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SELF HELP GROUPS IN INDIA: AN ANALYSIS

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ABSTRACT

As per the latest survey 79 per cent of rural population does not have any access to credit. The exclusion of such vast segment of the population warranted a new form of intermediary and Self Help Groups (SHGs). SHGs are provided to be the most effective instruments for financial inclusion and also empower the poor. The Self Help Movement started more as 'social mobilization' of women for their better place in family and society rather than microfinance movement. It is observed that financial inclusion through SHG efforts has a tremendous potential. Financial inclusion is delivery of banking services at an affordable cost to the vast section of disadvantages and low income groups. It is the provision of affordable financial services, viz... access to payment and remittance facilities savings loans and insurance services by the formal financial system to those who tend to be excluded. Prof. Md. Yunus of Bangladesh first primal gated the concept of SHG in 1976 with the help of 42 poor. Later on in India some NGOs adapted in 1987 – 88, NABARD in 1991 – 92 and the leading public sector bank SBI in 1996 – 97 and so on. The study is based on secondary data to analyses the trend of growth of SHG in India. The secondary data is obtained from NABARD and various reports of other bank.

KEYWORDS

Self help groups, financial system of India.

INTRODUCTION

Credit is a basic instrument for economic development. Availability of timely adequate institutional credit with infrastructure support will improve the economic conditional of poor people. Besides participation or involvement of beneficiaries is also an important factor. A solution to these issues may be found in formation of Self help Groups (SHGs) of the needy poor people. Self-Help Groups (SHGs) from the best constituent unit of micro finance moment in India. A Self-Help Groups (SHGs) is a registered or unregistered group of micro entrepreneurs having homogenous social and economic background voluntarily, coming together to save small amounts regularly, to mutually agree to contribute to common fund and meet their emergency need on mutual help basis. SHGs play very important role in the rural economies specially the upliftment of the women because access to finance is a major problem for poor women. The SHGs generally have a minimum number of 15 members and the number not exceeding 20. The SHGs are thus able to provide banking services to their members which might not be sophisticated but are cost effective, simple, flexible accessible to their members and above all without any defaults in repayments loans. Linking SHGs to banks could help in overcoming the problem of high transaction cost, to banks providing credit to the poor, by transferring some banking responsibilities, such as loan appraisal follow-up recovery etc., to the poor themselves.

Micro finance has been hailed as a new age solution to alleviate poverty and bring economic prosperity the rural poor. In order to achieve its goal, it should be effectively able to reach the poor entrepreneurs and give them the required loans to start their own business and provide them with continuous flow of credit to sustain their business. Micro finance in order to achieve its goals should be effectively able to reach the poor entrepreneurs.

1 DIFFERENT MODELS OF MICROFINANCE

In this section, the data for the year 2009-10 along with a few preceding years have been presented and reviewed under two models of microfinance involving credit

Linkage with banks:

(i) SHG - Bank Linkage Model: This model involves the SHGs financed directly by the banks viz., CBs (Public-sector and Private Sector), RRBs and Cooperative Banks. (ii) MFI - Bank Linkage Model : This model covers financing of Microfinance Institutions (MFIs) by banking Agencies for on-lending to SHGs and other small borrowers.

MODEL-1: THE OVERALL PROGRESS UNDER SHG - BANK LINKAGE**Table : 1- Overall Progress under Micro-finance during the last three years**

