

## **Vulnerability of Government Induced Microcredit Programme under SHGs in India: The Task Ahead**

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*Based on different reports and reviews on government induced microcredit programme operating through Self-help Groups (SHGs) in India, this paper tries to explore as to how the SHG-BANK linkage microcredit programme fails to reach the large number of persons in the target group, although formation of SHGs and development of micro enterprises has become the principal means of poverty alleviation by the Government of India. While presenting a theoretical model, this paper suggests that it is essential to make necessary financial grants to the target group primarily to the amount of expected 'debt trap' it may face in the informal credit market to repay the loans, which they received earlier from mainstream banks, within the due date so long as the projects undertaken by it are productive.*

### **I Introduction**

Vulnerability, in general, denotes the extent to which an individual, community, sub-group, or geographic area is likely to be disrupted by the impact of a particular programme and other menaces. Based on different reports and reviews on government induced microcredit programme operating through SHGs in India in the recent years, one of the significant issues seems to be: is this programme feasible according to its objective? Although the initiative to organise SHGs was taken by the NGOs in the early 1980s, the NABARD introduced a pilot project in 1992-1993 for linking SHGs with credit institutions.<sup>1</sup> With IRDP subsumed in Swarnjayanti Gram Swarozgar Yojana (SGSY) from April 1, 1999, the

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<sup>1</sup>Before 1990s the conventional supply side approach of microcredit programme in operation tried to inject subsidized credit to the target group from outside to get rid of the moneylenders. Despite expansion of formal credit system along with massive subsidy-linked credit programme, many people still do not have access to formal credit institutions. Under this programme, wealthier farmers monopolised subsidised credit, though the programme was intended basically for the poor. Non-viability of the programme for the target group, poor recovery, and lack of equity and efficiency have led to its failure.

But the new paradigm of microcredit programme in India following the Ohio School of Thought (the demand approach) has been operating since early 1990s. This approach emphasizes qualitative as well as quantitative outreach of the poor and the self-sustainability of microcredit institutions tied with the programme. It initiates saving mobilisation and the viability of rural credit market. Under it many non-government institutions enter the rural credit scene by way of organising the poor into informal groups for self-help through mutual aid along with the practice of their regular saving programme.