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SHG – BANK LINKAGE PROGRAMME IN ANDHRA PRADESH: A SWOT ANALYSIS

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ABSTRACT

Self Help Group – Bank Linkage Programme (SBLP) is the largest Microfinance programme in the world. Since the launch of the Pilot Project in 1992 by NABARD and MYRADA, more than 103 million poor households have been covered under this programme by linking 8 lakh SHGs with banks under the provision of MF Services. Andhra Pradesh has always been in the forefront of the programme and its share peaked during 2003-04 at 64.95 per cent. The share is gradually coming down as other states are picking up. Even today, Andhra Pradesh has been maintaining its dominant position in SHG share and credit disbursement. Andhra Pradesh has innovated the NABARD's programme by making it Women Centric with high success rate in terms of loan disbursals and repayment. More than 10 million households have come under the umbrella of the programme with SERP being the monitoring agency. Considering the high success ratio, field study has been carried out across 4 districts of Andhra Pradesh viz: Vizianagaram, Guntur, Mahboobnagar and Anantapur. 936 beneficiaries of the programme with more than 5 years of SBLP membership have been interviewed through a Structured Schedule to measure the Programme's impact on a 5 Point Likert Scale on Before and After Scenario. The sample has further been segmented into Rural and Urban. The results have been analysed and the SWOT Analysis of the Programme is arrived at.

KEYWORDS

MF, NABARD, SBLP, SERP, SHG, SWOT.

INTRODUCTION

elf Help Group Bank Linkage Programme (SBLP) in India is the largest Microfinance Programme in the world. Two decades have elapsed since the Pilot project by NABARD and MYRADA in 1992 by linking 500 SHGs. In the first decade, the progress has been impressive covering 0.5 million households. In the second decade, the programme made rapid strides by covering over 8 million households. The state of Andhra Pradesh has always been a active participant in the Programme and has been maintaining its dominant status in implementation of the programme. SBLP was launched with an aim of empowerment and upliftment of the poor and was not gender centric. As the results were not on expected lines, Andhra Pradesh innovated and made the programme women centric and with good results. With the success of the women centric programme in Andhra Pradesh, other states are emulating the Andhra Pradesh women centric Model. More than ten million poor women households (SERP 2010) are covered under the programme in Andhra Pradesh. SBLP has been recognized as decentralized, cost effective and fastest growing MF initiative in the world enabling over 103 million poor households (NABARD 2012) access to a variety of sustainable financial services from the banking system. More than 8 million SHGs have become the banks customers. The bank linkage has enabled the SHG members to pool their savings or thrift and access to credit. This financial discipline and access provided the poor a platform to launch livelihood initiatives and also facilitate empowerment process.

Through SBLP, the poor are given microcredit at lower rates of interest initially. For these people to be eligible for micro credit, they have to form groups of homogenous nature. Prior to applying for loan, they have to show a sort of financial discipline in the form of savings and maintaining internal loans and maintaining A/Cs. The group should be adequately old enough for it to be judged. The bank initially sanctions an amount equivalent to four times the groups savings corpus which is to equally distributed among the beneficiaries. All the beneficiaries have to repay the loan within a stipulated time. Once the first tranche of loan is repaid, a second tranche of bigger loan will be sanctioned and the same cycle continues. This process of the programme will result in economic, social and behavioural impact at the individual level, household level and community levels. With micro savings and micro credit being the main aspects of SBLP, the economic impact is a more visible feature of the programme. (APMAS 2012)

ROLE OF NABARD IN SBLP

NABARD was established in 1982. It was given the task of supervising rural credit institutions, framing appropriate policy for rural credit and provision of technical assistance backed by liquidity support to banks. NABARD in association with MYRADA conducted a series of research studies independently in Southern India.

In the year 1992, National Bank for Agriculture and Rural Development (NABARD) initiated a pilot study by linking 255 SHGs to banks, in this pilot study, NABARD tried to facilitate the flow of bank credit to the SHGs. The results of this funding to the SHGs were observed and found to be successful with near full repayment of the loan taken. Following the success of the pilot study by NABARD, Reserve Bank of India (RBI) in the year 1994 has set up a working group of NGOs & SHGs. The objectives of this working group are to study the SBLP and suggest any improvements that can be incorporated in SBLP. This group came out with wide ranging recommendations on SBLP and stated that SBLP is a potential innovation in the area of banking with the poor. SBLP was formally launched in 1992.