| Particulars | | ₹ in crore) | | | | | | | | | |
|---|-------------------|-------------|----------|-------------|----------|--------------------|--------|-------------|----------|--------------------|--------|
| | | 2007-08 | | 2008-09 | | % Growth (2008-09) | | 2009-10 | | % Growth (2009-10) | |
| | | No. of SHGs | Amount | No. of SHGs | Amount | No. of SHGs | Amount | No. of SHGs | Amount | No. of SHGs | Amount |
| A. SHG-Bank Linkage Model | | | | | | | | | | | |
| Savings of SHGs with Bank as on 31 March | Total SHGs | 5009794 | 3785.39 | 6121147 | 5545.62 | 22.2 | 46.5 | 6953250 | 6198.71 | 13.6 | 11.8 |
| | Out of which SGSY | 1203070 | 809.51 | 1505581 | 1563.38 | 25.1 | 93.1 | 1693910 | 1292.62 | 12.5 | (17.3) |
| Bank Loans disbursed to SHGs during the year | Total SHGs | 1227770 | 8849.26 | 1609586 | 12253.51 | 31.1 | 38.5 | 1586822 | 14453.30 | (1.4) | 17.9 |
| | Out of which SGSY | 246649 | 1857.74 | 264653 | 2015.22 | 7.3 | 8.5 | 267403 | 2198.00 | 1.0 | 9.1 |
| Bank Loans outstanding with SHGs as on 31 March | Total SHGs | 3625941 | 16999.91 | 4224338 | 22679.84 | 16.5 | 33.4 | 4851356 | 28038.28 | 14.8 | 23.6 |
| | Out of which SGSY | 916978 | 4816.87 | 976887 | 5861.72 | 6.5 | 21.7 | 1245394 | 6251.08 | 27.5 | 6.6 |

MODEL-2: THE OVERALL PROGRESS UNDER MFI - BANK LINKAGE

| B.(1) MFI-Bank Linkage Model | | | | | | | | | | | ₹ in crore | |
|---|-------------|---------|-------------|---------|---------------------------|--------|-------------|----------|---------------------------|--------|-------------|--------|
| Particulars | 2007-08 | | 2008-09 | | Growth during 2008-09 (%) | | 2009-10 | | Growth during 2009-10 (%) | | No. of MFIs | Amount |
| | No. of MFIs | Amount | No. of MFIs | Amount | No. of MFIs | Amount | No. of MFIs | Amount | No. of MFIs | Amount | | |
| Bank Loans disbursed to MFIs during the year | 518 | 1970.15 | 581 | 3732.33 | 12.2% | 89.4% | 691 | 8062.74 | 18.9% | 116.0% | | |
| Bank Loans outstanding with MFIs as on 31 March | 1109 | 2748.84 | 1915 | 5009.09 | 72.7% | 82.2% | 1513 | 10147.54 | (21%) | 102.6% | | |

Note : Actual number of MFIs provided with bank loans would be less as several MFIs could have availed loans from more than one bank.

In addition to the SHG-Bank linkage model and MFI-Bank linkage model, Small Industries Development Bank of India (SIDBI) has also supported MFIs. The details for the year 2009-10 are presented below:

| B.(2) MFIs supported by SIDBI | | | ₹ in crore | |
|--|-------------|---------|------------|--|
| | No. of MFIs | Amount | | |
| Loans disbursed to MFIs during 2009-10 | 88 | 2665.75 | | |
| Loans outstanding against MFIs as on 31 March 2010 | 146 | 3808.20 | | |

Source- NABARD Annual Report 2007-08, 2008-09 and 2009-2010

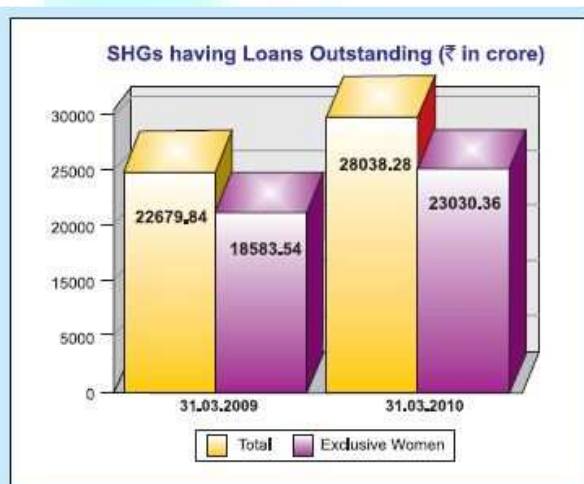
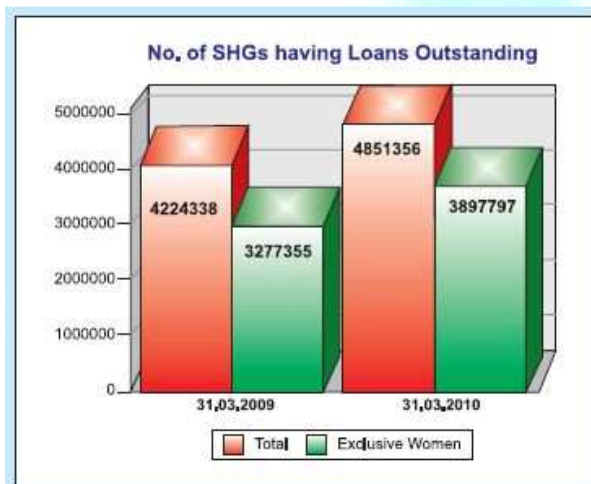
2. COVERAGE OF WOMEN SHGs

