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A STUDY ON SELF HELP GROUPS – BANK LINKAGE PROGRAMME IN INDIA

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ABSTRACT

Self Help Groups (SHGs) play the vital role for promoting the rural development in India. SHG has given more opportunities for women to empower themselves. Both the 'market' and the 'State' have failed to safeguard the interests of the poor especially women. Before introduction of the Bank linkage programme, there was a slow progress in the formation of SHGs in India. The NGO's and other partners like Co-operative Banks, RRBs and Farmer clubs faced lot of challenges and problems to form SHGs in the rural areas. They were hesitating to take this new venture .But at present; there is a tremendous growth in the formation of SHGs at everywhere. Every one is taking initiatives to form this one .The SHG – Bank Linkage Programme was started as an Action Research Project in 1989 which was the offshoot of a NABARD initiative during 1987. The SHG - Bank Linkage Programme is a major plan of the strategy for delivering financial services to the poor in a sustainable manner. The search for such alternatives started with internal introspection regarding the innovations which the poor had been traditionally making, to meet their financial services needs. 52 percent of the SHGs linked through the commercial banks and 60 percent of the bank loan disbursed by it as on 31st March 2012 and only 21 percent of the groups linked and 10 percent of the loan disbursed through Co-operative banks.

KEYWORDS

Self Help Groups Bank Linkage Programme, Non - Government Organizations.

INTRODUCTION

 Self Help Groups (SHGs) play the vital role for promoting the rural development in India. SHG has given more opportunities for women to empower themselves. Both the 'market' and the 'State' have failed to safeguard the interests of the poor especially women. In recent years, the civil society organizations such as Non - Government Organizations (NGOs), Self-Help Groups (SHGs), Mutual Organizations and such other Voluntary Organizations have emerged as important links between the poor and the formal system.

SELF HELP GROUP

SHG is a group of rural poor who volunteer to organize themselves in a group. Group may consist of 10 to 20 members. The members of group to be from Below Poverty Line (BPL) family, however maximum of 20% and in exceptional case 30% of the group members can be from families marginally above poverty line.

SHG –BANK LINKAGE

SHGs meet the smaller consumptions and emerging needs of its members from own savings and common fund. As the capacity of the group and quantum of credit also went up, SHG linked with the formal rural banking system in India comprising of public and private sector commercial banks, Regional Rural Banks and Co-operative banks. The SHG – Bank Linkage Programme was started as an Action Research Project in 1989 which was the offshoot of a NABARD initiative during 1987.

GROWTH AND DEVELOPMENT

The Self Help Groups and micro-credit organizations have a long history. In Vietnam, Tontines or Hui with 10-15 members involved in financial activities in cash or in kind have been in existence for generations (Abiad, 1995). In Indonesia, Credit Unions, Fishermen Groups, Village Based Bank like institutions, Irrigation Groups etc. have been in existence since long (Koch and Soetjipto, 1993). In Bangladesh, the success story of Grameen Bank is well known (Pitt and Khandker, 1998 and Pitt et. al, 2003). Other countries like Thailand, Nepal, Sri Lanka and India have also experienced the role of SHGs in uplifting the socio- economic conditions of rural poor, particularly women.

The SHG - Bank Linkage Programme is a major plan of the strategy for delivering financial services to the poor in a sustainable manner. The search for such alternatives started with internal introspection regarding the innovations which the poor had been traditionally making, to meet their financial services needs. It was observed that the poor tended to come together in a variety of informal ways for pooling their savings and dispensing small and unsecured loans at varying costs to group members on the basis of need

The experiences of these early efforts led to the approval of a pilot project by NABARD in 1992. The pilot project was designed as a partnership model between three agencies, viz., the SHGs, banks and NGOs. This was coupled with a commitment by NABARD to provide refinance and promotional support to banks for the SHG - Bank Linkage Programme.

REVIEW OF LITERATURE

Mahendra Varman P, in his paper titled, "Impact of Self-Help Groups on Formal Banking Habits", makes a modest attempt to examine whether there is any, association between the growth of SHGs and the increase in female bank deposit accounts and whether SHGs have a tendency to influence account holding in formal banks. In the process, the paper tries to trace the socio-economic factors that determine deposit and credit account holdings in formal banks among individuals and households. The analysis also reveals that being a member in SHGs and more importantly having leadership experience in SHGs greatly influences the bank account holding. Leadership experience in SHGs would also improve an individual's banking habits.