GROWTH IN SBLP

Since its humble origins two decades ago, the SBLP has grown manifold. Since the launch of SBLP, the southern states of Andhra Pradesh, Tamil Nadu, Kerala and Karnataka have shown interest in SBLP and thus maintaining their early start advantage. In 2012, these states hold 57% of the Bank Linked SHGs. The SBLP growth in India and Andhra Pradesh, the share of Andhra Pradesh in the programme with respect to all India figures is presented in Table-1

TABLE-1: SHG-BANK LINKAGE PROGRAMME – SHARE OF ANDHRA PRADESH

Year	All India Level		Andhra Pradesh		Share of Andhra Pradesh %	
	No. of SHGs credit linked In lacs	Credit Flow (Rs In crores)	No. of SHGs credit linked	Credit Flow	No. of SHGs credit linked	Credit Flow
2001-02	2.3	545.46	1.2	267.09	49.09	48.97
2002-03	2.6	1022.34	1.7	454.13	64.65	44.42
2003-04	3.6	1855.31	2.3	752.99	63.95	40.59
2004-05	7.9	2924.20	2.6	1017.71	32.76	34.80
2005-06	9.6	4499.01	2.9	1599.43	30.51	35.56
2006-07	11.2	6570.39	3.6	2775.45	32.49	42.24
2007-08	12.3	8849.26	4.2	5573.34	33.82	62.98
2008-09	16.9	12689.22	5.0	6767.40	29.60	53.33
2009-10	15.87	14453.36	5.6	6706.64	35.4	46.42
2010-11	11.96	14547.73	3.7	6209.18	30.3	42.75
2011-2012	11.9	16534.76	3.8	8171.14	33.3	56.54

Source: NABARD Reports accessed on dt. 31.12.2012

Analysis of Table-1 indicates that in terms of SHGs linked to banks, the all India SBLP share of Andhra Pradesh has peaked in the year 2003-04 with a share of 64.65 per cent. This share is gradually tapering down as other states are picking up the SBLP implementation. The SBLP share has come down to 29.60 per cent for the year 2008-09. In terms of credit flow also, the share of Andhra Pradesh is high with a peak of 62.98 per cent in 2007-08 and 53.33 per cent in 2008-09. In 2011-12 SHG share of AP is 33.3 and credit flow has been recorded at 56.5 percent.

OBJECTIVES OF THE STUDY

1. To study the growth and development of the SBLP in Andhra Pradesh.
2. To carry out SWOT analysis of SBLP in Andhra Pradesh.

METHODOLOGY

A multi stage random sampling technique has been used and a sample size of 936 SBLP members were selected. Four regions were identified and one district from each region is selected for the study on the basis of HDI, HPI, GDI and GEM. Vizianagaram, Guntur, Mahboobnagar and Anantapur are the sample districts. Proportionate sampling is used for selection of SHG members from each district. Four mandals were selected from each district and four villages and one town from each mandal were selected for the study. As part of the study economic social and behavioural factors were identified to analyse the overall impact of the Programme on individuals and their households. A structured schedule is used to collect information and informal discussions also been held with the members, animators, group leaders and banking personnel. The present paper tries to present a SWOT analysis of the programme.

SBLP IN ANDHRA PRADESH

A unique feature of Andhra Pradesh is the involvement of participatory institutions. The state is well-known for its strong emphasis on rural development, community empowerment and support for women's groups. These include Self-Help Groups, Water User Associations, Watershed Committees, School Education Committees, Mothers' Committees, Rytu Mitra Groups, Vana Samrakshana Samitis (VSS, Joint Forest Management). Andhra Pradesh has also launched many innovative poverty alleviation strategies in the 1980s by concentrating more on welfare schemes.

An important aspect of all these innovative poverty alleviation strategies is the focus on women empowerment (social and economic) through Self-Help Groups. The government of Andhra Pradesh is implementing a state wide rural poverty eradication programme based on social mobilization and empowerment of rural poor women. This programme is popularly known as 'Velugu' or Indira Kranthi Pathakam (IKP) which aims at enhancing assets, capabilities and the ability of the poor to deal with shocks and risks.