The details of total number of women SHGs saving linked, credit linked and loans outstanding for the last two years are given in table 2:

Table : 2 – Position of Women SHGs

| Particulars | Year | Total SHGs | | Exclusive Women SHGs | | % age of women SHGs to total SHGs | |
|--------------------|------------|------------|----------|----------------------|----------|-----------------------------------|------|
| | | No. | Amt | No. | Amt | No | Amt. |
| | | | | | | | |
| Saving linked SHGs | 31.03.2009 | 6121147 | 5545.62 | 4863921 | 4434.03 | 79.5 | 80.0 |
| | 31.03.2010 | 6953250 | 6198.71 | 5310436 | 4498.66 | 76.4 | 72.6 |
| Loans disbursed | 2008-09 | 1609586 | 12253.51 | 1374579 | 10527.38 | 85.4 | 85.9 |
| | 2009-10 | 1586822 | 14453.30 | 1294476 | 12429.37 | 81.6 | 86.0 |
| Loans Outstanding | 31.03.2009 | 4224338 | 22679.84 | 3277355 | 18583.54 | 77.6 | 81.9 |
| | 31.03.2010 | 4851356 | 28038.28 | 3897797 | 23030.36 | 80.3 | 82.1 |

(Source: The status of microfinance in India 2009-10)



It may be seen that of the total number of savings linked and credit linked SHGs, exclusive women SHGs with banks were 76.4 per cent and 81.6 per cent, respectively. Further, the percentage of loans outstanding of exclusive women SHGs to loans outstanding of total SHGs which was 81.9 per cent as on 31 March 2009 has increased to 82.1 per cent a

3. SAVINGS OF SHGs WITH BANKS

This section provides disaggregated picture of the progress achieved under SHG Bank linkage programme. As on 31 March 2010, a total of 69.53 lakh SHGs were having saving bank accounts with the banking sector with outstanding savings of 6198.71 crore as against 61.21 lakhs SHGs with savings of 5545.62 crores as on 31 March 2009, thereby showing a growth rate of 13.6 per cent and 11.8 per cent, respectively. Thus, more than 97 million poor households were associated with banking agencies under SHG-Bank Linkage Programme. As on 31 March 2010, the CBs lead with savings accounts of 40.53 lakh SHGs (58.3%) with savings amount of 3673.89 crores (59.3 %) followed by RRBs having savings bank accounts of 18.21 lakh SHGs (26.2%) with savings amount of 1299.37 crores (21.0%) and Cooperative Banks having savings bank accounts of 10.79 lakh SHGs (15.5 %) with savings amount of 1225.44 crores (19.8%).

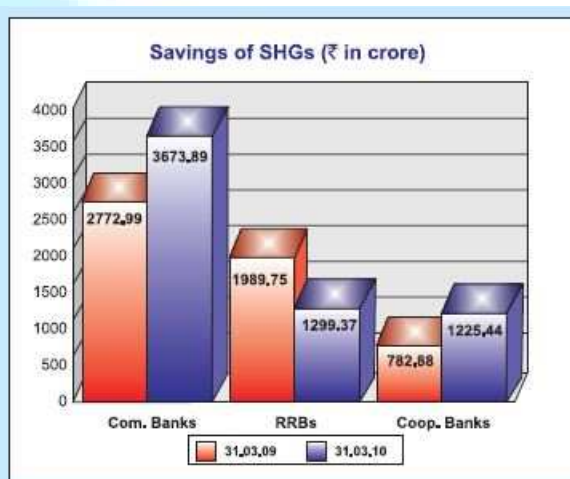
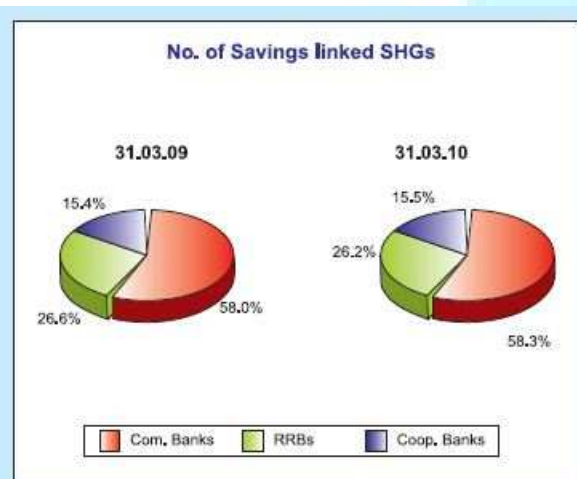
The share under SGSY was 16.94 lakh SHGs with savings of 1,292.62 crores forming 24.4 per cent of the total SHGs having savings accounts with the banks and 20.8 per cent of their total savings amount.

