

SELF HELP GROUP BANK LINKAGE PROGRAMME – INDIAN SCENARIO

Dr S Priya

Assistant Professor

Department of Commerce M G College, Trivandrum

Abstract

Self Help Group- Banking is a programme that helps to encourage financial transactions between the traditional rural banking system in India comprising of public and private sector commercial banks, regional rural banks and cooperative banks with the informal Self Help Groups (SHGs) as customers. SHGs are otherwise known as financial intermediaries owned by the poor. They usually start by making voluntary thrift on a regular mostly weekly, fortnightly or monthly basis (contractual savings). They use these pooled resources together with the external bank loan to provide interest bearing loans to their members. Such a loan provides additional liquidity or purchasing power for using in any of the borrower's productions, investments or consumption activities. SHG means banking through self help groups and the existing decentralized formal banking network including different organizations in the formal and non formal sectors as banking partners allow for large scale outcome of micro finance services to the poor in India. These banking services like depositing savings, taking loans etc, were made available at low cost, flexible and are easily accessible enough to meet poor people's needs.

Keywords: Self Help Group, Bank Linkage Programme, Micro finance.

Micro finance is gathering momentum to become a major force in India. The self-help group model with banks lending loans to group of poor women without collateral has become an accepted part of rural finance. This study analyses the state of self-help group based micro finance in India. With traditionally loss-making rural banks shifting their portfolio away from the rural poor in the port-reforms period, self-help group-based microfinance, nurtured and aided by NGOs, have become an important alternative to traditional lending in terms of reaching the poor without incurring additional operating and monitoring costs. The government and NABARD have recognized this and have emphasized the value of SHG approach, working along with NGOs in its initiatives. The present study examines the Self Help Group – bank linkage Programme in India.

Objective of the study:

The main objectives of the present study are:

- ❖ To explore the growth of Self Help Group Bank Linkage Programme as model for women empowerment.
- ❖ To examine growth of Self Help Group Bank Linage Progress as region-wise in India.
- ❖ To give suggestion to improve the SHG linage programme were they are lagging behind.

Methodology:

The present study is designed as a descriptive one. Secondary data are used for the smooth conduct of the study. The required secondary data were collected from ‘status of Micro finance ‘, a yearly publication of NABARD, Report on trend and progress of Banking in India, Report of Currency and Finance, Basic Statistical Return, Micro finance in India State of Sector report, Report of State level banking Committee, Report of District level banking Committee, and Economic Review of Government and Research journals.

Statement of the problem:

The access of women to banking services is important not only for poverty alleviation but also for optimizing their contribution to the growth of national economy. The social banking policies that we have implemented in our country have widened the outreach of banking services to the downtrodden sections of the society. Even though the banks and financial institutions are providing credit for the welfare of poor, the women are outside the orbit of many of such programmes. As Self Help Group can eliminate the poverty from the country it is necessary to study about the growth of Self Help Bank Linkage Programme.

Self Help Group – Bank Linage Programme- Indian Scenario

Financial inclusion is a good initiative of empowering people to achieve social and economic justice. To success this, a multi-model approach has been adopted since early seventies of the twentieth century. Among the various models, the SHG - Bank Linkage Programme (BLP) helped extensively to empower the poor, especially rural women, through providing savings and credit windows from banks. The studies from the savings and credit promoted setting up of tiny

micro enterprises and generated employment. NABARD's Livelihood and Enterprise Development Programme (LEDP) has been implemented since 2015 with 532 programmes wherein 61,033 SHG members have been trained.

In India, National Bank for Agriculture and Rural Development is the first institution which realized the potential of micro finance through self help group. The first official interest in informal group lending in India took shape during 1986-87 when National Bank for Agriculture and Rural Development (NABARD) supported and funded an action research project on 'Savings and Credit Management of Self Help Groups of Mysore Resettlement and Development Agency (MYRADA). In 1988-89 NABARD undertook a survey of 43 Non-Governmental Organizations (NGOs) spread over 11 states in India to study the functioning of SHGs and possibilities of collaboration between banks and SHGs in the mobilization of rural savings and improving the delivery of credit to the poor.

