
8. Savings & loan recovery
9. Functioning & decisions
10. Internal lending
11. Interest on int. lending
12. Turnover of savings
13. Recovery of internal loans
14. Books of accounts
15. Group by-laws

Each parameters will be assessed and scored. Neighbourhood Groups score above 80% will be eligible to get a bank loan on the basis of their corpus without any collateral security. The corpus of the NHG constitutes of

- The group's balance in the Savings Bank Accounts
- Cash Balance
- Amount internally lent amongst the members
- Amount received as interest on the loans
- Any other contributions received by the group like grants, donation, etc.

The amount of bank loan to the NHG will be to the tune of 1 to 4 times of its savings.

In order to promote Bank linkage program Kudumbashree introduced Interest subsidy scheme in the year 2009 where through an agreement with certain banks Kudumbashree made its NHGs to avail loan at the interest rate of 9% .But this scheme could not produce the desired results. Many factors like base rate regime. non-participation by major banks have negatively affected the field level implementation & absorption of the scheme. Hence in the year 2013 the new Back ended Interest subsidy scheme was launched . This effected NHGs to avail bank loan maximum of Rs.1 lakh at the interest rate of 7%. During the same time National Rural Livelihood Mission has also selected Kudumbashree as the Nodal Agency in Kerala and financial inclusion was one of the thrust areas. NRLM focusing on bank linkage program as the core area has launched two Interest subvention schemes.

Interest subvention scheme for Category I Districts

Salient features

- All women SHGs will be eligible for interest subvention on credit up to Rs. 3 lakh at 7% per annum.
- SHG availing capital subsidy under SGSY in their existing credit outstanding will not be eligible for benefit under this scheme.
- The Commercial Banks will lend to all the women SHGs in Rural areas at the rate of 7% in the 250 districts

- All Commercial Banks will be subvented to the extent of difference between the Weighted Average Interest Charged (WAIC as specified by Department of Financial Services, Ministry of Finance)and 7% subject to the maximum limit of 5.5% .
- This subvention will be available to all the Banks on the condition that they make SHG credit available at 7% p.a. in the 250 districts. iv. Further, the SHGs will be provided with an additional 3% subvention on the prompt repayment of loans. For the purpose of Interest Subvention of additional 3% on prompt repayment.

Interest subvention scheme for Category II Districts (Other than 250 districts).

Salient features

For category II districts, comprising of districts other than the above 250 districts, all women S.H.Gs under DAY- NRLM will be eligible for interest subvention to avail the loan facility at an interest rate of 7%. The funding for this subvention will be provided to the State Rural Livelihoods Missions (S.R.L.Ms) from the allocation for DAY- NRLM. In the Category II districts, Banks will charge the SHGs as per their respective lending norms and the difference between the lending rates and 7% subject to a maximum limit of 5.5% for the FY16-17 will be subvented in the loan accounts of the SHGs by the SRLM.

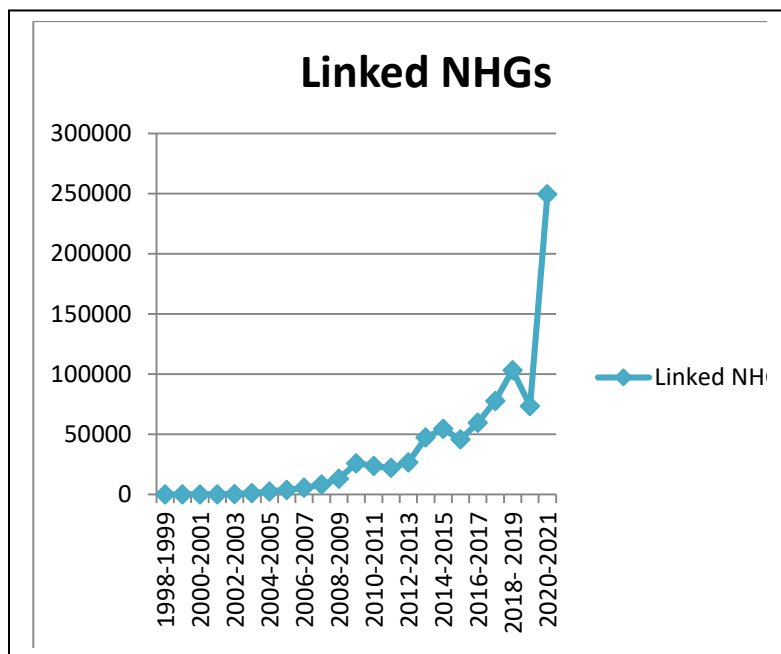
Interest Subvention scheme Under National Urban Livelihood Mission