The agency-wise savings of SHGs with banks as on 31 March 2009 and 31 March 2010 are given in Table - 3:

Table : 3 – Savings of SHGs with Banks – Agency-wise Position

(₹ in crore)

| Agency | Position as on | Total SHGs' Savings with the banks as on 31 March 2009 / 2010 | | | | Per SHG Savings (Rupees) | Out of Total : SHGs' savings with banks under SGSY | |
|--|----------------|---|---------|---------|---------|--------------------------|--|----------|
| | | No. of SHGs | % Share | Amount | % Share | | No. of SHGs | Amount |
| Commercial Banks (Public & Private Sector) | 31.03.09 | 3549509 | 58.0 | 2772.99 | 50.0 | 7812 | 931422 | 681.60 |
| | 31.03.10 | 4052915 | 58.3 | 3673.89 | 59.3 | 9065 | 1088160 | 831.48 |
| | % growth | 14.2 | | 32.5 | | 16.0 | 16.8 | 21.9 |
| Regional Rural Banks | 31.03.09 | 1628588 | 26.6 | 1989.75 | 35.9 | 12218 | 433912 | 774.55 |
| | 31.03.10 | 1820870 | 26.2 | 1299.37 | 21.0 | 7136 | 462370 | 268.50 |
| | % growth | 11.8 | | (34.7) | | (41.6) | 6.5 | (65.3) |
| Cooperative Banks | 31.03.09 | 943050 | 15.4 | 782.88 | 14.1 | 8302 | 140247 | 107.24 |
| | 31.03.10 | 1079465 | 15.5 | 1225.44 | 19.8 | 11352 | 143380 | 192.64 |
| | % growth | 14.5 | | 56.5 | | 36.7 | 2.2 | 79.6 |
| TOTAL | 31.03.09 | 6121147 | 100.0 | 5545.62 | 100.0 | 9060 | 1505581 | 1,563.39 |
| | 31.03.10 | 6953250 | 100.0 | 6198.71 | 100.0 | 8915 | 1693910 | 1292.62 |
| | % growth | 13.6 | | 11.8 | | (1.6) | 12.5 | (17.3) |



Source: The status of microfinance in India 2009-10

During the year under review, the average savings per SHG with all banks had marginally decreased from 9,060 as on 31 March 2009 to 8,915 as on 31 March 2010. The decrease may be due to proper utilization of saving amount by SHGs for internal lending. It varied from 11,352 per SHG with co-operative banks to 7,136 per SHG with RRBs. As on 31 March 2010, the share of women SHGs in the total SHGs with saving bank accounts was 53.10 lakh SHGs forming 76.4 per cent as compared to the previous year's share of 79.5 per cent. The actual share of women SHGs would be more as all RRBs from Uttar Pradesh, Gujarat and Jammu & Kashmir and all Co-operative Banks from Uttar Pradesh, Gujarat, Jammu & Kashmir, Goa, Assam, Nagaland, Tripura, Mizoram, and Manipur have not reported data for women SHGs. In addition, some of RRBs viz., Marathwada Gramin Bank from Maharashtra, Assam Gramin Vikas Bank, Bihar Kshetriya Gramin Bank, Madhya Bihar Gramin Bank, Nainital Almora Kshetriya Gramin Bank and some of the Central Cooperative Banks have also not reported women SHGs data.