Dwarakanath H.D, analysed the characteristics and growth of self-helpgroups in Andhra Pradesh and found that the SHGs using the loan facilities from the cooperative credit banks, commercial banks, Mahila bank and Maheswaran banks, have produced more than 50 varieties of products. Among them, the brass items, hosiery, candles, carpets, coir items and pickles are important products. In addition to the author says that the women groups started to educate their own group members and also they realised the importance and significance of literacy whereas a lot of enthusiasm has been generated and the SHGs had a greater vision in empowerment of rural women and for overall human development. Moreover, the SHG members proved the way to the power of decision making to the women in their family, and also create a mass on socioeconomic and political condition in this district.

M.S. Jairath, analysed the growth and development of SHGs in Rajasthan taking two categories, viz, resource poor tribal and resource better of non-tribal. It was arrived that the average membership, rate of interest, size of borrowings were higher in the former, but the average amount of saving was higher with the latter. The ratio between group saving and lending stood at 1:2.40 and 1:2.86 respectively of former and latter. It was suggested to expand activities of SHG both horizontally and vertically to bring credit deepening and widening to address hitherto neglected areas.

T. Hanumantha Rao, has made study on "Self-Help Groups, Role of the Andhra Pradesh Grameen Vikas Bank," It is often believed that poor people do not or cannot save money and despite their needs being very small, have to depend on moneylenders. However, it has been observed that the poor can save; maybe small amounts and a concerted effort must be made to help them do so in a systematic way. Their meagre savings can be kept in a safe place and used in the time of need. Towards this end, the Andhra Pradesh Grameen Vikas Bank (APGVB) has provided broad interventionist schemes like Palamitra, Suvridha Vikas, and so on, to help make a difference in the lives of women SHG members in rural areas. The present article tries to explain the role of the APGVB in linking with SHGs and the impact created by its initiatives.

SIGNIFICANCE OF THE STUDY

Self Help Groups promote the rural development in India. It has given opportunities for women to empower themselves. SHGs play a major role in transforming rural economy. The bank linkage programme and micro finance help the rural poor to improve their standard of living and fulfill their credit needs. It is a new innovation in the field of rural development to finance the rural poor and also to satisfy their credit needs. The global movement has been launched towards the improvement of women in rural areas. Several government schemes introduced to suit the needs of the poor and to help the women to meet their economic objectives.

STATEMENT OF THE PROBLEM

The SHGs and micro credit organizations have a long history. In Bangladesh the success story of Grameen bank is well known. Other countries like Thailand, Nepal, Sri Lanka and India have also empowered. The role of SHG is uplifting socio economic conditions of rural poor particularly women. The self help Group aims at providing awareness among the poor about the ongoing development programmes. The poor should know how best to use existing government programmes. The RBI advises the commercial banks to participate actively in the linkage programme.

Before introduction of the Bank linkage programme, there was a slow progress in the formation of SHGs in India. The NGO's and other partners like Co-operative Banks, RRBs and Farmer clubs faced lot of challenges and problems to form SHGs in the rural areas. They were hesitating to take this new venture. But at present; there is a tremendous growth in the formation of SHGs at everywhere. Every one is taking initiatives to form this one. Why there is a changes? With all these considerations in mind we will seek a further understanding of the factors at work in India in our present study.

OBJECTIVES OF THE STUDY

The following important objectives of the study

1. To study the Self Help Groups savings with banks in India.
2. To find out loans disbursed to Self Help Groups during the last 3 years.
3. To study the loans outstanding against Self Help Groups.
4. To know the agency wise bank linkage programme in India

METHODOLOGY OF THE STUDY

Given the specific objectives, the study aims at an analysis of the SHG-Bank linkage programme as a major plan of the strategy for delivering financial services to the poor in a sustainable manner in India to make the study more comprehensive the secondary data were collected.

RESULTS AND DISCUSSION

The following tables explain the overall progress under SHG Bank Linkage for last 3 years

TABLE 1: SHGs SAVINGS WITH BANKS AS ON 31ST MARCH (Amount Rs. in Crore/Numbers in Lakh)

Particulars	2009-10		2010-11		2011-12	
	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
Total SHGs	69.53	6198.71	74.62	7016.30	79.60	6551.41
Of which SGSY Groups	16.94	1292.62	20.23	1817.12	21.23	1395.25
% of SGSY Groups to Total	24.4	20.9	27.1	25.9	26.7	21.3
All women SHGs	53.10	4498.66	60.98	5298.65	62.99	5104.33
% of women groups	76.4	72.6	81.7	75.5	79.1	77.9

Source: NABARD

The above table explains the SHGs savings with banks as on 31st March. Under the SHG-Bank linkage programme, over 103 million rural households have now access to regular savings through 7.96 million SHGs linked to banks. About 27% of these SHGs are savings linked through the SGSY programme – the rural poverty alleviation programme of the Government of India where predominantly households below the poverty line are admitted as members.

