

SHG – Bank Linkage Programme in India: A Study

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Abstract: - SHG is a homogeneous group of poor people voluntarily coming together to save whatever amount they can save conveniently out of their earnings, to mutually agree to contribute to a common fund and to lend to the members for meeting their productive and emergency needs. The SHG is a viable organised setup to disburse micro credit to the rural people specially to the women for the purpose of making them enterprising and encouraging to enter into entrepreneurial activities. The SHG – Bank linkage programme is an important strategy for delivering financial services to the poor in a sustainable manner in India. SHG is a method of organising the poor people and the marginalised to come together to solve their individual problem. The SHG – Bank linkage programme was launched by NABARD in 1992 with the policy support of the Reserve Bank of India. The programme was mainstreamed with commercial banks and co-operative banks in 1996. A main objectives of the programme has been financial inclusion by extending outreach to poor households in rural areas making available credit services at their door steps with easy and self-managed access to formal financial services on a sustainable basis and in a cost effective manner. NABARD has been playing the role of propagator and facilitator by providing conducive policy environment, training and capacity building besides extending financial support for the healthy growth of SHG Bank linkage programme. This paper is primarily aimed at examining the progress of SHG – Bank linkage and to analyse the role of SHG's in the saving habit of its members. The study is based on secondary data collected from the publications of NABARD. The total number of SHG's linked with Banks was 50,09,794 in 2007-2008 which become 85,76,875 in 2016-2017. The study reveals that the compound annual growth rate of SHG's linked with commercial banks Regional Rural bank and Co-operative banks during the period of ten years from 2007-2008 to 2016-2017 are 5.22, 7.17 and 7.41 respectively. Their savings amount with banks on 31st March 2017. Compound annual growth rate of saving with commercial banks, Regional Rural Banks and CO-operative banks during the period of 10 years from 2007-2008 to 2016-2017 are 19.30, 13.44 and 17.51 respectively. There is a wide variation of average amount of savings in different regions of the country. Hence efforts should be made to motivate the banks to take active interest in this programme in mobilisation of savings.

Keywords

Self Help Group, Micro Finance, Mivro Crdit, SHG – Bank Linkage and Savings.

1. INTRODUCTION

The country has witnessed a rapid growth of Self Help groups (SHG) in the last two decades. Basically SHGs are being promoted as a part of the micro finance interventions aimed at helping the poor to obtain easily financial services like savings, credit and insurance. SHGs are a viable alternative to achieve the objective of rural development SHG is a homogeneous group of poor people voluntarily coming together to save whatever amount they can save conveniently out of their earnings, to mutually agree to contribute to a common fund and to lend to the members for meeting item productive and emergency needs. A Self Help group has been defined as a small and informal association of poor having preferably similar socio economic background and who have come together to realise some common goods based on the principles of Self Help and collective responsibility. SHGs become relevant because of the following reasons.

1. A SHG working on the principles of solidarity helps the poor to come together poor savings and access credit facilities.
2. A SHG by tapping social capital like trust and reciprocation helps in replacing physical collateral, a major hurdle faced by the poor in obtaining formal credit and
3. Through the principles of joint liability and peer pressure, a SHG ensures prompt loan recovery from the members. In the process, a SHGs helps the poor, especially women, to establish their credit worthiness.

SHG – Bank Linkage Programme:

An important vehicle to promote microfinance in India has been the SHG and its linkage with banks. SHG – bank linkage programme has improved the economic and social conditions of members through positive impact on the level of assets, income, access to credit, savings, self confidence and soon. This programme has brought down the transactions cost for banks as well as borrowers. The SHG

– Bank linkage programme was launched by NABARD in 1992 with the policy support of the Reserve Bank of India. The programme was mainstreamed with commercial banks and co-operative banks in 1996. The main objectives of the programme has been financial inclusion by extending outreach to poor households in rural areas making available credit services at door steps with easy and self managed access to formal financial services on a sustainable basis and in a cost effective manner NABARD has been playing the role of propagator and facilities by providing conducive policy environment, training and capacity building besides extending financial support for the healthy growth of SHG Bank linkage programme.

There are three types of SHG – Bank linkage for micro finance in India. They are

Model I – SHGs formed and financed by banks

Model II – SHGs formed by NGO and formal agencies but directly financed by banks

Model III – SHGs financed by banks using NGOs as financial intermediaries.