4. BANK LOANS DISBURSED TO SHGs

During 2009-10, banks have financed 15.87 lakh SHGs, including repeat loan to the existing SHGs, with bank loan of ₹ 14,453.30 crore as against 16.10 lakh SHGs, with bank loans of ₹ 12,253.51 crore during the 2008-09, registering a decline of 1.4% of SHGs but a growth of 17.9% in bank loans disbursed. Out of the total loans disbursed during 2009-10, SHGs financed under SGSY accounted for 2.67 lakh (16.9%) with bank loan of ₹ 2198.00 crore (15.2%) as against 2.65 lakh SHGs (16.4%) with bank loan of ₹ 2015.22 crore (16.4%) during 2008-09.

The agency-wise details of loans disbursed by banks to SHGs during the years 2008-09 and 2009-10 are given in table 4.

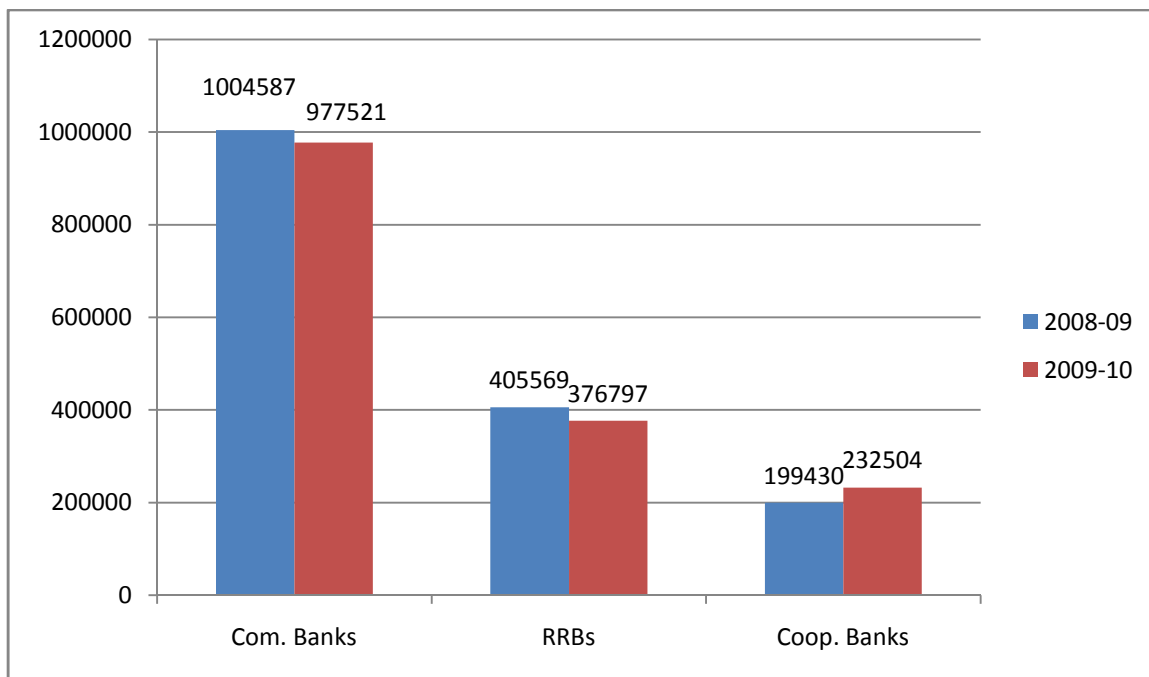
TABLE 4: BANK LOANS DISBURSED TO SHGs-AGENCY-WISE POSITION (₹ in crore)