Micro finance by 'non-formal' financial organizations had already started. Self Employed Women's Association (SEWA) owned by women of petty trade groups was established on co-operative principle in 1974 in Gujarat. Working Women's Form (WWF) started promoting working women's co-operative societies in Tami Nadu since 1980. Shreyas in Kerala actively got involved in micro finance operatives, habits of thrift and self managing people's bank.

Encouraged by the survey results, NABARD impressed upon Reserve Bank of India (RBI) to come out with a circular advising the commercial banks (later on regional rural banks and co-operatives) to extend credit to the SHGs under the pilot project of NABARD. According 500 SHGs were covered during 1991-92. During the project period the Association of Sarva Seva Farms (ASSEFA), Madras, promoted 214 groups, mobilized Rs.1.4 million of thrift and disbursed credit of Rs. 2.3 million. People's Rural Education Movement (PREM) Berhampur promoted 829 groups, mobilized Rs. 1.9 million of thirty and disbursed credit of Rs.1.9 million under Professional Assistance for Development Action (PRADAN).

Growth of Self Help Group – Bank Linage Programme in India:

SHG Bank Linkage programme is an effective intervention in economic upliftment and financial inclusion for the bottom of the pyramid. A proven platform initially conceived for increasing the outreach of banking services among the poor has since graduated to a programme

for promotion of livelihoods and poverty alleviation. All major parameters viz. the number of SHGs with savings bank accounts, amount of credit disbursed during the year, the bank loans outstanding as well as the quantum of savings outstanding had shown positive growth during the past three years

TABLE. 1

GROWTH OF SELF HELP GROUP BANK LINAGE PROGRESS IN INDIA.

Year		SHG Savings with Banks as on 31 st March	Loans Disbursed to SHGs during the year	Loans outstanding against SHGs as on 31 March
2016-17	No of SHGs Linked	85.77(8.53%)	18.98 (3.60%)	48.48 (3.74%)
	Amount of Savings	16114.23 (17.69%)	38781.16 (4.01%)	61581.30 (7.81%)
2017-18	No of SHGs Linked	87.44 (1.95%)	22.61 (19.13%)	50.20 (3.55%)
	Amount of Savings	19592.12 (21.59%)	47185.88 (21.67%)	75598.45 (22.76%)
2018-19	No of SHGs Linked	100.14 (14.52%)	26.98 (19.33%)	50.77(17%)
	Amount of Savings	23324.48(19.05%)	58317.63(23.59%)	87098.75 (15.21%)

Source: Annual Report of NABARD.

The growth in number of SHGs availing bank loan and amount of institutional credit disbursed to SHGs was 19.33 percent and 23.6 percent respectively during 2018-19.

Region-Wise Growth of Self Help Group Bank Linage Progress in India:

SHG bank linkage programme is now treated as the world's largest micro finance movement. From the very beginning, the major shares of SBLP were tending to concentrate on southern states. Table 2 depicts the region wise spread of Self Help Group bank linkage programme.

TABLE.2

REGION-WISE GROWTH OF SELF HELP GROUP BANK LINAGE PROGRESS

Sr. No	Regions	2016-17		2017-18		2018-19	
		No of SHGs	Savings Amount	No of SHGs	Savings Amount	No of SHGs	Savings Amount

A	Northern Region	457199	49678.26	478883	49293.91	548624	62452.82
B	North Eastern Region	452887	22955.70	485591	32207.59	523469	40407.05
C	Eastern Region	1953076	336538.57	2130997	441803.18	2654358	601154.88
D	Central Region	848514	83898.12	902222	95385.11	1062759	133230.00
E	Western Region	1140601	138696.27	1097448	124694.93	1388615	205275.15
F	Southern Region	3724598	979657.70	3649296	1215826.80	3836418	1289928.25
	Total	8576875	1611422.6	8744437	1959211.52	10014243	2332448.15

Source: Annual report of NABARD

Figures in parentheses indicate percentages.