This programme has contributed to the improvement in women's empowerment at the household and community level. There are already seven lakh SHGs in the State. The government has also introduced a programme called INDIRAMMA (Integrated Novel Development in Rural Areas and Model Municipal Areas) in 2006 for the development of model villages and towns on saturation basis to provide basic infrastructure along with welfare measures in an integrated and focused manner and to be serviced over a period of three years. Pensions, housing and land distribution are some of the important measures undertaken by the government to help the poor. Unlike most other parts of the country where NGOs have played a major role in organising women around savings and credit, in Andhra Pradesh the state machinery got actively involved. The polity not only gave the mandate to this movement, it also got the bureaucracy involved in the effort in an active manner and gave it the necessary freedom. As the resources at the command of the state, including both financial and non-financial resources, is very high, this could give a major impetus to the movement.

TABLE- 2: SBLP GROUND LEVEL CREDIT IN AP

Period	No. Of Groups Financed	Bank Loan (Rs. Crores)	Refinance of NABARD (Rs Crores)	Average Per Group Finance (in Rs)
1992-93	35	0.09	0.09	25085
1993-94	102	0.16	0.16	16171
1994-95	105	0.31	0.31	29723
1995-96	147	0.44	0.44	29932
1996-97	434	1.40	1.40	32488
1997-98	1322	3.18	3.16	24054
1998-99	6579	12.75	12.72	19380
1999-2000	29242	54.95	54.89	18791
2000-01	84939	143.17	143.12	16856
2001-02	117352	267.09	1977.72	22760
2002-03	165429	454.13	270.94	27452
2003-04	231336	752.99	310.39	32550
2004-05	261254	1017.71	391.94	38955
2005-06	294341	1599.43	475.97	54339
2006-07	359276	2775.45	696.11	72251
2007-08	415206	5573.34	1342.30	134231
2008-09	500536	6767.40	1685.23	135203
2009-10	413625	6501.35	NA	157180

Source: Banking with the Poor – SBLP in AP – NABARD PP 34

Analysis of Table 2 indicates that there has been steady growth since the launch of the programme in 1992-93 and a four fold growth for the years 1998-99, 1999-2000 and 2000-01. A marginal dip is observed for the year 2009-10.

TABLE- 3: STATUS OF SBLP IN INDIA AND ANDHRA PRADESH AS ON 31, MARCH, 2012

Particulars	India	Andhra Pradesh
No. of SHGs -lakhs	79.60	14.48
Amt. of savings -Rs. in lakhs	6551.41	1255.29
Avg. savings per SHG	8,914	8,914
No. of SHGs having loan O/s (lakhs)	43.54	14.71
Bank loan outstanding Rs. in lakhs	36340.00	11739.54
Recovery : > 80% (86/165)	52.12	NA
% of NPA of O/S bank loans to SHGs	2.94	0.5

Source: NABARD Reports accessed on dt.5.1.2013

Analysis of Table 3 indicates that the NPAs for the programme is on very minimal scale. This also proves that the poor are bankable with better repayment rate than the well off. It is evident that Andhra Pradesh is maintaining a lion's share in the programme.

SBLP is a group based programme. Group dynamics either sustains or pulls the programme either up or down. An assessment just cannot be done based on the sustainability of the programme. In spite of the success of SBLP, there were many problems being faced by the beneficiaries. Based on the problems mentioned by the beneficiaries and observing the ground realities, SWOT analysis is applied and this helped in assessing the sustainability and continuity of the programme. In this regard, the SWOT analysis of SBLP is presented below.

In this context SWOT Analysis bringing the Strengths, Weaknesses, Opportunities and Threats would be suitable in order to suggest the sustainability on the basis of this analysis. SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats of a programme or a project or a business venture. It involves specifying the objectives of the programme and identify the internal and external factors which are favourable and unfavourable to achieve success of the SBLP Programme. Albert Humphrey of Stanford Research Institute (now SRI International) has pioneered this between 1960s and 1970s.

Analysing the SWOT of SBLP allows us to judge the objectives set forth for this programme. From the brief definition and analysis of SBLP, the following were identified post survey in the select districts of Andhra Pradesh. Microcredit is being offered by various organisations like MFI, SHPI, SBLP etc. The SWOT analysis of the SBLP programme can be compared with other programmes of MFI etc. as the clientele for all are the downtrodden people.