| Agency | During the year | Total loans disbursed by banks to SHGs during the year | | | | Per SHG Loan disbursed (Rupees) | Out of total : Bank loan disbursed to SHGs under SGSY | |
|--|------------------|--|---------|---------------|---------|---------------------------------|---|--------|
| | | No. of SHGs | % Share | Amount | % Share | | No. of SHGs | Amount |
| Commercial Banks (Public & Private Sector) | 2008-09 | 1004587 | 62.4 | 8060.53 | 65.8 | 133117 | 1102.38 | |
| | 2009-10 % growth | 9775721 (2.7) | 61.6 | 9780.18 21.3 | 67.7 | 157560 18.4 | 125.50 10.3 | |
| Regional Rural Banks | 2008-09 | 405569 | 25.2 | 3193.9 | 26.1 | 81662 | 675.31 | |
| | 2009-10 % growth | 376797 (7.1) | 23.7 | 3333.20 4.4 | 23.1 | 81662 (17.3) | 675.31 4.1 | |
| Cooperative Banks | 2008-09 | 199430 | 12.4 | 999.49 | 8.2 | 49874 | 423.12 | |
| | 2009-10 % growth | 232504 16.6 | 14.7 | 1339.92 34.1 | 9.3 | 49874 (15.2) | 423.12 16.5 | |
| TOTAL | 2008-09 | 1609586 | 100.0 | 12253.51 | 100.0 | 264653 | 2015.22 | |
| | 2009-10 % growth | 1586822 (1.4) | 100.0 | 14453.30 17.9 | 100.0 | 267403 1.0 | 2198.00 9.1 | |

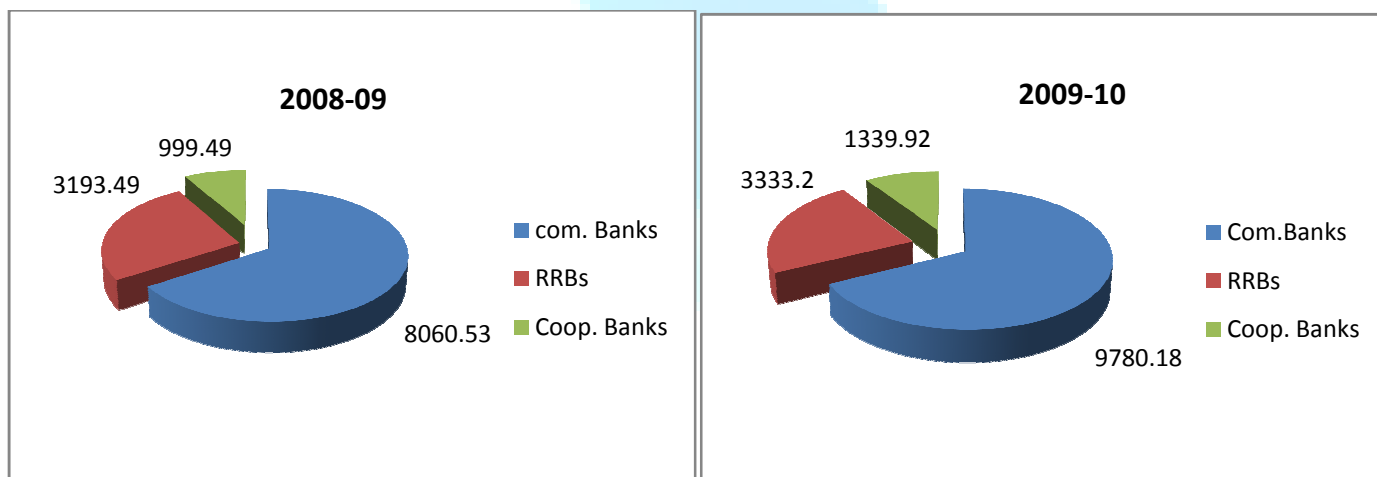
Source: Status of Micro Finance in India 2009-10

It may be observed from table-4 that always, CBs led in disbursement of loans to SHGs during 2009-10 with 61.6 percent followed by RRBs with a share of 23.7 percent and cooperative Banks with a share of 14.7 percent.

NO. OF SHGs CREDIT LINKED



LOANS DISBURSED TO SHGs (₹ IN CRORE)



During 2009-10, average bank loan disbursed per SHG was ₹ 91,083 as against ₹ 76,128 during 2008-09. The average loan per SHG ranged from of ₹ 1,00,050 per SHG by CBs to ₹ 57,629 per SHG by cooperative Banks.

The state-wise and bank-wise position of disbursement of Bank loans to SHGs during the year 2009-10 is indicated at statement IV-A (i) (Public Sector CBs), IV-A (ii) (Private Sector), statement IV-C (Cooperative Banks).