Objectives:

The following are the objective of the study

1. To analyse the progress of SHG Bank linkage programme in India
2. To analyse the role of the SHGs in the saving habit of its members and
3. To suggest suitable measure for improving financial inclusion

Methodology

The present study design is descriptive in nature. Data collection used for the present study is only secondary data. NABARD status of micro finance in India of difference years have been used for this study. The compound annual growth rate and percentages have been used to analyse the data.

Progress of SHG – Bank linkage programme in India

The SHG – Bank linkage programme was started as a pilot programme in 1992 has developed at a very fast rate with time. Data relating to the growth of SHGs – bank linkage programme is presented in Table 1

Table 1 reveals that the number of SHGs linked with banks has been increasing continuously from 50, 09794 in 2007 – 2008 to 8576875 in 2016 – 2017. The study reveals that the compound annual growth rate of SHG linked with commercial banks, regional rural bank and co-operative banks during the period of ten years from 2007 – 2008 to 2016 – 2017 are 5.22, 7.17 and 7.41 respectively. The percentage of SHG linked with commercial bank is varying from 51.82 percent in 2016 – 2017 to 58.29 percent in 2009 – 2010. The percentage of SHGs linked with regional rural is varying from 26.19 percent in 2009 – 2010 to 30.16 percent in 2016 – 2017. The percentage of SHGs linked with co – operative banks is varying from 15.27 percent in 2011 – 2012 to 19.06 percent in 2015 – 2016. The study

reveals that more than 50 percent of SHGs are linked with commercial banks during the period of ten years.

The number of SHGs linked with banks in northern region has been increasing from 208166 in 2007 – 2008 to 457199 in 2016 – 2017. The number of SHGs linked with banks in north eastern region has been increasing from 203045 in 2007 – 2008 to 452887 in 2016 – 2017. The number of SHGs linked with banks in eastern region has been increasing from 1074043 in 2007 – 2008 to 1953076 in 2016 – 2017. The number of SHGs linked with banks in western region has been increasing from 472734 in 2007 – 2008 to 1140601 in 2016 – 2017. The number of SHGs linked with banks in southern region has been increasing from 2406910 in 2007 – 2008 to 3724598 in 2016 – 2017. As on 31st march 2017 the percentage of SHGs linked with banks in northern region, north eastern region, eastern region, central region, western region and southern region are 5.34, 5.29, 22.78, 9.90, 13.30 and 43.43 respectively. The study reveals that more than 40 percent of SHGs are linked in southern region.

SHG savings with banks

The data referring savings of SHGs with the bank from 2007 – 2008 to 2016 – 2017 is given in the table 2. Table 2 reveals that total savings of SHGs with commercial has been increasing from Rs 207773.45 lakhs as on 31st march 2008 to 1017002.46 lakhs as on 31st march 2017. The total savings of SHGs with regional rural banks has been increasing from Rs 116648.83 lakhs as on 31st march 2008 to 363176.15 lakhs as on 31st march 2017. The total savings of SHGs with co-operative banks has been increasing from Rs 54116.67 lakhs as on 31st march 2008 to Rs 231244.06 lakhs as on 31st march 2017. The table further reveals that total savings of SHGs with banks has been increasing from Rs 378538.95 lakhs as on 31st march 2008 to Rs 1611422.67 lakhs as on 31st march 2017. The compound annual growth rate of total savings with commercial banks, regional rural banks and co-operative banks during the period of ten years from 2007 – 2008 to 2016 – 2017 are 19.30, 13.44 and 17.51 respectively. Average savings outstanding with commercial banks, regional rural banks co-operative banks as on 31st march 2017 was Rs 22883, Rs 14042 and Rs 14956 respectively. The total savings of SHGs with banks in northern region, north eastern region, eastern region, central region, western region and southern region as on 31st march 2017 were Rs 49676.28 lakhs, Rs 22955.70 lakhs, Rs 336538.57 lakhs, Rs 83898.12 lakhs, Rs 138696.27 lakhs and Rs 979657.70 lakhs. Total savings of SHGs with banks as on 31st march 2017 was Rs 1611422.64 lakhs.