STRENGTHS

The strengths of SBLP is that the lenders are nationalised or government banks wherein the pressure to repay the loan on time is virtually NIL. The main pressure of the SBLP clientele is the Peer pressure rather than Lender pressure. The interest rates are nominal with monthly repayment unlike MFIs where the interest rates are high with weekly repayments.

- 1) Regular savings and thrift enables the women to cut the unnecessary expenditure. This habit to save graduates in building of assets with help from peers, banks etc.
- 2) Changes in meeting schedule from monthly to fortnightly or weekly is another strength which enables the beneficiaries to discuss their problems and also help to strengthen their relationship.
- 3) Through the SBLP, they are in a position to operate a bank account, which was a remote possibility earlier. This helps them to acquire knowledge of banking procedures and making them familiar to banks which leads to financial inclusion.
- 4) Exposing the women to manage their SHGs through decision making, is helping them to take decisions at home also. This ensures the women to be a better decision makers.
- 5) The very formation of a SHG of homogenous women bypasses the caste, creed and class of people. This is the biggest advantage of SBLP which in the long run, makes the country a casteless one.
- 6) The credit being made available to women is helping them to become entrepreneurs and involve in decision making outside family and business activities.
- 7) The micro financing done both for consumption and business investment increases the nutritional level of the participants, and thereby contribute to increase in health and productivity, income and have better standard of living.
- 8) The hurdle of collateral is overcome by group approach and mutual peer beneficiaries guarantee.
- 9) As SBLP is free from targets and hence pressure from bank officials is nil, the need for promotional agencies to identify beneficiaries for micro finance is overcome.
- 10) Banks notion that the poor are not bankable is overcome with repayment of more than 95 per cent.
- 11) Financial services horizon is widening with new beneficiaries being injected every year.
- 12) SHG beneficiaries are of late being recognised by the community and they are brought to be a part of the polity and overall administration leading to social and political inclusion.
- 13) The SHG women have disproved that the poor are not bankable. In fact they have grown to bank their savings with banks. On the bank side the SHGs help in externalization of the operational costs such as resource mobilization, credit management, recovery performance which may encourage the banks to expand their operations and keep the formal credit available to the hitherto neglected sector.
- 14) The concept of social collateral and the social capital of being a SHG beneficiary is an added advantage. The group guarantor policy for both loans, recovery and credit management helps in coalescing the bond of the beneficiaries. This will in due course of time helps in improving and bringing social, cultural and political changes.
- 15) The foremost strength of SHGs is that it addresses the gender imbalances, combat unjust social relationship and therefore any attempt to address and eliminate the unjust relationship between caste and class can be done through SHGs.

WEAKNESSES

Weaknesses of SBLP are the excess governmental interventions in banks functioning on interest rates, repayment schedule, disbursement of loans thus wholly negating the economic reforms. The promised government subsidy is not reaching the banks thus forcing the banks to collect the same from the beneficiaries. The government intervention in MFIs is not there till recently and the latest GO on MF has virtually sounded the death knell on MFIs.

1. In spite of more than two decades of its initiation in various parts of the country, the SHGs have not grown out of the cottage or small scale industry pattern.
2. Loan is being used for consumption purpose, which may contribute to improving the nutritional status but cannot immediately result in income generation activities.
3. This large force is being treated as a readymade vote bank by the politicians and is also used for achieving political objectives.
4. The SHGs neither have any accountability nor audit. This gives chance to mischief mongers in taking advantage of the gullible in almost all aspects.
5. Mandatory savings concept is sometimes forcing the beneficiaries to sacrifice a basic necessity at a cost to the family.
6. Sticking to repayment schedule and peer pressure is forcing the needy women to approach MFIs or money lenders to repay the monthly instalment.
7. SBLP is not reaching the targeted families i.e BPL families. In some cases, these SHGs have been usurped by APL and educated families, thus defeating the very concept of SBLP and the dream of poverty alleviation being nullified.

OPPORTUNITIES

The opportunities for SBLP are the government and private sector encouragement on marketing the manufactured or designed products. As the SBLP is government and bank subsidised schemes, the encouragement from these stakeholders is high.