The number of saving linked SHGs now stands at 7.96 million with a membership of over 103 million poor households. While bulk of these savings is used for internal lending within the Group (over 70%), the balance is maintained in the savings accounts with the financing banks. Over 79% of SHGs linked to banks are exclusive women groups, which is one of the most distinguishing features of microFinance sector in the country.

TABLE 2: LOANS DISBURSED TO SHGs DURING THE YEARS (Amount Rs. in Crore/Numbers in Lakh)

Particulars	2009-10		2010-11		2011-12	
	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
Total SHGs	15.87	14453.3	11.96	14547.7	11.48	16534.8
Of which SGSY Groups	2.67	2198	2.41	2480.37	2.10	2643.56
% of SGSY Groups to Total	16.9	15.2	20.1	17.0	18.3	16.0
All women SHGs	12.94	12429.4	10.17	12622.3	9.23	14132.0
% of women groups	81.6	86	85	86.8	80.4	85.5

Source: NABARD

The above table explains loans disbursed to SHGs during the last years. While the quantum of fresh loans issued to SHGs by banks rose by 13.7% during the year to ₹16535 crore (to 11.48 lakh SHGs) as against ₹ 14543 crore disbursed last year (to 11.96 lakh SHGs), the number of SHGs obtaining fresh loans from banks during the year declined by 4%. What causes more concern is the fact that the number has been declining during the last 3 years, though the rate of decline has come down from nearly 24% last year to 4% this year. Among the financing banks, Commercial Banks and RRBs extended loan of ₹1.65 lakh on an average per SHG while cooperative Banks lent ₹0.65 lakh only per SHG. While Commercial Banks accounted for 63% of the savings balance of SHGs, their share in fresh lending to SHGs was only 60% whereas RRBs with a Savings share of only 20% accounted for 30% of the fresh loans issued during the year. This is suggestive of cautious attitude of the Commercial Banks in lending for SHGs as compared to RRBs.

TABLE NO 3: LOANS OUTSTANDING AGAINST SHGs AS ON 31ST MARCH (Amount Rs. in Crore/Numbers in Lakh)

Particulars	2009-10		2010-11		2011-12	
	No. of SHGs	Amount	No. of SHGs	Amount	No. of SHGs	Amount
Total SHGs	48.51	28038.3	47.87	31221.2	43.54	36340
Of which SGSY Groups	12.45	6251.08	12.86	7829.39	12.16	8054.83
% of SGSY Groups to Total	25.7	22.3	26.9	25.1	27.9	22.2
All women SHGs	38.98	23030.4	29.84	26123.8	36.49	30465.3
% of women groups	80.3	82.1	83.2	83.7	83.8	83.8

Source: NABARD

The above table explains loans outstanding against SHGs as on 31st March. The number of SHGs having loans outstanding against them from banks declined by 9% during the year to 43.54 lakh as against 47.87 lakh last year although the quantum of loans outstanding increased to ₹36340 crore (16.4% increase over last year). Partly the decline can be attributed to the continued decline in the number of SHGs being extended fresh loans by banks over the last 3 years.

TABLE NO 4: AGENCY- WISE SHG BANK LINKAGE PROGRAMME: CUMULATIVE PROGRESS AS ON 31 MARCH 2012

Agency	SHGs Credit linked	Percentage	Bank loan disbursed (in Crores)	Percentage
Commercial Banks	600807	52	994204.49	60
RRBs	304809	27	502605.15	30
Cooperative Banks	242262	21	156667.23	10
Total	1147878	100	1653476.87	100

Source: NABARD

The above table explains the cumulative progress of the agency wise SHG Bank linkage programme. 52 percent of the SHGs linked through the commercial banks and 60 percent of the bank loan disbursed by it as on 31st March 2012 and only 21 percent of the groups linked and 10 percent of the loan disbursed through Co-operative banks.

FINDINGS OF THE STUDY

1. Initially there was a slow progress in the programme up to 1999 as only 32,995 groups were credit linked during the period 1992 to 1999.
2. Through this study after the Bank linkage programme there is more number of SHGs formed by different partners.
3. The commercial banks are the major partner to link the SHGs i.e., 52 percent.
4. By the Regional Rural Banks 27 percent of the SHGs linked.
5. The women status has improved through these SHGs.

CONCLUSION

The SHG Bank linkage programme is one of the successful programmes in India. Many agencies and partners are supported to form SHGs in Rural areas through this programme. The Swarnajayanti Gram Swarozgar Yojana (SGSY) also supporting to form the SHGs in India. Like Bangladesh our country is spreading the micro credit to develop the rural women through SHGs. Presently the concept SHGs applied in urban areas also. Hence SHG Bank linkage programme is very much essential for our country.

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