Salient features

While NRLM works with rural population the service area of NULM is limited to Urban areas . It is very interesting to note that Kudumashree is the nodal agency for both NRLM and NULM. Thus Interest subsidy scheme applicable under For all loans under this component, on timely repayment of loan, Interest subsidy, over and above 7% rate of interest will be available on a bank loan for setting up of individual or group enterprises. The difference between 7% p.a. and the prevailing rate of interest will be provided to banks under NULM. Interest subsidy will be given only in case of timely repayment of loan. An additional 3 percent interest subvention will be provided to all Women SHGs (WSHG) who repay their loan in time.

Interest Subsidy Scheme of Govt of Kerala: Government of Kerala has launched a new interest subsidy scheme in the year 2016-17 to promote Bank Linkage Program among Kudumbashree Neighbourhood Groups. Under this scheme all Kudumbashree NHGs are eligible for interest subvention to avail the loan facility at an interest rate of 4% on credit upto Rs. 3 lakhs.

Financial Year wise Bank Linkage Status is given below;



Financial Year	Linked NHGs	Linkage Amount in Lakh
1998-1999	10	6
1999-2000	86	100
2000-2001	106	97
2001-2002	169	121
2002-2003	471	302
2003-2004	1098	643
2004-2005	2572	1440
2005-2006	3829	2633
2006-2007	5586	4517
2007-2008	8308	8998
2008-2009	13151	18763
2009-2010	25858	36421
2010-2011	23758	38396
2011-2012	22004	41381
2012-2013	26694	55010
2013-2014	47284	92821
2014-2015	54468	133514
2015-2016	45682	136526
2016-2017	59634	203256
2017-2018	77711	233503
2018-2019	103211	413191
2019-2020	73522	267086
2020-2021	249356	403119

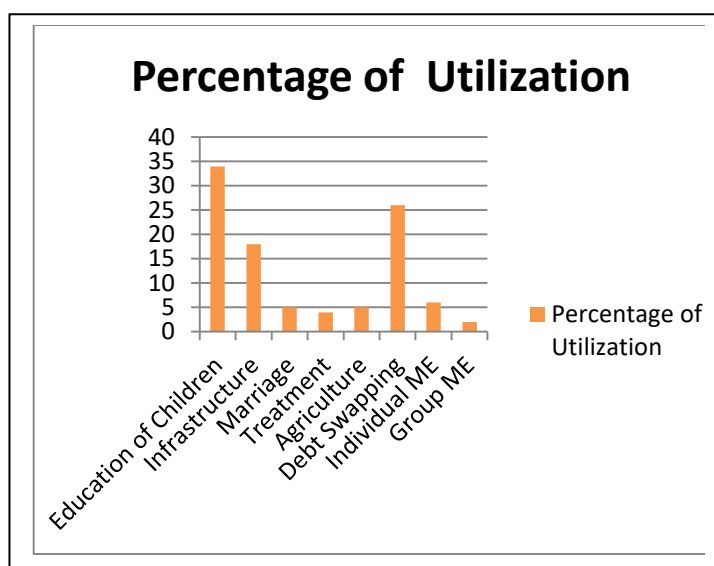
Methodology : Methodology used was the secondary research method.

Usage of Linkage Loan

The Linkage loan will be distributed among members based on the Micro Credit Plan (MCP) prepared by the NHGs. The loans may be used by members for meeting social needs, high cost debt swapping, construction or repair of house and taking up sustainable livelihoods by the individual members within the NHGs or to finance any viable common activity started by the NHGs.

Utilization of Loan by Kudumbashree NHGs based on the survey conducted by Micro Finance team is as given below.

Utilization of Loan	
Particulars	Percentage of Utilization
Education of Children	34
Infrastructure	18
Marriage	5
Treatment	4
Agriculture	5
Debt Swapping	26
Individual ME	6
Group ME	2



Suggestion:

- ✓ Interventions to be done for increasing Loan size per NHGs.
- ✓ In order to facilitate use of loans for augmenting livelihoods of NHG members, it is advised that at least 50% of loans be used primarily for income generating productive purposes.
- ✓ Ensure that the NHG members are utilizing the loan amount as per the Micro Credit Plan.