

New Loan Scheme for Self Help Groups (SHGs) Planned by Karnataka Govt.

Karnataka govt. is going to launch a new loan scheme to encourage entrepreneurship among the members of self-help groups (SHGs). This new scheme of the state govt. will provide loans of Rs. 10 lakhs to SHGs to boost entrepreneurial activities among the members of these SHGs.

This scheme is in accordance with the long pending demand of self-help groups to provide them with zero interest loans to boost their activities.

Benefits

- An economically poor individual gains strength as part of a group.
- Besides, financing through SHGs reduces transaction costs for both lenders and borrowers.
- While lenders have to handle only a triple SHG account instead of a large number of small-sized individual accounts, borrowers as part of an SHG minimize expenses on travel (to and from the branch and other places) for completing paper work and on the loss of workdays in canvassing for loans.
- Where successful, SHGs have significantly empowered poor people, especially women, in rural areas.
- SHGs have helped immensely in reducing the influence of informal lenders in rural areas.
- Many big corporate houses are also promoting SHGs at many places in India.
- SHGs help borrowers overcome the problem of lack of collateral. Women can discuss their problem and find solutions for it.

Eligibility Criteria

- SHG should be in existence for at least 6 months

- Group of 10-20 women
- A minimum Savings/Corpus of Rs 5,000
- Acceptable level of financial and administrative discipline in running of the SHG
 - Have successfully undertaken savings and credit operations from its own resources.
 - Maintain proper accounts/records.
 - Work democratically wherein all members feel that they have a say should be evident.
 - Be formed to reflect genuine need to help each other and work together and Branch Manager should be convinced that the group has not come into existence only for the sake of participation in the project and availing benefits there under.
 - Have members preferably with homogenous background and interests.
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Major Functions of an SHG

- **Savings and Thrift:**
- All SHG members regularly save a small amount. The amount may be small, but savings have to be a regular and continuous habit with all the members.
- “Savings first — Credit later” should be the motto of every SHG member.
- SHG members take a step towards self-dependence when they start small savings. They learn financial discipline through savings and internal lending. (Advantage: This is useful when they use bank loans.)
- **Internal lending:**
- The SHG should use the savings amount for giving loans to members.
- The purpose, amount, rate of interest, schedule of repayment etc., are to be decided by the group itself.
- Proper accounts to be kept by the SHG.
- **Discussing problems:** In every meeting, the SHG should be encouraged to discuss and try to find solutions to the problems faced by the members of the group. Individually, the poor people are weak and lack resources to solve their problems. When the group tries to help its members, it becomes easier for them to face the difficulties and come up with solutions.

- **Taking bank loan:** The SHG takes loan from the bank and gives it as loan to its members.