1. SHG women are being offered to participate in seminars, conferences, and important events. Participation in these events helps them in improving their organizational ability.
2. The SHGs through their group performance are expected to avail credit for initiating micro enterprises. This is to enable the women to come out of the loop of agricultural labourers or housekeepers. This initiation of microenterprises also helps in mainstreaming women's work and turn them into micro entrepreneurs.
3. The group activities enable the beneficiaries to earn income even during the off season in agriculture. This increase in income facilitates the women to improve the consumption and investment pattern of the household, improve the educational levels of their children, modernizing the kitchen activities, save time and invest it in productive activities.
4. The concept of mandatory saving is aimed in increasing in investment and productive activities, which in turn helps in bringing out an increase in income, employment and resultant increase in demand. Hence the Keynesian theory of increasing the effective demand to take care of the problem of unemployment would be realized in the long run. The increase in income among the rural and urban households may facilitate urban markets to expand and resource flows from urban to rural and vice versa.
5. The rural poor have no economic buffer to withstand unexpected expenditure, be it festival or funeral expenditure. The family pressure to such expenditures is better managed by the SHGs either with interest free loan or loan with interest or gift from the beneficiaries of the SHGs.

THREATS

The main threat to SBLP is the laxity cropping up among the beneficiaries. Secondly, the loan component being disbursed even after third or fourth tranche is negligible when compared with present market rates. This insufficient loan disbursement is virtually negating the whole concept of SBLP whose main focus is upliftment and reducing the role of money lenders.

1. The banks lending scheme to extend credit to individuals considering the group as an entity is a risk reducing, comfortable (from bank point of view) mechanism.
2. Sustenance of this growth may emerge as a parallel to informal institutions next to moneylender. This growth if unmanaged may grow to gigantic proportions
3. Such growth if encouraged at one time or the other, the SHGs may feel to handle their deposits on their own without depositing with banks. This may dismantle the relationship between banks and poor. The cycle may reappear and the poor may suffer again with lack of access to credit. Such withdrawal of formal sector in the present policy environment may be conducive for the government but in the long run the external finance capital may flow in due to privatisation and emerge as competitive financier replacing the formal sector on the one hand subsequently the SHGs and its associated micro finance on the other.
4. The state regulations to control such growth of external sector would be absent and again the poor would be in the clutches of the informal sector of other kind. Hence SHG formation, regular saving, depositing the balance with bank after internal lending, approaching the bank for micro credit to initiate micro enterprises regular repayment to go for subsequent loan for expansion etc would be sustainable.
5. SHGs growth should not give up the basic principle and objectives for which they were introduced so that long run stability and growth and sustainability would be ensured.
6. Lack of accountability, mushrooming of growth of NGOs, increasingly everyone taking up the SHG principle, continuous support from abroad but without any commitment on accountability may give way for petty capitalists in the form of NGOs to grow and ultimate exploitation as done by land lords may repeat the history and make the poor ever sufferers.

CONCLUSION

At individual level, regular savings habits, investments in income generating activities to repay the loans through peer effect has become the strength of the programme. Attending mixed group meetings whether within their habitat or outside etc. will improve the individual communication abilities by observation, confident decision making, bring out hidden leadership qualities etc. SHGs have become financial, social and political platforms for all. The bank's fear on NPAs, bankability etc. have been negated by these poor and illiterate people through their sustained efforts in repayment and improved savings habits. Exposure to outside world have brought the hidden qualities of questioning about their rights, their needs, fighting injustice, fighting against in equal treatment etc. Multiple borrowings by single individuals through membership in different groups are leading to the marginal failure of the programme. Greed or evasion or avoidance is another weakness. After 5 years in SBLP, members or groups are expected to take up small or petty businesses thus improving their economic status. This leads in acquiring productive assets through income generation. Nearly 50 per cent of the SHGs are more than 5 years old and technically suitable to set up or start micro enterprises. These SHGs can use the services of credit linkages from banks.

SBLP in Andhra Pradesh is one of the most populous Poverty Alleviation Programmes and has been particularly successful among woman. It also led to Women Empowerment. The programme strengths reflected in positive socio economic impact. The weaknesses in the programme has led NABARD to re-launch SBLP-2 in a more focused way. The identified opportunities has led to the launch of Post- Office SHG Linkage so as to reach every remote area where banks cannot be established. The main threat to the programme is its complete politicisation and people joining the programme with the offered freebies in mind rather than the motivation for self improvement.

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