Suggestions

1. NGOs are playing an important role in formation of SHGs and acting as financial intermediaries. It is suggested that government and financial institutions shall provide adequate funds and incentives to NGOs which are actively involved in linking SHGs with banks

2. Commercial banks played an important role in formation and financing of SHGs in western and southern region. They paid little attention in other regions. It is suggested that employees of commercial banks are motivated to take risk in formation and financing of SHGs in other regions especially north eastern regions.

3. There is wide variation of average amount of savings by SHGs with banks. It is suggested that the employees of regional rural banks and co-operative banks shall take effects in mobilising savings from the members of SHGs.

II. CONCLUSION

A Self Help Group is a small voluntary association of poor people preferably from the same socio economic background. They come together for the purpose of solving their common problems through self help. An important vehicle to promote micro finance in India has been the SHG and its linkage with banks. The main objectives of the problems has been financial inclusion by extending outreach to poor households in rural areas making available credit services at doorsteps with easy and self manager access to formal financial services on a sustainable basis and in a cost effective manner. Formation and linkage of SHGs with banks helps groups paved away to develop their economic standards thereby building self confidence.

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11. NABARD: "Status of Micro Finance in India" 2007 – 2008 to 2016 – 2017

ANNXURE

Table – 1
SHGs-BANK LINKAGE PROGRAMME – AGENCY WISE

Cumulative No. of SHGs as on 31st March	Commercial Banks		Regional Rural Banks		Co-Operative Banks		TOTAL	
	No. of SHGs	% to TOTAL	No. of SHGs	% to TOTAL	No. of SHGs	% to TOTAL	No. of SHGs	%
2008	2810750	56.11	1388838	27.69	812208	16.22	5009794	100
2009	3549509	57.99	1628588	26.61	943050	15.40	6121147	100
2010	4052915	58.29	1820870	26.19	1073405	15.53	6953250	100
2011	4323473	57.95	1983397	26.59	1155078	15.48	7461948	100
2012	4618086	58.02	2127388	26.73	1214895	15.27	7960349	100
2013	4076986	55.72	2038008	27.86	1202557	16.44	7317551	100
2014	4022810	54.15	2111760	28.43	1294930	17.43	7429500	100
2015	4135821	53.73	2161315	28.08	1400333	18.20	7697469	100
2016	4140111	52.39	2256811	28.56	1506080	19.06	7903002	100
2017	4444428	51.82	2586318	30.16	1546129	18.03	8576875	100
CAGR	5.22		7.17		7.41		6.16	

Sources: Status of Microfinance in India - NABARD
Various Issues * Calculated

TOTAL SAVINGS OF SHGs WITH BANKS – AGENCY WISE

As on 31st	Commercial Banks		Regional Rural Banks		Co-Operative Banks		TOTAL	
	Amount in Rs. Lakhs	Amount Per Group in Rs.*	Amount in Rs. Lakhs	Amount Per Group in Rs.*	Amount in Rs. Lakhs	Amount Per Group in Rs.*	Amount in Rs. Lakhs	Amount Per Group in Rs.*
2008	207773.45	7392.10	116648.83	8411.14	54116.67	6662.92	378538.95	7555.98
2009	277298.94	7812.32	198975.08	12217.64	78287.80	8301.55	554561.82	9059.77
2010	397389.24	9805.02	129937.49	7136.01	122544.18	11352.31	649870.91	9346.29
2011	423006.42	9783.95	143539.67	7237.06	135084.19	11694.83	701630.28	9402.78
2012	415298.04	8992.86	130013.93	6111.49	109829.49	9040.25	655141.46	8230.06
2013	553257.05	13570.25	152710.20	7493.11	115758.22	9626.01	821725.47	11229.51
2014	663145.63	16484.64	195985.73	9280.68	130610.18	10086.27	989741.54	13321.78
2015	663067.47	16032.31	234657.37	10857.16	208259.23	14872.12	1105984.07	14368.15
2016	903388.77	21820.40	248428.13	11007.93	217322.11	14429.65	1369139.01	17324.29
2017	1017002.46	22882.64	363176.15	14042.21	231244.06	14956.32	1611422.67	18787.99
CAGR *	19.30	13.38	13.44	5.86	17.51	9.40	17.46	10.65

Sources: Status of Microfinance in India - NABARD Various Issues
* Calculated