As regards, the regional share of SHGs during the year 2018-19, Southern Region accounted for major share of 38.3 per cent, followed by Eastern Region (26.5 per cent), Western Region (13.9 per cent), Central Region (10.6 per cent) and Northern Region (5.5 per cent). The North Eastern Region had the lowest share of 5.2 % of total SHGs in the country. The share of Southern Region in terms of number of SHGs declined to 38.3% in 2018-19. This shows that the growth performance of SHG bank linkage programme is remarkable in the north eastern region and low in the southern region.

Agency Wise Loans Disbursed To SHGS

TABLE 3

Agency-wise status of SHG-BLP in 2018-19

(Amount Rs. In lakh)

Category of Agency	Total Savings of SHGs with Banks as on 31 st March 2019		Loans disbursed to SHGs by Banks during 2018-19		Total Outstanding Bank Loans against SHGs as on 31 st March 2019		NPAs as on 31 st March 2019	
	No of SHGs	Savings Amount	No of SHGs	Loans Disbursed	No of SHGs	Loans outstanding	No of SHGs	NPA (%)
Commercial Banks	5476914	1324023.23	1512907	3449246.74	2901209	5564111.05	289739.17	5.21
% Share	54.69	56.77	56.07	59.15	57.14	63.88	64.04	
Regional Rural Banks	3078473	769201.27	940818	1955264.43	1695534	2619598.85	127482.95	4.87
% Share	30.74	32.98	34.87	33.53	33.39	30.08	28.18	
Cooperative Banks	1458856	239223.65	244675	427251.71	480589	526105.53	35178.93	6.69

% Share	14.57	10.25	9.07	7.32	9.47	6.04	7.78	
Total	10014243	2332448.15	2698400	5831762.88	5077332	8709815.43	452401.05	5.19

Source: Status of Micro Finance in India, NABARD,

Commercial Banks have a robust share in the credit flow to SHGs as well, with disbursement of Rs.34,492 crore to 15.1 lakh SHGs. During the year loan disbursement by Commercial Banks increased from Rs.28,707.62 crore to Rs.34,492.46 crore registering a growth of 20.1 percent and 18.8 percent more number of SHGs as compared to the year 2017-18. RRBs have registered a big jump from 28.07 lakh to 30.78 lakh of SHGs registering a growth of 9.6 percent in number of SHGs and 29.3 per cent in quantum of loan disbursed to SHGs during 2018-19. Cooperative banks had extended credit of Rs.4,272 crore to 2.45 lakh SHGs during this period. The Cooperatives could extend credit to 19 per cent more number of SHGs as compared to the year 2017-18. There is an increase of 27 percent in the quantum of credit disbursed during the year. This implies an improvement in the average credit disbursement of loans to SHGs by Cooperatives during the year.

Findings:

Major finding of the study were summarized here:

- ❖ 46.19 per cent of SHGs linked with banks were from southern region of the country.
- ❖ Self Help Bank Group Linage Programme (SBLP) in India is growing in a rapid way. SBLP recorded a compound annual growth rate of 72.77 per cent. There is significant positive relation between years and SHG linked with banks. The correlation was found significant.
- ❖ The growth performance of SHG bank lineage programme is remarkable in the north eastern region and low in the southern region.
- ❖ The average loan disbursement of Rs.2.27 lakh per SHG by Commercial banks remains the highest during 2018-19, which was marginally higher (1.1 percent) than the previous year. RRBs also recorded an increase in the average credit disbursement during 2018-19 as compared to the year 2017-18.

Suggestions:

Suggestions for policy implementations were as follows:

- ❖ Harmonious coordination between banks and NGOs can definitely strengthen the SHG Bank Linage movement.
- ❖ Effort should be taken to improve the SHG lineage programme in the regions where they are lagging behind.

Conclusion:

Micro finance has made tremendous strides in India over the years and it has become a household name in view of the multi-pronged benefits reaped from micro finance services by the poor in our country. Self Help Group (SHGs) has become the common vehicle of development process, converging with all development programmes. SHG-Bank Linage Programme launched by NABARD way back in 1992 envisaging synthesis of formal financial system and informal sector has become a movement throughout the country. It is considered as the largest micro finance programme in terms of outreach in the world and many other countries are keen to replicate this model. Measures to widen this programme all over the country will surely contribute to the economic development of the country.

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