5. BANK LOAN OUTSTANDING AGAINST SGHS

As on 31 March 2010, total number of 48.51 lakh SHGs were having outstanding bank loans of ₹ 28,038.28 crore as against 42.24 lakh SHGs with bank loan of ₹ 22,6798.85 crore as on 31 March 2009 representing a growth of 14.8% in number of SHGs and 23.6% in bank loans outstanding against SHGs. The share of SHGs under SGSY was 12.45 lakh SHGs (25.7%) with outstanding bank loans of ₹ 6,251.07 crore (22.3%) as against 9.77 lakh SHGs (23.1%) with outstanding bank loans of ₹ 5,861.72 crore (25.3%) as on 31 March 2009.

The agency-wise position of outstanding bank loans to SHGs for the years 2008-09 and 2009-10 are given in Table 5.

TABLE 5: BANK LOAN OUTSTANDING AGAINST SHGS-AGENCY-WISE POSITION (₹ in crore)

| Agency | Position as on | Total bank loan outstanding against SHGs | | | | Per SHG Loan O/S (Rupees) | Out of total : Bank loan outstanding against SHGs under SGSY | |
|------------------------------|----------------------------|--|--------------|----------------------|--------------|----------------------------------|--|--------------------------------------|
| | | No. of SHGs | % Share | Amount | % Share | | No. of SHGs | Amount |
| CBs(Public & Private Sector) | 31.03.2009 | 2831374 | 67.1 | 16149.43 | 71.2 | 57037 62289 9.2 | 645145 798304 23.7 | 3961.53 4072.03 2.7 |
| | 31.03.2010 % growth | 3237263 14.3 | 66.7 | 20164.71 24.9 | 71.9 | | | |
| RRBs | 31.03.2009 | 977834 | 23.1 | 5224.42 6144.58 | 23.0 | 53428 55658 4.2 | 258890 3687945 42.4 | 1508.10 1725.94 14.4 |
| | 31.03.2010 % growth | 1103980 14.3 | 22.8 | 17.6 | 21.9 | | | |
| Cooperative Banks | 31.03.2009 | 415130 | 9.8 | 1306.00 1728.99 | 5.8 6.2 | 31460 33894 7.7 | 72852 78295 7.5 | 392.09 453.11 15.6 |
| | 31.03.2010 % growth | 510113 22.9 | 10.5 | 32.4 | | | | |
| TOTAL | 31.03.2009 | 4224338 | 100.0 | 22678.85 | 100.0 | 53689 57795 7.6 | 976887 1245394 27.5 | 5861.72 6251.07 6.6 |
| | 31.03.2010 % growth | 4851356 14.8 | 100.0 | 28038.28 23.6 | 100.0 | | | |

Source: Status of Micro Finance in India 2009-10

It may be observed from Table 5, that following the highest disbursement, CBs also had the maximum share of 66.7 percent in outstanding bank loans to SHGs followed by RRBs with a share of 22.8 percent and cooperative Banks with a share of 10.5 percent.

The average bank loan outstanding per SHG had increased from ₹ 53,689 as on 31 March 2009 to ₹ 57,795 as on 31 March 2010. It varied between ₹ 62,289 per SHG in case of CBs and ₹ 33,894 per SHG in case of co-operative banks as on 31 March 2010.

CONCLUSION

The SHGs-Bank linkage programme has proved its efficiency as a main stream programme for banking and emerged as one of the need –based policies and programmes to cater the neglected groups of society such as women, poor and deprived section of rural areas. Micro credit based income generating activities is a good beginning opening door of credits to the marginalized poor person who were denied access to traditional channels of credit.

There were more than 69.53 lakh savings linked SHG and more than 48.51 lakh credit link SHG covering 9.7 crore poor households as on 31st March 2010, under the microfinance programme the share of outstanding bank loan to SHG as a percentage of bank loan to weaker section by scheduled commercial bank (31st March 2010) was 16.3 percentage compare to 15.8 in the previous year.

Microfinance is an intervention which tries to speed of this process in a pronged banner –improving household income by providing timely end adequate support for economic activities and sharing the responsibility of the government and of the Main stream financial section. In India micro finance is at a nascent stage with a vast potential for growth.

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